COVID-19 AND BUSINESS CONFIDENCE IN BANGLADESH

FINDINGS FROM THE 3RD ROUND OF NATIONWIDE FIRM-LEVEL SURVEY IN JANUARY 2021

SELIM RAIHAN
MAHTAB UDDIN
MD. TUHIN AHMED
JABUN NAHER

SANEM
RESEARCH | KNOWLEDGE | DEVELOPMENT
The Asia Foundation

COVID-19 and Business Confidence in Bangladesh

Findings from the 3rd Round of Nationwide Firm-level Survey in January 2021

February 2021

Authors

Selim Raihan
Professor of Economics, University of Dhaka and Executive Director, SANEM

Mahtab Uddin
Lecturer of Economics, University of Dhaka and Research Economist, SANEM

Md. Tuhin Ahmed
Senior Research Associate, SANEM

Jabun Naher
Research Associate, SANEM

Acknowledgement

The successful accomplishment of this report based on the output of the third round of the Business Confidence Index (BCI) survey would not have been possible without the assistance of the people who have contributed immensely towards this survey. Our deepest appreciation and indebtedness are due to The Asia Foundation for collaborating with us in this timely endeavour.

We would like to take this opportunity to extend our sincerest gratitude towards Jonaed (Senior Research Associate, SANEM), and Mahmood Tabina Aida Xaviera (Intern, SANEM) for providing their valuable inputs and assisting the research team in preparing the report. We also thank Sk. Ashibur Rahman (Assistant Director and Admin, SANEM) and Shoaib Ahamad (Programme Associate, SANEM) for providing both internal and external communications and logistic support throughout the project.

This project would not have been possible without the hard work and determination of the enumerators who have played a central role in data collection for this study. We convey our heartiest gratitude to Takrem Ferdous Surid, Rifah Tasfia Ishadi, Nazia Tasnim Deepti, who are current students of Jahangirnagar University; Zahin Ferdous Maesha and Halima Binte Islam from Bangladesh University of Professionals; and Rafiul Ahmed from Shahjalal University of Science and Technology. Lastly, we would like to acknowledge the contributions of the survey respondents for taking out the time of their busy schedules to participate in this project.

Published in February 2021

Citation: Raihan, S., Uddin, M., Ahmed, M.T., & Naher, J. (2021). *COVID-19 and business confidence in Bangladesh: Findings from the 3rd round of nationwide firm-level survey in January 2021.* SANEM Publications, Dhaka, Bangladesh.

Published by
South Asian Network on Economic Modeling (SANEM)
Flat K-5, House 1/B, Road 35, Gulshan 2
Dhaka 1212, Bangladesh
Phone: +88-02-58813075
Email: sanemnet@yahoo.com
http://www.sanemnet.org

With supports from The Asia Foundation

Cover Design: Syeda Tasfia Tasneem

Publisher
SANEM Publications
252/3, North Goran, Khilgaon
Dhaka-1219, Bangladesh

Table of Contents

List of Tables

List of Figures

List of Maps

Acronyms and Abbreviations

BBS	*Bangladesh Bureau of Statistics*
BCI	*Business Confidence Index*
BCS	*Business Confidence Survey*
BGMEA	*Bangladesh Garment Manufacturers and Exporters Association*
BKEMA	*Bangladesh Knitwear Manufacturers and Exporters Association*
BTMA	*Bangladesh Textile Mills Association*
COVID-19	*Corona Virus Disease 2019*
EBI	*Enabling Business-Environment Index*
EDF	*Export Development Fund*
EPZ	*Export Processing Zone*
FDIs	*Foreign Direct Investments*
FY	*Fiscal Year*
GDP	*Gross Domestic Product*
GoB	*Government of Bangladesh*
GVA	*Gross Value Addition*
ICT	*Information and Communications Technology*
ID	*Identity*
MSMEs	*Micro, Small, and Medium Enterprises*
NAS	*National Accounts Statistics*
NBR	*National Broad of Revenue*
NIP	*National Industrial Policy*
OECD	*Organization for Economic Co-operation and Development*
PBSI	*Present Business Status Index*
R&D	*Research and Development*
RMG	*Ready-Made Garments*
SANEM	*South Asian Network on Economic Modeling*
SEZ	*Special Economic Zone*
SMEs	*Small and Medium Enterprises*
SMI	*Survey of Manufacturing Industry*
TAF	*The Asia Foundation*
TPE	*Total Persons Engaged*
VAT	*Value Added Tax*

Executive Summary

Since the first local case of COVID-19 in March and the subsequent lockdown, Bangladesh has been heavily affected by the pandemic - the impact of which has now spanned over the entirety of 2020. Firms in the private sector have struggled and are currently struggling - loss of sales, rise in business costs, decrease in productivity levels, and even permanent shutdowns are some of the issues firms are dealing with. While the end of the lockdown and reopening of businesses, combined with future hopes of a vaccine, have stimulated the economy towards recovery, it will not be sufficient without the implementation of appropriate government policies and close observation of private sector businesses - a major driving force in economic growth. In regards to this, SANEM and The Asia Foundation jointly conducted the third round of the Business Confidence Index (BCI) survey on over 502 firms in Bangladesh in attempts to investigate attitudes and expectations of businesses on profitability, investment, wages, employment, business costs, and sales or exports, amongst others.

Under this study, a total of 502 firms have been surveyed. Out of the 502 surveyed firms, 252 firms were from the manufacturing sector and 250 firms were from the services sector. Seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified based on Bangladesh's latest available National Accounts Statistics. The survey covers RMG, Textiles, Pharmaceuticals, Leather and Tannery, Light Engineering, Food processing, etc. in the manufacturing sector. In the Services sector, this study covers Wholesales, Retails, Restaurants, Transport, ICT and Telecommunications, Financial Sectors, Real Estate, etc. The number of firms to be surveyed for each of the subsectors was chosen based on the sub-sectors' contribution to the GDP.

Based on the survey responses, this study constructs four indices, namely – (i) Present Business Status Index in October-December 2020 compared to July-September 2020, (ii) Present Business Status Index in October-December 2020 compared to October-December 2019, (iii) Business Confidence Index for January-March 2021 compared to October-December 2020 and (iv) Enabling Business-Environment Index (EBI). The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights.

Besides such indices measures, this study includes a section on firms' expectation versus reality that attempts to explore whether the gaps between firms' expectations and realities are falling. A timely assessment of the stimulus packages is incorporated in a section that elaborates business thoughts on the availability and effectiveness of incentive packages, barriers to access to the incentive packages, major challenges of businesses, as well as most policy prioritized areas for firms from the government of the country. This study also covers a section on perception towards economic recovery that includes the opinions of the business insiders regarding their perceptions on the economic recovery and the type of recovery that Bangladesh might have.

Major Findings

The improvement in overall business status has slowed down. The overall Present Business Status Index (PBSI) in April-June 2020, July-September 2020, and October-December 2020 compared to the corresponding quarters of the previous year (2019) stands at 26.44, 34.23, and 36.50 respectively. While the PBSI seems to have improved, it is evident that it is not as significant in the third round. When compared to the last quarter (July-September 2020), the PBSI for the October-December 2020 quarter is 48.83 - which is a slight increase from previous quarterly comparisons.

Further improvement in overall business status in all sub-indicators of PBSIs; significant worsening of the business cost indicator. The third round of the survey, like the first two rounds, also shows the highest scores on employment and wages - which have increased to 46.12 and 52.19 in the October-December 2020 quarter compared to 2019. The higher score on wages can be attributed to appropriate government measures. For the profitability, sales/export and investment indicators, while the scores have increased between the third and second round, the jumps are not as significant as ones observed between the second and first round. PBSI for business cost compared to 2019 has decreased significantly in the October-December 2020 quarter, falling to 19.32 compared to 32.51 in April-June 2020 and 30.83 in July-September 2020. This is likely due to higher costs incurred related to pandemic safety measures and increases in raw material prices. This indicator is a cause of concern in terms of the long-run viability of businesses. When comparing October-December 2020 to its previous quarter, there is some increase in the scores for profitability, employment, wages and sales/exports indicators. However, investment and business cost scores have decreased compared to the last quarter - possibly due to a lack of confidence caused by the rise in new coronavirus variants and cases.

Minimal improvement in sectoral PBSI, but the service sector shows faster recovery. The PBSI scores in comparison to corresponding quarters in 2019 of manufacturing and service sectors have not increased as significantly in the October-December 2020 quarter compared to the July-September 2020 quarter. RMG, Leather & Tannery, ICT & Telecommunication, and Pharmaceuticals & Chemicals have fallen in terms of PBSI scores. Retail and Financial sectors hold the highest scores in the third round - 42.13 and 50.89 respectively, implying that service sector based businesses are recovering faster. Compared to the previous quarter, the PBSI trends in the October-December 2020 are also similar. Restaurants and Financial sectors have the highest PBSIs - 51.85 and 60.27 respectively. ICT, Leather, and Food Processing sectors have had notable decreases in this quarter. Overall, the Financial sector shows the most improvement.

The business confidence for the January-March 2021 quarter shows some improvement over business status in the October-December 2020 quarter. The BCI score for the January-March 2021 quarter, compared to the October-December 2020 quarter is 57.90, slightly higher than the previous quarter (55.24).

There is higher overall business confidence in the service sector, compared to the manufacturing sector. The service sub-sector BCIs seem to be higher than those of the manufacturing sector, with the highest overall BCI being that of the Financial sector (67.71).

While manufacturing sub-sectors have seen some increase in their BCIs, their scores are mostly below the overall BCI score.

Large firms continue to perform better than the Micro, Small, and Medium Enterprises (MSMEs) in both PBSI and BCI indicators. Like the first two rounds of the survey, the PBSI score compared to the previous quarter and the BCI score of large firms are much higher in comparison to other firm sizes. This is likely due to the advantages large firms have in times of economic turmoil, such as greater access to finance and a well-established business network.

Non-exporters seem to have higher PBSI and BCI scores compared to exporters, on multiple indicators. In the third round of the survey, all the PBSI sub-indicators besides investment have decreased for exporters compared to the second round. The wage indicator is the only statistically significant indicator - where exporting firms have a lower score. In terms of BCI, the lower scores imply that exporters lack confidence, likely due to the increased barriers in global trade due to the pandemic.

Higher PBSI and BCI scores for female-owned firms. Female-owned firms have shown better performance in the October-December 2020 quarter in comparison to the previous quarter. In the BCI sub-indicators, it is observed that female-owned firms have much higher confidence in terms of investment, employment and wages.

Realized business scenarios for the October-December 2020 quarter did not meet expectations. Across all sectors, the observed business scenario was lower than what was expected. This is worse than the second round, where at least the ICT industry had exceeded its expectations.

The gap between expectation and reality is getting smaller, however. Comparing the BCI to PBSI ratios from the three rounds of the survey, it can be seen that compared to the first two rounds the third round has a much smaller difference between expectations and reality. This implies that the impacts of the pandemic are becoming more predictable and measurable, allowing firms to set their targets accordingly.

Business environment is becoming more unfavourable for firms. The overall EBI scores in all three rounds are 45.19, 44.61, and 43.39 respectively, which are quite low. It is particularly concerning as it seems to be decreasing over the quarters. EBI scores of every component, besides corruption, in the overall score has decreased in the October-December 2020 quarter.

Sectors such as RMG, leather, light engineering, and ICT have had improvements in their business environments in the October-December 2020 quarter compared to the July-September 2020 quarter. In contrast, sectors like textile, wholesale, retail, transport, real estate, food processing, and financial sectors have had a decrease in the EBI scores in the October-December 2020 quarter compared to the July-September 2020 quarter.

Large firms have better business environments. The EBI score of large firms is 47.22, while the scores for the medium and micro and small firms are 42.27 and 41.78 respectively in the third round.

Female-owned businesses seem to have higher EBI scores. The EBI score of female-owned firms is 45.7, while the score for the firms with no female ownership is 42.2. This can also imply that higher EBI leads to greater female ownership.

Higher EBI scores relate to higher PBSI and BCI scores. The greater the EBI in the current quarter, the greater the business confidence in the next quarter. For PBSI, having a better business environment in the current quarter leads to a better business status in that same quarter.

Around 71% of the surveyed firms think that Bangladesh's economy is moving towards recovery. There are variations in terms of divisions, however. Northern-Western divisions are more optimistic than Southern divisions. In terms of sectors, a greater percentage of firms in the service sector (74.8%) are optimistic about economic recovery than those in the manufacturing sector (67.06%). Amongst all the sub-sectors, the Financial sector is the most optimistic (92.86%). Stimulus package receiving firms were also more optimistic (78.57%). In terms of firm size, large and medium firms are more optimistic than micro and small firms.

A moderate economic recovery is expected by 40% of firms. In contrast, strong recovery is expected by 16%, weak recovery by 15% and no recovery by 29%. In terms of sectors, most manufacturing and service sector firms feel the same as the majority. It is also observed that sub-sectors with higher BCI and PBSI are more optimistic. In terms of firm size, large and medium firms expect a moderate or strong recovery more than micro and small firms.

69% of the surveyed firms are yet to receive any stimulus packages announced by the Government of Bangladesh. Around 19% of the respondents said their firm received the stimulus package announced by the GoB. Around 9% of the respondents were not sure whether their firm received the stimulus package or not.

The distribution of the firms with stimulus packages is not uniform across divisions. The distribution is the highest in Dhaka, where 31% of the firms surveyed responded that they received the stimulus package. In Chittagong, 28% of the surveyed firms received the incentive package. This rate is 28% in Chittagong, and 11-17% in Khulna, Rajshahi, Rangpur, and Mymensingh. Sylhet and Barisal have the lowest rates - 8% and 0% respectively.

The manufacturing sector availed more stimulus packages than the service sector. 80% of the firms that received the stimulus packages are from the manufacturing sector. From the firms surveyed in the manufacturing sector, 35.7% of the firms received the stimulus packages, with RMG and Textiles being the majority. In the services sector, 8% of the surveyed firms received the stimulus package - most of them being from the Financial, Wholesale, Transport, and Real Estate sectors.

Large firms received more stimulus packages than micro, small and medium firms. 45.8% of the surveyed large firms received stimulus packages, whereas this rate was 27.8% for medium firms, and 9.5% for micro and small firms.

Major factors that led to firms not availing the stimulus packages were the lengthy procedure, lack of packages for certain industries, difficulty in obtaining information, the package not being a grant etc. 88% of 172 respondents stated that the reason for not availing of the stimulus package is 'it is not a grant rather a loan with soft terms'. For 83% of 190 firms, there were no packages for their respective industry. 82% of 136 firms cited that delays in receiving the package are what discouraged them from availing it. 77% of firms out of 150 stated that they did not avail themselves due to bank-related difficulties. Additional factors include difficulty in obtaining information, the size of the package itself and even bribes.

Major problems faced by firms who did receive the stimulus packages were difficulties in bank-related services, the lengthy procedure, difficulty in obtaining information, the amount of the package etc. 86% of 152 firms stated the lengthy procedure as a major problem. Difficulty in bank-related services was a major problem for 71% of 156 firms. Around 50% of 108 firms responded that their major problems were in understanding the procedure itself and obtaining information. 26% of 127 firms thought that the amount of the package was not enough.

Firms that have received stimulus packages have higher mean PBSI scores on all sub-indicators besides wage than non-recipients. Recipient firms are notably better off in terms of investment and sales/exports with a 2.51 and 2.94 percentage points higher score respectively. This implies that recipient firms are performing better than non-recipient firms during the October-December 2020 quarter than the previous quarter.

Firms that have received stimulus packages have lower business confidence in terms of profit, employment, business costs, and sales/exports. This is related to the majority of stimulus package receivers being exporters (78.18%). It was previously observed exporters have lower BCI scores than non-exporters.

Stimulus packages may help improve business environment. The EBI score of firms that received the stimulus packages is 47.45, higher than the overall EBI of all firms which is 43.39. It is also higher than the EBI of non-recipient firms, which stands at 42.25.

Policy Implications

Lowering the implicit/indirect costs for the businesses: Implicit or indirect costs indirectly increase the overall business costs. The higher the implicit/indirect costs, the lower the overall business performance of the firms. Therefore, the government must focus on improving the overall business environment to lower such implicit/indirect costs of business operation. Higher EBI, perhaps, indicates lesser indirect and implicit costs borne by a firm. It also represents lower business risks.

Restructuring or rationalization of the tax system: As this study has identified, there is a need to rationalize the overall tax system in terms of both export and import. The complex tax structure needs a complete redesign following international best practices. Redemption of duties and taxes through a planned and informed procedure to reduce business costs in times

of uncertainty and suppressed confidence in the business environment would be essential for future development.

Revising trade license procedure for the business community: To get a trade license or to renew a trade license increases the overall cost of business. The GoB should bring the activities of trade license procedure under the banking system so that the businesses can get trade license within a reasonable payment and time.

Constructing a proper database on the business community: To sustain and revive the overall business environment, a proper database on employees' list, wage list, employees' different allowance list, etc. is crucial because it can give us a proper idea about the business community. Based on the information from the database, the GoB can easily undertake the necessary strategies and monitor the overall business situation. So, the GoB should undertake a policy framework to create the proper database and prepare a common platform on which all types of data will be available. A proper database will be very helpful for the policy-makers to understand the overall business environment and to design the relevant & contemporary policies.

An increase in public expenditure on R & D (Research and Development): To mitigate the challenges being faced by firms through the fourth industrial revolution, it is high time for the government to increase public expenditure on R & D. Private sector should be motivated to invest in R & D. The GoB should undertake a proper policy framework for R & D to encourage the business community for innovation and productivity. ICT, which is one of the vital facilitators of boosting MSME businesses as well as large firms should be developed.

Increasing the facilities of Export Development Fund: Export Development Fund (EDF) is crucial for the exporters to penetrate global markets. The exporters of the major export earning sector (such as RMG) in Bangladesh are the most sufferers due to the ongoing COVID-19 pandemic. In this regard, Bangladesh Bank reduced the interest rate on Export Development Fund (EDF) to support exporters recuperate from the economic impact of the pandemic. Nonetheless, the central bank should also simplify the conditions of availing of the EDF to meet the import requirements of non-traditional manufactured items. If the GoB undertakes a policy design for the EDF during the pandemic to revive the export sector, the non-traditional exporters, particularly new exporters, exporters diversifying into higher-value exports, and exporters diversifying into new markets will get the opportunities to export their products easily into the international market.

Easing up duty drawback facility and increasing export cash back facility for the export sectors: At the beginning of the pandemic, the world economy has become a standstill. The export sectors of all over the world including Bangladesh have been severely affected. To revive the export sectors of the country, the GoB should provide some additional incentives such as lowered interest rate for a longer period, increased and eased up duty drawback facility, and increased export cashback facility.

Effective implementation of the stimulus packages for the MSMEs sector: As observed in the survey, MSMEs were least successful in availing a stimulus package compared to the large firms. The barriers to access to stimulus packages by the small and medium firms need to be

identified and solved. The survey has shown that the business status of the stimulus package recipient firms is much favourable compared to the non-recipient firms. The recipient firms are performing relatively well compared to the non-recipient firms. It implies that the stimulus packages should be expanded and modified with a long-term plan as soon as possible to revive the MSME sector of the country. The requirements and procedures of getting the packages should be simplified and easier.

Conducting an appropriate assessment for the effective implementation of the stimulus packages: It is important to assess the efficacy of the stimulus packages and bring on any required modifications. A mere announcement of the stimulus packages will not be an adequate measure to aid businesses to overcome the negative effects of the ongoing COVID-19 pandemic. Though the GoB has made a timely release of the funds, businesses particularly MSMEs could not manage to receive the monetary benefits and utilize them on time due to barriers in the form of corruption, banking non-transparencies, information asymmetries' and a complex taxation system. Thus, the GoB should conduct an assessment about the proper implementation of the stimulus packages to identify the ineffectiveness in the processes and institutional arrangements.

Easing the disbursement of the stimulus packages from the banking sector: As has been observed in many media reports that the banks are less interested in disbursing the incentive packages to the medium, small, and micro firms. In many cases, the incentive packages have only been disbursed to the existing customers of the banks and there is also a strong bank-client relationship between the banks and the large firms. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the medium, small, and firms. All problems against access to finance identified and relevant policy support should be made sure. The post-pandemic policy criteria of the bank-client relationship should be simplified and easier. Moreover, in Bangladesh, many business entities remain outside of the formal banking system. The central bank of the country can undertake necessary measures in collaboration with the National Board of Revenue (NBR) in devising a policy so that all business enterprises come under the financial sector network and the non-banking firms are given the opportunities to get the loan facilities amid the crisis.

Focusing on appropriate policy formulation and design: The GoB should undertake an appropriate policy design and create a business-friendly environment amid the pandemic to retain and increase the business confidence of the business community. The GoB should adopt strong monetary and fiscal policies to increase investment and to create new job opportunities and stimulate overall economic activities. The GoB should also start a combined discussion with the private sector to revive the economy. To vibrate the supply side of the economy, the GoB should focus on domestic demand generation and a strong supply chain management for the businesses as well.

Making all types of information available for businesses: As this study has identified, there has been a sequential change in the gap between expectations and reality amongst the firms. Since the pandemic has now taken a path more predictable than before, expectations formed by the firms now are more aligned to reality. The firms would be more responsive to policy changes now than before – a window the government must capitalize.

Section I: Background

The global economy has experienced a severe economic recession, followed by a decline in economic activities due to the COVID-19 pandemic. Worldwide stringent measures preventing the community transmission of the contagious virus have slowed down economic activity and disrupted the global supply chain. The impact on Bangladesh and its economy has been no different. Bangladesh depends highly on the import of raw materials and earnings from RMG export and foreign remittances. Subsequently, supply chain disruptions have adversely affected the economy - particularly in poverty, inequality, and employment through the closure of businesses. To revive the economy from this crisis, the Government of Bangladesh (GoB) had announced several incentive packages for businesses at the onset of the pandemic. As a result, Bangladesh's economy is on the path towards recovery, albeit quite slowly. With the invention and approval of the COVID-19 vaccine, however, there have been high hopes that the economy will pick up the pace. Although there are uncertainties about new variants and new waves of the virus, inoculation has already begun - a positive indicator of a strong recovery. In addition to such measures, the continuous and close monitoring of the private sector is indispensable as it is one of the engines of economic growth in the country.

How the business community responds to various phases of economic recovery is, therefore, crucial to have a clear perspective of the community. While announcements of stimulus packages and vaccination programmes aspire to business expectations, the actual business revival depends on the successful implementation and effectiveness of stimulus packages and vaccination programmes. Therefore, continuous monitoring is required to comprehend whether and to what extent the business confidence responds to the policy changes. Such observation enables the policymakers to answer some vital questions such as, 'whether the private sectors are confident enough for their returns', 'what are their perceptions regarding the investment opportunities in the next quarter?', 'what are their perceptions regarding employment, or wages scenario?', 'how they think the overall business cost in the economy going to be in the next quarter?', 'what are their views about ease of doing business and the overall business environment during the outbreak of COVID-19?', or how much they are confident about the economic recovery amid the pandemic?'

The answers to these questions are enormously significant for three reasons. First, based on the responses from the business insiders, it is possible to measure the current confidence level of the business community. Such a parameter is essential in understanding the entire picture of this community. Second, such data, if continuously monitored after regular intervals (such as monthly/quarterly) reflects the depth and motion of the crisis. It reveals some vital information on the implementation of the government-announced recovery packages as well. 'How well are the incentive packages are working?' 'Which sectors need more revamped attention than others?' etc. provides crucially important insights to the Government to understand the present business situation. Last but not least, such indicators work as a 'collective tool' to bridge the business community with the policymakers to visualize the actual business environment. Since this information reflects sector-specific business confidence, it can be of particular use for business communities in voicing attention to their sectors from the Government.

Such investment and business confidence monitoring tools are widely available in developed economies. The OECD countries regularly update an index named Business Confidence Index with a similar objective. Since the Asian Crisis in the late 1990s, the East Asian countries periodically monitor and update information on 'business sentiment'. Most of these countries collect this data at a regular interval, such as monthly or quarterly. As already mentioned, during a crisis period, such monitoring becomes more crucial. In the context of Bangladesh, no such regular monitoring data on 'business confidence' is available.

Faster economic recovery in this unprecedented time would not be possible for Bangladesh if the private sector investment does not boost up. More than three-quarters of Bangladesh's total investment comes from the private sector. The private sector investment creates new job opportunities and vibrates a virtuous multiplier effect across the backward and forward linking industries. Such new investments are only possible when the business communities feel more certain of their returns along with minimalized risks. Like the practices in the advanced economies, Bangladesh needs to regularly monitor the business confidence so that adequate policy adjustments are possible in the revised/new incentive packages as the unprecedented crisis unfolds.

Against this backdrop, regular and timely monitoring of the confidence of the business insiders that will capture their concerns and expectations could not be timelier. The Business Confidence Survey by South Asian Network on Economic Modeling (SANEM) and the Asia Foundation (TAF) aims to capture this perspective quarterly for the FY2020-21. SANEM, with supports from TAF, collected the data from representative Manufacturing and Services sectors for the first quarter of FY2020-21 in July 2020. This round revealed the urgent state of business in the country. The findings from this round of the report were presented and published in 2020. The second round of the survey was conducted in October 2020 and disseminated its findings in November 2020. This round showed signs of economic recovery. The third round (conducted on January 21) of the survey, therefore, provides an opportunity for a better understanding of the economy's pulse as the COVID situation unfolds. This round covers the present business scenario of the firms during October-December 2020 and their expectations about the overall business environment for January-March 2021. This report is a summary of the findings from the third round of the BCI survey.

Objectives of the Business Confidence Index (BCI) survey

The main objective of the business confidence survey is to analyze and highlight the expectations of the business communities on investment, employment, wages, stimulus packages, performances related to business costs, sales or exports, the status of the overall business environment, and the status of the potential economic recovery during the existing course of the COVID-19 pandemic.

More specifically, the objectives of the survey could be outlined as follows:

- Industry expectations of profit, business expenditure, prices, employment, wages, and new investment opportunities, total output, export demand, domestic output demand & supply, etc.
- Business thoughts on incentive packages (adequate/inadequate; effectiveness; etc.)
- Barriers to accessing the incentive packages

- Views on the overall business environment (favourable/unfavourable), infrastructural barriers, covid-19 related challenges, etc.
- Perceptions on economic recovery during the COVID-19 pandemic.

Organization of the report

The rest of this report is organized as follows: Section II details the survey methodology, sampling framework, as well as indices methodologies. Section III elaborates on the basic characteristics of the surveyed firms. Section IV details the findings from the analysis of the present business status indices and business confidence indices. Section V attempts to explain the gaps between firms' expectations and realities. In section VI, this report presents the analyzes of the enabling business environment indices and their components. In section VII, this study analyzes the insights of economic recovery from the firm's perspectives. Section VIII elaborates on the results and analysis related to the stimulus packages, existing business environment, and identified policy priorities from the survey. Finally, section IX concludes with a set of policy recommendations.

Section II: Methodology

SANEM and The Asia Foundation (TAF) jointly initiated a Business Confidence Index (BCI) survey on a quarterly basis. The first round of the BCI survey was conducted in July 2020 and based on the survey findings, a report was published in August 2020. In October 2020, the second round of the BCI survey was conducted and findings from the survey were disseminated in November 2020. The third round of the BCI survey was conducted in January 2021, which is the continuation of the survey. However, the current study is a comparative analysis of these three rounds. Since it is imperative to assess the business community's reality and expectations over the quarters in a consistent way, the study followed a similar methodology in line with the first and second round analysis.

Survey Methodology

The study has been carried out based on 'primary data' collected from the business person in three rounds. This section details the survey methodology.

Survey Coverage

All three rounds of the BCI survey have covered firms from the Manufacturing and Services sectors. The firms are categorized into micro, small, medium, and large based on their sizes as defined in the National Industrial Policy 2016. The definition of the firm sizes differs for the manufacturing and the services sector (Table 1).

Table 1: Sector-wise firm size classification

Firm Size	Manufacturing sector (Total Persons Engaged, TPE)	Services sector (Total Persons Engaged, TPE)
Micro Firms	Less than 30	Less than 15
Small Firms	Between 31 and 120	Between 16 and 50
Medium Firms	Between 121 and 300	Between 51 and 120
Large Firms	More than 300	More than 120

Source: National Industrial Policy, 2016

Survey technique and sampling framework

All three rounds of the survey have been convened with the top managers of the firms over the phone. To construct a panel study, the survey will be conducted quarterly for another round on the same sample used in the third round.

Sampling framework

The sample size of the first-round survey was specified to be 300 firms (150 manufacturing firms and 150 services sector firms). However, taking into consideration of suggestions from the stakeholders, the sample size of the second-round survey has increased to 502 firms (252 manufacturing firms and 250 services firms). In the third round, the study team attempted to reach all 502 firms surveyed in the second round. A systematic approach for all three rounds has been followed in selecting the intra-industry sample sizes. It is noteworthy that Bangladesh is heavily concentrated only in a few industrial sectors. For instance, the RMG alone contributes most of the value-added in the GDP from the manufacturing sector. Therefore, if we choose our samples only based on the relative shares of the sectors in the Gross Value Addition (GVA), the sample will be highly biased to only a few sectors. For

ensuring appropriate representation of the major subsectors (both from the manufacturing and the services sectors), the sample selection in this study has been made in two steps.

Sampling framework for the manufacturing sector

Since the third round of the survey attempted to reach all 252 manufacturing firms surveyed in the second round, we, in brief, have analysed the sampling distribution for the second round first. Then we have calculated the attrition rate of the survey and introduced the sampling approach of new firms as well.

In the second-round survey, we blocked at least 15 firms to be interviewed from all these sub-sectors (Table 2). Therefore, 105 firms (15 firms from each of the seven sub-sectors) had been selected in the first stage.

Table 2: Sampling distribution from the manufacturing sector

	Second Round (October-2020)				Third Round (January-2020)			
Manufacturing Sector	**First Step Total**	**Second Step Total**	**Grand Total**	**%**	**Covered from second round**	**New Survey**	**Grand Total**	**%**
Ready Made Garments (RMG)	15	68	83	33%	82	0	82	33%
Textiles	15	30	45	18%	42	3	45	18%
Leather & Tannery	15	5	20	8%	17	3	20	8%
Pharmaceuticals & Chemicals	15	9	24	10%	24	0	24	10%
Food and Agro-Processing	15	25	40	16%	35	6	41	16%
Electronics & Light Engineering	15	8	23	9%	21	2	23	9%
Others (Cement, Steel etc.)	15	2	17	7%	17	0	17	7%
Total	105	147	252	100%	238	14	252	100%

Source: Authors' estimation based on GVA, Survey of Manufacturing Industry (SMI)-2012, BBS

After the first stage allocation of firms in the total sampling framework, the rest of the firms (out of 252 firms) were selected based on each sub-sectors' contribution of these sectors' total Gross Value Addition (GVA) in the economy.[1] That is, in the second stage, the remaining 147 firms (out of a total 252 firms) in the manufacturing sector had been selected based on these sub-sectors contribution to the Gross Value Addition (GVA)[2] in the economy.

For instance, RMG contributed around 50 per cent of the total value-added of the manufacturing sector in the GDP. Therefore, out of the 147 remaining firms, 68 firms had been assigned to the RMG sub-sector. Likewise, the number of firms for each of the other sub-sectors had been determined. Finally, we got the total number of firms to be surveyed for this exercise summing up the first-step and second step totals. Therefore, based on our approach, we determined to survey 83 RMG factories for the second round, which is roughly 33 per cent of our total sample size for the manufacturing sector.

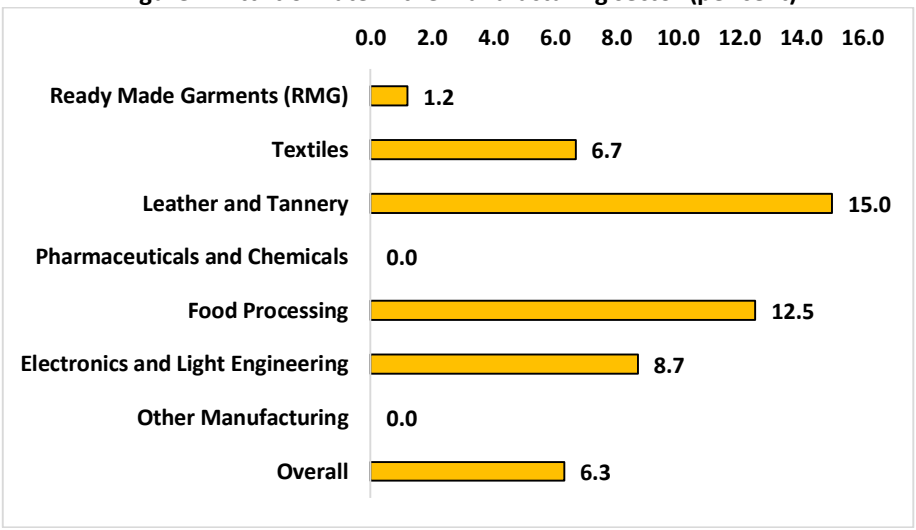
In this third round, out of 252 firms, we were able to reach 238 firms. The rest 14 firms were not possible to be communicated as the firms were not interested to make available for their interviews in this round.

[1] The second stage is identical for both rounds of the survey

[2] GVA has been calculated from the Survey of Manufacturing Industry (SMI)-2012, BBS

14 firms from the second round (out of 252 firms) dropped in the third round taking the overall attrition rate in the manufacturing sector to 6.3 per cent (Figure 1). The highest attrition is found in Leather & Tannery (15 per cent), followed by Food Processing (12.5 per cent), and Electronics and Light Engineering (8.7 per cent) amongst others. However, these firms were attempted to replace from the same industry following systematic random sampling (Table 2).

Figure 1: Attrition rate in the manufacturing sector (per cent)



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Sampling framework for the services sector

A similar sampling methodology had been followed in the services sector for the second round of the survey. The services sector had been classified into eight major sub-sectors. In the first step, we blocked a minimum of 15 firms to be surveyed from each of these sub-sectors for the second round of the survey. In total, in the second round of the survey, 120 firms were selected in the first stage (Table 3)

In the second stage, based on the relative weight in the Gross Value Addition in each subsector's GDP, we had assigned the remaining number of firms. Therefore, the remaining 130 firms had been assigned to each of the sub-sectors' based on their contribution to the total Gross Value Addition (GVA)[3] in the economy. For instance, according to Bangladesh's National Accounts Statistics (2019), the Wholesalers alone contribute around 15 per cent of the total value-added of the services sector in the GDP. Hence, in the second step, 15 per cent of the remaining firms (i.e.19 firms) were assigned to the Wholesales.

Finally, we got the total number of firms for each of these eight sub-sectors by summing up the first step and second step total. Out of the 250 firms from the services sector, the second-round survey covered 34 firms from the wholesales, 45 firms from the retails, 18 firms from the hotels and restaurants, 40 firms from transports and constructions, 25 firms from ICT and telecommunications, 28 firms from financial sectors, 42 firms from real estates, amongst others.

[3] GVA, National Account Statistics, 2018-19 (Final), BBS.

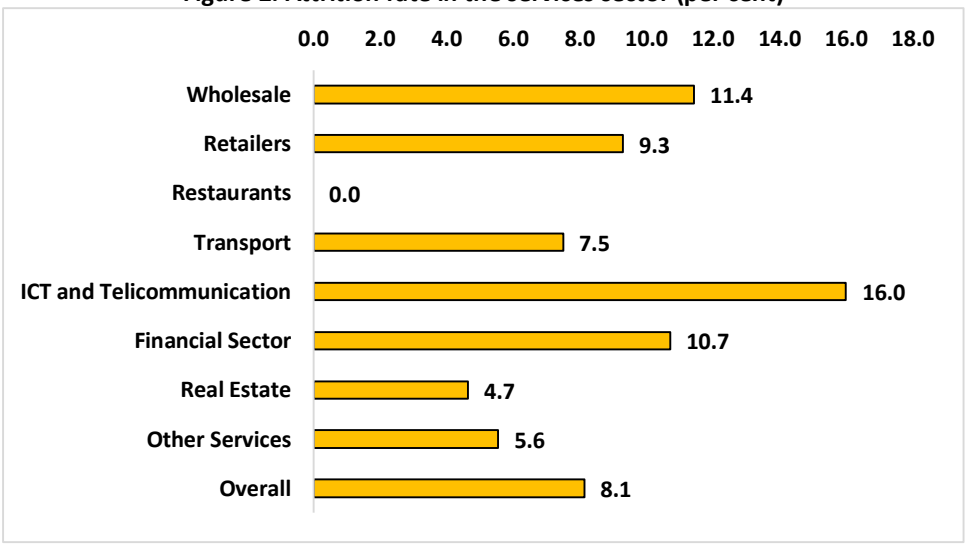
Table 3: Sampling distribution from the services sector

	Second Round (October-2020)				Third Round (January-2021)			
Services Sector	**First Step Total**	**Second Round Total**	**Grand Total**	**%**	**Covered from second round**	**New Survey**	**Grand Total**	**%**
Wholesales	15	19	34	14%	31	3	34	14%
Retailers	15	30	45	18%	39	6	45	18%
Hotel & Restaurants	15	3	18	7%	18	0	18	7%
Transport & Construction	15	25	40	16%	37	3	40	16%
ICT & Telecommunication	15	10	25	10%	21	4	25	10%
Financial Sector	15	13	28	11%	25	3	28	11%
Real Estate	15	27	42	17%	41	1	42	17%
Others (logistics, tourism etc)	15	3	18	7%	17	1	18	7%
Total	120	130	250	100%	229	21	250	100%

Source: Authors' estimation based on GVA, National Account Statistics, 2018-19 (Final), BBS

Out of 250 firms, the study team was able to reach 229 firms in this third round. The rest 21 firms were dropped as firms were not interested to participate in this round. 21 firms from the second round (out of 250 firms) dropped in the third round taking the overall attrition rate in the services sector to 8.1 per cent (Figure 2). The highest attrition is found in ICT & Telecommunication (16 per cent), followed by Wholesale (11.4 per cent), and Financial Sector (10.7 per cent) amongst others. However, these firms were attempted to replace from the same industry following systematic random sampling (Table 3).

Figure 2: Attrition rate in the services sector (per cent)



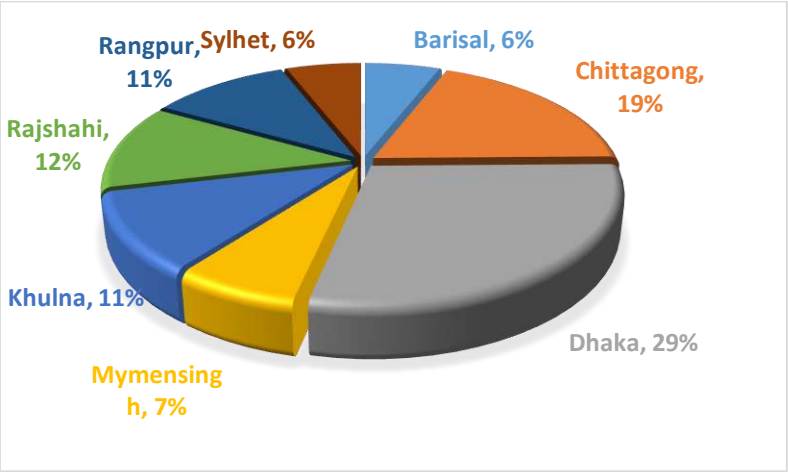
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Sampling distribution across divisions

As mentioned earlier we have followed a similar methodology in line with the first and second round analysis, the divisional weights remain the same over the quarters. For ensuring proper representation of the firms across the country, all the subsectors were distributed across the divisions based on 'divisional weights. These 'divisional weights' had been generated based on total industrial concentration. From the BBS Economic Census of 2013, we had estimated

the relative share of each of the divisions in terms of economic establishments. For instance, based on the Economic Census, it was observed that almost 29 per cent of the total economic establishments of Bangladesh were concentrated in Dhaka. This rate was 19 per cent for Chittagong, 12 per cent for Rajshahi, 11 per cent for Khulna, seven per cent for Mymensingh, and six per cent for Barisal and Sylhet respectively (Figure 3).

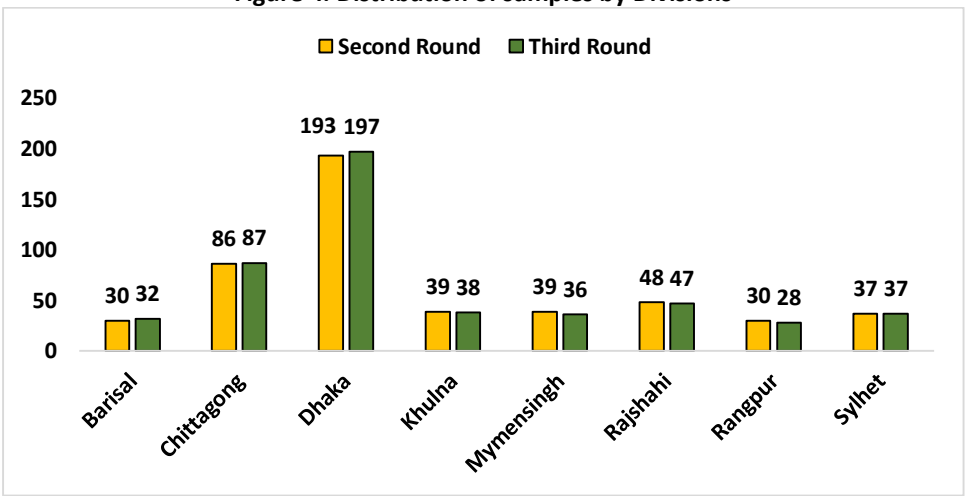
Figure 3: Distribution of economic establishment by Divisions (% of total)



Source: Authors' calculation based on Economic Census 2013, BBS

We had consumed this divisional weight as the basis for our sampling distribution across divisions. Therefore, we selected 193 firms out of 502 firms for the second round of the survey. In the third round, the surveyed firms were 197 (out of 502 firms) from Dhaka divisions (Figure 4).

Figure 4: Distribution of samples by Divisions



Source: Authors' calculation based on SANEM BCI (second and third round) Survey 2020-21

Having determined the total number of firms to be surveyed from each of the divisions, in the last stage of our sampling, we had identified the number of firms to be surveyed for each of the subsectors from these divisions. For instance, in the second round BCI survey, according to our sampling framework, 60 of the firms should be from the Rajshahi Division. Out of these 60 firms, thirty would be from the manufacturing sector, and thirty would be from the services sector. The thirty firms from the manufacturing sector include RMG (11 firms), Textile (five

firms), Leather and Tannery (two firms), etc. The thirty firms from the services sector include Wholesale (five firms), Retail (five firms), Hotel and Restaurants (two firms), etc. (Table 4).

Table 4: Sectoral sample distribution for Rajshahi Division
Rajshahi Division (60)

Manufacturing Sector (30)	*Weight*	*Distribution*	*Services Sector (30)*	*Weight*	*Distribution*
Ready Made Garments (RMG)	0.35	11	*Wholesales*	0.16	5
Textiles	0.18	5	*Retailers*	0.16	5
Leather & Tannery	0.07	2	*Hotel & Restaurants*	0.07	2
Pharmaceuticals & Chemicals	0.10	3	*Transport & Construction*	0.18	6
Food and Agro-Processing	0.16	5	*ICT & Telecommunication*	0.10	3
Electronics & Light Engineering	0.08	2	*Financial sector*	0.11	3
Others (Cement, Steel, furniture etc)	0.06	2	*Real Estate*	0.15	5
Total	1.00	30	*Others (logistics, tourism, etc)*	0.06	2
			Total	1.00	30

Source: Authors' calculation based on SANEM BCI (second round) Survey, 2020-21

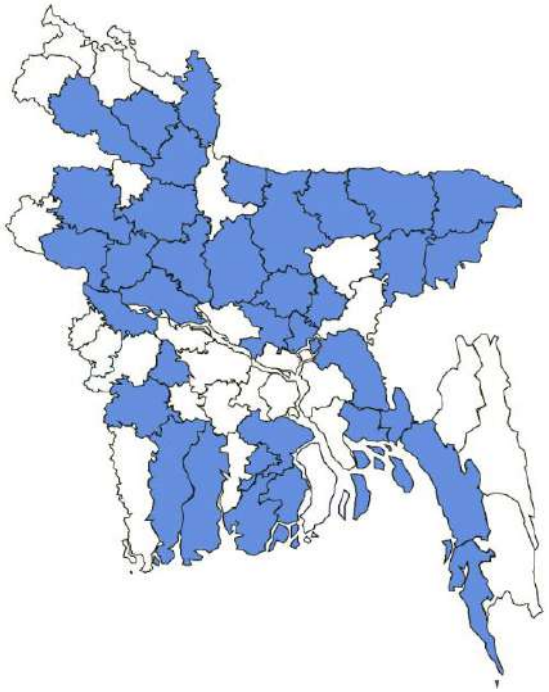
It is noteworthy that not all the industries were available in all divisions. For instance, there were no Leather and Tannery firms in Barisal. In that case, we incorporated another firm (such as agro-processing, food processing, etc.) from other sub-categories to maintain total divisional balance. The omitted subcategory was covered from the districts where it was more available. For instance, in this case, the tannery was most available in Dhaka. Hence, we incorporated it from Dhaka and provide one agro-processing firm to Barisal taking that from the Dhaka Division. Despite the practical problems faced during the survey, the actual sample for both rounds of the survey was kept quite close to the original sampling framework. In the third round of the survey, the randomly drawn samples (502 firms) cover 36 districts of Bangladesh (Map 1).

Selection of firms

Each of the firms (new firms as well) from the respective divisions is chosen randomly. To do so, SANEM has incorporated the list of all firms from the respective business association's websites (such as BGMEA, BKEMA, Bangladesh Textile Mills Association (BTMA), etc.). From the lists, we divided the firms across the divisions. Each of the firms was provided with a unique ID. Thereafter, based on those IDs, each of the firms from the respective divisions was selected randomly using a random number table.

Noteworthy to mention, in the second-round survey, we attempted to survey all participants from the first round since one of the objectives of the BCI survey was to create as well as analyze the Business Confidence Index (BCI) within a panel data framework. However, out of 303 firms surveyed in the first round, 53 firms opted out of the survey. Therefore, the attrition rate was around 17% in the second round of the survey. The rest of the 250 firms were selected following the specified methodology mentioned above.

Map 1: Covered districts in the third round BCI survey

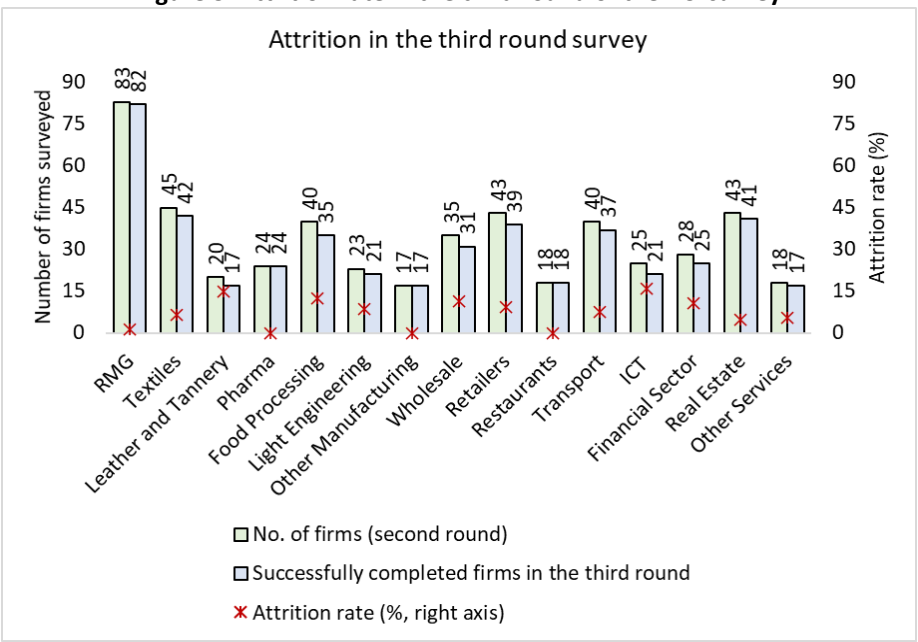


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Attrition rate in the third round of the BCI survey

35 firms from the second round (out of 502 firms) dropped in the third round taking the overall attrition rate to 6.9% (Figure 5). Out of the 35, five firms went out of business due to the COVID-19 crisis, 16 firms declined, and 14 firms could not be reached. Among the five shut down firms, two firms are from Electronics, 3 more firms are from the Textile, Real Estate, and Tourism sector. The highest attrition is found in ICT & Telecommunication (16%), followed by Leather & Tannery (15%), and Food Processing (12.50%) amongst others. These firms were replaced from the same industry following systematic random sampling.

Figure 5: Attrition rate in the third round of the BCI survey



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Business Confidence Index (BCI) Methodology

Indicators for the assessment

Business Confidence and Business status have been assessed based on six indicators. The indicators were selected in such a way that they can reflect the economic condition as well as the business outlooks of firms (Figure 6). The six broad indicators include: (i) profitability, (ii) investment, (iii) employment, (iv) wages, (v) business cost, and (vi) sales/exports.

Figure 6: Broad indicators for BCI/PBSI assessment

Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

Apart from the six indicators, the survey also covered several other important areas such as stimulus package, problems faced by the firms in acquiring stimulus package, current business challenges, and the overall business environment, etc. A questionnaire was developed to compute the attitudes and outlooks of business firms on these parameters (Annex 2).

The questionnaire was developed in such a way so that it could be used for forecasting the next quarter's business confidence and commenting about the present quarter compared with the previous quarter of the same year as well as the corresponding quarter of the previous year. Therefore, for each indicator, the respondents were asked three questions for the third round BCI survey:

(i) *What was the condition of his business on the indicator 'i' in October-December 2020 compared to October-December 2019;*

(ii) *What was the condition of his business on the indicator 'i' in October-December 2020 compared to July-September 2020;*

(iii) *And what is the expectation on the condition of his business on the indicator 'i' in January-March 2021 compared to October-December 2020*

For instance, regarding the business confidence in profitability, a sample question for the third-round survey was like, "compared to the last quarter (October-December 2020), what is your perception regarding profitability in your business in the next quarter (January-March 2021)". The respondents had five options to choose from: (i) much worse, (ii) worse, (iii) same as before, (iv) better, and (v) much better (Figure 7).

Figure 7: Likert options for answering the questions

Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

The choice 'Much worse' is interpreted as the situation where the respondents think that the condition on the selected indicator is extremely bad or the situation will be far worse soon. On the other hand, the option choice 'much better' means the respondent thinks his business is doing very well compared to the reference quarter or expects his business condition to improve highly from the last quarter to the next quarter.

The first-round survey was conducted over the phone during 15-23 July 2020. In a similar approach, the second-round survey was conducted during 12-25 October 2020. Again, the third round of the survey was piloted during 5-21 January 2021. From each round survey, two indices have been calculated- (i) the Index derived from present quarter data which is called – Present Business Status Index (PBSI), and (ii) the Index derived from the assessment of the sample firms based on the anticipation of business conditions in the next quarter, which is called the Business Confidence Index (BCI). In the case of PBSI, two versions are generated: (i) PBSI-last quarter – where the Present Business Status Index is measured compared to the business status in the last quarter; and (ii) PBSI-last year: where the business status PBSI is measured in comparison to the business status during the same quarter in the last year.

The methodology of the indices

The BCI/PBSI has been prepared based on the qualitative answers to the questions in the survey. The responses have been converted into quantitative data by assigning weights to it (Table 5). The lowest weight zero (0) is assigned to the worst confidence, i.e. for the response "much worse". The corresponding points 25, 50, 75, or 100 are assigned to the options of "worse", "same as before", "better", and "much better" respectively.

Table 5: Weights assigned to five Likert response options

Sl.	Responses	Weights
1	Much worse	0
2	Worse	25
3	Same as before	50
4	Better	75
5	Much better	100

Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

Steps to calculating the indices

In the first step the scores for the sub-indicator k (such as profitability) for sub-sector j (such as RMG) is calculated as follows:

$$s_{jk} = \frac{\sum_{i=1}^{n} x_i}{n}$$

Here,

j is the sub-sector (such as RMG under manufacturing),
k is the sub-indicator (such as profitability)
x_i is the score of the firm in that indicator (such as the score of a firm in the RMG on profitability)
and n is the total number of firms surveyed in that sector (RMG).

Based on these scores, the index (BCI or PBSI) for the subsector j (such as RMG) is calculated as follows:

$$I_j = \frac{\sum_{k=1}^{m} s_{jk}}{m}$$

Where,

- I_j is the index value of subsector j
- m is the number of sub-indicators (which is six in this case)

Based on the scores, the weighted BCI/PBSI for each of the sub-indicators for the broad sectors (such as manufacturing/services) is calculated as follows:

$$I_{Lk} = \sum_{k=1}^{m} \omega_j s_{jk}$$

Where,

- ω_j is the weight of the j-th subsector (such as RMG) in the broad sector L (manufacturing/services)

Finally, we calculate the overall BCI/PBSI score for the manufacturing/service sector as following:

$$I_L = \sum_{j=1}^{l} \omega_j I_j$$

Where,

- I_L is the BCI/ PBSI scores for the manufacturing or services sector.

Here, the score of sub-sector j on indicator k is the cumulative score on that indicator for all the firms divided by the number of firms surveyed in that indicator.

Calculation of the combined BCI/PBSI scores:

We calculate the combined BCI/PBSI for the sub-indicator k as follows:

$$I_k = \sum_{l=1}^{2} \sum_{k=1}^{m} \omega_l \omega_j s_{jk}$$

Where,

- ω_l is the weight of the broad sectors (manufacturing and services); l = 1 for manufacturing, l=2 for services.

Finally, we calculate the overall BCI/PBSI as following:

$$I = \sum_{l=1}^{2} \sum_{j=1}^{l} \omega_l \omega_j I_j$$

Enabling Business-Environment Index (EBI) Methodology

One of the crucial factors in the last two rounds of the survey was the cost of the business in all sectors. The increasing trend of the business cost was observed. The increase in business cost prompted the researchers to construct a fourth index called the Enabling Business-Environment Index (EBI). The index derived from the assessment of the sample firms on the overall business performance based on ten indicators.

Another important reason behind the construction of EBI was to understand the overall business performance of the firms and how much the overall business environment was favourable to them during this unprecedented time. However, this index will also help to have a better understanding of the business costs and the reasons behind the frequent increase of business costs over the quarters. To construct the index, the study has considered ten major components. The components are electricity (connection & quality), availability of skilled workers, transport quality, business or property registration, access to finance, overall tax system, government support for the industry, management of the Covid-19 crisis, trade logistics (port and customs) and corruption (Figure 8).

Figure 8: Components of Enabling Business Environment Index

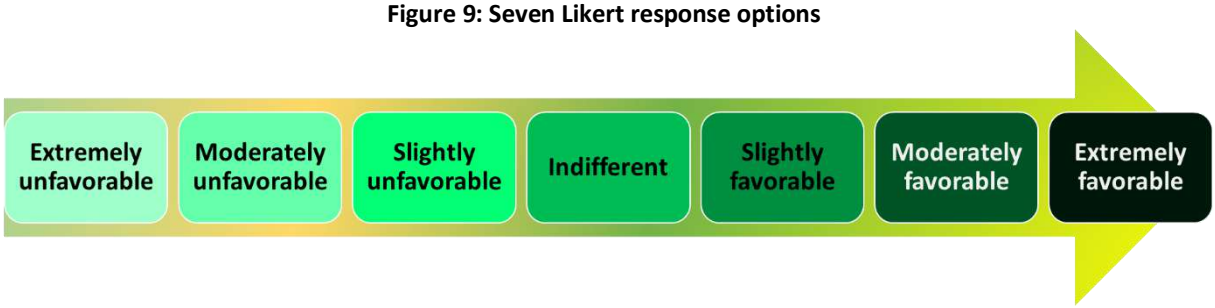
Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

Construction of EBI

To calculate the EBI, the respondents were asked: "On a weight of 0 to 100, at present, how much favourable are the following indicators for your overall business performance?" Here 0 represented an extremely unfavourable situation, whereas 100 represented an extremely favourable situation. The choice 'extremely unfavourable' is construed as the situation where the respondents consider that the condition on the selected indicator is extremely poor or the situation is worse. On the other hand, the option choice 'extremely favourable' indicates the respondents enjoyed all the components of ease of doing business in the present quarter and their businesses have performed better amid the pandemic. The option choice

'indifferent' indicates that the respondents have found no changes in the overall business environment in the present quarter compared to the past quarter (Figure 9).

Figure 9: Seven Likert response options



Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

The study then sorted these seven indicators into five broad categories: extremely unfavourable, unfavourable, neither unfavourable nor favourable, favourable, and extremely favourable. The responses have been converted into quantitative data by assigning weights to it (Table 6). The lowest weight zero (0) is assigned to the worst confidence, i.e. for the response "extremely unfavourable". The corresponding points 25, 50, 75, or 100 are assigned to the options of "unfavourable", "neither unfavourable nor favourable", "favourable", and "extremely favourable" respectively.

Table 6: Weights assigned to seven Likert response options

Sl.	Responses (actual responses)	Responses (sorted into five)	Weights
1	Extremely unfavourable	Extremely unfavourable	0
2	Moderately unfavourable	Unfavourable	25
3	Slightly unfavourable		
4	Indifferent	Neither unfavourable nor favourable	50
5	Slightly favourable	Favourable	75
6	Moderately favourable		
7	Extremely favourable	Extremely favourable	100

Source: Authors' assessment on SANEM BCI (quarterly) Survey, 2020-21

Procedures to calculating the index

In the first step, the scores (S) for the sub-indicator m (such as electricity) for sub-sector j (such as RMG) is calculated as follows:

$$S_{jm} = \frac{\sum_{i=1}^{n} x_i}{n}$$

Here,

j is the sub-sector (such as RMG),
m is the sub-indicator (such as electricity)
x_i is the score of the firm in that indicator (such as the score of a firm in the RMG on electricity)
and n is the total number of firms surveyed in that sector (RMG).

Based on these scores, the index (EBI) for the subsector j (such as RMG) is calculated as follows:

$$EBI_j = \frac{\sum_{m=1}^{M} S_{jm}}{M}$$

Where,

- EBI_j is the index value of subsector j
- M is the number of sub-indicators (which is 10 in this case)

Finally, we calculate the overall EBI as following:

$$EBI = \frac{\sum_{j=1}^{J} EBI_j}{N}$$

Where,

- N is the number of sample firms (which 502 in this case)

Reliability of the Survey

The Cronbach α coefficient is widely used in surveys where the questionnaire is designed on the Likert scale. As both rounds of the survey were set based on a Likert questionnaire, it was very relevant to calculate the α coefficient for the survey. The α coefficient is therefore calculated using the following formula:

$$\alpha = \frac{N}{N-1}\left(1 - \frac{\sum_{i=1}^{N} \sigma_i^2}{\sigma_X^2}\right)$$

Where,

- α is the Cronbach coefficient,
- N is the number of items (questions),
- σ_i^2 is the variance of items i,
- σ_X^2 is the variance of total scores (total scores are calculated by adding the score for each of items i)

Based on 18 questions of the Business Confidence Survey, the α coefficient for the first, second, and third rounds of the BCI survey are calculated as 0.81, 0.83 & 0.88 respectively. The coefficient is used to measure the reliability of the survey. When the coefficient is between 0 to 0.40, 0.40 to 0.60, 0.60 to 0.80, and 0.80 to 1, the survey is considered as not reliable, less reliable, quite reliable, and highly reliable respectively (OECD, 2005). According to this, all three rounds of the BCI survey are highly reliable.

Section III: Basic Characteristics of Surveyed Firms

Location of the surveyed firms

Almost 80 per cent of the firms covered in this survey are located outside of the SEZ/EPZ or industrial areas/parks (Table 7). Around 19.3 per cent of the firms surveyed are from the industrial areas/industrial parks, while 1.4 per cent is from the Export Processing Zones or Special Economic Zones. In the case of 252 manufacturing firms, 34.9 per cent of them come from industrial parks or industrial areas, and 2.8 per cent comes from the EPZ or SEZ. In the case of the services sector, about 97 per cent comes from outside of EPZ/SEZ/industrial parks or industrial areas.

Table 7: Distribution of firms by location and industry

	Distribution of firms by location (number)			*Distribution of firms by location (% of total)*		
Location	**Manufacturing**	**Services**	**Total**	**Manufacturing**	**Services**	**Total**
EPZ/SEZ	7	0	7	2.8%	0.0%	1.4%
Industrial park/ Areas	88	9	97	34.9%	3.6%	19.3%
Outside of EPZ/SEZ/Industrial parks	157	241	398	62.3%	96.4%	79.3%
Total	252	250	502	100.0%	100.0%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Ownership types of the firms

Most of the firms (96.6 per cent) in the survey are domestic private-ownership companies (Table 8). 1 per cent of firms in the survey are public-private joint ventures, while the remaining 2 per cent consists of domestic foreign joint ventures and foreign-owned firms. In the case of manufacturing firms, 97.2 per cent of them are domestic private-owned companies. In the case of service firms, 96 per cent of them are domestic private-owned companies.

Table 8: Type of ownership by industries

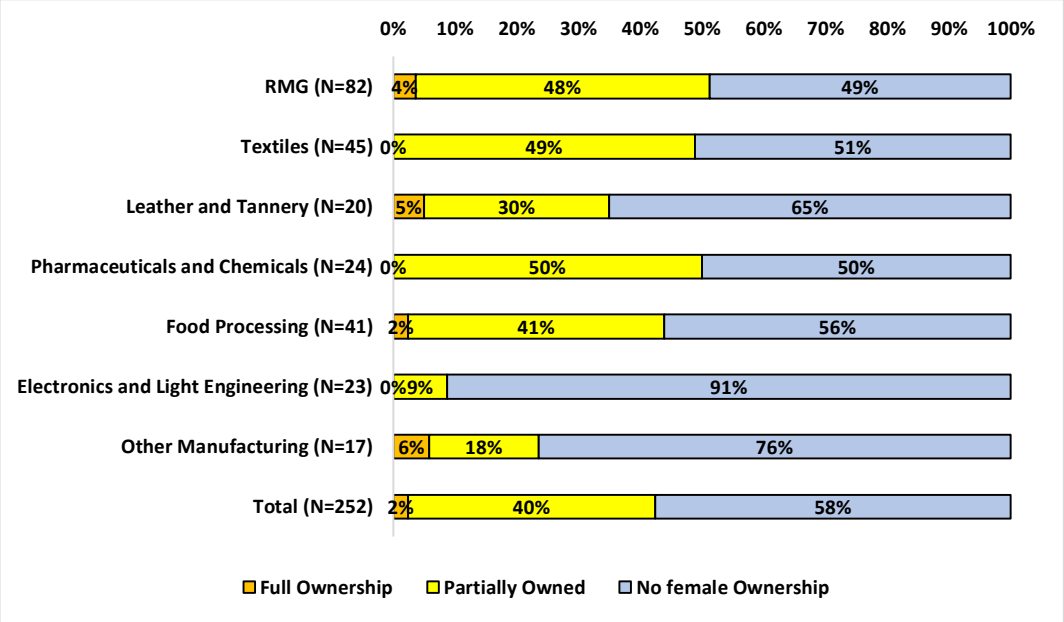
	Ownership type of firms by industries (number)			*Ownership type of firms by industries (% of total)*		
Ownership type	**Manufacturing**	**Services**	**Total**	**Manufacturing**	**Services**	**Total**
Domestic Private company	245	240	485	97.2%	96.0%	96.6%
Public-private joint venture	2	3	5	0.8%	1.2%	1.0%
Domestic-foreign joint venture	4	2	6	1.6%	0.8%	1.2%
Foreign ownership	1	3	4	0.4%	1.2%	0.8%
Government ownership	0	2	2	0.0%	0.8%	0.4%
Total	252	250	502	100.0%	100.0%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In terms of gender composition amongst the owners, around 40 per cent of the manufacturing firms have partial female ownership (Figure 10). Around 2 per cent of the manufacturing firms have full female ownership. The highest rates of female ownerships

(partially or fully) are observed in the RMG (52 per cent), Pharmaceuticals and Chemicals (50 per cent), Textiles (49 per cent), and Food processing (43 per cent).

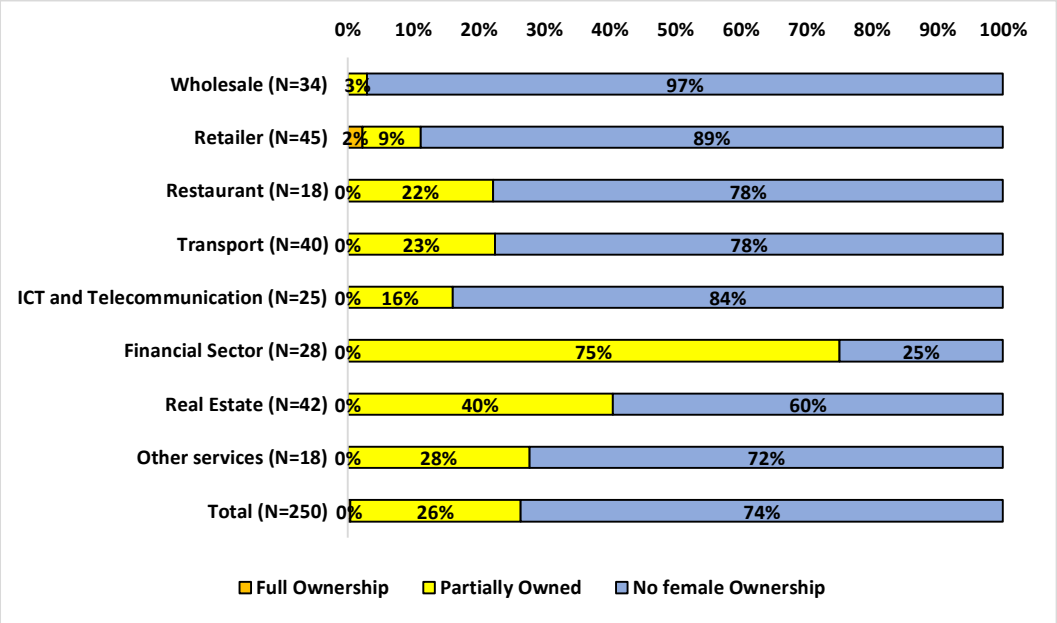
Figure 10: Female ownership status in manufacturing firms (per cent)



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the service sector, the partial female ownership rate is 26 per cent (Figure 11) and the full ownership rate is zero. In the case of the services sector firms, the highest rates of female ownerships are observed in Financial Sectors (75 per cent), Real Estate (40 per cent), other services (28 per cent), ICT & Telecommunication (24 per cent), and Transport (23 per cent).

Figure 11: Female ownership status in services firms (%)



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Years in operation

The average years of existence of the surveyed manufacturing firms are 20.27 years (Table 9). In the case of the manufacturing sector, the mean years of existence are highest for Pharmaceuticals and Chemicals (27.5 years), followed by Leather and Tannery (23.5 years), Textiles (20.82 years), RMG (19.02 years), and Light Engineering (18.3 years). In the case of the services sector, the mean years of existence are 15.86 years where the Financial Sector (29.11 years), Retailer (15.24), and wholesales (15.12 years) have the highest mean years of existence.

Table 9: Years in operation for the firms

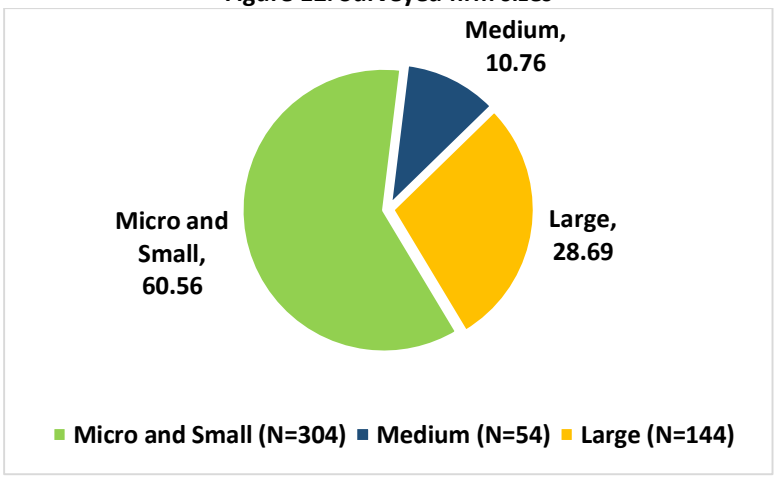
Sector	Firms	Mean	Std. Dev.
Manufacturing	**RMG (N=82)**	19.02	10.37
	Textiles (N=45)	20.82	13.29
	Leather and Tannery (N=20)	23.50	17.48
	Pharmaceuticals and Chemicals (N=24)	27.50	19.36
	Food Processing (N=41)	19.68	11.77
	Electronics and Light Engineering (N=23)	18.30	14.61
	Other Manufacturing (N=17)	14.82	6.71
	Total (N=252)	20.27	13.25
Services	**Wholesale (N=34)**	15.12	11.72
	Retailer (N=45)	15.24	13.84
	Restaurant (N=18)	12.33	10.61
	Transport (N=40)	14.90	11.98
	ICT and Telecommunication (N=25)	14.84	10.13
	Financial Sector (N=28)	29.11	14.78
	Real Estate (N=42)	13.43	7.38
	Other services (N=18)	10.94	8.12
	Total (N=250)	15.86	12.37

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Surveyed firm sizes

Out of the 502 surveyed firms, 60.56 per cent are micro and small, 10.76 per cent of the firms are medium, and 28.69 per cent firms are large (Figure 12).

Figure 12: Surveyed firm sizes



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the manufacturing sector, 40.1 per cent of the firms are micro and small, 15.1 per cent of the firms are medium, and 44.8 per cent of the firms are large (Table 10). Amongst the sub-sectors in the manufacturing industry, RMG's 68.3 per cent of the firms are large whereas this is 53.3 per cent for Textiles, 50 per cent for the Pharmaceuticals and Chemicals industry, and 26.8 per cent for the Food Processing. Electronics & Light Engineering and Leather & Tannery sectors comprise mostly micro and small firms (78.3 per cent and 60 per cent, respectively).

Table 10: Surveyed firm sizes in the manufacturing sector

Firm	*Number of firms surveyed (number)*				*Firm distribution (% of total manufacturing sector firms)*			
	Micro and Small	**Medium**	**Large**	**Total**	**Micro and Small**	**Medium**	**Large**	**Total**
RMG	17	9	56	82	20.7%	11.0%	68.3%	100.0%
Textiles	12	9	24	45	26.7%	20.0%	53.3%	100.0%
Leather and Tannery	12	3	5	20	60.0%	15.0%	25.0%	100.0%
Pharmaceuticals and Chemicals	7	5	12	24	29.2%	20.8%	50.0%	100.0%
Food Processing	21	9	11	41	51.2%	22.0%	26.8%	100.0%
Electronics and Light Engineering	18	2	3	23	78.3%	8.7%	13.0%	100.0%
Other Manufacturing	14	1	2	17	82.4%	5.9%	11.8%	100.0%
Total	101	38	113	252	40.1%	15.1%	44.8%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the case of the services sector, 81.2 per cent of the surveyed firms are micro and small, 6.4 per cent of the firms are medium, and 12.4 per cent of the firms are large (Table 11). Amongst the sub-sectors, the Financial sector, ICT and Telecommunications, and Real estate sectors have a relatively large proportion of large firms (71.4 per cent, 16 per cent, and 9.5 per cent respectively). Retail, Wholesale, Other services, Restaurant, and Transport sectors comprise mostly micro and small firms (100 per cent, 100 per cent, 94.4 per cent, 83.3 per cent, and 82.5 per cent respectively).

Table 11: Surveyed firm sizes in the services sector

Firm	*Number of firms surveyed (number)*				*Firm distribution (% of total manufacturing sector firms)*			
	Micro and Small	**Medium**	**Large**	**Total**	**Micro and Small**	**Medium**	**Large**	**Total**
Wholesale	34	0	0	34	100.0%	0.0%	0.0%	100.0%
Retailer	45	0	0	45	100.0%	0.0%	0.0%	100.0%
Restaurant	15	2	1	18	83.3%	11.1%	5.6%	100.0%
Transport	33	5	2	40	82.5%	12.5%	5.0%	100.0%
ICT	21	0	4	25	84.0%	0.0%	16.0%	100.0%
Financial Sector	6	2	20	28	21.4%	7.1%	71.4%	100.0%
Real Estate	32	6	4	42	76.2%	14.3%	9.5%	100.0%
Other services	17	1	0	18	94.4%	5.6%	0.0%	100.0%
Total	203	16	31	250	81.2%	6.4%	12.4%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Size of the workforce of the surveyed firms

In the manufacturing sector, the average workforce size of the surveyed firms was 961 (Table 12). Amongst the subsectors in the manufacturing sector, RMG (1620), Electronics & Light Engineering (1059), Textiles (856) have the largest workforce size. In the services sector, the average workforce size is 186. Among the other sub-sectors of the service sector, the financial sector (1408) has the largest workforce size on average.

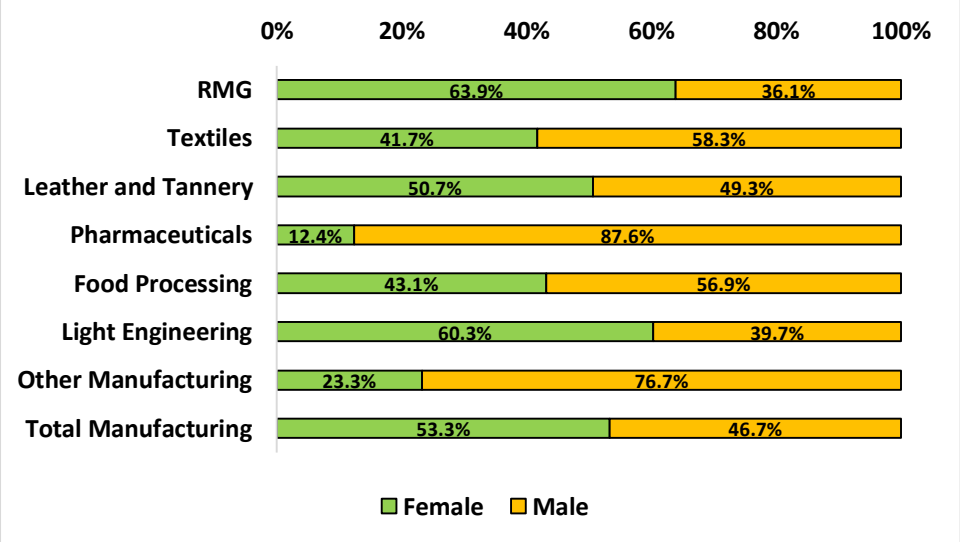
Table 12: Average permanent employment of the firms

Sector	Firms	Mean	Std. Dev.
Manufacturing	**RMG (N=82)**	1620	3125
	Textiles (N=45)	856	1272
	Leather and Tannery (N=20)	347	532
	Pharmaceuticals and Chemicals (N=24)	654	775
	Food Processing (N=41)	309	547
	Electronics and Light Engineering (N=23)	1059	3368
	Other Manufacturing (N=17)	652	2414
	Total (N=252)	**961**	**2277**
Services	**Wholesale (N=34)**	7	9
	Retailer (N=45)	7	10
	Restaurant (N=18)	33	31
	Transport (N=40)	63	223
	ICT and Telecommunication (N=25)	39	65
	Financial Sector (N=28)	1408	2554
	Real Estate (N=42)	57	95
	Other services (N=18)	10	14
	Total (N=250)	**186**	**952**

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

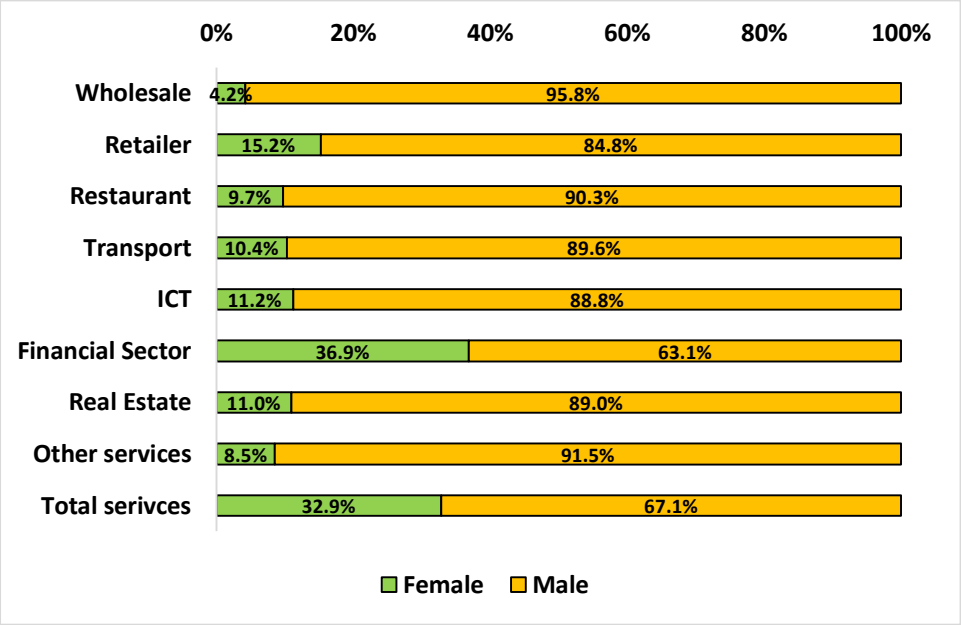
In the case of the manufacturing sector, around 54 per cent of total workers are female (Figure 13). The highest rates of female employment are observed in RMG (63.9 per cent), Electronics & Light Engineering (50.7 per cent), and Food processing (43.1 per cent) subsectors.

Figure 13: Employment status by gender in the manufacturing firms



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 14: Employment status by gender in the services firms



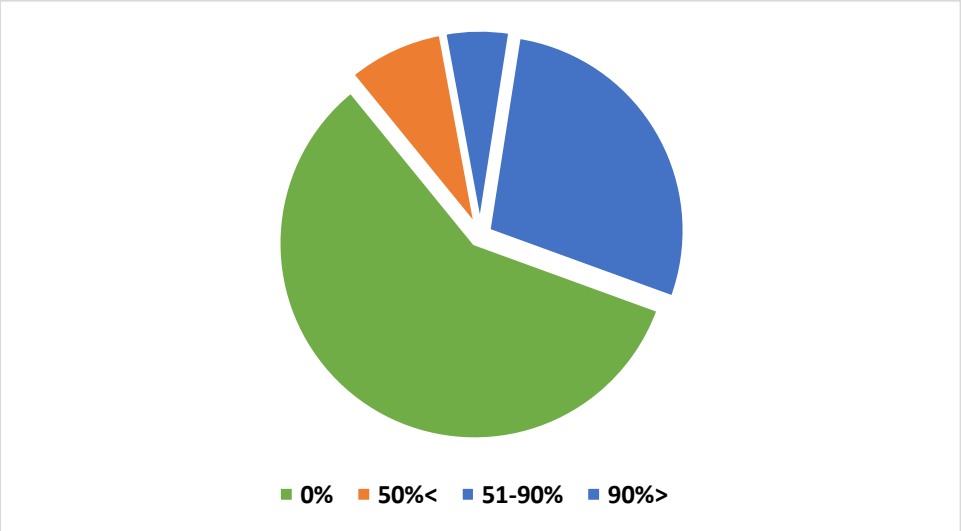
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The workforce in the services sector is mostly male-dominated. Around 67.1 per cent of total employment in the services sector is male (Figure 14). Amongst the sub-sectors, the share of female workers in the total employment is higher for the Financial sector (36.9 per cent), Retailer (15.2 per cent), and ICT & Telecommunication (11.2 per cent).

Export status of the surveyed firms

Amongst the total surveyed firms, 41 per cent are export-oriented (partially or fully) (Figure 15). A quarter of the total surveyed firms are fully exported oriented (100 per cent of the sales come from exports). Out of the 208 export-oriented firms, 179 of them from the manufacturing sector whereas in the case of the service sector, the number of firms is 29.

Figure 15: Share of exports in total sales (per cent)



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Amongst the surveyed manufacturing firms, 71 per cent of them have some shares of exports in total sales (Table 13). Almost all the firms (96.3 per cent) in the RMG sector have export shares in total sales whereas, in the case of the textiles sector, 88.9 per cent of the firms are export-oriented. In the leather and tannery sector, 85 per cent of the surveyed firms are export-oriented. In the case of pharmaceuticals and chemicals, around 41.7 per cent of the firms are export-oriented whereas, in the case of food processing, 73.2 per cent of the firms are exporters. The least share of exporters is observed for the light engineering sector (only 4.3 per cent of the firms are exporters).

Table 13: Export status of firms in the manufacturing sectors

Firm	*Export status by firms (number)*			*Export status by firms (per cent)*		
	Non-exporter	**Exporter**	**Total**	**Non-exporter**	**Exporter**	**Total**
Ready Made Garments (RMG)	3	79	82	3.7	96.3	100.0
Textiles	5	40	45	11.1	88.9	100.0
Leather and Tannery	3	17	20	15.0	85.0	100.0
Pharmaceuticals and Chemicals	14	10	24	58.3	41.7	100.0
Food Processing	11	30	41	26.8	73.2	100.0
Electronics and Light Engineering	22	1	23	95.7	4.3	100.0
Other Manufacturing	15	2	17	88.2	11.8	100.0
Total	73	179	252	29.0	71.0	100.0

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Only 11.6 per cent of the surveyed services sector firms are exporters (Table 14). Amongst the subsectors, Transport (47.5 per cent) and ICT & Telecommunications (20 per cent) have some export shares in their total sales. In the case of other sub-sectors such as Wholesales, Financial sector, and Retailer only a few firms are found to have export shares in total sales (5.9 per cent, 7.1 per cent, and 2.2 per cent respectively).

Table 14: Export status of firms in the services sector

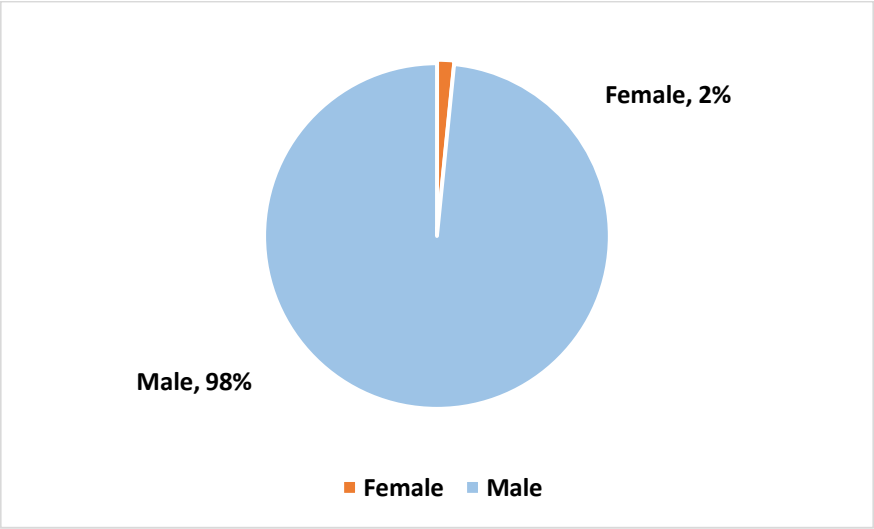
Firm	*Export status by firms (number)*			*Export status by firms (per cent)*		
	Non-exporter	**Exporter**	**Total**	**Non-exporter**	**Exporter**	**Total**
Wholesale	32	2	34	94.1	5.9	100.0
Retailer	44	1	45	97.8	2.2	100.0
Restaurant	18	0	18	100.0	0.0	100.0
Transport	21	19	40	52.5	47.5	100.0
ICT and Telecommunication	20	5	25	80.0	20.0	100.0
Financial Sector	26	2	28	92.9	7.1	100.0
Real Estate	42	0	42	100.0	0.0	100.0
Other services	18	0	18	100.0	0.0	100.0
Total	221	29	250	88.4	11.6	100.0

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Profile of the respondents

The survey team tried to engage with the relevant top executives of the firms. Among the respondents, only two per cent were females (Figure 16).

Figure 16: Respondent's gender



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

On average, the respondents from the manufacturing sector had an experience of 13.3 years (Table 15). In the case of the services sector, the mean years of experience of the top executives were 10.3 years.

Table 15: Years of experiences of the respondents

Sector	Firm	Mean	Std. Dev.
Manufacturing	**RMG (N=82)**	13.3	8.3
	Textiles (N=45)	13.8	9.0
	Leather and Tannery (N=20)	13.7	9.5
	Pharmaceuticals and Chemicals (N=24)	14.2	7.0
	Food Processing (N=41)	14.4	10.1
	Electronics and Light Engineering (N=23)	10.8	8.2
	Other Manufacturing (N=17)	11.4	7.3
	Total (N=252)	**13.3**	**8.6**
Services	**Wholesale (N=34)**	9.6	7.9
	Retailer (N=45)	10.2	7.7
	Restaurant (N=18)	7.1	6.7
	Transport (N=40)	9.6	7.7
	ICT and Telecommunication (N=25)	13.2	10.2
	Financial Sector (N=28)	13.5	10.4
	Real Estate (N=42)	9.9	7.6
	Other services (N=18)	8.0	5.9
	Total (N=250)	**10.3**	**8.2**

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Section IV: Analysis of PBSI and BCI Indices

Following the methodology described, based on the survey data, this study constructs BCI and PBSI indices for each round of the survey. The calculated index value ranges from 0 to 100. The closer the score towards 100, the better the business confidence or the present business status in the country and vice versa (Figure 17). An index value of 50 would indicate 'no change' in the business confidence compared to the reference period. A score higher than 50 would indicate some improvement in business confidence, while a score of less than 50 would indicate an erosion of confidence.

Figure 17: Interpretation of BCI/PBSI indices

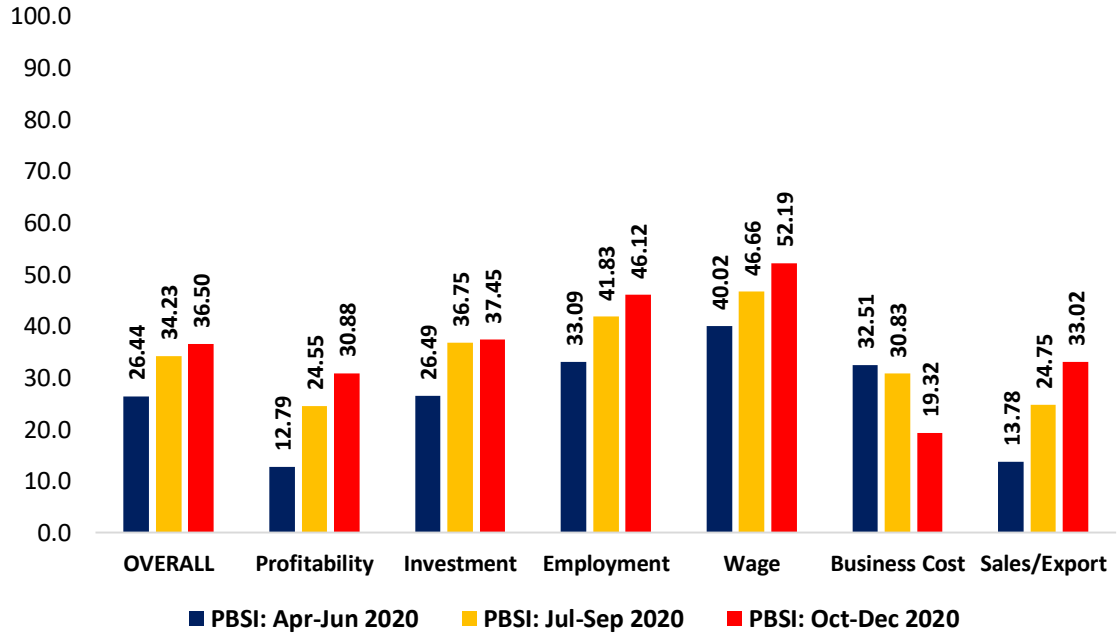
Source: Authors' assessment based on SANEM BCI (quarterly) Survey, 2020-21

Present Business Status Index (PBSI) compared to the past year

This study constructs two sets of Present Business Status Index (PBSI) for each round of BCI survey. For the first round of the BCI survey, the PBSIs were PBSI in April-June 2020 compared to the previous quarter (January to March 2020) and PBSI in April to June 2020 compared to last year (April-June 2019). Again for the second round of the survey, the PBSIs were PBSI in July to September 2020 compared to the previous quarter (April to June 2020), and PBSI in July to September 2020 compared to the previous year (July to September 2019). Similarly, for the third round of the survey, the study has constructed two sets of PBSI: (i) PBSI in October to December 2020 compared to the previous quarter (July to September 2020), and (ii) PBSI in October to December 2020 compared to the previous year (October to December 2019)

The overall PBSI in April-June 2020, July-September 2020, and October-December 2020 compared to the corresponding quarters of the previous year (2019) stands at 26.44, 34.23, and 36.50 respectively (Figure 18). We can easily observe that the improvement of PBSI scores in July-September 2020 compared to April-June 2020 was much significant but in October-December 2020 compared to the July-September 2020 quarter, the progress is very minimal.

Figure 18: Present Business Status Index (PBSI): Year



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Amongst the indicators of PBSI, the highest marks have been observed on wages and employment in all rounds of the BCI survey. In the case of employment, the PBSI (over last year i.e. same period in 2019) has significantly increased from 33.09 to 46.12 in the third round compared to the first round but the PBSI score of the indicator has marginally increased from 41.83 to 46.12 in the third round compared to the second round. In the case of wages, the score improved from 46.66 to 52.19 in the third round compared to the second round. Despite such improvements, the employment indicator value is still below 50 showing that the business status on the indicator is worse than it was during the same period in 2019. The prompt government response in channelling funds for wages of the workers, returning cancelled purchase orders from our export destinations, and moderate economic recovery after unveiling the lockdown could be the reasons which might attribute higher confidence on this indicator. Nonetheless, both these indicators need cautious justifications as firms are usually less willing to share information on employment and wage reductions.

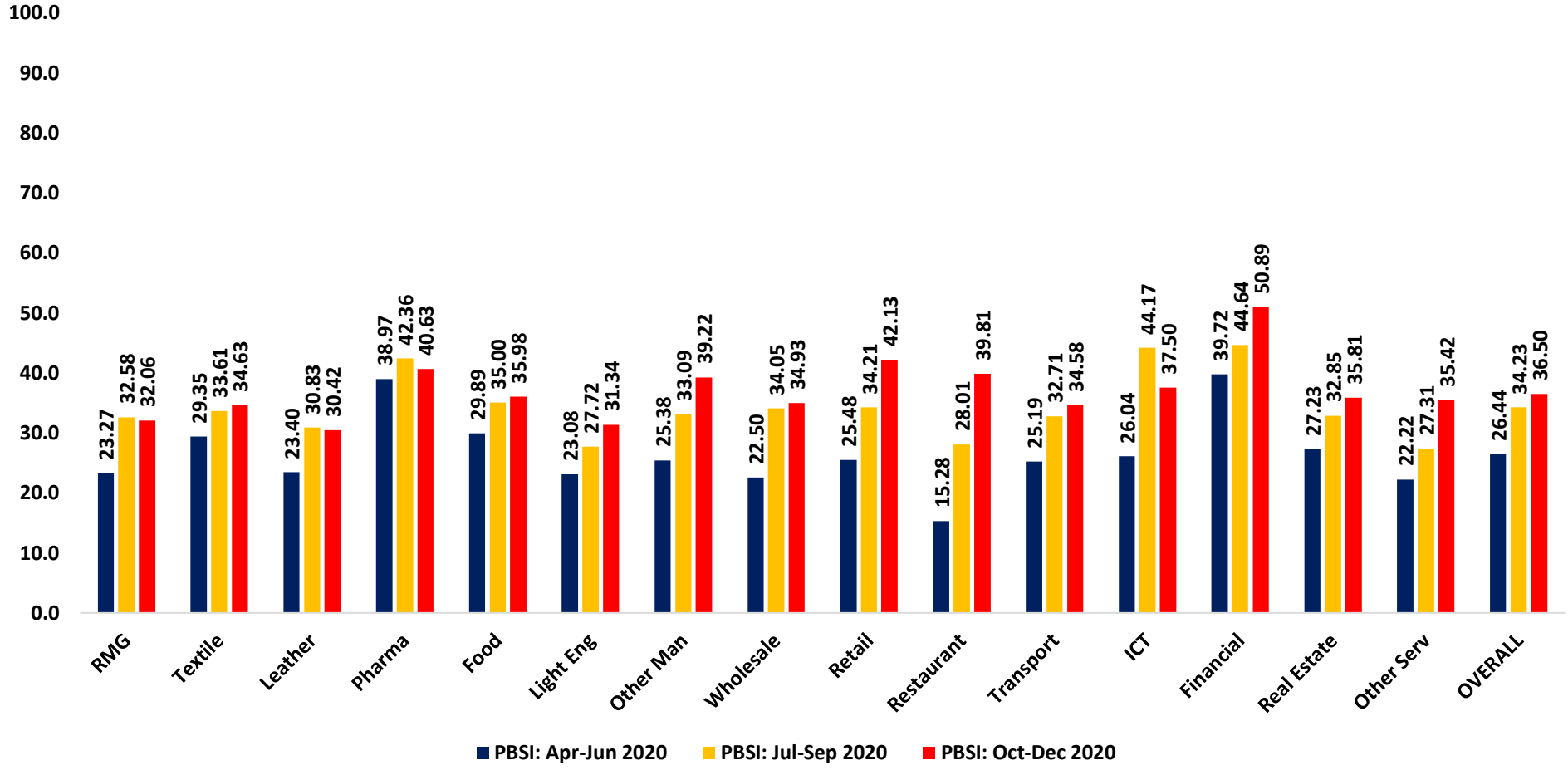
Amongst others, the PBSI on profitability and sales/export has improved significantly in all rounds of the survey. Because of the second wave of COVID-19, the business environment has become somewhat uncertain and the improvement of the PBSI scores of the two indicators in the third round compared to the second round is slightly lower than those in the second round compared to the first round. In the case of investment, while there has been a significant improvement from the first round to the second round, the progress has been marginal from the second round to the third round. The only indicator where the PBSI value has deteriorated is the Business Cost. The PBSI score in this indicator (over the same period in 2019) observed in October-December 2020 has fallen significantly from what was observed in July-September 2020 and April-June 2020. The worsened business cost situation could be due to several factors including – the increased cost of raw materials, increased operational costs due to COVID-19 hygiene protocols, new variants and recent waves of COVID-19, an increase in shipment costs, etc. The increasing cost of business indicates that the business

status in Bangladesh amid the pandemic has deteriorated badly. As stated by the index, a score below 50 indicates that the firms were worse off than they were a year before. Therefore, it is evident that firms are not in a better position than due to the pandemic. Compared to the previous quarter, firms did not experience much growth either.

Sectoral Present Business Status Index (PBSI) compared to the past year

Although the PBSI (year) scores of both manufacturing and service sectors increased significantly in July-September 2020 quarter compared to April-June 2020 quarter, the PBSI (year) scores of both sectors improved very marginally in October-December 2020 compared to July-September 2020 (Figure 19). Among the sub-sectors, the PBSI scores in RMG, Leather & Tannery, ICT & Telecommunication, and Pharmaceuticals & Chemicals have plummeted in October-December 2020 compared to July-September 2020. Financial Sector (50.89) and Retailer (42.13) have the highest Sectoral PBSI scores in the third round. Leather & Tannery (30.42) and Light Engineering (31.34) have the lowest Sectoral PBSI scores. As all the sectoral PBSI scores are lower than 50, this situation indicates that the overall business situation in October-December 2020 compared to the previous year has deteriorated amid the pandemic.

Figure 19: Sectoral Present Business Status Index: Year



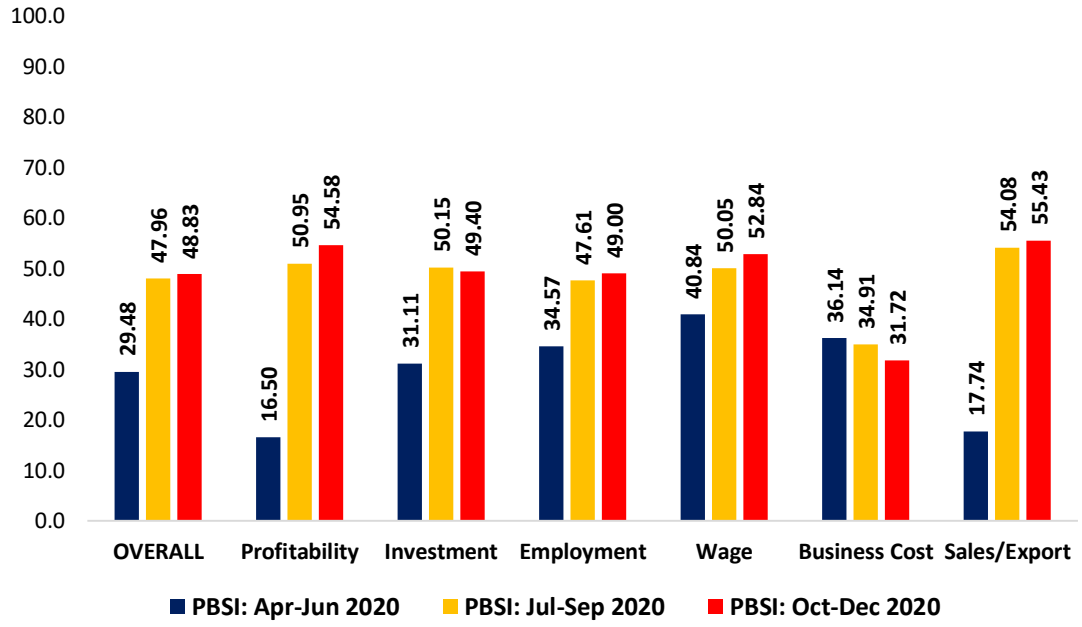
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Present Business Status Index (PBSI) compared to the last quarter

When compared to the last quarter (April-June 2020), the overall Present Business Status Index (PBSI) for July-September 2020 is found 47.96 (Figure 20) while the PBSI for October-December 2020 over the July-September 2020 is found 48.83. The overall PBSI score in July-September 2020 increased significantly compared to April-June 2020 quarter. Compared to July-September 2020 quarter, the overall score of PBSI in the October-December 2020 quarter has also increased but very marginally.

Amongst the sub-indicators, some improvement in profitability, employment, wages, and sales/exports indicators have been observed. On the other hand, the score for investment and business cost indicators has deteriorated. New variants and recent waves of the virus in the October-December 2020 quarter might make investors less confident to invest in this quarter compared to the previous quarter.

Figure 20: Present Business Status Index (PBSI): Quarter

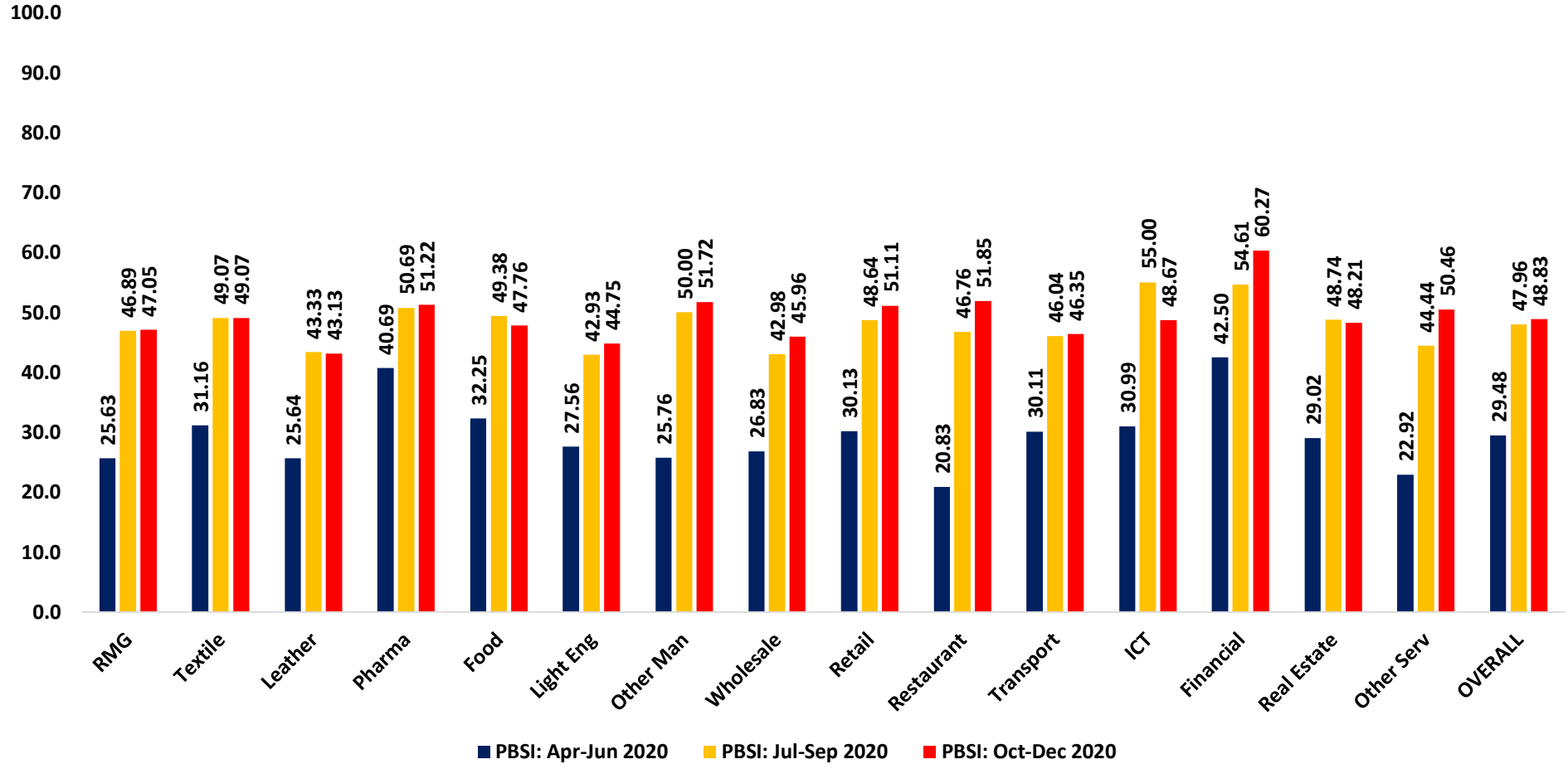


Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Sectoral Present Business Status Index (PBSI) compared to the previous quarter

While the overall sectoral PBSI (previous year) scores increased significantly in July-September 2020 quarter compared to April-June 2020 quarter, a stagnant situation has been observed between July-September 2020 and October-December 2020 quarter (Figure 21). Amongst the sub-sectors, Retailers, Restaurants, and Financial Sector have relatively performed better in October-December 2020 quarter compared to the July-September 2020 quarter. During the same period, poor performance has been observed in ICT, Leather, and Food Processing sectors amongst others. The financial sector (60.27) and Restaurant (51.85) have the highest sectoral PBSI scores in October-December 2020 quarter. Leather & Tannery (43.13) and Wholesales (45.96) have the lowest sectoral PBSI scores. Indicator-wise, sectoral BCI and PBSI details have been illustrated in Annexe 1 (Figure- A.1-A.20).

Figure 21: Sectoral Present Business Status Index: Quarter



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Catching up or falling behind? Comparison of PBSIs of 2nd and 3rd rounds

To explore whether firms are catching up or falling behinds over the periods, the study prepared a comparison between the PBSIs of second and third rounds using four-quadrant diagrams (Figure 22 and 23). In the case of manufacturing firms, most of them are very close to the 45° line indicating no or little improvement of firms' business situation over the last two quarters. As Leather & Tannery and Textile are on the line, their situation remains unchanged in both quarters. Since Food processing is below the line, this indicates that the business situation of the sector has deteriorated in October-December 2020 compared to July-September 2020. In contrast, RMG, Light Engineering, Other Manufacturing, and Pharmaceuticals sector's situation has improved marginally as they are above the line. However, the business situation of RMG and Light Engineering is not favourable enough as their PBSI score is still below the 50 marks.

Figure 22: Comparison of PBSIs of 2nd and 3rd rounds in manufacturing sectors

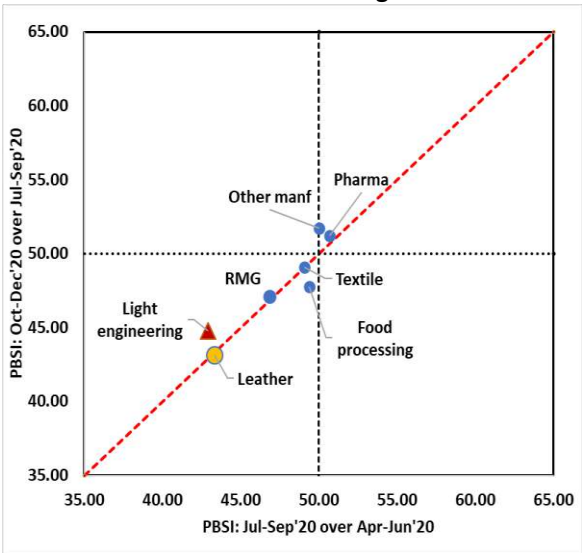
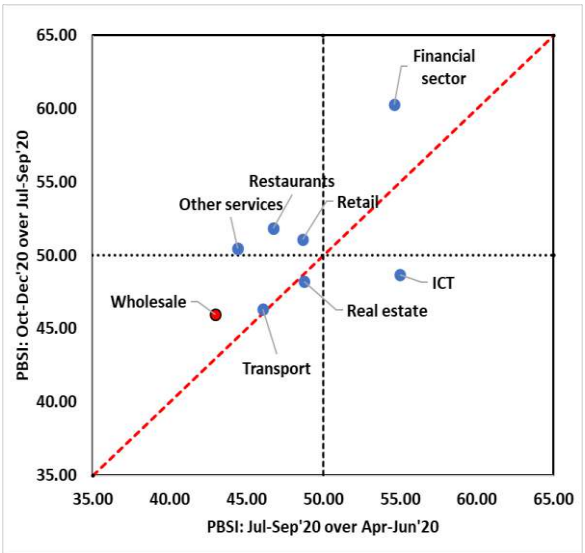


Figure 23: Comparison of PBSIs of 2nd and 3rd rounds in services sectors



Source: Authors' estimation based on SANEM BCI (second and third round) Survey, 2020-21

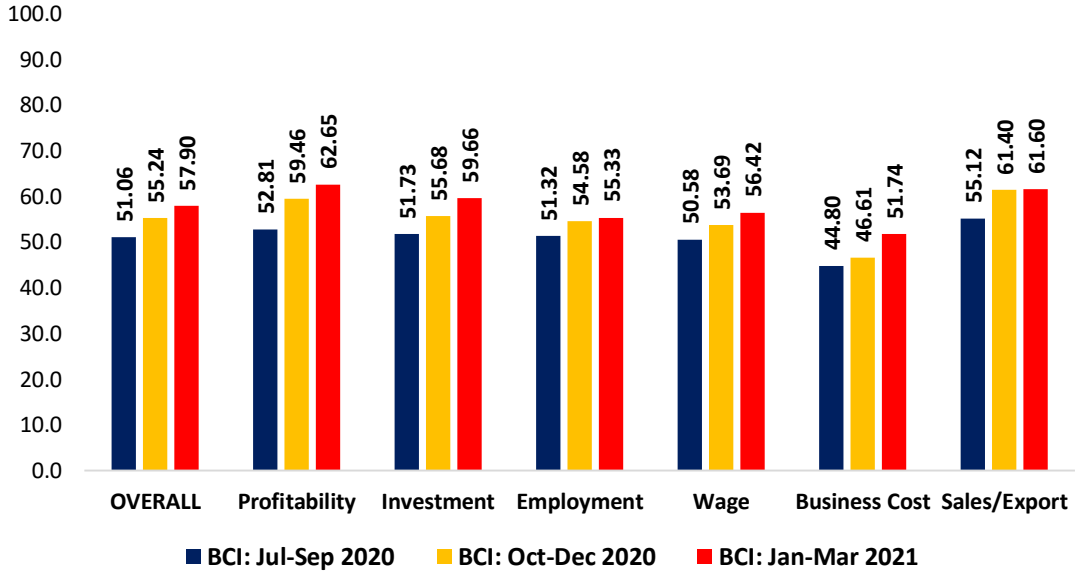
In the services sector, Financial Sector is the topmost performer amongst the firms. Wholesales, Restaurants, Retailers, Transport, and Other services are above the 45° line. That is, these sectors have performed better in October-December 2020 quarter compared to July-September 2020 quarter. The business situation of ICT & Telecommunication and Real Estate has deteriorated as their position is below the line. In the case of the Transport Sector, a little improvement has been observed in October-December 2020 quarter compared to July-September 2020 quarter.

Business Confidence Index (BCI)

In addition to the PBSIs, this study also measures the business confidence of the business executives. The Business Confidence Index (BCI) shows the expectations of the business personnel on the selected indicators in the next quarter (such as January-March 2021) compared to the previous quarter (October-December 2020). The BCI for January-March 2021 (compared to October-December 2020) stands at 57.90 (Figure 24). It is observed that on average business enterprises are slightly optimistic regarding their business performance in the January-March 2021 quarter compared to the last quarter (October-December 2020).

Amongst the sub-indicators, the highest marks are observed for profitability (62.65) and sales/export orders (61.60) in January-March 2021 compared to October-December 2020. Because of the second wave of COVID 19, the business confidence has again badly affected and order cancellations from export destinations have increased. Therefore, a very marginal improvement in sales orders for the next quarter has been observed and the business enterprises have once more become concerned about their businesses. Interestingly, firms are much optimistic about the investment (59.66) and business costs (51.74) indicators in the upcoming quarter. In the case of wages (56.42) and employment (55.33), a slight improvement is expected in January-March 2021 compared to October-December 2020.

Figure 24: Business Confidence Index (BCI)

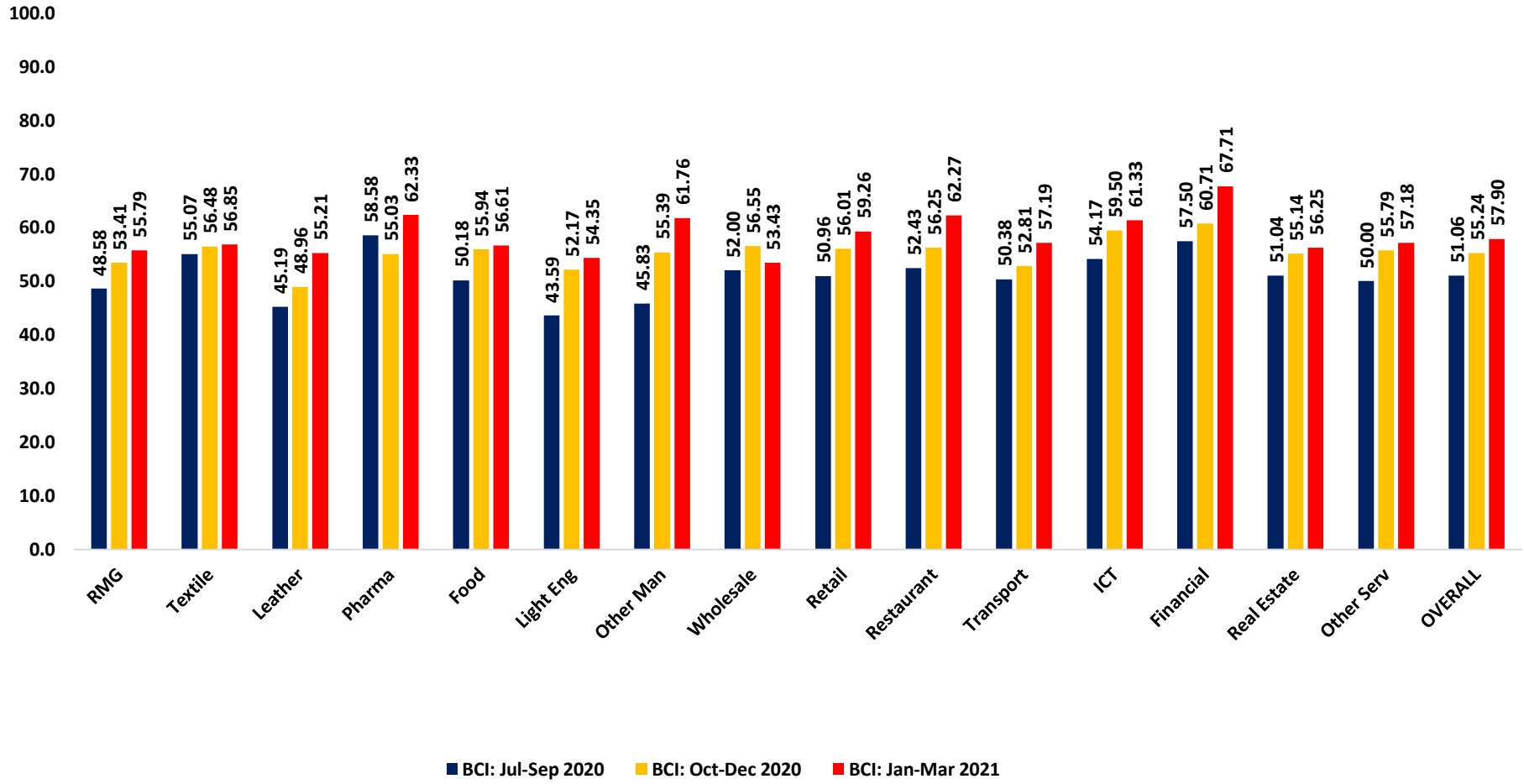


Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Sectoral Business Confidence Index (BCI)

The firm's expectations about the future also vary across the sectors. That is, not all sectors anticipate the future equally. The higher expectation in January-March 2021 quarter is found in Financial Sector (67.71), followed by Pharmaceuticals (62.33), Restaurant (62.27), and ICT & Telecommunications (61.33) (Figure 25). This indicates that these firms are much optimistic about their businesses for the upcoming quarter. With regard to Wholesale business, the BCI score has deteriorated in January-March 2021 compared to October-December 2020. On the other hand, the BCI scores of RMG (55.79), Textile (56.85), Leather & Tannery (55.21), Food Processing (56.61), Light Engineering (54.35), Transport (57.19), and Real estate (56.25) have improved in January-March 2021 compared to October-December 2020 but the scores are still below the overall BCI score. In the case of Textile, Food Processing, and Real Estate, a little or no improvement has been observed in January-March 2021 compared to October-December 2020.

Figure 25: Sectoral Business Confidence Index (BCI)



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

PBSI and BCI analysis from other perspectives

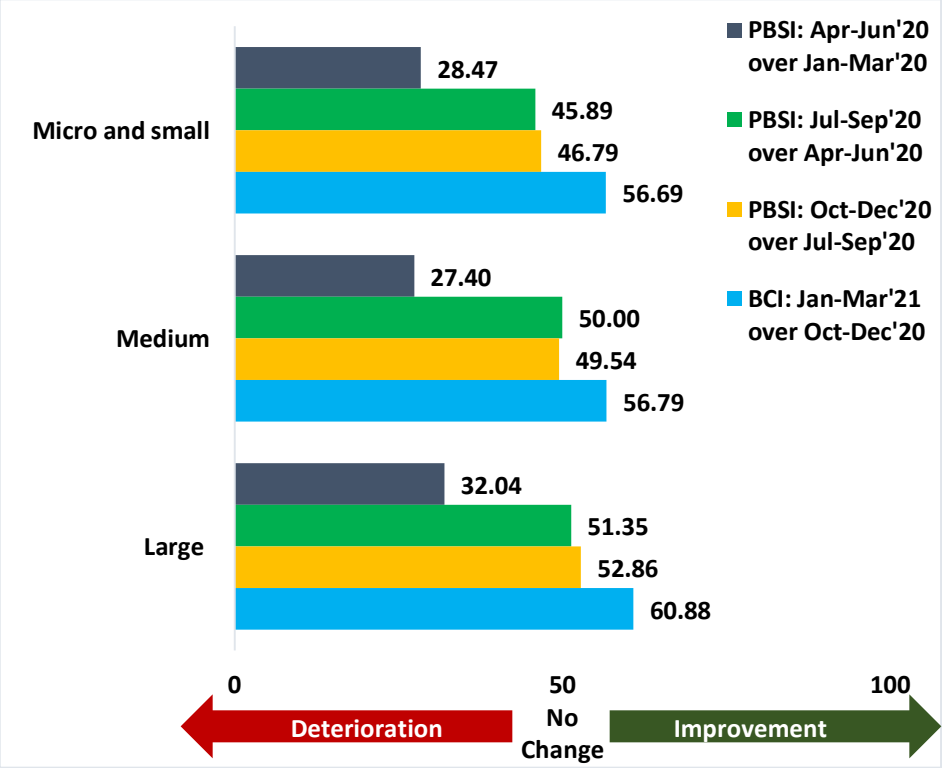
Analysis of PBSI and BCI by firm size

As the literature suggests, the coping capacities of large firms during recessions are much higher than the small and medium firms. Several factors put the large firms in a better position during such crisis like – (i) greater access to finances and stimulus packages (a strong bank client relationship), (ii) higher bargaining powers, (iii) well-established business network, (iv) a more diversified market reach, etc. A reflection of such advantages of the large firms over the small and medium firms can be observed from the PBSI and BCI scores of the firms by their sizes (Figure 26).

As observed in the first round of the BCI survey, larger firms have higher scores both on the PBSI and BCI indicators. In the first round of the survey, the PBSI (in April-June 2020 over January-March 2020) of the micro and small firms was 28.47 whereas the PBSI of the large firms was 32.04. In the second round, the PBSI (July-September 2020 over April-June 2020) of the small firms has increased to 45.89 while the PBSI of the large firms has increased to 51.35. Again, in the third round of the survey, the PBSI (October-December 2020 over July-September 2020) of the micro and small firms has improved marginally to 46.79 whereas the PBSI of the large firms has increased somewhat to 52.86.

It shows that the large firms performed significantly better than the small firms in the three rounds of the survey. The BCI score (October-December 2020) of the large firms is also significantly higher than that of the micro and small enterprises. The same situation has been observed in the case of medium firms.

Figure 26: Comparison of PBSI and BCI by firm sizes



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Several aspects are visible when observed for the sub-indicators of the BCI by firm sizes (Table 16). First, for almost all indicators, the values of the BCI sub-indicators for the large firms are higher than the micro and small firms. And second, the dispersion of the BCI scores in the sub-indicators (measured in terms of standard deviations) is slightly lower for the large firms compared to the MSMEs. That is, the BCI scores for the sub-indicators are closer to the mean for the large firms than the MSMEs. Interestingly, the dispersion in the BCI score for firms of all sizes in the third round is much lower than the earlier rounds of the survey. It indicates the responses of the firms tended closer to the mean values in the third round of the survey than it was in the earlier rounds. In other words, the business expectations of the firms regarding the BCI parameters converged more in the third round compared to the earlier rounds of the survey.

Table 16: BCI scores by firm sizes

Large	Mean	N (Observations)	Standard Deviation
Overall	60.88	144	13.2
Profit	62.80	144	5.28
Investment	61.46	144	6.56
Employment	55.76	144	3.14
Wages	57.16	144	3.53
Business Costs	52.03	144	3.03
Sales/Export Order	61.75	144	5.38
Medium			
Overall	56.79	54	15.02
Profit	61.61	54	3.87
Investment	59.87	54	4.49
Employment	55.13	54	2.46
Wages	56.31	54	2.41
Business Costs	51.79	54	2.89
Sales/Export Order	61.02	54	4.39
Micro and Small			
Overall	56.69	304	13.82
Profit	62.76	304	3.81
Investment	58.77	304	4.6
Employment	55.16	304	2.8
Wages	56.1	304	2.97
Business Costs	51.6	304	3.8
Sales/Export Order	61.64	304	4.02

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

However, mere observations of the mean differences between the large firms and others do not necessarily imply statistically significant distinctions. In this respect, all the firms are recategorized between Large firms (144 firms) and Micro, Small, and Medium Enterprises (MSMEs, 358 firms) (Table 17 and Table 18). It is observed that the overall PBSI at the firm level is significantly higher for the large firms compared to the MSMEs. Moreover, the PBSI scores between the large and MSMEs for the profit, investment, employment, and sales/exports also vary statistically significantly by firm sizes. The indicators where it does not vary significantly are the Business Cost and Wage indicators.

In contrast to the findings from this round, in the first round of the survey, the only indicator where a statistically significant difference was found between the large firms and small firms was the wages indicator. This shows the larger firms bounced back faster than, the smaller firms in all the indicators but business costs.

Table 17: Two-sample t-test with equal variances for the PBSI indicators by firm sizes

PBSI Indicators	Obs (MSMEs)	Obs (Large)	Mean (MSMEs)	Mean (Large)	Diff	Standard Error	t-value	p-value
PBSI Firm* **	358	144	47.21	52.87	-5.66	1.093	-5.200	0.000
PBSI Profit* **	358	144	51.54	62.15	-10.62	2.204	-4.800	0.000
PBSI Investment* **	358	144	47.84	53.30	-5.46	1.730	-3.150	0.002
PBSI Employment* **	358	144	47.63	52.43	-4.81	1.415	-3.400	0.001
PBSI Wages	358	144	52.44	53.82	-1.38	1.272	-1.100	0.280
PBSI Business Costs	358	144	31.43	32.47	-1.04	1.517	-0.700	0.493
PBSI Sales/Exports* **	358	144	52.37	63.02	-10.65	2.274	-4.700	0.000

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

With regard to the BCI score, large firms have a statistically significantly higher score compared to the MSMEs by 4.18 percentage points. This difference is higher than the earlier round of the survey. It indicates that the business expectations from the large firms are much leaping forward than the MSMEs. The investment, employment and wage sub-indictors of the BCI between the large and MSMEs have a statistically significant difference, although the magnitude of the differences is marginal. Interestingly, in the second round of the survey, the only BCI sub-indicator on wage was observed to be significantly higher for the large firms. It indicates that the expectations of the firms regarding the sub-indicators are converging in a similar direction. This is usually expected when the economy is moving towards normalcy from a slump period and the gap between the expectations and reality of the firms has been observed narrow.

Aligning this finding with the PBSI score differences observed in Table 17, several aspects can be distinguished. First, in the second three months of the pandemic (July-September 2020), the situation of the business communities on the broad indicators was homogenous across large and MSMEs. On average, firms of all sizes had a much better experience regarding profit, investment, employment, or sales/export. Second, the large firms expected a much better business situation regarding profit, employment, and sales/exports in October-December 2020 compared to July-September 2020 (as they proclaimed during the second round of the survey). Indeed, their performance in all the indicators except business cost and wage was much better than the smaller firms. This might be due to their ease of access to finances, ease in availing stimulus packages, or stronger business network compared to the MSMEs. And lastly, the BCI score expectation in January-March 2021 converges in the same direction regardless of the firm sizes.

Table 18: Two-sample t-test with equal variances for the BCI indicators by firm sizes

BCI Indicators	Obs (MSMEs)	Obs (Large)	Mean (MSMEs)	Mean (Large)	Diff	Standard Error	t-value	p-value
BCI Firm* **	358	144	56.70	60.88	-4.18	1.326	-3.150	0.002
BCI Profit	358	144	62.59	62.80	-0.21	0.484	-0.400	0.674
BCI Investment* **	358	144	58.94	61.46	-2.53	0.598	-4.250	0.000
BCI Employment **	358	144	55.16	55.76	-0.60	0.299	-2.000	0.045
BCI Wages* **	358	144	56.13	57.16	-1.04	0.332	-3.150	0.002
BCI Business Costs	358	144	51.63	52.03	-0.41	0.319	-1.300	0.202
BCI Sales/Exports	358	144	61.54	61.75	-0.21	0.498	-0.400	0.675

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

Analysis of PBSI and BCI by export status

The COVID-19 pandemic has disrupted the flow of global trade badly. Given the nature of the crisis, the impact of the pandemic sparked economic closures will not be homogenous across firms. The nature of the crisis, as well as the impact of the pandemic on the domestic-market-oriented firms, could be substantially different from that of the export-oriented firms. To capture it, all the surveyed firms have been categorized in two: (i) exporters: firms that have export shares in the total sales, (ii) non-exporters: firms whose export share in total sales is null.

Table 19: BCI scores by export status

Exporter	Mean	N (Observations)	Standard Deviation
Overall	57.75	208	14.64
Profit	60.58	208	3.05
Investment	58.83	208	2.66
Employment	54.75	208	1.48
Wages	55.74	208	1.88
Business Costs	51.34	208	2.21
Sales/Export Order	59.56	208	3.4
Non-Exporter			
Overall	58.01	294	13.35
Profit	64.11	294	4.45
Investment	60.25	294	6.56
Employment	55.74	294	3.49
Wages	56.91	294	3.68
Business Costs	52.03	294	4.16
Sales/Export Order	63.05	294	4.6

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Various aspects are noticeable when observed for the sub-indicators of the BCI by the export status of firms (Table 19). First, for all sub-indicators, the values of the BCI sub-indicators for non-exporter firms are higher than that of exporter firms. That is, the non-exporter firms are more optimistic in the next quarter compared to the exporter firms. Secondly, the dispersion of the overall BCI scores (measured in terms of standard deviations) is lower for the non-exporter firms compared to the exporter firms. It implies that the overall BCI scores are closer to the mean for the non-exporter firms than the exporter firms. It also indicates that non-exporter firms are anticipating the future precisely compared to the exporter firms. Finally, the dispersion of the BCI scores for all sub-indicators is higher for the non-exporter firms compared to the exporter firms. It implies that indicator-specific anticipation power is quite less for non-exporters compared to the exporters even though non-exporters are ahead of overall anticipation power.

In the first round of the survey, we observed a slightly higher overall PBSI score for the non-exporters than the mean PBSI score for the exporters. In the second round, we observed the reverse. The mean PBSI for the exporters in the second round was slightly higher than the non-exporters. In the third round of the survey, we observe the pattern of the first round again. Nevertheless, the difference between the exporters and non-exporters on the mean PBSI was not statistically significant in all rounds of the survey.

Table 20: Two-sample t-test with equal variances for the PBSI indicators by export status

PBSI Indicators	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
PBSI Firm	294	208	49.25	48.24	1.01	1.089	0.950	0.353
PBSI Profit	294	208	55.61	53.13	2.49	2.153	1.150	0.249
PBSI Investment	294	208	48.90	50.12	-1.23	1.581	-0.800	0.439
PBSI Employment	294	208	49.15	48.80	0.35	1.386	0.250	0.800
PBSI Wages**	294	208	54.08	51.08	3.00	1.221	2.450	0.015
PBSI Business Costs	294	208	31.97	31.37	0.60	1.390	0.450	0.665
PBSI Sales/Exports	294	208	55.78	54.93	0.86	2.280	0.350	0.708

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

In the case of the PBSI sub-indicators, none are found to be significant except wages in the third round of the BCI survey (Table 20). For all the sub-indicators of PBSI except investment, the situation of the exporting firms has worsened in the third round compared to the second round regarding the PBSI sub-indicators. The only indicator where the PBSI score in this round is found statistically significant between non-exporter firms and exporter firms is the wage indicator. Exporting firms have 3 percentage points lower score on the wage indicator compared to the non-exporters. It implies that they are in a relatively backward situation compared to the non-exporters regarding the wage indicator. However, in the case of the investment indicator, we observe a higher score for the exporters compared to the non-exporters by 1.23 percentage points in this round, although the difference is not statistically significant.

Table 21: Two-sample t-test with equal variances for the BCI indicators by export status

BCI Indicators	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
BCI Firm	294	208	58.01	57.75	0.26	1.279	0.200	0.842
BCI Profit* **	294	208	64.11	60.58	3.53	0.335	10.550	0.000
BCI Investment* **	294	208	60.25	58.83	1.42	0.425	3.350	0.001
BCI Employment* **	294	208	55.74	54.75	0.99	0.228	4.300	0.000
BCI Wages* **	294	208	56.91	55.74	1.17	0.252	4.650	0.000
BCI Business Costs **	294	208	52.03	51.34	0.70	0.287	2.450	0.016
BCI Sales/Exports* **	294	208	63.05	59.56	3.49	0.357	9.750	0.000

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

In the case of the BCI indicators, the exporters have significantly lower confidence regarding profit, investment, employment, wages, overall business cost, and sales/export orders compared to the non-exporters in the January-March 2021 quarter (Table 21). That is, the exporters are relatively less optimistic on these indicators compared to the non-exporters. For instance, in the case of the overall business cost, the BCI score for the exporters (51.34) is 0.70 percentage points lower than that of the non-exporters. Such low scores show the concerns in the exporting firms that the overall business cost for the sector could worsen further in January-March 2021 compared to October-December 2020.

The second wave of the Coronavirus, the continued slump in global trade, an increase in shipment costs, disruptions in the global supply chain, increased cost of raw materials, fall in income and rising unemployment at the major destination countries, increased competition from comparators such as Vietnam and Cambodia, etc. all could be potential reasons behind such pessimism from the exporters. It shows the necessity for more revamped policy supports for the exporters in the upcoming quarters.

Analysis of PBSI and BCI by female ownership

Perceptions and expectations by female-owned enterprises on the business are crucial to have a female entrepreneur's position in this critical time. It is observed that, in this third round of the survey, for all indicators, the values of the BCI sub-indicators for the female-owned (partially/fully) firms are higher than the firms with no female ownership (Table 22). It implies that female-owned firms are much optimistic about the future even in this unprecedented time compared to the firms with no female ownership.

The dispersion of the overall BCI score (measured in terms of standard deviations) is lower for the female-owned firms than the firms with no female ownership. However, except business cost indicator, the dispersion of the BCI scores in the sub-indicators is higher for the female-owned firms compared to the firms with no female ownership. It implies that the BCI scores for the sub-indicators are closer to the mean for the firms with no female ownership compared to the female-owned firms. In accordance with the dispersion measurement, a diverse pattern has been observed. It indicates that although female-owned firms compared to the firms with no female ownership are more optimistic in the near future, they are in a vulnerable position as well.

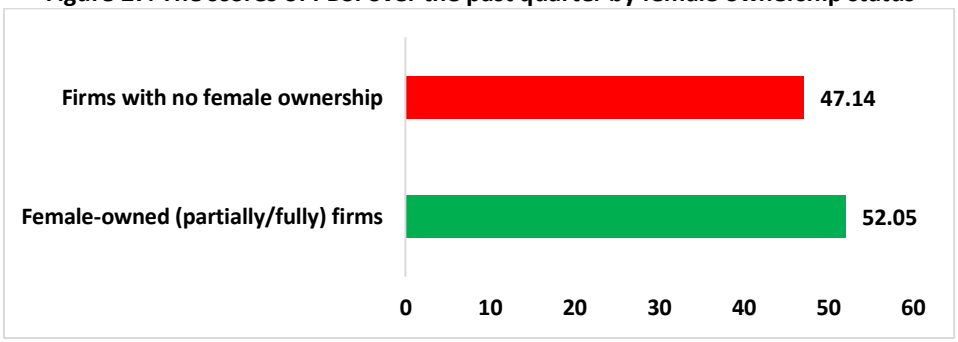
Table 22: BCI scores by female ownership

No Female Ownership	Mean	N (Observations)	Standard Deviation
Overall	56.83	329	14.18
Profit	62.54	329	3.88
Investment	58.94	329	4.47
Employment	55.08	329	2.74
Wages	56.04	329	2.86
Business Costs	51.50	329	3.68
Sales/Export Order	61.32	329	4.16
Partially/Fully Female Ownership			
Overall	59.95	173	13.1
Profit	62.86	173	5.01
Investment	61.04	173	6.51
Employment	55.80	173	3.07
Wages	57.16	173	3.45
Business Costs	52.20	173	3.09
Sales/Export Order	62.13	173	5.02

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Like the BCI scores, we observe the higher overall PBSI score for female-owned firms than the firms with no female ownership (Figure 27). It implies that, compared to the firms with no female ownership, female-owned firms have performed better in October-December 2020 quarter compared to July-September 2020 quarter.

Figure 27: The scores of PBSI over the past quarter by female ownership status



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the case of the PBSI scores, the mean values of all the sub-indicators except wage indicator are statistically significantly higher for the female-owned firms than the firms with no female ownership (Table 23). The female-owned firms have a statistically significantly higher PBSI score compared to the firms with no female ownership by 8.03 and 7.56 percentage points for sales and profit indicators respectively. The only indicator where the PBSI score between female-owned firms and firms with no female ownership is not statistically significant is the wage indicator. The female-owned firms have also 6.20 percentage points higher PBSI score in the investment indicator compared to the firms with no female ownership. It indicates that the overall business environment amid the pandemic might be relatively favourable to female-owned firms compared to the firms with no female ownership.

Table 23: Two-sample t-test with equal variances for the PBSI indicators by female ownership (Yes=full/partial female ownership, No=no female ownership)

PBSI Indicators	Obs (No)	Obs (Yes)	Mean (No)	Mean (Yes)	diff	Standard Error	t-value	p-value
PBSI Firm* **	329	173	47.14	52.05	-4.910	1.050	-4.700	0.000
PBSI Profit* **	329	173	51.98	59.54	-7.562	2.157	-3.500	0.001
PBSI Investment* **	329	173	47.26	53.47	-6.204	1.614	-3.850	0.000
PBSI Employment* **	329	173	47.49	51.88	-4.386	1.415	-3.100	0.002
PBSI Wages	329	173	52.89	52.75	0.142	1.247	0.100	0.909
PBSI Business Costs*	329	173	30.55	33.96	-3.413	1.484	-2.300	0.022
PBSI Sales/Exports* **	329	173	52.66	60.69	-8.034	2.247	-3.600	0.001

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

With regard to the BCI scores, the female-owned firms have statistically significantly higher confidence regarding the investment, employment, and wages sub-indicators compared to the firms with no female ownership (Table 24). The female-owned firms have 0.69 percentage points higher BCI scores in the business cost indicator than the firms with no female ownership although the indicator is not statistically significant. In the case of the sales and profit indicators, the female-owned firms have 0.81 and 0.33 percentage points greater BCI scores respectively than the firms with no female ownership although the difference between the female-owned firms and the firms with no female ownership on the mean BCI was not statistically significant in this round.

Table 24: Two-sample t-test with equal variances for the BCI indicators by female ownership (Yes=full/partial female ownership, No=no female ownership)

BCI Indicators	Obs (No)	Obs (Yes)	Mean (No)	Mean (Yes)	diff	Standard Error	t-value	p-value
BCI Firm	329	173	56.826	59.947	-3.121	1.298	-2.400	0.017
BCI Profit	329	173	62.537	62.864	-0.327	0.404	-0.800	0.418
BCI Investment* **	329	173	58.938	61.038	-2.101	0.494	-4.250	0.000
BCI Employment **	329	173	55.083	55.797	-0.714	0.269	-2.650	0.008
BCI Wages* **	329	173	56.040	57.157	-1.117	0.289	-3.850	0.000
BCI Business Costs	329	173	51.504	52.198	-0.694	0.328	-2.100	0.035
BCI Sales/Exports	329	173	61.325	62.135	-0.810	0.420	-1.950	0.055

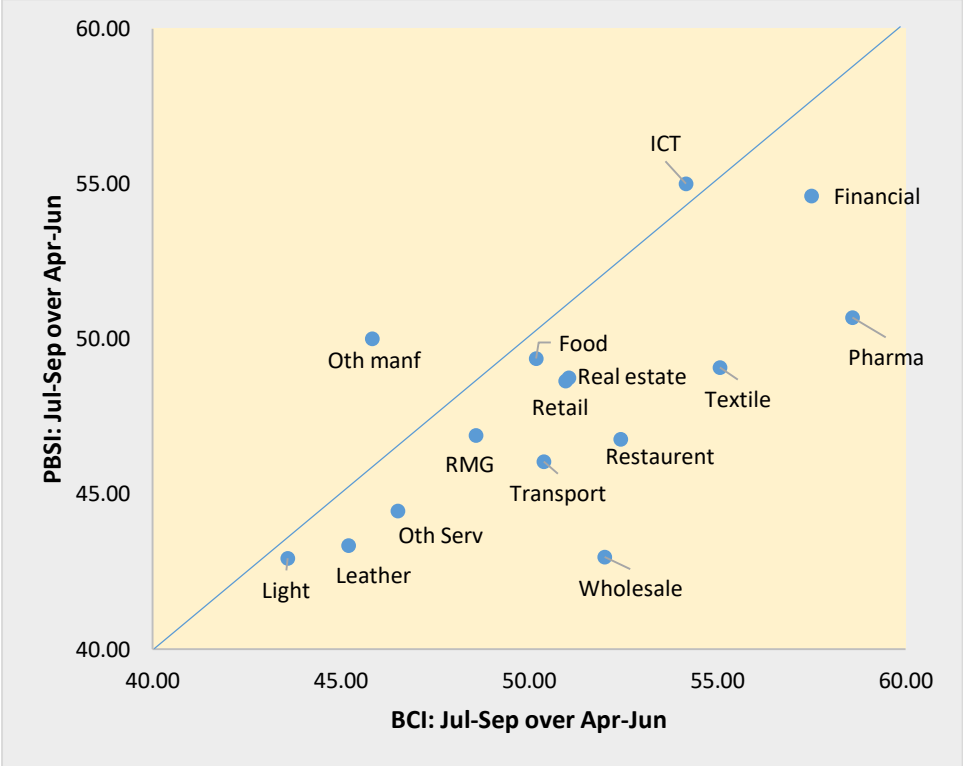
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

Section V: Firms' Expectation versus Reality

As has already been mentioned in section IV, there is a clear mismatch between the expectations on the business confidence in July-September 2020 period and the realized business scenario faced by the industries. In the first round of the survey, most of the sectors expected an increase in the overall business situation in July-September 2020 compared to April-June 2020 (Figure 28: as measured with the BCI on the horizontal axis). In the vertical axis, the realized business status has been observed for July-September 2020 (as with the PBSI). In the Figure, the closer a firm to the 45-degree line the lesser the deviation between expectations and reality.

Amongst the industries, only the ICT industry performed better than their expectations. All other sector's realized business scenario was lesser than their overall expectations.

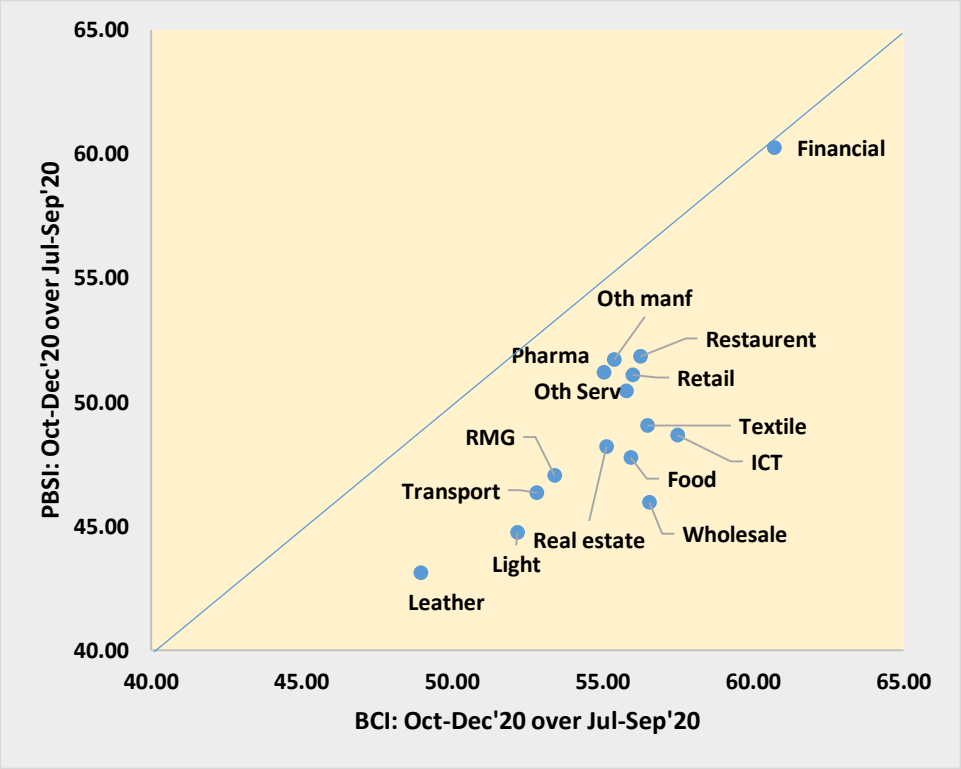
Figure 28: Cross-sectoral BCI & PBSI for July-September 2020: Expectations vs reality



Source: Authors' estimation based on SANEM BCI (first round) Survey, 2020-21

Accordingly, the study attempted to understand the same scenario in the next quarter as well. Interestingly, most of the firms in both the manufacturing and service sectors expected an improvement in the overall business situation in October-December 2020 compared to July-September 2020. Nonetheless, we observe the mismatch again between the expectations on the business confidence in October-December 2020 period and the realized business scenario encountered by the industries. All sector's observed business scenario was lesser than their overall expectations as the sectors are below the 45-degree line (Figure 29).

Figure 29: Cross-sectoral BCI & PBSI for October-December 2020: Expectations vs reality



Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020-21

As explained, there is a clear gap between a firm's expectations and realities over the quarters. However, we need to understand the nature of the gap as the gap reflects how far the firms' expectations from the realities are, and whether the gap is increasing or falling over the quarters. To understand this, the study calculated the ratios between BCI and PBSI for the report. The explanations of the ratios are as follow:

- **Ratio = 1** indicates that a firm believes that its condition will remain the same in the next quarter compared to what it has in the current quarter.
- **Ratio < 1** indicates that a firm believes that its condition will deteriorate in the next quarter compared to what it has in the current quarter.
- **Ratio > 1** indicates that a firm believes that its condition will improve in the next quarter compared to what it has in the current quarter.

The ratio between BCI and PBSI in the first round of the BCI survey

In the first round of the BCI survey, the mean and variance of the ratio were 2.07 and 3.21 respectively for all the surveyed firms (Table 25). In the case of manufacturing firms, the mean and variance of the ratio were 1.86 and 0.67 respectively. In contrast, the mean and variance of the ratio for the services sector were 2.28 and 5.75 respectively. The mean of greater 1 indicates that in the first round, firms believed that their condition will improve in the July-September 2020 quarter compared to the status they observed in April-June 2020 quarter. The ratio of the mean of the manufacturing sector was lesser than that of the services sector. That is, firms in the services sector would expect a greater improvement in the July-September 2020 quarter than that of the manufacturing sector.

Table 25: The ratio of BCI to PBSI for all firms in the first round of the BCI survey

	Mean	Median	N	Std. Dev.	Variance
All firms	2.07	1.73	302	1.79	3.21
Manufacturing firms	1.86	1.75	153	0.82	0.67
Services firms	2.28	1.71	149	2.40	5.75

Source: Authors' estimation based on SANEM BCI (first round) Survey, 2020

However, the ratio can be analysed at the sectoral level. Financial Sector (1.40) and Pharmaceuticals & Chemicals (1.5) had the lowest mean values in the first round of the survey (Table 26). It implies that among the sectors, the Financial and Pharmaceuticals sectors anticipated a slight improvement in the July-September 2020 quarter compared to the status they observed in April-June 2020 quarter. On the other hand, Restaurants (3.86) and Wholesale (3.27) had the highest mean values, indicating that these sectors among the sectors expected larger progress in the July-September 2020 quarter compared to the status they observed in April-June 2020 quarter.

Table 26: The ratio of BCI to PBSI by sectors in the first round of the BCI survey

Firm	Mean	Median	N	Std. Dev.	variance
RMG	1.99	1.83	53	0.84	0.71
Textile	1.92	1.71	23	0.62	0.39
Leather & Tannery	2.06	1.60	13	1.27	1.60
Pharmaceuticals	1.50	1.50	17	0.46	0.21
Food Processing	1.69	1.33	23	0.74	0.55
Light Engineering	1.75	1.33	13	0.88	0.77
Other Manufacturing	1.86	1.83	11	0.86	0.74
Wholesale	3.27	1.75	25	4.23	17.93
Retailers	1.98	1.62	26	1.15	1.32
Restaurants	3.86	2.29	12	4.33	18.71
Transport	2.02	1.77	22	1.56	2.43
ICT	2.05	1.75	16	1.31	1.72
Financial Sector	1.40	1.29	15	0.35	0.12
Real Estate	1.88	1.75	27	0.84	0.71
Other Services	1.92	1.53	6	1.28	1.64

Source: Authors' estimation based on SANEM BCI (first round) Survey, 2020

The ratio between BCI and PBSI in the second round of the BCI survey

In the second round of the survey, the mean and variance of the ratio of all the surveyed firms were 1.25 and 0.34 respectively (Table 27). In the manufacturing sector, the mean and variance of the ratio of the firms were 1.23 and 0.38 respectively while those in the service sector were 1.26 and 0.31 respectively. Like the first round, firms in the second round also expected greater improvement in the next quarter as the mean value of the ratio is greater than 1.

Table 27: The ratio of BCI to PBSI for all firms in the second round of the BCI survey

	Mean	Median	N	Std. Dev.	variance
All firms	1.25	1.14	502	0.59	0.34
Manufacturing firms	1.23	1.14	252	0.61	0.38
Services firms	1.26	1.14	250	0.55	0.31

Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

Among the sub-sectors, ICT (1.12) and Financial Sector (1.14) had the lowest mean values. In contrast, Wholesale (1.54) and Restaurant (1.49) had the highest mean values (Table 28). Likewise the first round, the Wholesale and Restaurant expected larger progress in October-December 2020 quarter. This is primarily because these two sectors amongst the services sub-sector are affected most during the crisis time.

Table 28: The ratio of BCI to PBSI by sectors in the second round of the BCI survey

Firm	Mean	Median	N	Std. Dev.	Variance
RMG	1.29	1.14	83	0.93	0.86
Textile	1.20	1.14	45	0.29	0.08
Leather & Tannery	1.18	1.21	20	0.31	0.10
Pharmaceuticals	1.18	1.03	24	0.59	0.35
Food Processing	1.18	1.14	40	0.29	0.08
Light Engineering	1.30	1.21	23	0.41	0.16
Other Manufacturing	1.17	1.08	17	0.41	0.17
Wholesale	1.54	1.23	35	1.00	1.00
Retailers	1.21	1.11	43	0.35	0.12
Restaurants	1.49	1.08	18	1.01	1.02
Transport	1.20	1.13	40	0.37	0.14
ICT	1.12	1.07	25	0.24	0.06
Financial Sector	1.14	1.11	28	0.21	0.05
Real Estate	1.19	1.09	43	0.34	0.11
Other Services	1.32	1.30	18	0.36	0.13

Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

The ratio between BCI and PBSI in the third round of the BCI survey

The mean and variance of the ratio of all the surveyed firms were 1.22 and 0.14 respectively in the third round of the survey (Table 29). In the manufacturing firms, the mean and variance of the ratio were 1.24 and 0.19 respectively whereas those in the services sector were 1.21 and 0.08 respectively. The mean of the ratio of the manufacturing sector was higher than that of the services sector. That is, firms in the manufacturing sector would expect a greater improvement in the January-March 2021 quarter than that of the services sector. Interestingly, a completely opposite situation was observed in the first round of the survey.

Table 29: The ratio of BCI to PBSI by sectors in the third round of the BCI survey

	Mean	Median	N	Std. Dev.	Variance
All firms	1.22	1.17	502	0.37	0.14
Manufacturing firms	1.24	1.21	252	0.44	0.19
Services firms	1.21	1.15	250	0.29	0.08

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Amongst the sub-sectors, Financial Sector (1.13) and Retailer (1.18) have the lowest mean values in the third round (Table 30). That is, the ratio for these two sectors among the sub-sectors is very close to 1, indicating the differences between their expectations and realities are minimal. On the other hand, Leather & Tannery (1.36) and ICT & Telecommunication (1.32) have the highest mean values. It implies that Leather & Tannery and ICT & Telecommunication sectors amongst the sub-sectors are still in uncertainties as their expectations are far away from the realities.

Table 30: The ratio of BCI to PBSI by sectors in the third round of the BCI survey

Firm	Mean	Median	N	Std. Dev.	Variance
RMG	1.26	1.20	82	0.64	0.41
Textile	1.20	1.14	45	0.34	0.12
Leather & Tannery	1.36	1.33	20	0.43	0.18
Pharmaceuticals	1.24	1.23	24	0.19	0.04
Food Processing	1.19	1.22	41	0.20	0.04
Light Engineering	1.24	1.20	23	0.35	0.13
Other Manufacturing	1.22	1.21	17	0.20	0.04
Wholesale	1.20	1.11	34	0.33	0.11
Retailers	1.18	1.11	45	0.23	0.05
Restaurants	1.23	1.18	18	0.24	0.06
Transport	1.26	1.21	40	0.28	0.08
ICT	1.32	1.23	25	0.38	0.15
Financial Sector	1.13	1.08	28	0.16	0.03
Real Estate	1.20	1.13	42	0.34	0.11
Other Services	1.13	1.17	18	0.21	0.05

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Comparison of BCI to PBSI ratio among all three rounds of the BCI survey

As mentioned earlier, the study has attempted to understand whether the gaps between expectations and realities are falling as the COVID-19 situation has gradually started to improve. To do this, the study made a simple comparison of the ratio among all three rounds of the survey (Table 31). For all firms, the mean of the ratio for the first, second, and third rounds stands at 2.07, 1.25, and 1.22 respectively. It has declined over the quarters. That is, the gaps between expectations and relatives have declined over the quarters. This is true for the manufacturing and services firms as well.

For all firms, the variance of the ratio stands at 3.21, 0.34, and 0.14 for the first, second, and third rounds respectively. Interestingly, the variance of the ratio has also declined over the quarters. That is, the dispersion in the ratio of BCI to PBSI in the third round is much lower than the earlier rounds of the survey. It indicates the responses of the firms tended closer to the mean values of the ratio in the third round of the survey than it was in the earlier rounds. In other words, the gaps between business expectations and realities of the firms regarding the ratio to BCI and PBSI parameters converged more in the third round compared to the earlier rounds of the survey. This is also true for all manufacturing and services firms. At the onset of the crisis, the services sector was in greater uncertainties that are reflected by a larger variance of 5.75 in the first round of the survey. Of course, the services sector is now in a better position as reflected by the lower mean (1.21) and lower variance (0.08) of the BCI to PBSI ratio.

Table 31: The ratio of BCI to PBSI by sectors for all rounds of the BCI survey

	First Round		Second Round		Third Round	
	Mean	**variance**	**Mean**	**Variance**	**Mean**	**Variance**
All firms	2.07	3.21	1.25	0.34	1.22	0.14
Manufacturing firms	1.86	0.67	1.23	0.38	1.24	0.19
Services firms	2.28	5.75	1.26	0.31	1.21	0.08

Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

However, we can elaborate the analysis at the sub-sectoral level. Among the sub-sectors, Restaurants and Wholesale had the highest mean and variance of the ratio in the first round, indicating the most affected sectors at the onset of the crisis. For the Restaurants, the mean and variance of the ratio have declined to 1.23 and 0.06 respectively in the third round from those of 3.86 and 18.71 in the first round (Table 32). A similar jump has also be found for almost all sectors. It implies that convergence of the ratio at the sectoral level has also been observed.

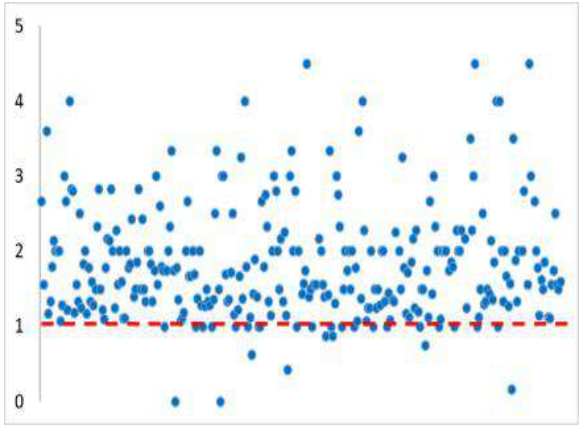
Table 32: The ratio of BCI to PBSI by sectors for all rounds of the BCI survey

Firm	First Round		Second Round		Third Round	
	Mean	**variance**	**Mean**	**Variance**	**Mean**	**Variance**
RMG	1.99	0.71	1.29	0.86	1.26	0.41
Textile	1.92	0.39	1.20	0.08	1.20	0.12
Leather & Tannery	2.06	1.60	1.18	0.10	1.36	0.18
Pharmaceuticals	1.50	0.21	1.18	0.35	1.24	0.04
Food Processing	1.69	0.55	1.18	0.08	1.19	0.04
Light Engineering	1.75	0.77	1.30	0.16	1.24	0.13
Other Manufacturing	1.86	0.74	1.17	0.17	1.22	0.04
Wholesale	3.27	17.93	1.54	1.00	1.20	0.11
Retailers	1.98	1.32	1.21	0.12	1.18	0.05
Restaurants	3.86	18.71	1.49	1.02	1.23	0.06
Transport	2.02	2.43	1.20	0.14	1.26	0.08
ICT	2.05	1.72	1.12	0.06	1.32	0.15
Financial Sector	1.40	0.12	1.14	0.05	1.13	0.03
Real Estate	1.88	0.71	1.19	0.11	1.2	0.11
Other Services	1.92	1.64	1.32	0.13	1.13	0.05

Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

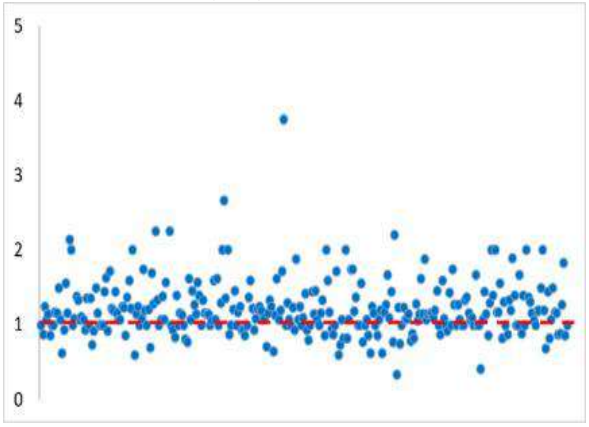
At the individual firm level, the convergence of the BCI to PBSI ratio has been illustrated using three different scatter diagrams (Figure 30, 31, and 32). In the first round, the dots were scattered and much far from the 1. Compared to the first round, the dots in the second round were observed close to the 1. However, in the third round, the dots were found very close to 1. It indicates that the expectations of the firms are being close to the realities observed over the quarters. The dispersion of the firms is much lower in the third round compared to the earlier rounds of the survey. It implies that there has been a sequential change in the gap between expectations and reality amongst the firms. Since the pandemic has now taken a path more predictable than before, expectations formed by the firms now are more aligned to reality.

Figure 30: The ratio of BCI to PBSI (first round: April-June 2020)



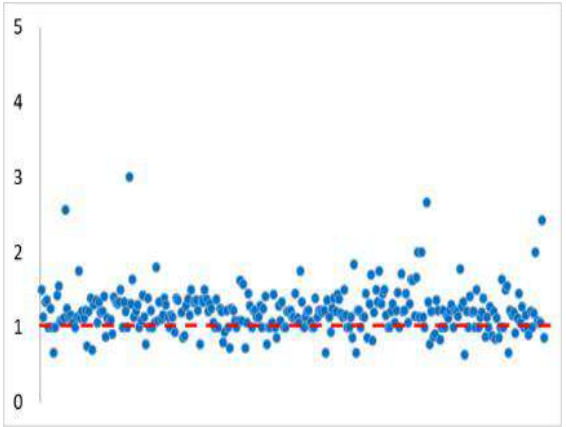
Mean = 2.07
Median = 1.73
Standard deviation = 1.79
Variance = 3.21

Figure 31: The ratio of BCI to PBSI (second round: July-September 2020)



Mean = 1.25
Median = 1.14
Standard deviation = 0.59
Variance = 0.34

Figure 32: The ratio of BCI to PBSI (third round: October-Decber 2020)



Mean = 1.22
Median = 1.17
Standard deviation = 0.37
Variance = 0.14

Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Section VI: Analysis of Enabling Business-Environment Index

An overall analysis of Enabling Business-Environment Index

Cost is an integral part of the business and firms always try to minimize costs. Reducing direct and indirect costs might enable the business environment favourable to the firms. This motivation and observed high business cost in the earlier rounds prompted the study researchers to construct a fourth index-called Enabling Business-Environment Index (EBI).

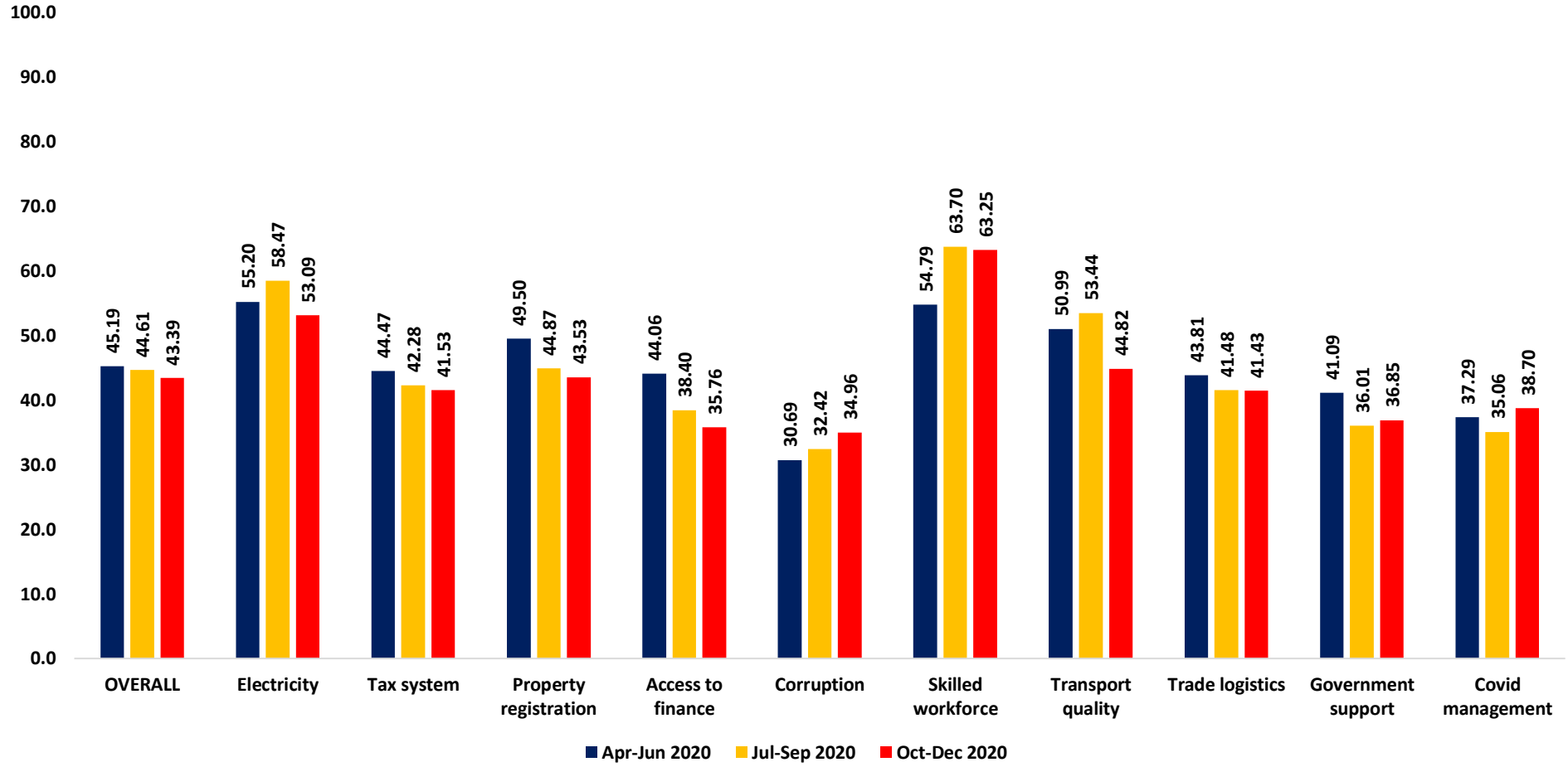
To have a better understanding of the overall business environment in this unprecedented time, the respondents were asked to offer answers based on each of the ten indicators (such as electricity, corruption, etc.) specified in the methodology part mentioned above. For instance, the respondents were asked: "On a weight of 0 to 100, at present, how favourable are the following indicators for your overall business performance?" Seven alternate options were provided. They are extremely unfavourable, slightly unfavourable, moderately unfavourable, neither unfavourable nor favourable, slightly favourable, moderately favourable, and extremely favourable. Here, zero represents an extremely unfavourable situation, whereas 100 represents an extremely favourable situation. Thereafter, the study clustered the seven alternatives into five broad categories: extremely unfavourable, unfavourable, neither unfavourable nor favourable, favourable, and extremely favourable.

The overall EBI scores in all three rounds stand at 45.19, 44.61, and 43.39 respectively (Figure 33). The scores in all three rounds are found between 25 and 50, indicating that the overall business environment is unfavourable for the firms. However, a matter of immediate concern is that the score is decreasing, from a score of 44.61 in the July-September quarter to a score of 43.49 in the October-December quarter of 2020.

Although the EBI scores of electricity (connection & quality), transport quality, and skilled workforce have improved marginally in July-September 2020 quarter compared to April-June 2020 quarter, those have deteriorated in October-December 2020 compared to July-September 2020. In the case of the tax system, access to finance and property registration, the EBI scores of the three rounds have steadily deteriorated. Although the EBI score of trade logistics has narrowed in July-September 2020 quarter compared to April-June 2020 quarter, that has remained unchanged between the October-December 2020 and July-September 2020 quarters. In the case of Government support and Covid management components, the scores of EBI have worsened in July-September 2020 quarter compared to April-June 2020 quarter whereas a little improvement has been observed in October-December 2020 compared to July-September 2020.

Corruption is the only indicator that has progressed over the quarters. Even though the score regarding corruption was very low, to begin with at 30.69 (April-June 2020), it has improved to 34.96 (October-December 2020), which is a ray of hope for everyone.

Figure 33: Enabling Business-Environment Index (EBI) and its components



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

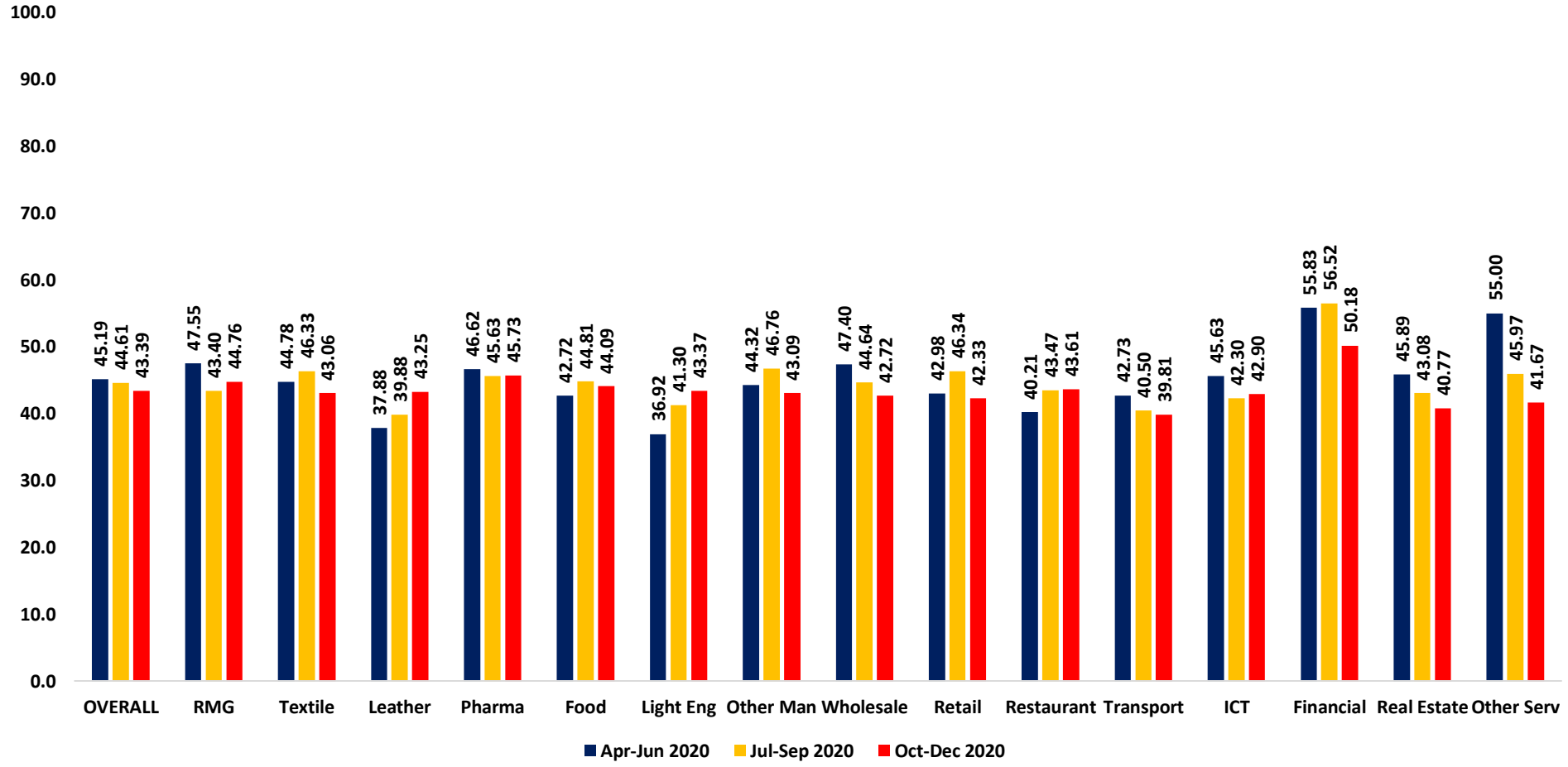
Sectoral analysis of Enabling Business-Environment Index

The EBI scores vary across the sectors. This is primarily because not all sectors have equal business access and the environment to flourish their businesses. In this regard, a thorough sectoral analysis is required to have a clear picture of a single sector and thereby provide possible policy suggestions for the sector.

The sectoral EBI scores are presented in figure 34. The EBI scores of sectors like RMG, leather, light engineering, and ICT have increased in the October-December 2020 quarter compared to the July-September quarter of 2020. For the leather and light engineering sector, the score has improved over the quarter. The scores for RMG and ICT deteriorated in July-September 2020 quarter compared to the April-June quarter of 2020 but have increased in October-December 2020 quarter compared to July-September 2020 quarter.

On the other hand, sectors like textile, wholesale, retail, transport, real estate, food processing, and financial sectors have experienced a decline in their scores in the October-December 2020 quarter compared to the July-September 2020 quarter. Among these sectors, wholesale, transport, real estate, and other services have experienced a persistent decline in their scores in the same quarter. In contrast, in the case of textile, food processing, other manufacturing, retail, and financial sector, an increase in EBI scores was observed in July-September 2020 quarter compared to the April-June 2020 quarter, while the scores have decreased in the October-December 2020 quarter compared to the July-September 2020 quarter.

Figure 34: Sectoral Enabling Business-Environment Index

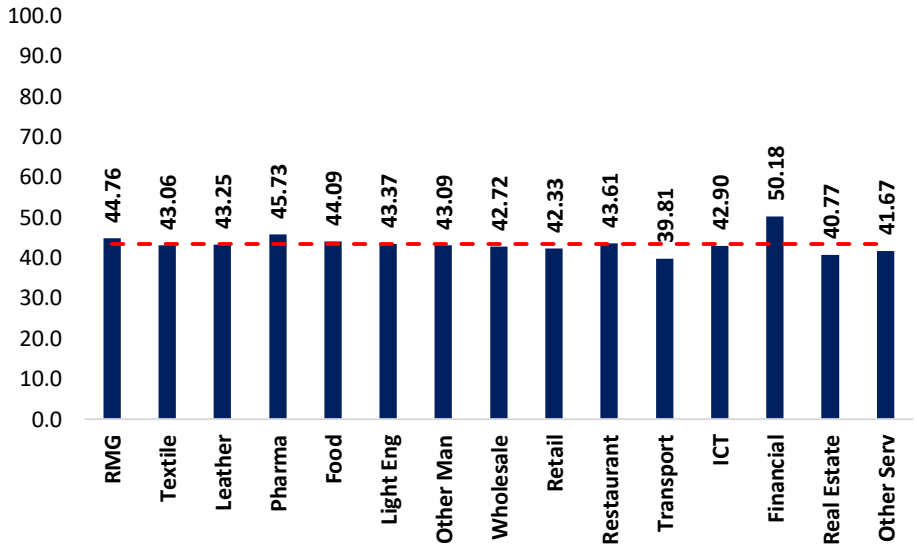


Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

However, the sectoral performance, in terms of EBI, can be elaborated based on each indicator. This will allow us to have the indicator-specific performance of the sectors precisely. To do this, we have selected firms' performance on the indicators in the latest quarter. One reason behind the selection of the recent quarter is to realise how and what extent the business environment is currently favourable to the firms.

The baseline case is presented at the aggregated level (Figure 35). The red dotted line is the overall or aggregated EBI score for the October-December 2020 quarter. The firms whose EBI scores above the line have a relatively better business environment among the sectors and vice-versa. It is observed that most of the firms could not cross the red dotted line. It implies that the overall business environment was not as much as favourable to the firms. The EBI score of few sectors like the Financial sector (50.18), Pharmaceuticals (45.73), and RMG (44.76) are above the overall score (43.39) even though those in Transport (39.81) and Real Estate (40.77) are far below the overall score. Sectors like Textile, Leather and Tannery, Food-processing, Light Engineering, and other manufacturing could somehow reach the benchmark score (43.39).

Figure 35: Sectoral overall EBI



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The overall EBI score of Electricity (connection & quality) in the October-December 2020 quarter stands at 53.09 (Figure 36). The highest EBI score is found in the Leather & Tannery sector (62.50). In the case of Financial Sector (59.82), Light Engineering (57.61), Food Processing (57.32), Restaurant (56.94), and Transportation (56.88), the EBI scores are found above the overall Electricity EBI score. It indicates that these sectors have better electricity connection and quality among the sub-sectors. In contrast, the EBI scores of Wholesale (51.47), Retailer (50), ICT & Telecommunication (52), RMG (50.30), Textile (49.44), Pharmaceuticals (46.88), and Real Estate (49.40) are below the overall Electricity EBI score, indicating these sectors have poor electrical connection and quality among the sub-sectors. Sectors like Pharmaceuticals, Real Estate, and Textile are far below the overall Electricity EBI score.

Figure 36: Sectoral EBI in terms of electricity (connection & quality)

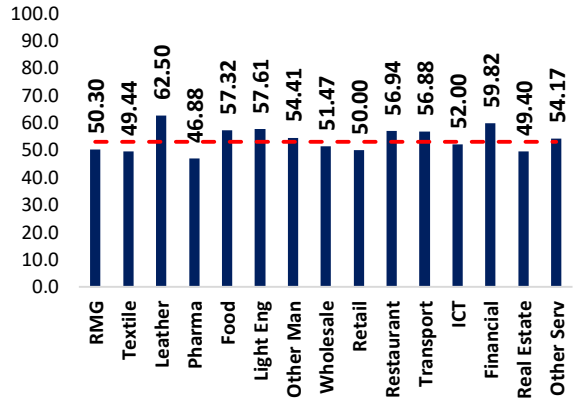
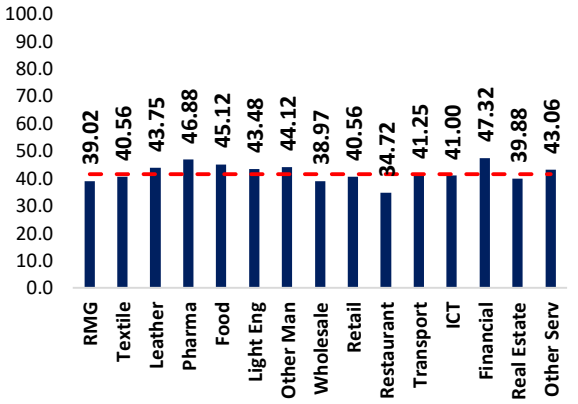


Figure 37: Sectoral EBI in terms of the tax system



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

With regard to the Tax System indicator, the overall EBI score in the October-December 2020 quarter stands at 41.53 (Figure 37). Among the sub-sectors, Financial Sector (47.32) and Pharmaceuticals (46.88) have the highest Tax EBI score. These sectors including Food Processing (45.12), Leather & Tannery (43.75), and Light Engineering (43.48) have Tax EBI scores above the overall Tax EBI score. On the other hand, the Tax EBI scores of RMG (39.02), Textile (40.56), Wholesales (38.97), Retailer (40.56), Restaurant (34.72), Transportation (41.25), ICT & Telecommunication (41), and Real Estate (39.88) are below the overall Tax EBI. The least score has been observed in firms like Restaurant, Wholesales, Real Estate, and RMG. However, not a single sector has crossed the 50 marks, indicating that existing tax systems are not as much as favourable to the firms.

In the case of Property Registration, the overall EBI score in the October-December 2020 quarter stands at 43.53 (Figure 38). The EBI scores of Leather (48.75), ICT & telecommunication (48), Light Engineering (47.83), RMG (45.73), Food Processing (45.73), Financial Sector (44.64), and Wholesale (44.12) are above the overall EBI score. In contrast, in the case of Textile (42.78), Retailer (41.11), Restaurant (37.50), and Real Estate (31.55), the EBI scores are below the overall EBI score.

Figure 38: Sectoral EBI in terms of property registration

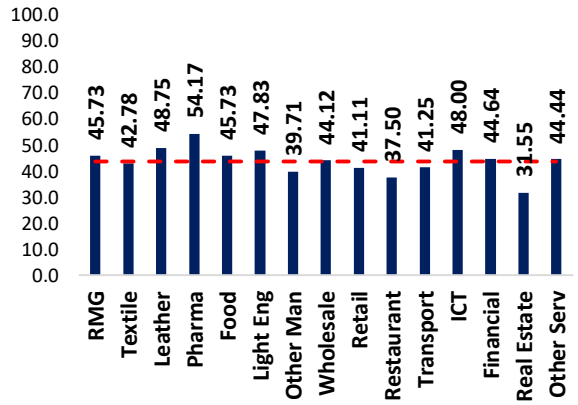
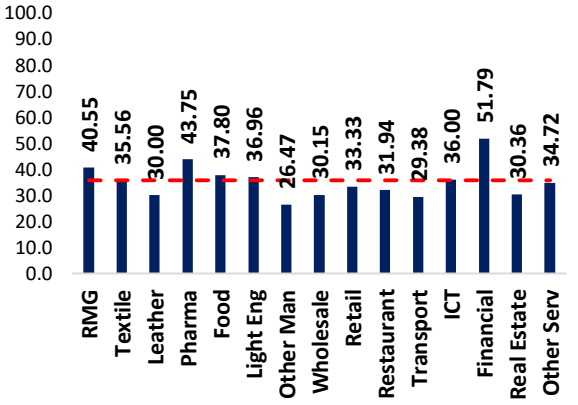


Figure 39: Sectoral EBI in terms of access to finance



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The overall EBI score of the Access to Finance indicator in the October-December 2020 quarter stands at 35.76 (Figure 39). This is one of the lowest scores amongst the indicators. Financial sectors (51.79) have greater access to finance among the sub-sectors. Other Manufacturing (26.47), Transport (29.38), Leather and Tannery (30.00) and Real Estate (30.36) have the lowest EBI score among the sub-sectors. Even all other sectors except Financial Sector have a score below 50 marks. It implies that the existing access to the finance system in the country is not able to ensure a better business environment for the firms.

With regards to the Corruption indicator, the overall EBI score in the October-December 2020 quarter stands at 34.96 (Figure 40). This score is the lowest among the sub-sectors. Restaurant (40.28), Financial Sector (40.18), and Retailer (40) have the highest scores whereas Transportation (26.88) and Leather & Tannery (28.75) have the lowest scores among the sub-sectors. Not a single sector crosses the benchmark score (50). No doubt corruption acts as a major barrier against a favourable business environment.

Figure 40: Sectoral EBI in terms of corruption

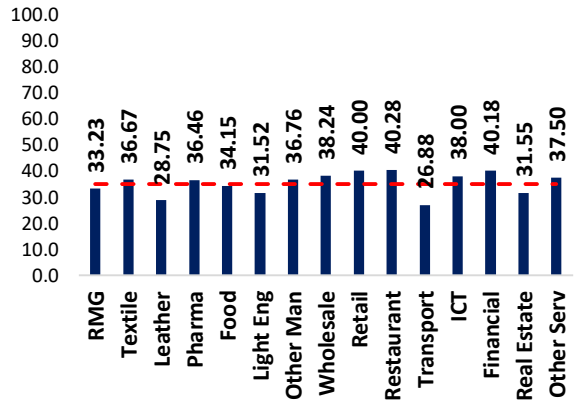
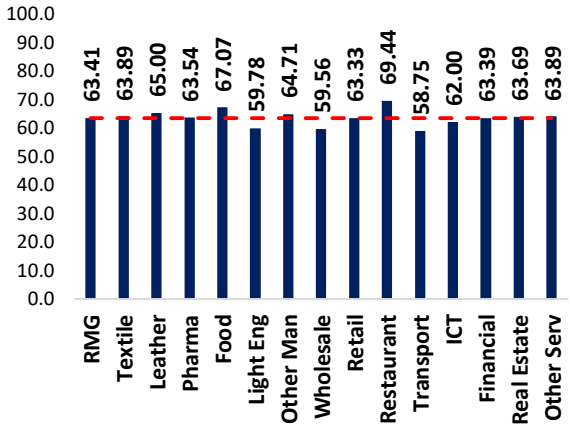


Figure 41: Sectoral EBI in terms of skilled workforce



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The overall EBI score of Skilled Workforce stands at 63.25 in the October-December 2020 quarter (Figure 41). All firms cross the benchmark score. It indicates that a skilled workforce ensures a favourable business environment for the firms. Restaurant (69.44) and Food Processing (67.07) have the highest EBI scores. On the other hand, the most deterioration has been observed in sectors like Transportation (58.75), Wholesale (59.56), and Light Engineering (59.78).

In the case of the Transport Quality indicator, the overall EBI stands at 44.82 in the October-December 2020 quarter (Figure 42). Restaurant (51.39) has the highest EBI score, followed by Wholesale (47.79), Real Estate (47.62), and Financial Sector (47.32). ICT & Telecommunication (40) and Transportation (40.63) have the lowest EBI scores. Even no single sector except Restaurant crosses the benchmark. All these indicate poor transport quality, which erodes firms' confidence as well.

Figure 42: Sectoral EBI in terms of transport quality

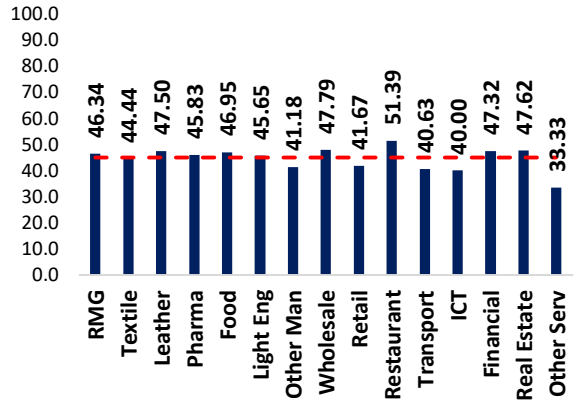
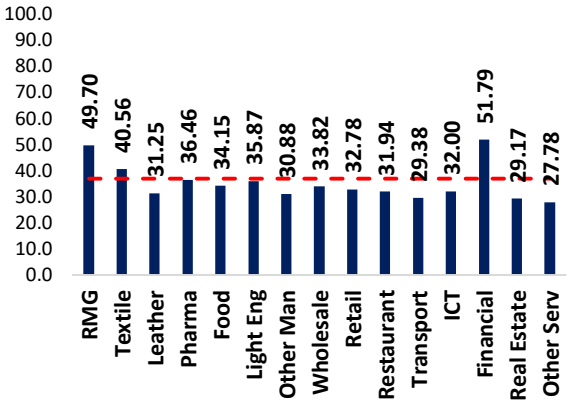


Figure 43: Sectoral EBI in terms of govt. support



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The overall EBI score of the Government Support indicator stands at 36.85 in the October-December 2020 quarter (Figure 43). Financial Sector (51.39), and RMG (49.70) have the highest EBI scores whereas Real Estate (29.17) and Transportation (29.38) have the lowest EBI scores. None except for RMG, Textile, and Financial sectors cross the overall Government Support EBI score, which is alarming to the businesses.

In the case of the COVID-19 Management indicator, the overall EBI score in October-December 2020 quarter stands at 38.70 (Figure 44). The EBI score of most of the firms is below the overall EBI score as well as the benchmark, indicating firms are in an unfavourable position regarding the COVID-19 Management indicator. Financial Sector (50) has the highest EBI score while Food Processing (34.76) has the lowest EBI score.

Figure 44: Sectoral EBI in terms of COVID-19 management

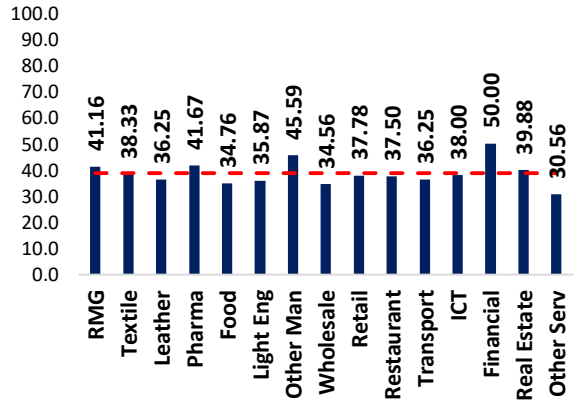
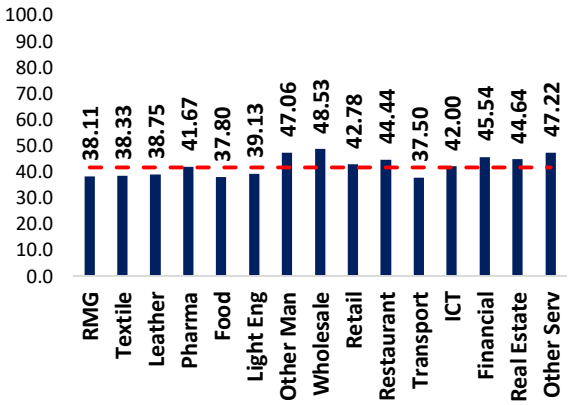


Figure 45: Sectoral EBI in terms of trade logistics



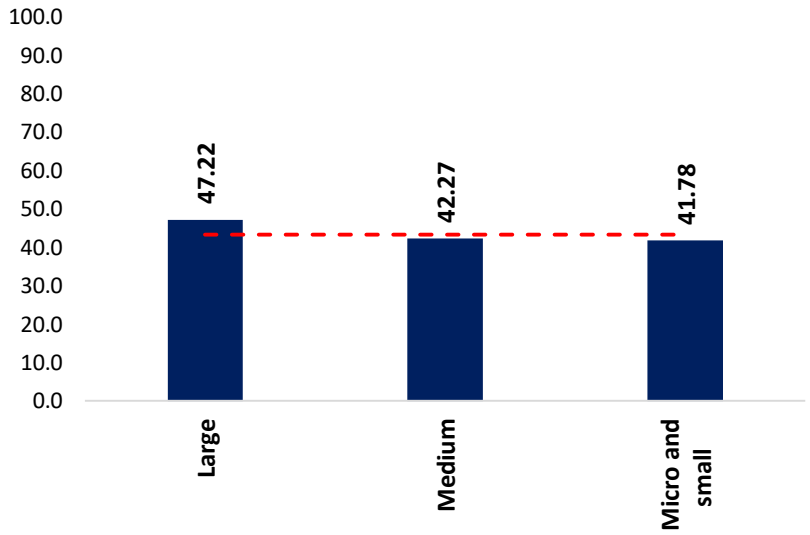
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the October-December 2020 quarter, the overall EBI score regarding the Trade Logistics indicator stands at 41.43 (Figure 45). We observe a higher EBI score for the services sector compared to the manufacturing sector. Wholesale (48.53) has the highest EBI score whereas Transportation (37.50) and Food processing (37.80) have the lowest EBI scores in this round.

EBI and firm sizes

In the third round of the BCI survey, the EBI scores of large firms stand at 47.22, while the scores for the medium and micro and small firms are 42.27 and 41.78 respectively (Figure 46). It indicates that the current overall business environment is more favourable for large firms compared to the medium, micro, and small firms.

Figure 46: EBI by firm sizes

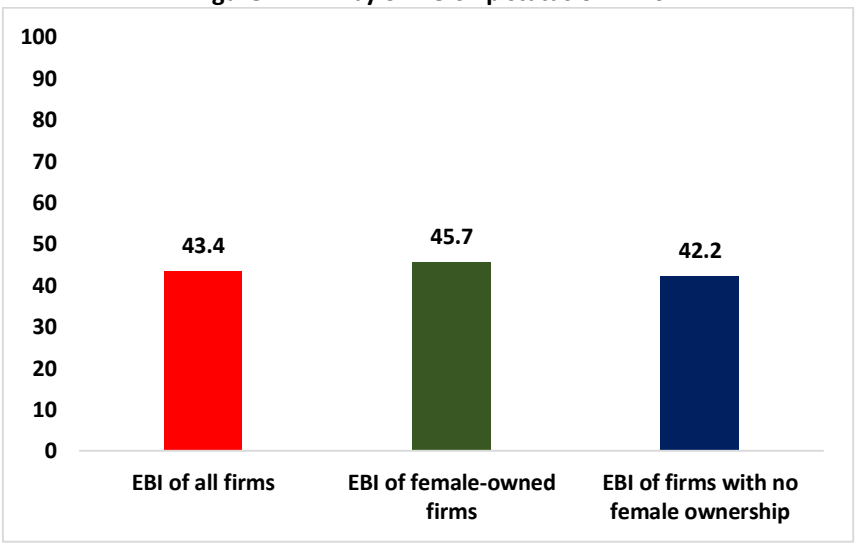


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

EBI and ownership status

The EBI score of female-owned firms stands at 45.7, while the score for the firms with no female ownership is 42.2 (Figure 47). That is, female-owned firms have a higher EBI score than the firms with no female ownership. It means firms who have better access/ business environment, have more female owners. Or, we can say - better EBI might help higher participation in the ownership. However, we think an endogeneity issue may arise when compared to EBI with ownership status.

Figure 47: EBI by ownership status of firms

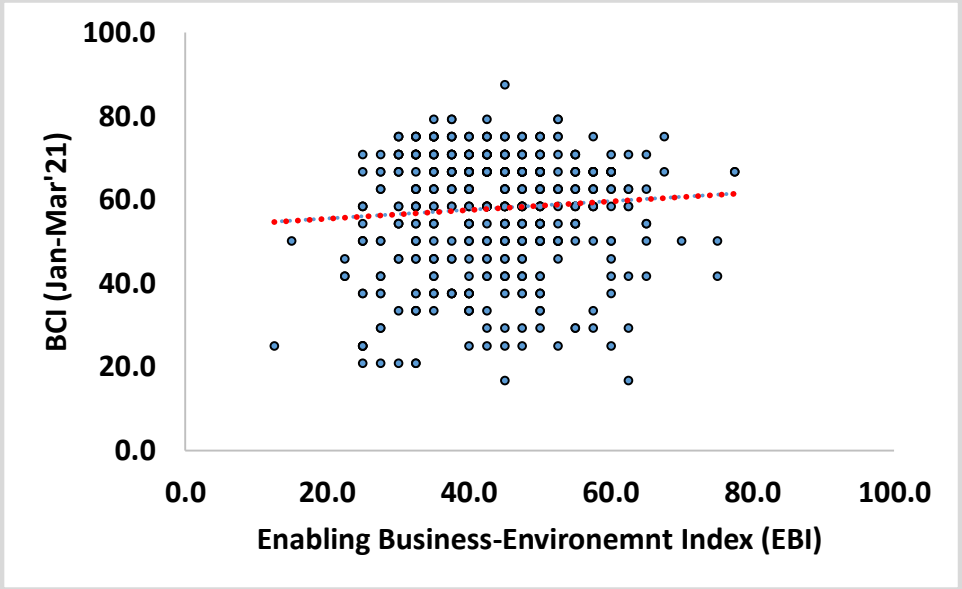


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

EBI and BCI

A comparison has been made between EBI and BCI to understand whether there is any relationship between EBI and BCI (Figure 48). We observe a positive relationship between BCI and EBI. The more EBI the country ensures in the present quarter (October-December 2020), the more confidence the firms gather in the next quarter (January-March 2021 quarter).

Figure 48: Relationship between EBI and BCI

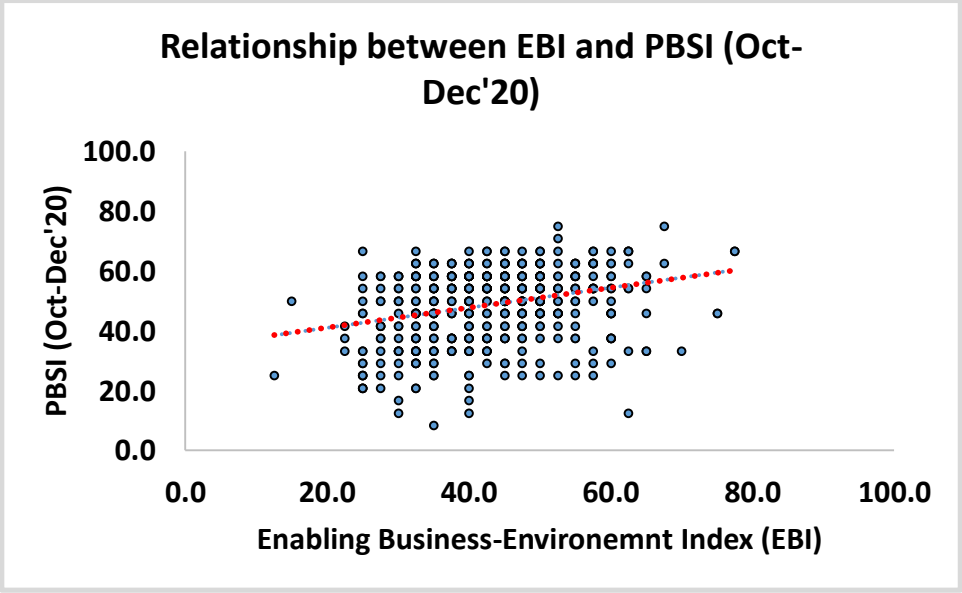


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

EBI and PBSI

Similarly, a comparison between EBI and PBSI has also been made (Figure 49). We observe a strong positive relationship between EBI and PBSI. The greater the EBI, the higher the PBSI. That is, to what extent the firms perform in this quarter depends on the extent to which the country ensures EBI in the same quarter.

Figure 49: Relationship between EBI and PBSI



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

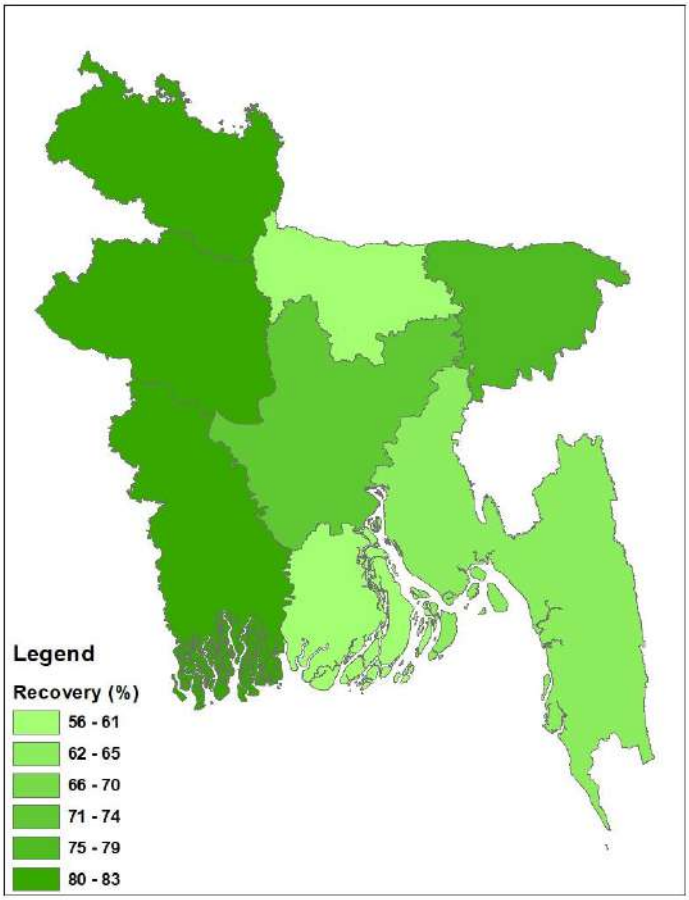
Section VII: Perceptions towards Economic Recovery

Most of the countries are facing an economic contraction due to the COVID-19 pandemic. Due to the fallout of COVID-19, almost all the countries closed their borders, and therefore, exports, imports, production, etc. were badly affected. But after the lockdown was lifted in May in Bangladesh, the economy gradually returned to normalcy. The GOB has taken some contemporary and necessary decisions like some stimulus packages for the businesses & migrants, supportive monetary and fiscal policies, relief packages for the poor and newly poor people, etc. In this section, we take the opinions of the business insiders regarding their perceptions on the economic recovery and the type of recovery that Bangladesh might have.

Status of Economic Recovery

The third round of the BCI survey tried to observe the opinion of the respondents about the economic recovery they are expecting. The firms were asked whether they think the economy is on the path to recovery. Around 71 per cent of the respondents replied that the economy is moving towards recovery. However, the response is not uniform across the divisions (Map 2). Firms from the northern-western regions are relatively more optimistic regarding economic recovery than the firms from the southern regions. There are also some distinguishable patterns in optimism between firms from the manufacturing and the services sectors.

Map 2: Percentage of firm's perception on economic recovery by Divisions



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020

67.06 per cent of the firms in the manufacturing sector (252 Firms) are optimistic about the economic recovery (Table 33). Among the manufacturing Sub-sectors, Pharmaceuticals & Chemicals firms showed the most optimism. 75 per cent of the surveyed Pharmaceuticals & Chemicals firms think that the economy is moving towards recovery. This expectation has been shared by 68.89 per cent of Textiles firms, 68.29 per cent of Food Processing firms, 67.07 per cent of RMG firms, 60.87 per cent of Light Engineering firms, 55 per cent of the Leather and Tannery firms, amongst others.

Table 33: Firm's recovery status in the manufacturing sector

	Recovery status of firms (number)			*Recovery status of firms (per cent)*		
Firms	**Yes**	**No**	**Total**	**Yes**	**No**	**Total**
RMG	55	27	82	67.07%	32.93%	100.00%
Textiles	31	14	45	68.89%	31.11%	100.00%
Leather and Tannery	11	9	20	55.00%	45.00%	100.00%
Pharmaceuticals and Chemicals	18	6	24	75.00%	25.00%	100.00%
Food Processing	28	13	41	68.29%	31.71%	100.00%
Electronics and Light Engineering	14	9	23	60.87%	39.13%	100.00%
Other Manufacturing	12	5	17	70.59%	29.41%	100.00%
Total	169	83	252	67.06%	32.94%	100.00%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Likewise to the manufacturing sector, 74.8 per cent of the firms in the service sector are optimistic about the economic recovery (Table 34). The most optimistic firms in the service sector are Financial Sector and Real Estate: In Financial Sector, 92.86 per cent of the surveyed firms are optimistic about the economic recovery whereas, in the case of Real Estate and ICT & Telecommunication, these rates are 76.19 and 76 per cent respectively. Among the Service Sub-sectors, Restaurant and Transportation are less optimistic: In Restaurant, 72.22 per cent of the surveyed firms are optimistic about the positive economic recovery whereas, in the case of Transportation, the rate is 67.50 per cent.

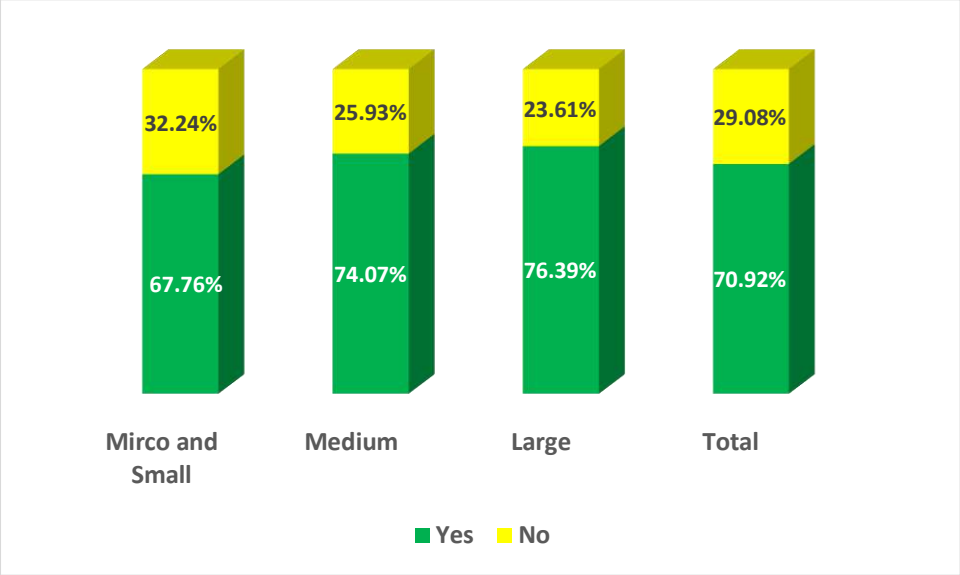
Table 34: Firm's recovery status in the services sector

	Recovery status of firms (number)			*Recovery status of firms (per cent)*		
Firms	**Yes**	**No**	**Total**	**Yes**	**No**	**Total**
Wholesale	24	10	34	70.59%	29.41%	100.00%
Retailer	33	12	45	73.33%	26.67%	100.00%
Restaurant	13	5	18	72.22%	27.78%	100.00%
Transport	27	13	40	67.50%	32.50%	100.00%
ICT and Telecommunication	19	6	25	76.00%	24.00%	100.00%
Financial Sector	26	2	28	92.86%	7.14%	100.00%
Real Estate	32	10	42	76.19%	23.81%	100.00%
Other services	13	5	18	72.22%	27.78%	100.00%
Total	187	63	250	74.80%	25.20%	100.00%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

There is a clear pattern between firm size and the perceptions towards the economic recovery of the surveyed firms (Figure 50). The large and medium firms are more optimistic than the micro and small firms. 76.39 per cent of the surveyed large firms perceive that the economy is moving towards recovery in contrast to micro and small firms where 67.76 per cent of the firms perceive likewise.

Figure 50: Economic recovery by firm sizes

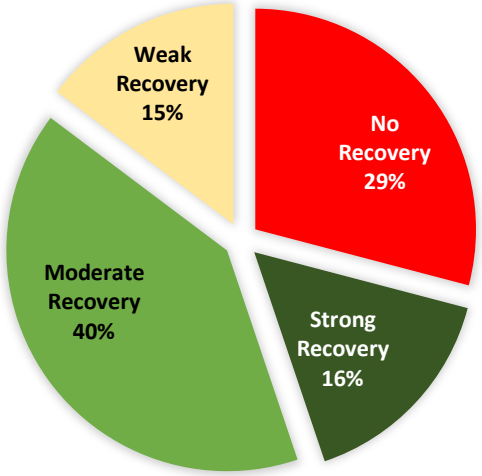


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Type of Economic Recovery

The 502 firms who participated in the survey were asked about the current economic recovery in Bangladesh (Figure 51). The respondents were asked to choose from four alternatives: strong recovery, moderate recovery, weak recovery, and no recovery. Among 502 surveyed firms, 16 per cent of the firms replied that they have observed a strong recovery. 15 per cent of the firms perceive weak economic recovery whereas 40 per cent of the firms think the economic recovery is moderate in pace. Amongst the surveyed firms, 29 per cent opined that there has not been any economic recovery at all.

Figure 51: Types of economic recovery



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

In the manufacturing sector, most of the firms opined that there is a moderate economic recovery (Table 35). 16 per cent of the surveyed manufacturing firms expected a strong economic recovery and on the other hand, 14 per cent of the surveyed firms think the economic recovery could be weak. 33 per cent of the survey manufacturing firms opined that there is no sign of economic recovery yet.

Table 35: Types of economic recovery in the manufacturing sector (% of total manufacturing firms surveyed)

Firm	Strong	Moderate	Weak	No Recovery	Total
RMG	20%	35%	12%	33%	100%
Textiles	13%	44%	11%	31%	100%
Leather and Tannery	10%	35%	10%	45%	100%
Pharmaceuticals and Chemicals	13%	38%	25%	25%	100%
Food Processing	15%	32%	22%	32%	100%
Electronics and Light Engineering	22%	39%	0%	39%	100%
Other Manufacturing	18%	29%	24%	29%	100%
Total	16%	37%	14%	33%	100%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Like the manufacturing sector, most of the surveyed firms in the service sector are optimistic about the moderate economic recovery: 44 per cent of the surveyed firms exposed their opinion about a moderate recovery (Table 36). 15 per cent of the surveyed firms exposed their opinion about the strong recovery and on the other hand, 15 per cent of the firms replied that they have observed a weak economic recovery. 25 per cent of the firms replied that they have observed no economic recovery.

Table 36: Types of economic recovery in the services sector (% of total services sector firms surveyed)

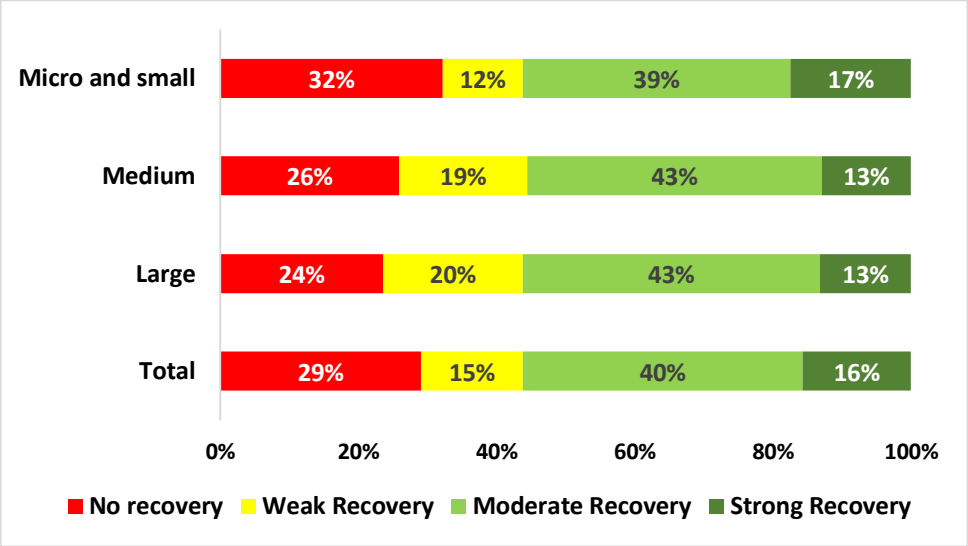
Firm	Strong	Moderate	Weak	No Recovery	Total
Wholesale	18%	47%	6%	29%	100%
Retailer	11%	44%	18%	27%	100%
Restaurant	6%	33%	33%	28%	100%
Transportation	23%	38%	8%	33%	100%
ICT and Telecommunication	20%	52%	4%	24%	100%
Financial Sector	7%	50%	36%	7%	100%
Real Estate	19%	43%	14%	24%	100%
Other services	11%	50%	11%	28%	100%
Total	15%	44%	15%	25%	100%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Based on the firms' opinions, three important aspects can be distinguished. First, sectors with higher BCI and PBSI are more optimistic regarding economic recovery than the sectors with lower BCI and PBSI scores. Second, although the businesses resumed in May, still the lack of confidence regarding economic recovery could be entirely due to the continued turmoil in the global trade, as well as lack of investment motives among the business enterprises. Lastly, based on the findings, it can be argued that to revive the business morale, sectors with the least confidence should be given the most emphasis in the coming rounds of the stimulus packages.

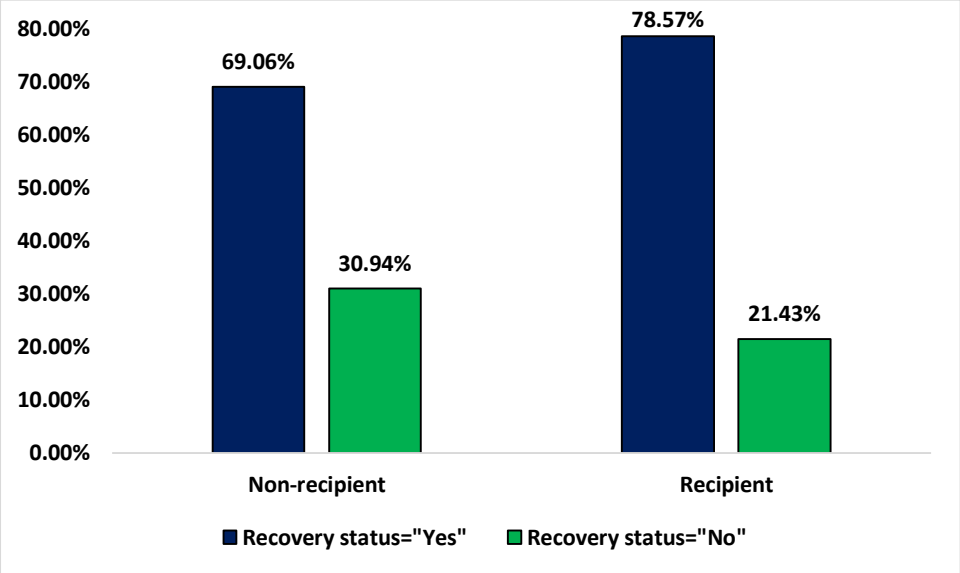
There is also a pattern between firm size and expectations on the type of economic recovery (Figure 52). Large firms and medium firms are more optimistic about a moderate or strong economic recovery than the micro and small firms.

Figure 52: Types of economic recovery by firm sizes



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 53: Stimulus package receipt by economic recovery status

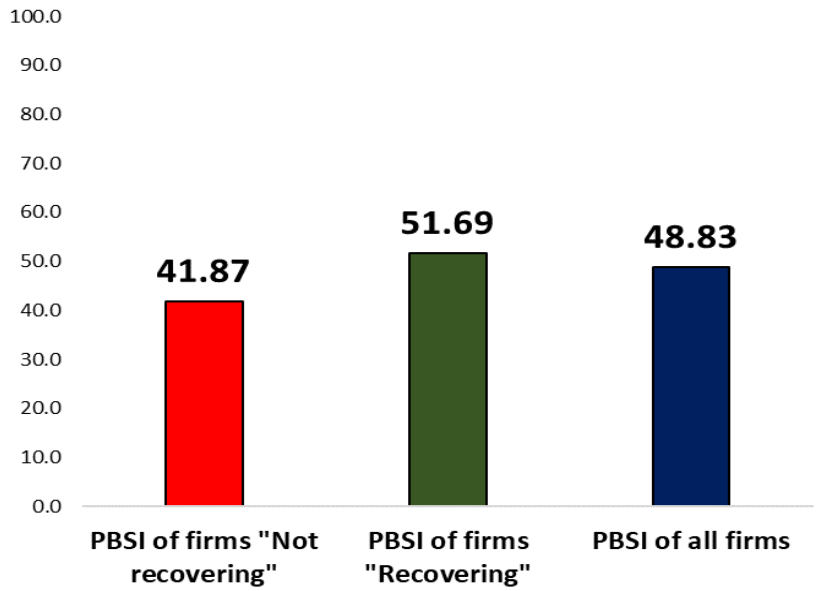


Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

It can also be observed that in the second round of the survey, the recipients of stimulus packages were more optimistic than the non-recipient firms (Figure 53). This might be one of the reasons why large and medium firms were more optimistic regarding a strong/moderate economic recovery compared to micro and small firms. Large and medium firms had larger access to stimulus packages than the micro and small firms. Also, the micro and small firms faced more problems related to information on the stimulus packages, bank-related difficulties, etc. Of course, no such pattern has been observed in this third round.

Several aspects are also identified when observed PBSI and BCI along with the status of economic recovery. The PBSI score of all firms stands at 48.83 (Figure 54). Interestingly, the PBSI score of firms stating Bangladesh on the path to economic recovery is higher compared to the firms viewing no recovery. That is, firms who are relatively in a better position now expect a greater economic recovery of the economy compared to those whose position is relatively worse.

Figure 54: PBSI and the status of the economic recovery



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

To understand whether the mean differences between recovery and not recovery status are statistically significant, a two-sample t-test is applied. In the case of PBSI, all of the PBSI sub-indicators except the business cost is found to be statistically significant (Table 37). The firms who opined Bangladesh on the path to economic recovery have the highest mean values of the PBSI sub-indicators except for business cost than the firms who viewed no recovery. The firms whose business status is relatively better expecting a greater economic recovery than the firms whose business status is relatively worse. In the case of the profit sub-indicator, the firms who viewed Bangladesh on the path to economic recovery have 20.71 percentage points higher score compared to the firms who replied no recovery. The firms who responded that Bangladesh on the path to economic recovery has 20.21 percentage points higher score compared to the firms who responded for no economic recovery in the case of the sales/export sub-indicator. With regard to the investment indicator, the firms who said Bangladesh on the path to economic recovery have 7.61 percentage points higher score compared to the firms who replied no recovery.

Table 37: t-test on the PBSI score (compared to last quarter) by the status of economic recovery

PBSI Indicators	Obs (Yes)	Obs (No)	Mean (Yes)	Mean (No)	Diff	Standard Error	t-value	p-value
PBSI Firm* **	356	146	51.69	41.87	9.82	1.183	8.300	0.000
PBSI Profit* **	356	146	60.60	39.90	20.71	2.168	9.550	0.000
PBSI Investment* **	356	146	51.62	44.01	7.61	1.821	4.200	0.000
PBSI Employment* **	356	146	50.63	45.03	5.60	1.526	3.650	0.001
PBSI Wages* **	356	146	54.57	48.63	5.93	1.355	4.400	0.000
PBSI Business Costs	356	146	31.39	32.53	-1.14	1.557	-0.750	0.464
PBSI Sales/Exports* **	356	146	61.31	41.10	20.21	2.445	8.250	0.000

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance.*

In the case of the BCI indicators, the firms who viewed Bangladesh on the path to economic recovery regarding profit, investment, employment, wages, business cost, and sales or export order scenarios have a higher mean score than that of the firms who opined no economic recovery (Table 38). For all the sub-indicators except business costs, the mean difference is found to be positive and highly statistically significant. The firms who think Bangladesh on the path to economic recovery have greater confidence about the future businesses compared to the firms who think no recovery. That is, the firms who think Bangladesh on the path to economic recovery are much optimistic about the overall businesses in the upcoming quarter compared to the firms who think no recovery. In the case of the sales or exports indicator, the firms who think Bangladesh on the path to economic recovery have 1.27 percentage points larger score compared to the firms who think no recovery.

Table 38: t-test on the BCI score (compared to last quarter) by the status of economic recovery

BCI Indicators	Obs (Yes)	Obs (No)	Mean (Yes)	Mean (No)	diff	Standard Error	t-value	p-value
BCI Firm* **	356	146	61.34	49.52	11.83	1.434	8.250	0.000
BCI Profit* **	356	146	62.98	61.83	1.15	0.385	3.000	0.003
BCI Investment* **	356	146	60.00	58.84	1.16	0.448	2.600	0.010
BCI Employment **	356	146	55.51	54.89	0.63	0.261	2.400	0.017
BCI Wages* **	356	146	56.65	55.87	0.78	0.275	2.850	0.005
BCI Business Costs	356	146	51.89	51.39	0.50	0.339	1.450	0.145
BCI Sales/Exports* **	356	146	61.97	60.70	1.27	0.413	3.100	0.003

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance.*

Based on the firms' opinions, three important aspects can be distinguished. First, sectors with higher BCI and PBSI are more optimistic regarding economic recovery than the sectors with lower BCI and PBSI scores. Second, although the businesses resumed in May, still the lack of confidence regarding economic recovery could be entirely due to the continued turmoil in the global trade, as well as lack of investment motives among the business enterprises. Lastly, based on the findings, it can be argued that to revive the business morale, sectors with the least confidence should be given the most emphasis in the coming rounds of the stimulus packages than otherwise.

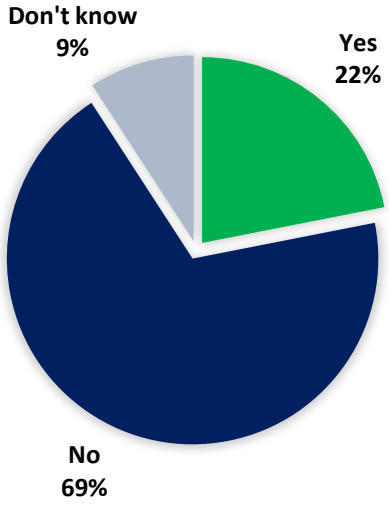
Section VIII: Status on Stimulus Packages and Government Priorities Areas

Since the beginning of the crisis, the Government of Bangladesh has undertaken several stimulus packages for the business enterprises from the manufacturing as well as several services sectors. As has already been mentioned, one of the objectives of this study is to assess the effectiveness and adequacy of the stimulus packages for the business community at large. This section elaborates business thoughts on the availability and effectiveness of incentive packages, barriers to access to the incentive packages, challenges of doing business as well as the overall business environment of the country.

Status of availing the stimulus package

The respondents who participated in the third round of the BCI survey were asked whether the firms have received the stimulus package or not. Around 22 per cent of the respondents said their firms received the stimulus package announced by the GoB (Figure 55). Another 69 per cent of the respondents replied that they did not avail of the incentive package. Some of the respondents (around 9%) were not sure whether their firm received the stimulus package benefit or not.

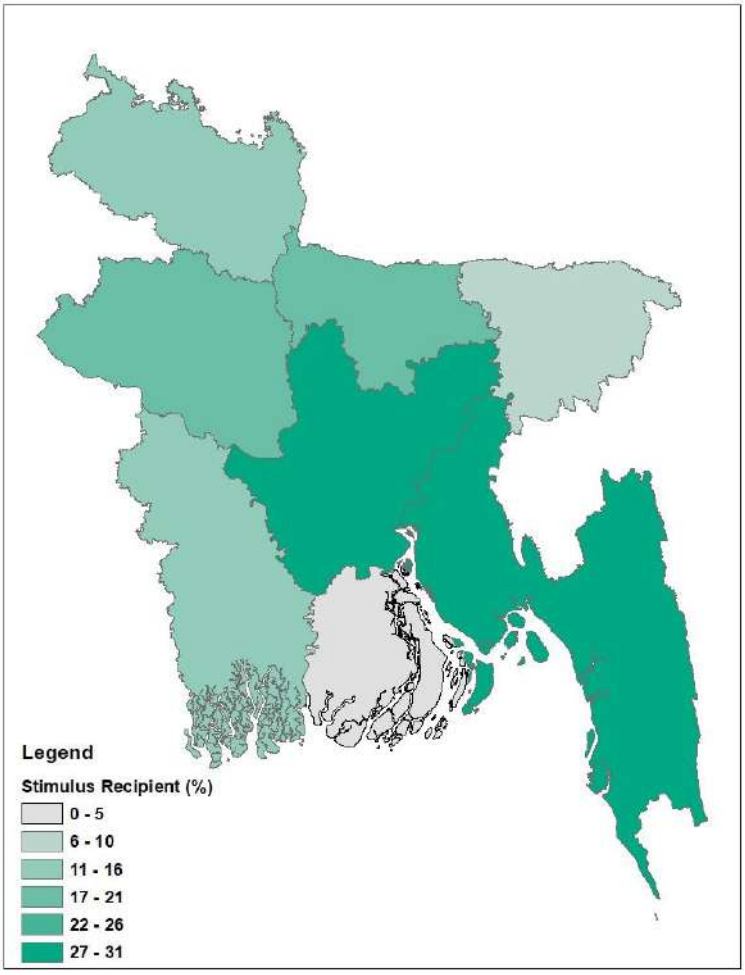
Figure 55: Distribution of the firms on stimulus package receipt options



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

The distribution of the firms with stimulus packages is not uniform across divisions. 31 per cent of the firms surveyed in Dhaka responded that they received the stimulus package (Map 3). In Chittagong, 28 per cent of the surveyed firms received the incentive package. This rate is around 11-17 per cent for Khulna, Rajshahi, Rangpur, and Mymensingh. The lowest proportion of firms with stimulus packages is observed for Sylhet (8 per cent) and Barisal (0 per cent) divisions. Such heterogeneity in distribution reflects that there might be some accessibility barriers to the stimulus packages for the firms outside Dhaka and Chittagong. To some extent, the heterogeneity can be attributed to the distribution of the firms across divisions. Dhaka and Chittagong divisions host the majority of the manufacturing firms (large firms) who might have more access to the announced packages than others.

Map 3: Percentage of firms with stimulus package by Divisions



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Table 39: Firms receiving stimulus packages in the manufacturing sector

	Firms receiving stimulus packages (number)			*Firms receiving stimulus packages (per cent)*		
Manufacturing sector	**No/Don't Know**	**Yes**	**Total**	**No/Do not Know**	**Yes**	**Total**
RMG	34	48	82	41.5%	58.5%	100.0%
Textiles	27	18	45	60.0%	40.0%	100.0%
Leather and Tannery	14	6	20	70.0%	30.0%	100.0%
Pharmaceuticals and Chemicals	19	5	24	79.2%	20.8%	100.0%
Food Processing	32	9	41	78.0%	22.0%	100.0%
Electronics and Light Engineering	20	3	23	87.0%	13.0%	100.0%
Other Manufacturing	16	1	17	94.1%	5.9%	100.0%
Total	162	90	252	64.3%	35.7%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Amongst the firms who received the stimulus packages, 80 per cent are from the manufacturing sector (Table 39). In total, out of the 252 firms surveyed in the manufacturing sector, 35.7 per cent of the firms replied that they received the GoB announced stimulus packages. Among the manufacturing sub-sectors, the highest proportions of firms who received the package are seen for the RMG and Textiles: 58.5 per cent of the surveyed RMGs

replied that they had availed the stimulus package whereas in the case of Textiles this rate is 40 per cent (Figure 56). In Leather and Tannery, 30 per cent of the firms received the package whereas, in the case of food processing and Pharmaceuticals & Chemicals, these rates are 22 per cent and 20.8 per cent respectively. The least proportion of firms with stimulus packages in the manufacturing sector is observed in Light engineering: only 13 per cent of the firms availed the packages.

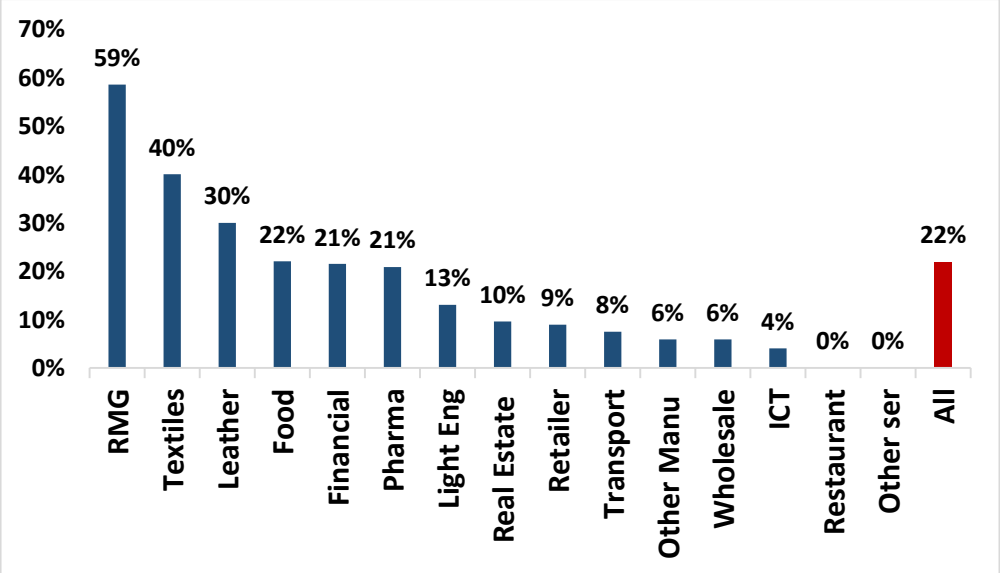
In the case of the services sector, only 8 per cent of the surveyed firms received the stimulus package (Table 40). Most of the recipients of the packages in this sector are from the Transport, Real Estate, Financial sectors, and Wholesales. On the other hand, in the case of Restaurant, ICT and Telecommunication, and other services, no firms availed the incentive packages.

Table 40: Firms receiving stimulus packages in the services sector

	Firms receiving stimulus packages (number)			*Firms receiving stimulus packages (per cent)*		
Service sector	**No/Don't Know**	**Yes**	**Total**	**No/Don't Know**	**Yes**	**Total**
Wholesale	32	2	34	94.1%	5.9%	100.0%
Retailer	41	4	45	91.1%	8.9%	100.0%
Restaurant	18	0	18	100.0%	0.0%	100.0%
Transport	37	3	40	92.5%	7.5%	100.0%
ICT and Telecommunication	24	1	25	96.0%	4.0%	100.0%
Financial Sector	22	6	28	78.6%	21.4%	100.0%
Real Estate	38	4	42	90.5%	9.5%	100.0%
Other services	18	0	18	100.0%	0.0%	100.0%
Total	230	20	250	92.0%	8.0%	100.0%

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

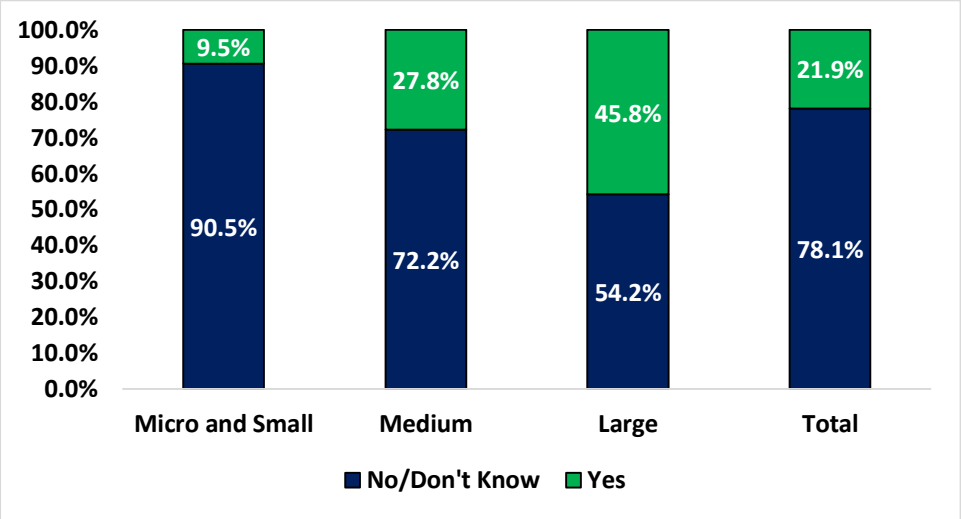
Figure 56: Percentage of firms receiving benefits by sub-sectors



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

There is a clear pattern between firm size and the status in availing the stimulus packages (Figure 57). In the case of the micro and small firms, only 9.5 per cent of the firms received the stimulus package. In contrast, 45.8 per cent of the surveyed large firms availed the benefits. 27.8 per cent of the medium firms received the benefits of the incentive packages.

Figure 57: Stimulus package receipt by firm sizes (%)



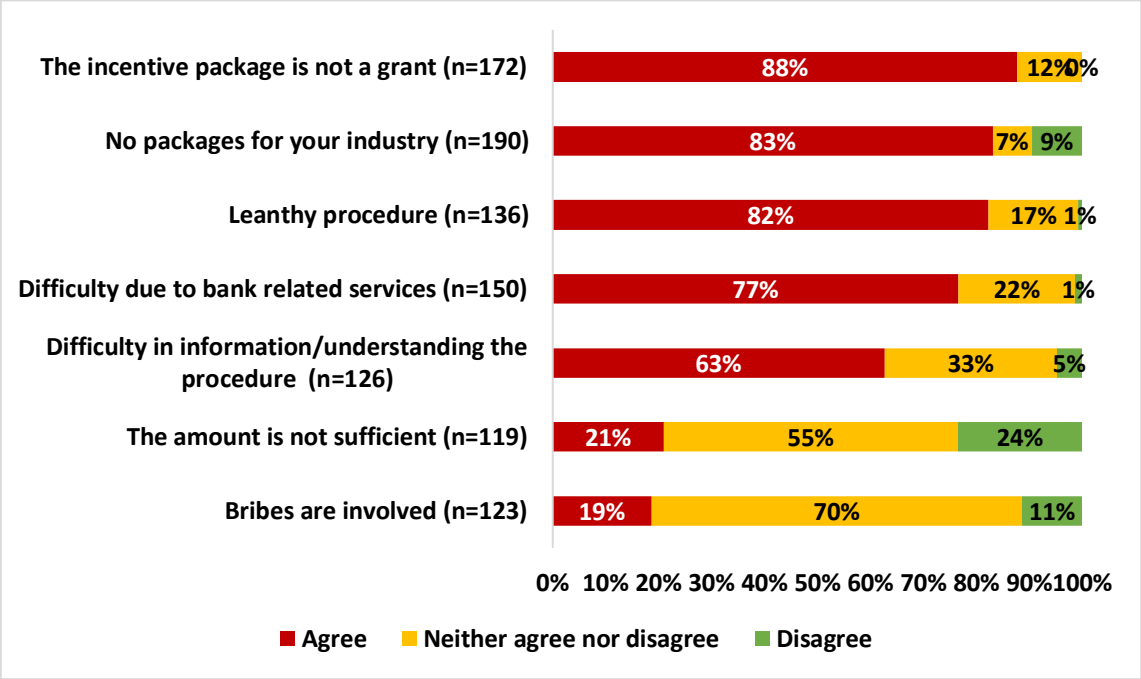
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Reasons behind not availing of the stimulus packages

Firms that did not avail of the stimulus package were asked to identify the reasons for not availing the stimulus packages. The respondents were given five alternatives: strongly disagree, disagree, neither agree nor disagree, agree, and strongly agree. Afterwards, the five alternatives are further clustered into three: agree, neither agree nor disagree, and disagree (Figure 58).

Many of the respondents (88% of 172 respondents) opined that the reason for not availing of the stimulus package is 'it is not a grant rather a loan with soft terms'. Many firms (83% of 190 firms) identified that there were no packages for their industries. 136 firms who responded to the question of lengthy procedure, 82 per cent of them opined that the procedure delays in availing the stimulus package barred them from opting for it. Another 77 per cent of respondents (out of 150) replied that they did not avail of it due to bank-related difficulties. Difficulty in obtaining information as well as the size of the stimulus packages was also identified as reasons hindering the firms from obtaining it. Amongst the 123 firms who responded on the question of bribes as a hindering factor –only 19 per cent agreed that it was one of the deterring reasons. Noteworthy to mention that, another 70 per cents of the respondents replied 'neither agree not to disagree' as their option when asked on the bribes whereas in the case of 'disagree', the rate is 11 per cent. The response rate on this indicator could be downward biased as the respondents might not feel comfortable answering questions on bribes/corruptions.

Figure 58: Reasons for not availing of the stimulus packages

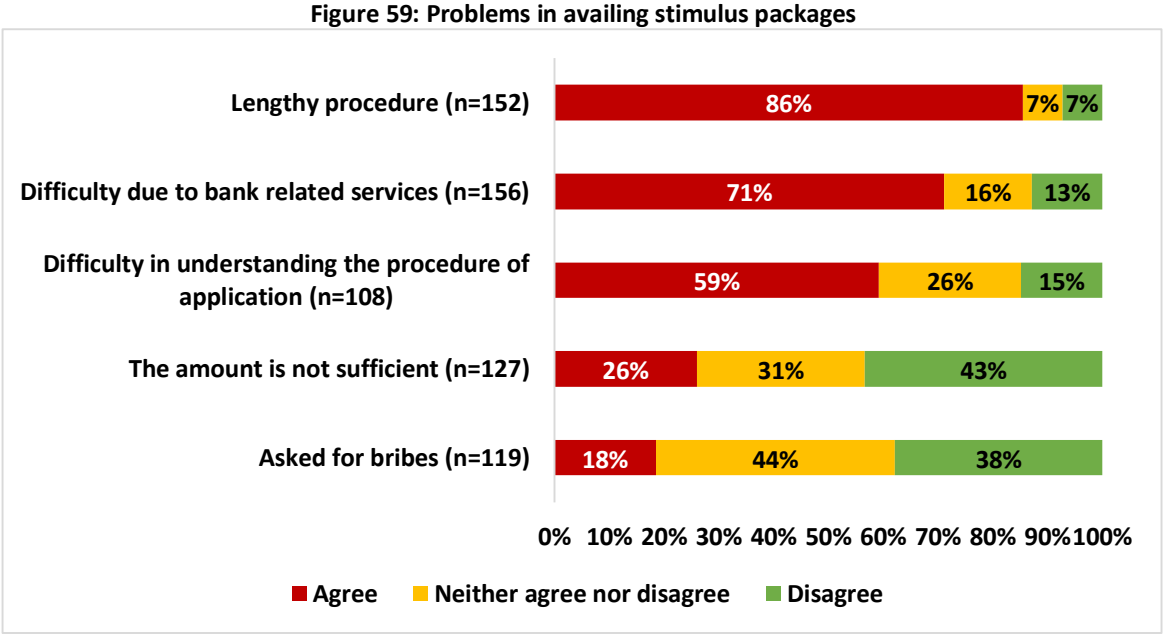


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
Note: n is the number of firms that responded on that indicator; the respondents were allowed to choose from one or more options listed in the figure.

Problems faced by the recipients of the stimulus packages

The firms who received the stimulus packages or tried to receive the packages were asked to identify the problems faced in obtaining the benefit (Figure 59). The respondents were asked to choose from five alternatives: strongly disagree, disagree, neither disagree nor agree, agree, strongly agree. The responses were later clustered into three categories: Disagree, Neither Agree nor Disagree, and Agree.

Figure 59: Problems in availing stimulus packages



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
Note: n is the number of firms that responded on that indicator; the respondents were allowed to choose from one or more options listed in the figure.

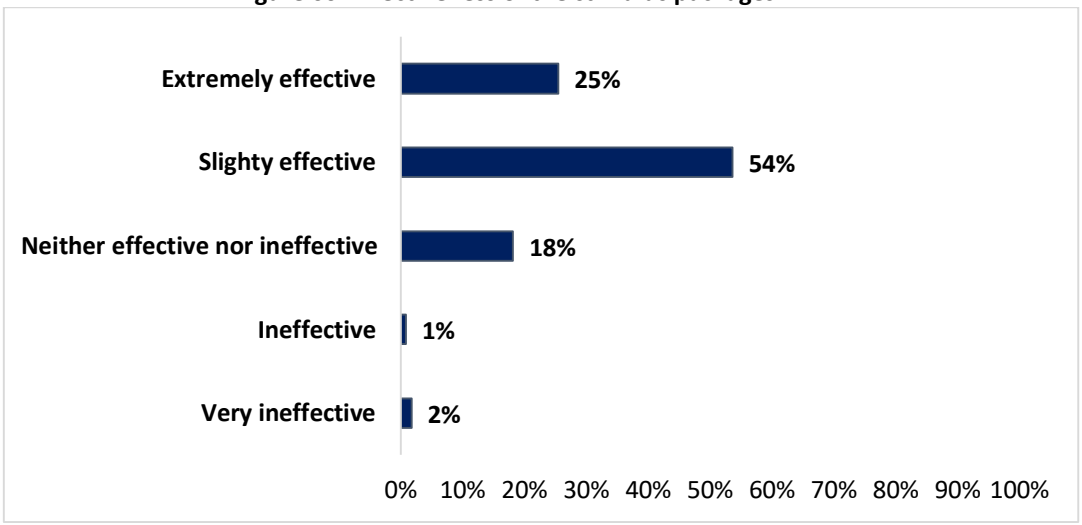
Out of the 152 respondents who replied to the question on 'lengthy procedure', 86 per cent marked it as a major problem. 'Difficulty in the bank related services' was identified as a major problem by 71 per cent of the respondents (out of 156). Around half of the respondents (out of 108) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems. 26 per cent of the respondents (out of 127) think that the amount of the announced stimulus package is not adequate. Only 18 per cent of the respondents (out of 119) identified bribes as a problem.

The effectiveness of stimulus packages

The respondents who received the stimulus packages were asked to mark the effectiveness of the stimulus packages that they received on a scale of 1 (Very ineffective) to 5 (extremely effective).

Out of the 110 stimulus package recipient firms, 25 per cent viewed the packages as very effective, and another 54 per cent opined it as effective (Figure 60). Only 1 per cent of the recipients said the stimulus package was ineffective.

Figure 60: Effectiveness of the stimulus packages



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

When observed with the PBSI and BCI scores along with the status of the stimulus package receipt, several interesting patterns could be identified. In the case of PBSI, none of the PBSI sub-indicators is found to be statistically significant (Table 41). The firms who received the stimulus packages have the highest mean values of the PBSI sub-indicators except wage than the firms who didn't receive the packages. The stimulus recipient firms have performed better than the firms who didn't receive the packages amid the pandemic. In the case of sales/export sub-indicator, the firms who receive the incentive packages have 2.94 percentage points higher score compared to the firms who didn't receive the packages. With regards to the investment sub-indicator, the incentive packages recipient firms have 2.51 percentage points higher score compared to the non-recipient firms. Moreover, the recipient firms have performed better on the business costs sub-indicator compared to the non-recipient firms.

Table 41: t-test on the PBSI score (compared to last quarter) by the status of stimulus package receipt

PBSI Indicators	Obs (Recipient)	Obs (Non-recipient)	Mean (Recipient)	Mean (Non-recipient)	diff	Standard Error	t-value	p-value
PBSI Firm	110	392	49.66	48.60	1.06	1.269	0.850	0.404
PBSI Profit	110	392	55.00	54.47	0.54	2.554	0.200	0.834
PBSI Investment	110	392	51.36	48.85	2.51	1.885	1.350	0.185
PBSI Employment	110	392	49.32	48.92	0.40	1.537	0.250	0.793
PBSI Wages	110	392	52.73	52.87	-0.14	1.412	-0.100	0.919
PBSI Business Costs	110	392	31.82	31.70	0.12	1.609	0.100	0.940
PBSI Sales/Exports	110	392	57.73	54.78	2.94	2.642	1.100	0.267

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance.*

In the case of the BCI indicators (Table 42), the stimulus package recipient firms' expectations regarding profit, employment, business cost, and sales or export order scenarios are significantly lower than that of the non-recipients. Although seemingly paradoxical, this finding can be analyzed with the aid of the export status of the firms (Figure 61). Most of the recipients of the stimulus packages are exporters (almost 78.18 per cent of all recipients). As has been noted in section IV, the observed business outlook for the exporters is significantly bleaker than the non-exporters (see Table 24). The disruption in the global supply chain, increased cost of raw materials, demand slumps at the major destination markets, etc. all could be the potential contributors to such low scores for the exporters. Therefore, even with the stimulus packages, the firms are less confident regarding these indicators in the January-March 2021 quarter primarily due to the second wave and new variants of the COVID-19 pandemic and its continuous impact on global trade.

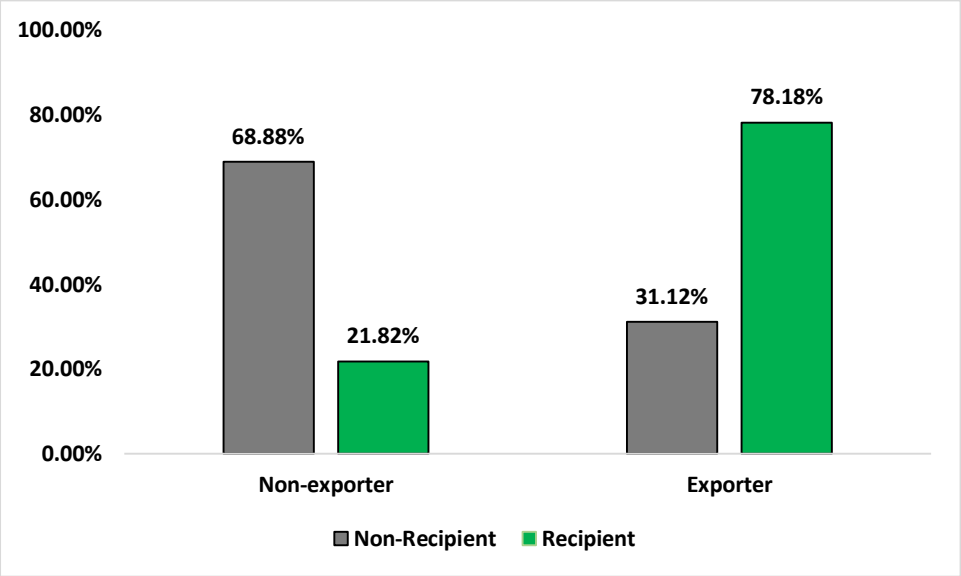
Table 42: t-test on the BCI score by the status of stimulus package receipt

PBSI Indicators	Obs (Recipient)	Obs (Non-recipient)	Mean (Recipient)	Mean (Non-recipient)	diff	Standard Error	t-value	p-value
BCI Firm	110	392	58.64	57.70	0.94	1.536	0.600	0.541
BCI Profit* **	110	392	61.13	63.08	-1.95	0.423	-4.600	0.000
BCI Investment	110	392	59.46	59.72	-0.26	0.522	-0.500	0.614
BCI Employment **	110	392	54.83	55.47	-0.65	0.265	-2.450	0.016
BCI Wages	110	392	56.07	56.52	-0.46	0.305	-1.500	0.138
BCI Business Costs*	110	392	51.27	51.88	-0.61	0.319	-1.900	0.058
BCI Sales/Exports* **	110	392	60.16	62.01	-1.85	0.457	-4.050	0.000

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance.*

Moreover, the highly significant difference between the stimulus package recipients and non-recipients on the PBSI wage indicator, which was observed in the earlier round of the survey, is absent in this round. Interestingly, the statistically significant difference on the wage indicator is also absent in the case of BCI for the recipients and non-recipient firms. Although smaller in magnitude, non-recipient firms have a higher value on the BCI wage indicator than the recipient firms. Therefore, although the stimulus packages contributed to improving the overall wage indicator for the recipient firms in April-June 2020, the benefits could be argued as only temporary.

Figure 61: Stimulus package received by exporters and non-exporters

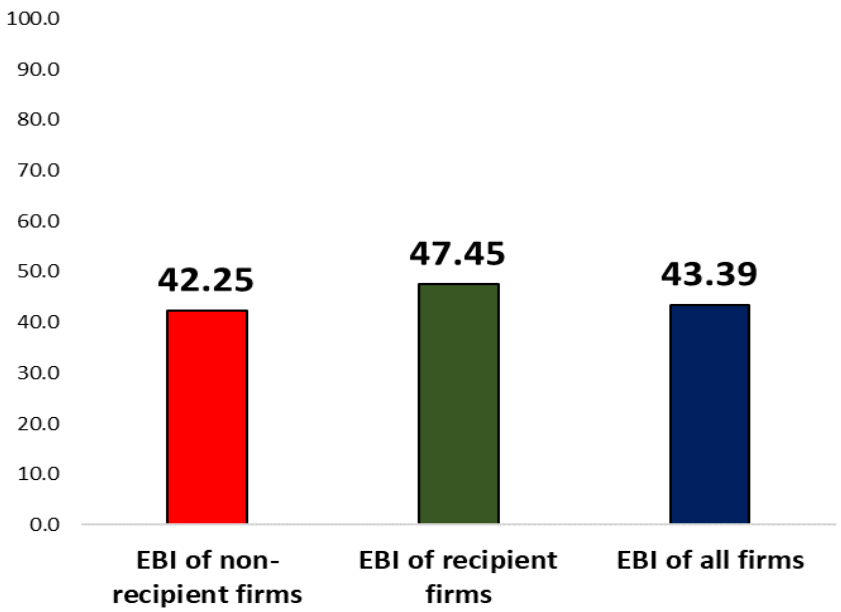


Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

EBI and the status of stimulus packages

An interesting pattern could also be identified when observed with the EBI scores along with the status of the stimulus package receipt. A difference between stimulus package recipients and non-recipients on the EBI score is observed. The EBI score of all 502 firms stands at 43.39, while recipient firms score at 47.45. The firms who receive the incentive packages have 5.94 percentage points higher EBI score compared to the firms who didn't receive the packages (Figure 62). It recommends the effective implementation of stimulus packages to ensure a favourable business environment for the firms.

Figure 62: EBI and Stimulus Package Recipients



Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Government policy priority areas

Having identified the major challenges being faced by the businesses, this survey asked the respondents to choose the three most prioritized areas for policy deepening from the Government.

In the case of the manufacturing industry (Table 43), the most important priority areas could be identified as (i) ease of finances, (ii) further increase in the inventive packages for the industries to combat the COVID-19 pandemic, (iii) improvement of the access as well as the quality of the utility services, (iv) improved trade logistics, (v) Improved customs management at ports, and (vi) Reduced export & import procedural delays, etc.

In the case of the Services sector (Table 44), the top priorities identified by the businesses are: (i) Eased access to utility services and quality of utility services, (ii) increased government support for combating the COVID-19 crisis, (iii) improved quality of transport and trade logistics, (iv) eased property registration procedure and (v) Improve customs management at ports, etc.

Table 43: Three most important areas where the government should prioritize its policies (in the case of the manufacturing sector)

Indicators	First Most Priority Area (%)	Second Most Priority Area (%)	Third Most Priority Area (%)
Ease access to finance (n=124)	81.45	11.29	7.26
Ensure skilled manpower (n=22)	22.73	40.91	36.36
Ease the access to Utility services (Gas, Water, Electricity, etc.) (n=21)	61.90	23.81	14.29
Improve the quality of utility services (Gas, Water, Electricity, etc.) (n=61)	27.87	50.82	21.31
Improve the quality of road transport/transport logistics (n=43)	20.93	44.19	34.88
Ease the property registration procedure (n=17)	23.53	52.94	23.53
Provide/increase incentive packages to combat COVID-19 (n=136)	36.03	38.97	25.00
Provide bonded warehouse facility to your sector (n=9)	11.11	55.56	33.33
Provide/increase duty drawback or direct cash incentive/subsidies for exporters (n=68)	19.12	39.71	41.18
Reduce import tariffs for raw materials (n=38)	21.05	47.37	31.58
Improve customs management at ports (n=63)	20.63	41.27	38.10
Increase port-handling capacity for export and import (n=28)	14.29	35.71	50.00
Reduce export & import procedural delays (n=57)	15.79	22.81	61.40
Others (n=23)	52.17	17.39	30.43

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Table 44: Three most important areas where the government should prioritize its policies (in the case of the service sector)

Indicators	First Most Priority Area (%)	Second Most Priority Area (%)	Third Most Priority Area (%)
Ease access to finance (n=147)	79.59	9.52	10.88
Ensure skilled manpower (n=33)	36.36	39.39	24.24
Ease the access to Utility services (Gas, Water, Electricity, etc.) (n=30)	23.33	66.67	10.00
Improve the quality of utility services (Gas, Water, Electricity, etc.) (n=59)	22.03	55.93	22.03
Improve the quality of road transport/transport logistics (n=43)	25.00	48.53	26.47
Ease the property registration procedure (n=17)	12.82	46.15	41.03
Provide/increase incentive packages to combat COVID-19 (n=136)	34.68	32.26	33.06
Provide bonded warehouse facility to your sector (n=9)	0.00	14.29	85.71
Provide/increase duty drawback or direct cash incentive/subsidies for exporters (n=16)	25.00	37.5	37.50
Reduce import tariffs for raw materials (n=3)	33.33	0.00	66.67
Improve customs management at ports (n=19)	42.11	31.58	26.32
Increase port-handling capacity for export and import (n=3)	0.00	33.33	66.67
Reduce export & import procedural delays (n=16)	12.50	37.50	50.00
Others (n=35)	48.57	34.29	17.14

Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Section IX: Conclusion and Policy Recommendations

The ongoing economic adversities and uncertainties by the face of the recent wave and new variants of the COVID-19 virus have kept continuing. The economic disruptions have been observed in the form of widespread business losses, shutdowns, loss of employment and income, and rising inequality among various strata of the population. The government has initiated and disbursed stimulus packages to aid the recovery process from the pandemic. Another commendable initiative recently undertaken by the Government is to inoculate mass people across the country. Nonetheless, the effectiveness of all such measures will largely dependent on close monitoring of the private sector and modifying the packages for a wider reach and efficient policy solutions for current challenges being experienced by the different industrial units.

In this respect, this study convened a survey of 502 firms across the country (252 manufacturing; 250- services sector firms). Seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified based on Bangladesh's latest available National Accounts Statistics. The survey covers RMG, Textiles, Pharmaceuticals, Leather and Tannery, Light Engineering, Food-processing, etc. in the manufacturing sector. In the Services sector, this study covers Wholesales, Retails, Restaurants, Transport, ICT and Telecommunications, Financial Sectors, Real Estate, etc. The number of firms to be surveyed for each of the subsectors was chosen based on the sub-sectors' contribution to the GDP.

Based on the survey responses, this study constructs four indices, namely – (i) Present Business Status Index in October-December 2020 compared to July-September 2020, (ii) Present Business Status Index in October-December 2020 compared to October-December 2019, (iii) Business Confidence Index for January-March 2021 compared to October-December 2020 and (iv) Enabling Business-Environment Index (EBI). The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights.

There have been some improvements in overall business status in October-December 2020 compared to the business status in July-September 2020 but that was minimal. However, compared to the status in the same quarter of 2019, recovery is still slow. It shows, the firms have not got back to the pre-pandemic situation, and it might take a while. Sectors are experiencing recovering at varying paces. Faster recovery is taking place in the Pharmaceuticals and Chemicals, Textile, and Financial sectors.

Some of the indicators, such as profitability, employment, and wage indicators have improved slightly compared to the past quarter. However, the business cost indicator worsened in this round of the survey. It shows a serious threat to the viability of the firms in the long run.

The business confidence for January-March 2021 shows some improvement over business confidence in October-December 2020. But still, the overall BCI is low. The overall BCI score for all involved firms rose substantially from the first round to the second round. However, this growth has slowed in the third round, increasing by only about 2.66, making the final score 57.90. Even though every sector except wholesale business experienced an increase of confidence, the extension was nominal in sectors like RMG, textile, food processing, light engineering & real estate.

In this round, a new index namely Enabling Business-Environment Index (EBI) has been introduced. The EBI scores in all three rounds are found between 25 and 50, indicating that the overall business environment is unfavourable for the firms. However, a matter of immediate concern is that the score is decreasing, from a score of 44.61 in the July-September quarter to a score of 43.49 in the October-December quarter of 2020.

71 per cent of the surveyed firms think that Bangladesh is on the path to economic recovery. Out of 502 firms, 16 per cent consider it as a strong recovery, 40 per cent think it as moderate recovery, and 15 per cent perceive it as weak recovery. 17 per cent of micro and small firms in the third round expects strong recovery compared to only 3 per cent in the second round.

In the third round, 22 per cent of firms received stimulus packages compared to 19 per cent in the second round. Among the overall stimulus package recipients, 59 per cent of RMG firms received the package while those from restaurants and other services did not receive it. From the second to third rounds, micro and small firm recipients increased from 8 per cent to 10 per cent while medium firms increased from 20 per cent to 28 per cent. Recipients of the packages faced problems due to lengthy procedures, difficulty in bank services, and procedural application systems. Those who did not receive said that the incentive package is not a grant, no package for the industry, procedural and bank-related difficulties.

Based on the survey findings and results, the study suggests the following sets of policy recommendations to be adopted with priority:

Lowering the implicit/indirect costs for the businesses: Implicit or indirect costs indirectly increase the overall business costs. The higher the implicit/indirect costs, the lower the overall business performance of the firms. Therefore, the government must focus on improving the overall business environment to lower such implicit/indirect costs of business operation. Higher EBI, perhaps, indicates lesser indirect and implicit costs borne by a firm. It also represents lower business risks.

Restructuring or rationalization of the tax system: As this study has identified, there is a need to rationalize the overall tax system in terms of both export and import. The complex tax structure needs a complete redesign following international best practices. Redemption of duties and taxes through a planned and informed procedure to reduce business costs in times of uncertainty and suppressed confidence in the business environment would be essential for future development.

Revising trade license procedure for the business community: To get a trade license or to renew a trade license increases the overall cost of business. The GoB should bring the activities of trade license procedure under the banking system so that the businesses can get trade license within a reasonable payment and time.

Constructing a proper database on the business community: To sustain and revive the overall business environment, a proper database on employees' list, wage list, employees' different allowance list, etc. is crucial because it can give us a proper idea about the business community. Based on the information from the database, the GoB can easily undertake the necessary strategies and monitor the overall business situation. So, the GoB should undertake a policy framework to create the proper database and prepare a common platform on which

all types of data will be available. A proper database will be very helpful for the policy-makers to understand the overall business environment and to design the relevant & contemporary policies.

An increase in public expenditure on R & D (Research and Development): To mitigate the challenges being faced by firms through the fourth industrial revolution, it is high time for the government to increase public expenditure on R & D. Private sector should be motivated to invest in R & D. The GoB should undertake a proper policy framework for R & D to encourage the business community for innovation and productivity. ICT, which is one of the vital facilitators of boosting MSME businesses as well as large firms should be developed.

Increasing the facilities of Export Development Fund: Export Development Fund (EDF) is crucial for the exporters to penetrate global markets. The exporters of the major export earning sector (such as RMG) in Bangladesh are the most sufferers due to the ongoing COVID-19 pandemic. In this regard, Bangladesh Bank reduced the interest rate on Export Development Fund (EDF) to support exporters recuperate from the economic impact of the pandemic. Nonetheless, the central bank should also simplify the conditions of availing of the EDF to meet the import requirements of non-traditional manufactured items. If the GoB undertakes a policy design for the EDF during the pandemic to revive the export sector, the non-traditional exporters, particularly new exporters, exporters diversifying into higher-value exports, and exporters diversifying into new markets will get the opportunities to export their products easily into the international market.

Easing up duty drawback facility and increasing export cash back facility for the export sectors: At the beginning of the pandemic, the world economy has become a standstill. The export sectors of all over the world including Bangladesh have been severely affected. To revive the export sectors of the country, the GoB should provide some additional incentives such as lowered interest rate for a longer period, increased and eased up duty drawback facility, and increased export cashback facility.

Effective implementation of the stimulus packages for the MSMEs sector: As observed in the survey, MSMEs were least successful in availing a stimulus package compared to the large firms. The barriers to access to stimulus packages by the small and medium firms need to be identified and solved. The survey has shown that the business status of the stimulus package recipient firms is much favourable compared to the non-recipient firms. The recipient firms are performing relatively well compared to the non-recipient firms. It implies that the stimulus packages should be expanded and modified with a long-term plan as soon as possible to revive the MSME sector of the country. The requirements and procedures of getting the packages should be simplified and easier.

Conducting an appropriate assessment for the effective implementation of the stimulus packages: It is important to assess the efficacy of the stimulus packages and bring on any required modifications. A mere announcement of the stimulus packages will not be an adequate measure to aid businesses to overcome the negative effects of the ongoing COVID-19 pandemic. Though the GoB has made a timely release of the funds, businesses particularly MSMEs could not manage to receive the monetary benefits and utilize them on time due to barriers in the form of corruption, banking non-transparencies, information asymmetries' and

a complex taxation system. Thus, the GoB should conduct an assessment about the proper implementation of the stimulus packages to identify the ineffectiveness in the processes and institutional arrangements.

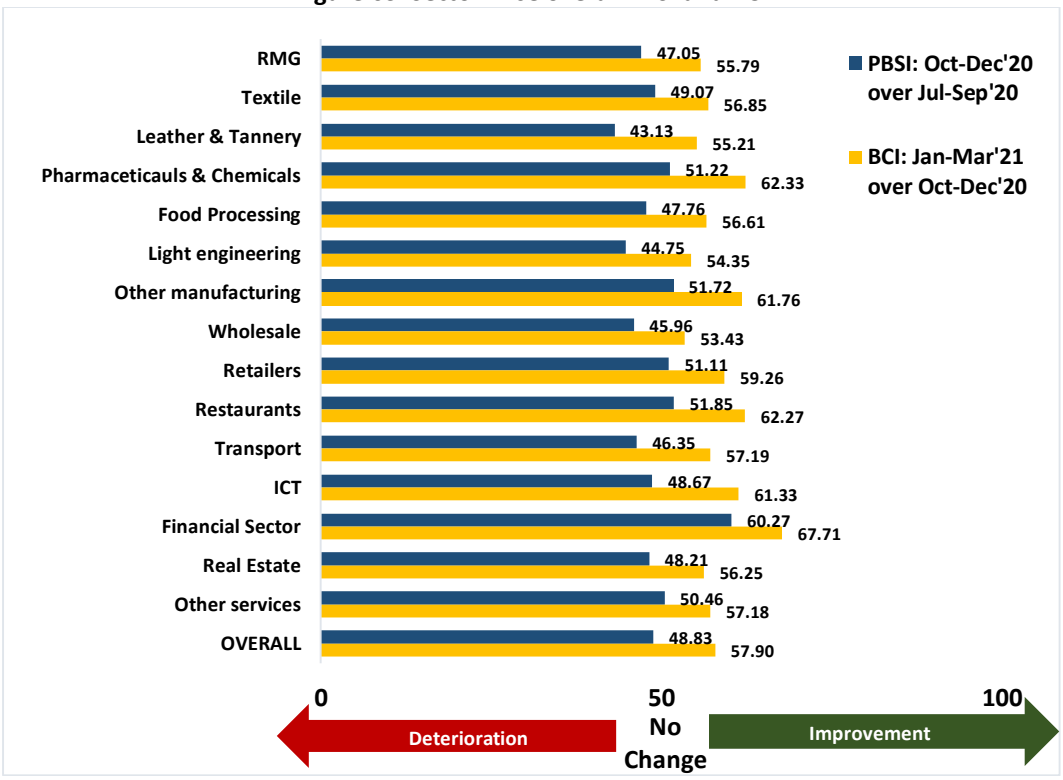
Easing the disbursement of the stimulus packages from the banking sector: As has been observed in many media reports that the banks are less interested in disbursing the incentive packages to the medium, small, and micro firms. In many cases, the incentive packages have only been disbursed to the existing customers of the banks and there is also a strong bank-client relationship between the banks and the large firms. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the medium, small, and firms. All problems against access to finance identified and relevant policy support should be made sure. The post-pandemic policy criteria of the bank-client relationship should be simplified and easier. Moreover, in Bangladesh, many business entities remain outside of the formal banking system. The central bank of the country can undertake necessary measures in collaboration with the National Board of Revenue (NBR) in devising a policy so that all business enterprises come under the financial sector network and the non-banking firms are given the opportunities to get the loan facilities amid the crisis.

Focusing on appropriate policy formulation and design: The GoB should undertake an appropriate policy design and create a business-friendly environment amid the pandemic to retain and increase the business confidence of the business community. The GoB should adopt strong monetary and fiscal policies to increase investment and to create new job opportunities and stimulate overall economic activities. The GoB should also start a combined discussion with the private sector to revive the economy. To vibrate the supply side of the economy, the GoB should focus on domestic demand generation and a strong supply chain management for the businesses as well.

Making all types of information available for businesses: As this study has identified, there has been a sequential change in the gap between expectations and reality amongst the firms. Since the pandemic has now taken a path more predictable than before, expectations formed by the firms now are more aligned to reality. The firms would be more responsive to policy changes now than before – a window the government must capitalize.

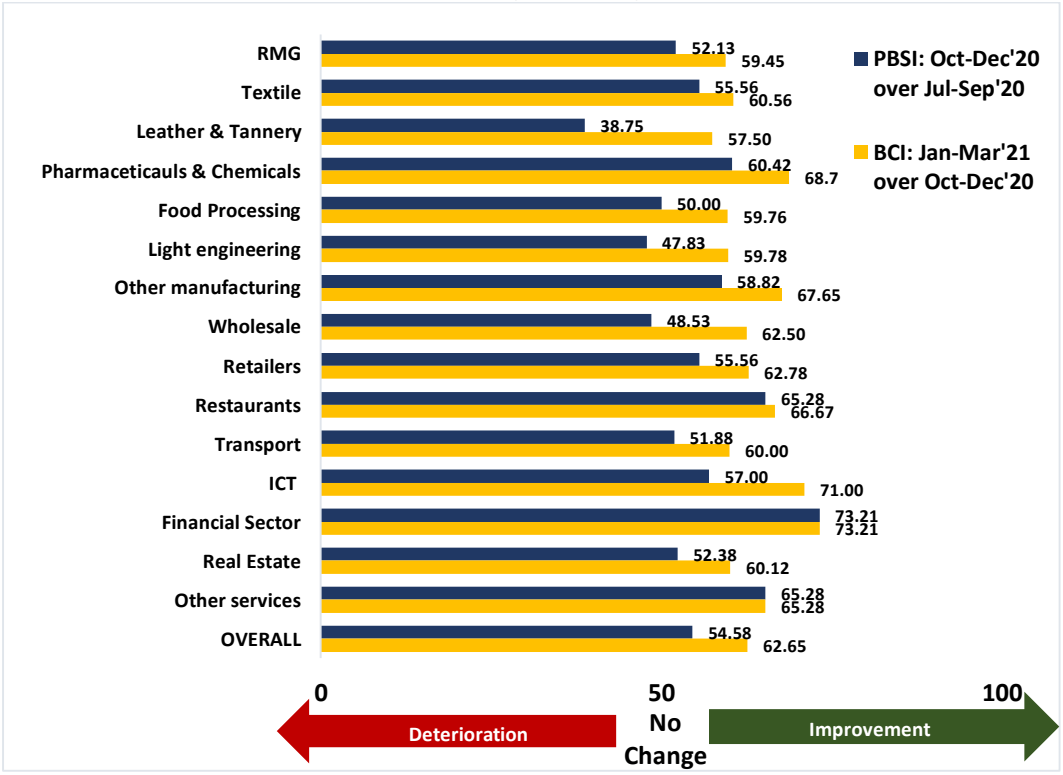
Annexe 1: Sectoral findings of PBSI and BCI indices

Figure 63: Sector-wise overall PBSI and BCI



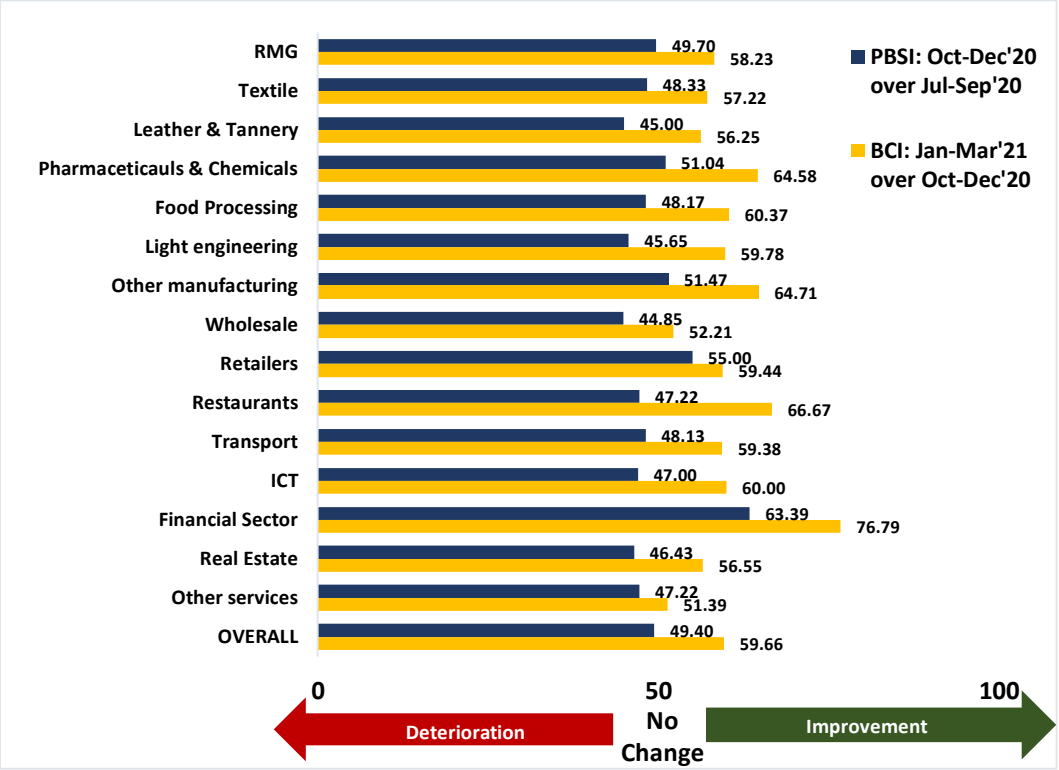
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 64: Sector-wise profitability PBSI and BCI



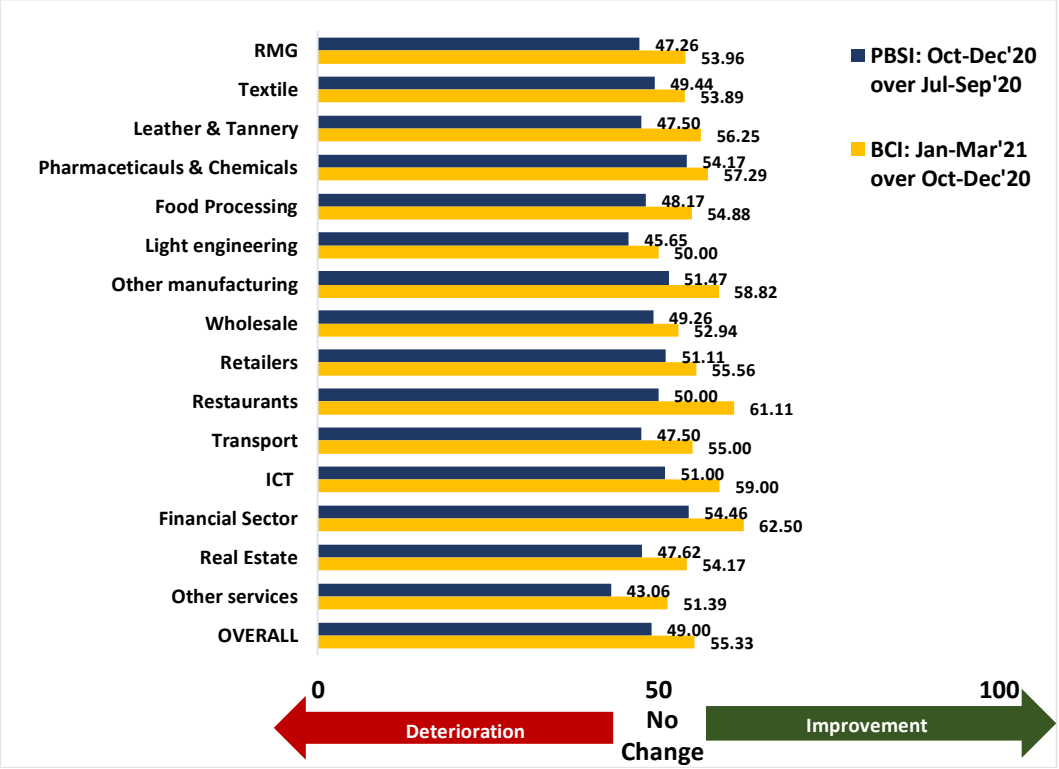
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 65: Sector-wise investment PBSI and BCI



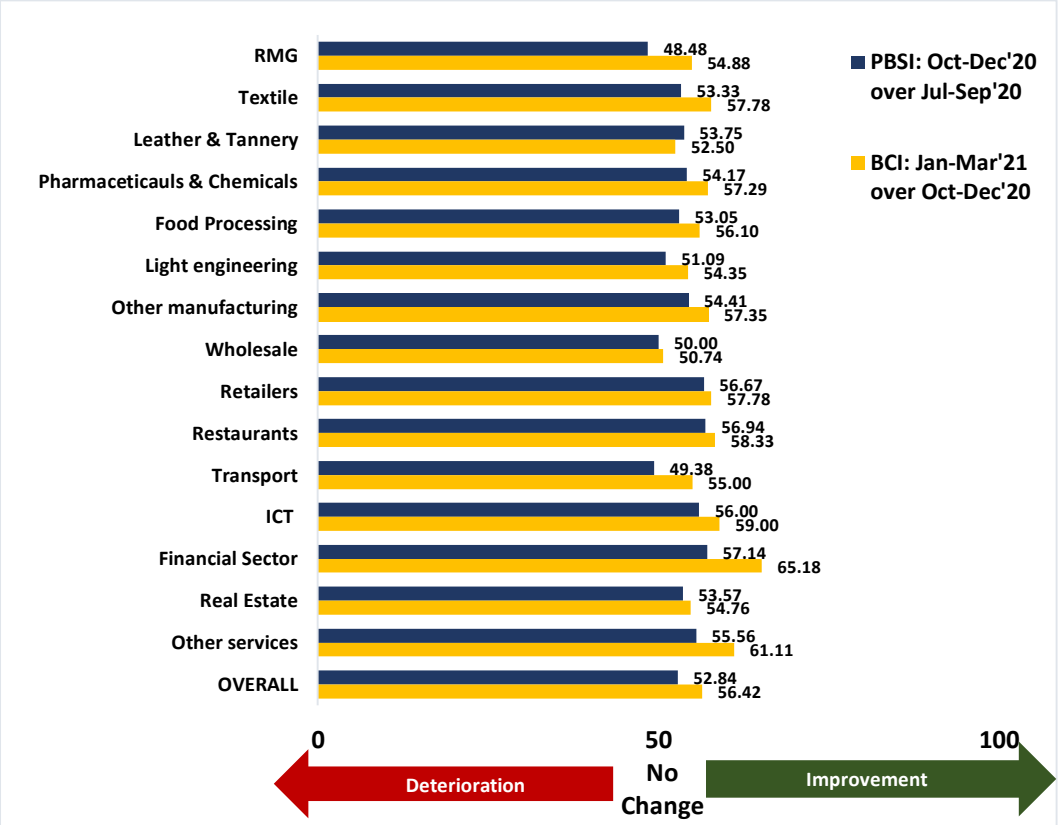
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 66: Sector-wise employment PBSI and BCI



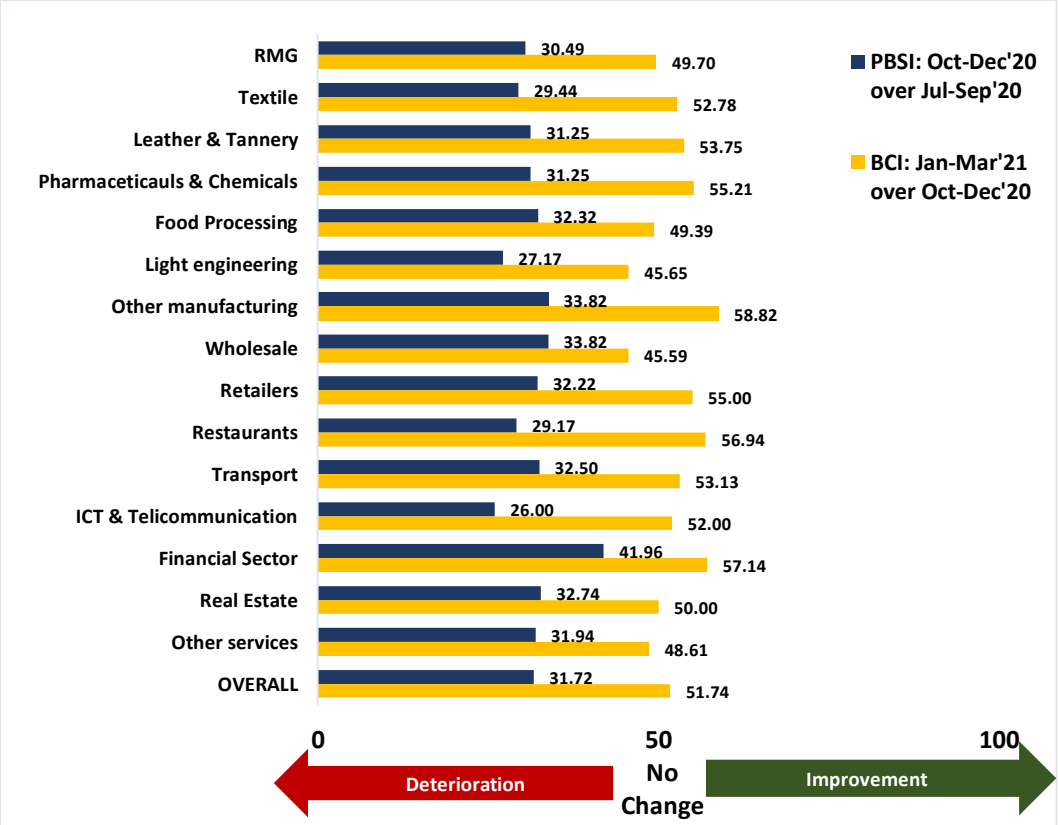
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 67: Sector-wise wage PBSI and BCI



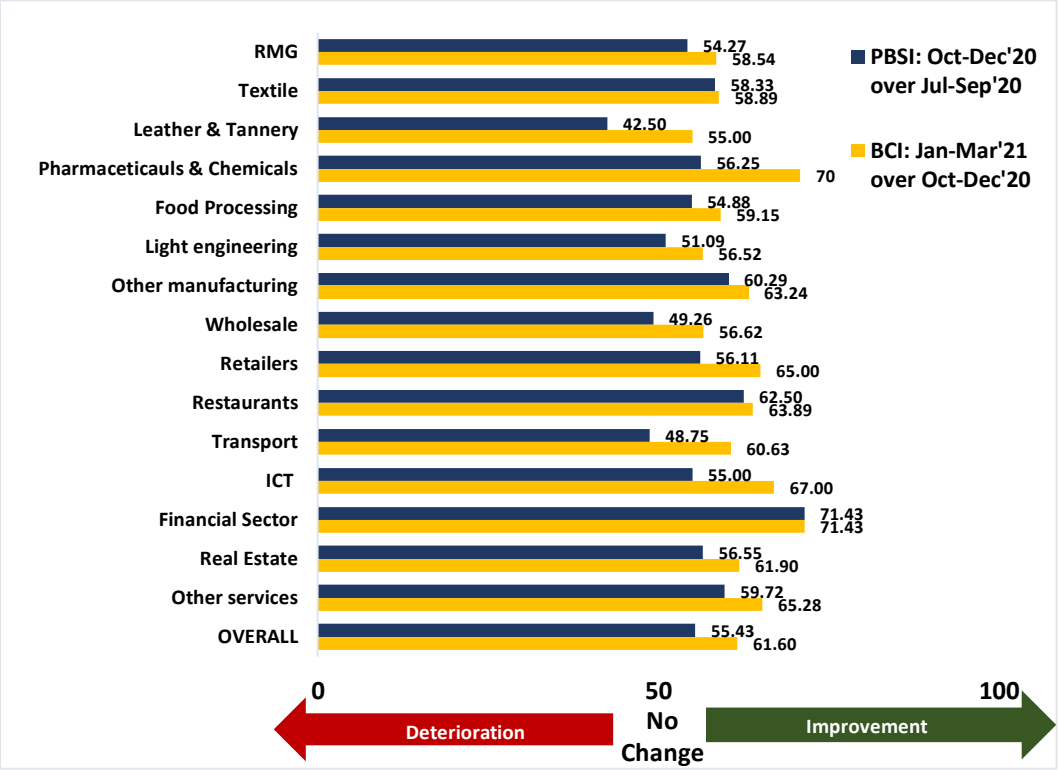
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 68: Sector-wise business cost PBSI and BCI



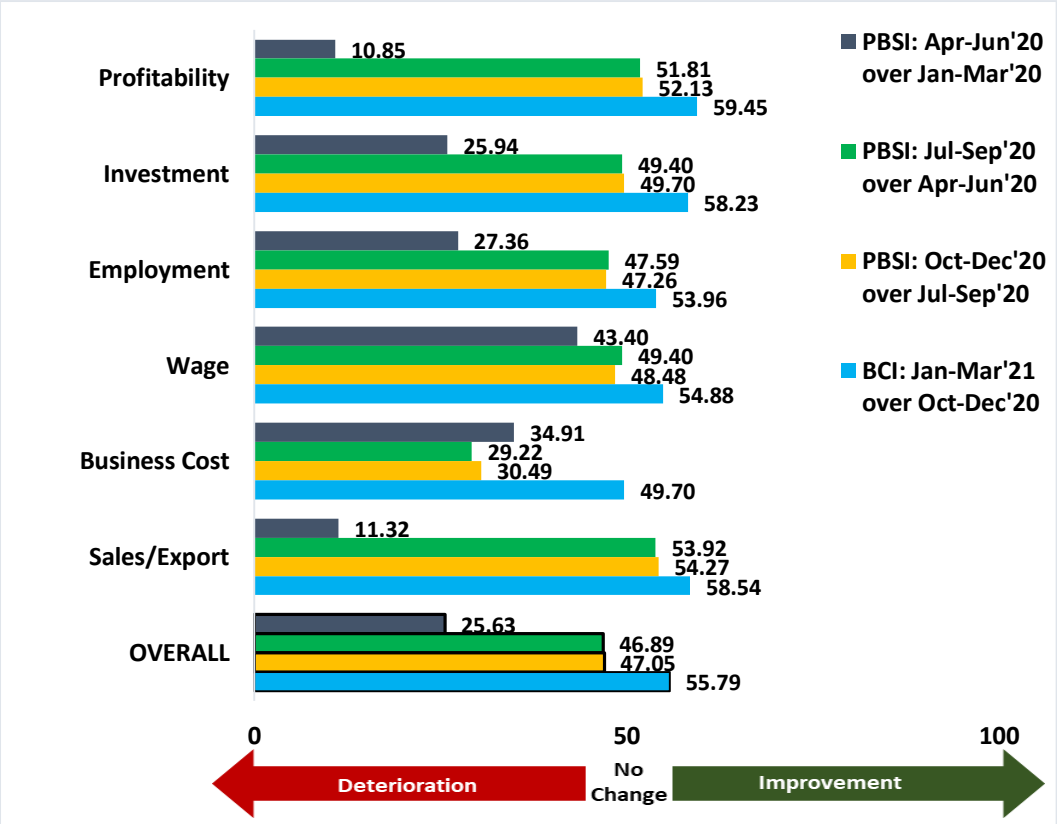
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 69: Sector-wise sales/export PBSI and BCI



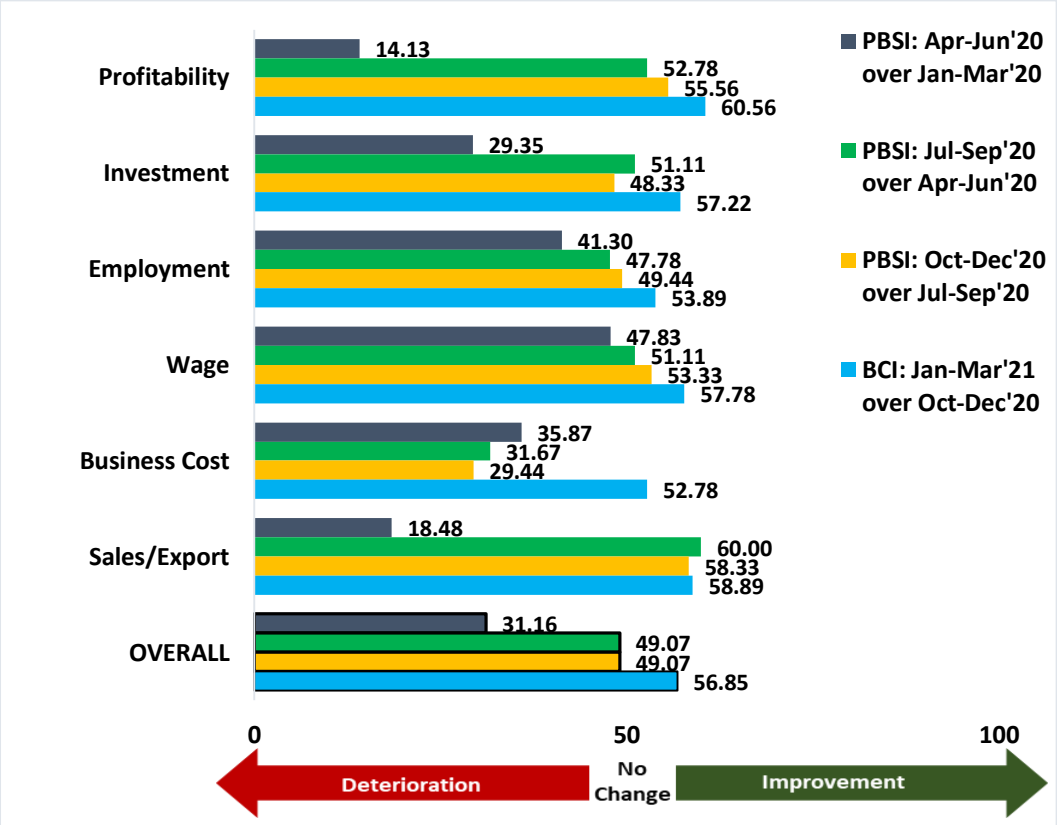
Source: Authors' estimation based on SANEM BCI (third round) Survey, 2020-21

Figure 70: RMG Sector: PBSI and BCI



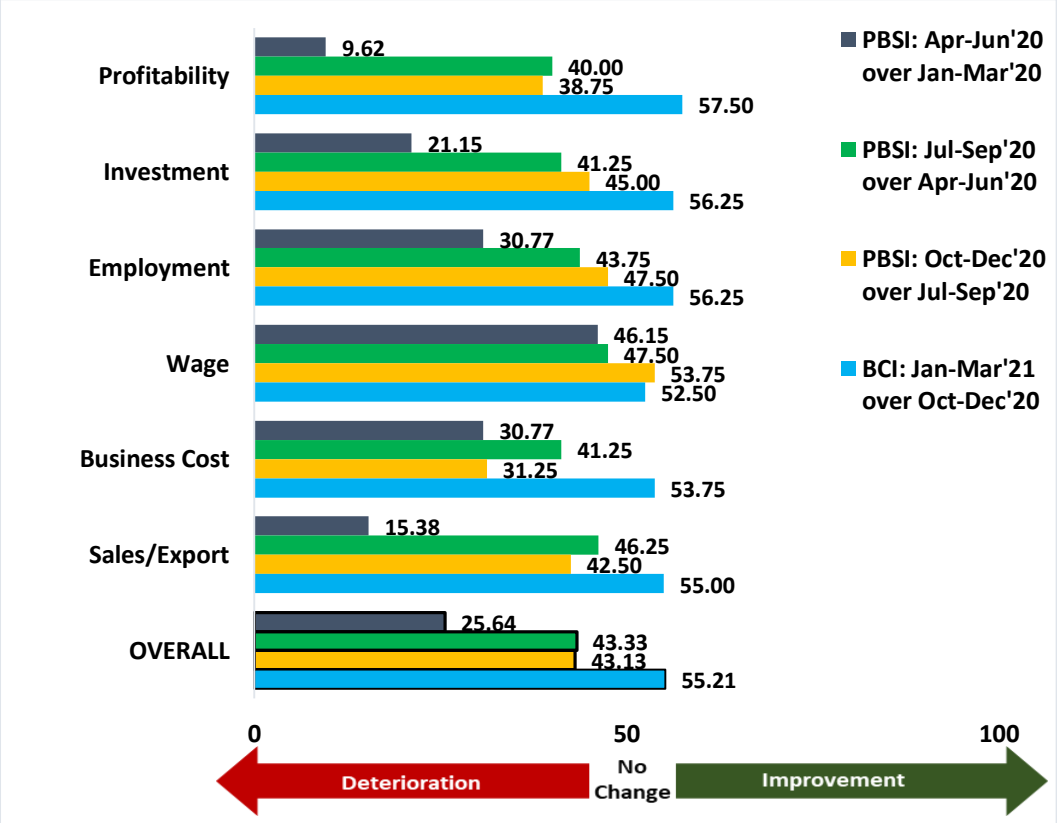
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 71: Textile Sector: PBSI and BCI



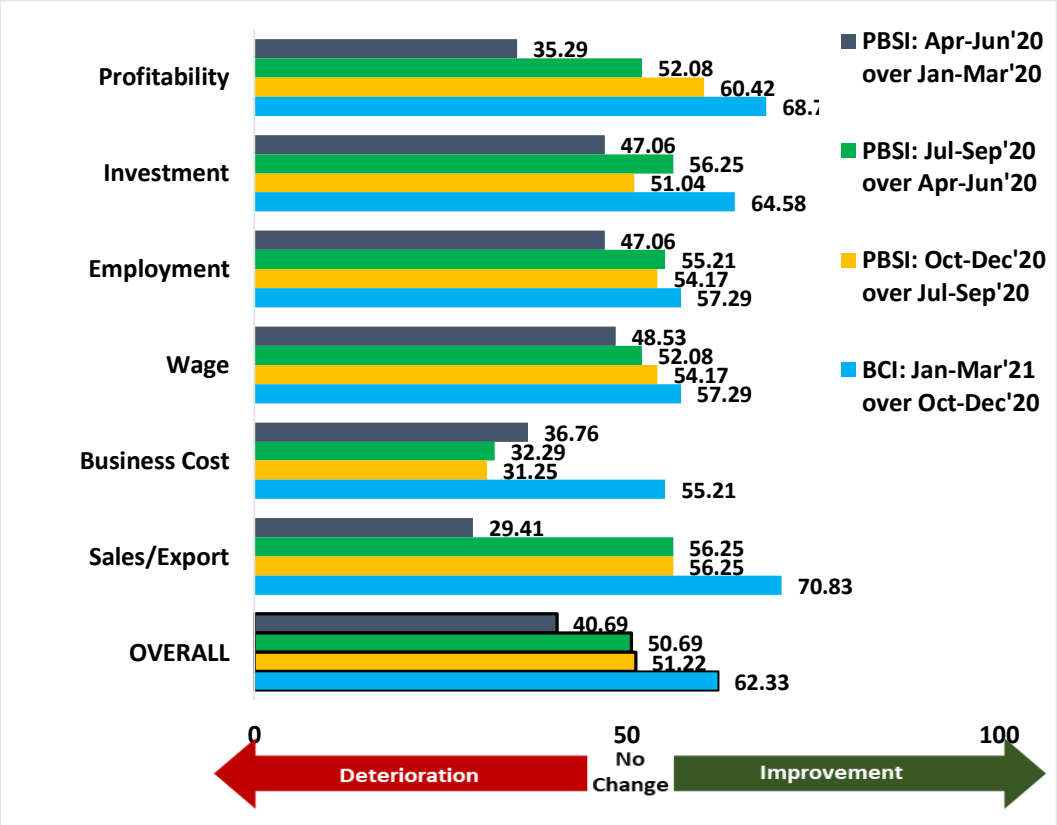
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 72: Leather and Tannery Sector: PBSI and BCI



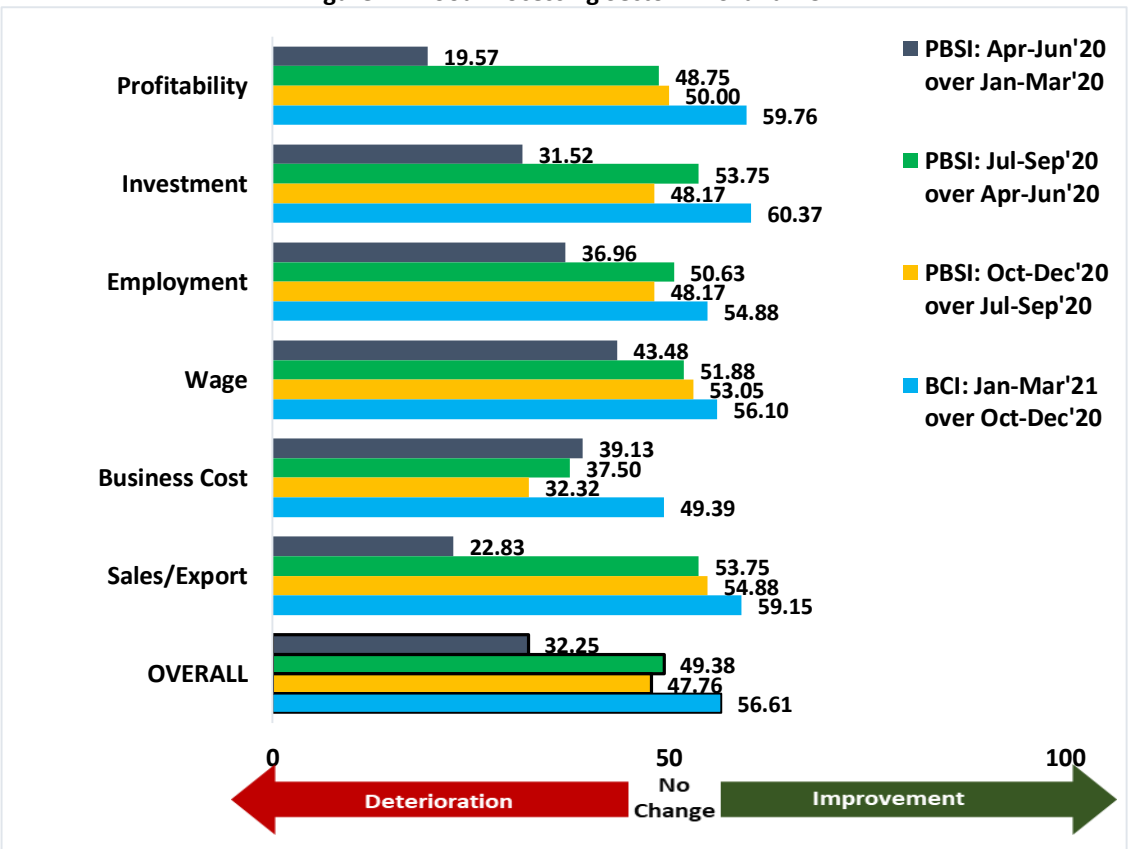
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 73: Pharmaceuticals and Chemicals Sector: PBSI and BCI



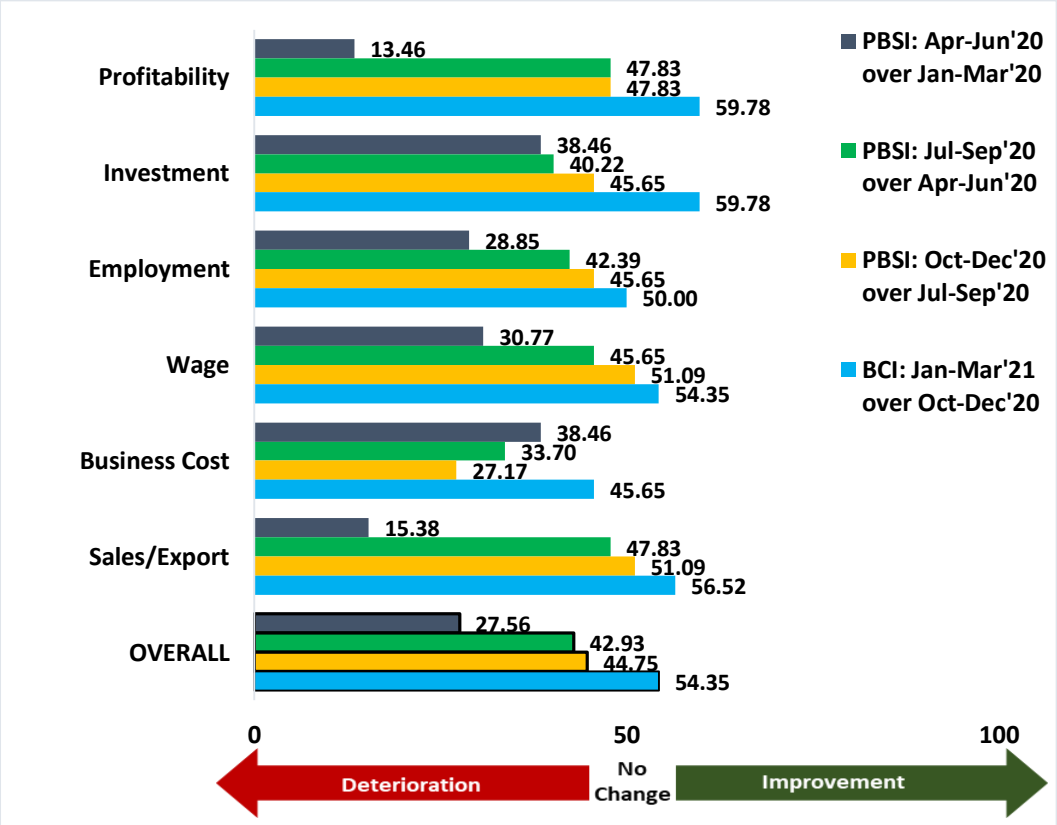
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 74: Food Processing Sector: PBSI and BCI



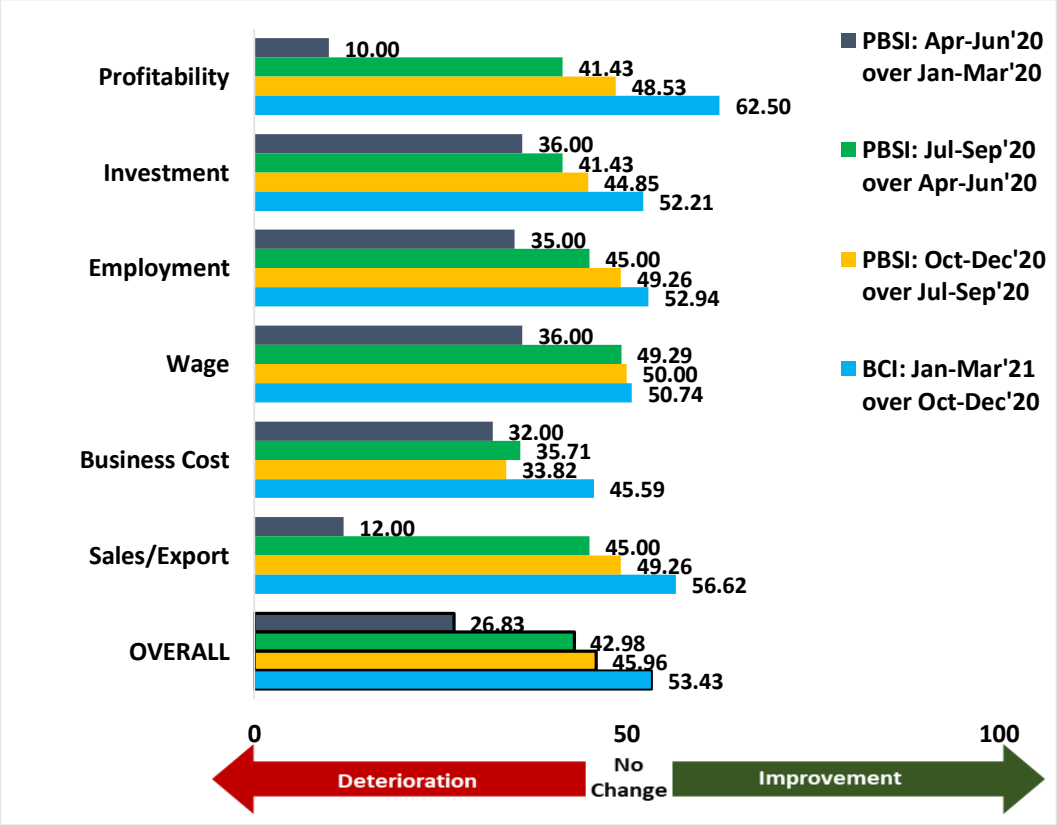
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 75: Light Engineering and Electronics Sector: PBSI and BCI



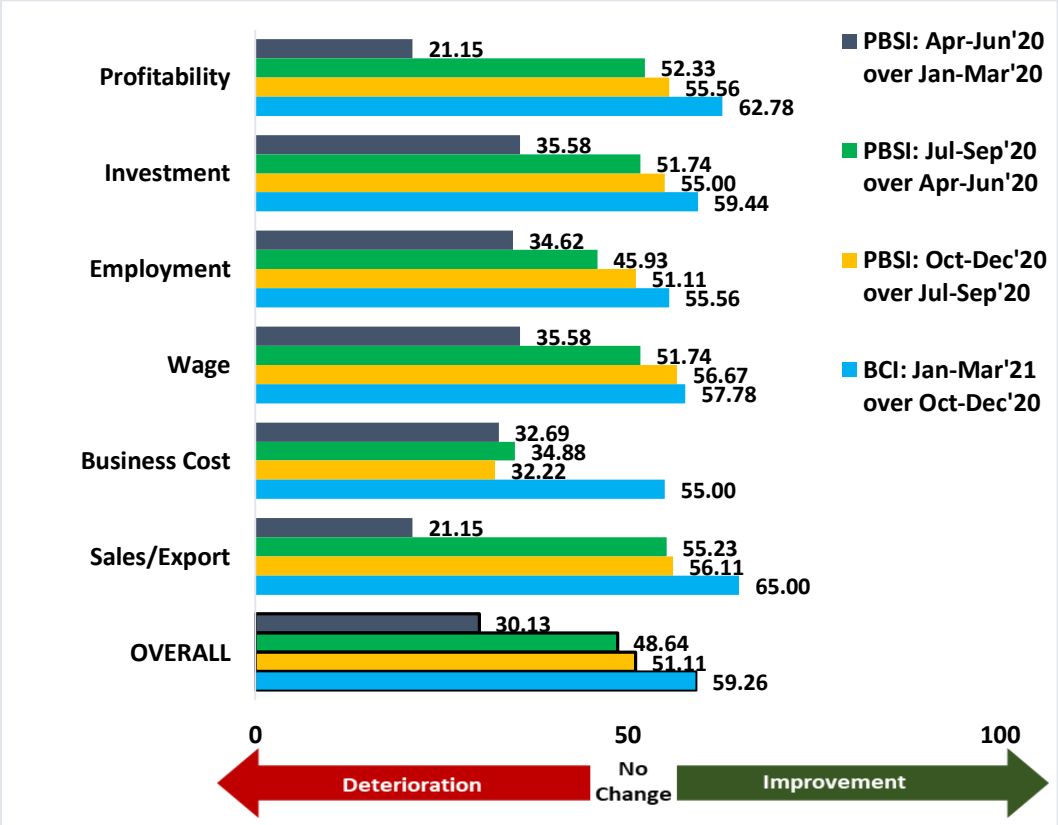
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 76: Wholesale Sector: PBSI and BCI



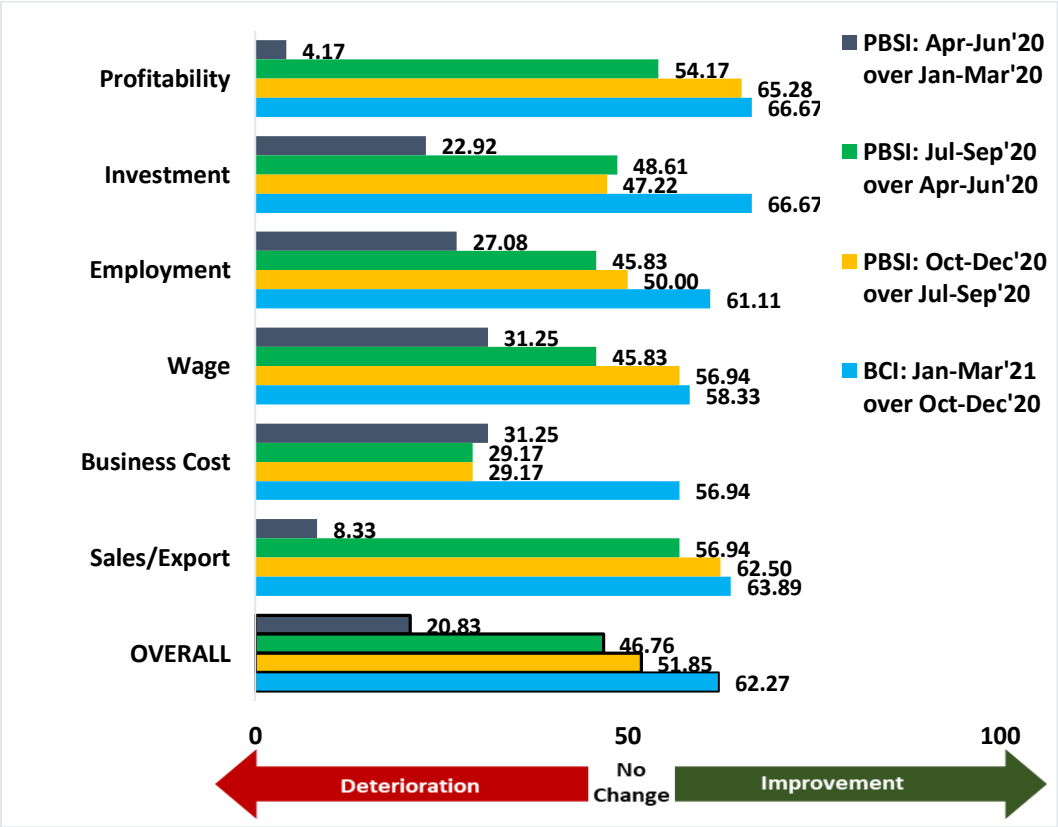
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 77: Retail Sector: PBSI and BCI



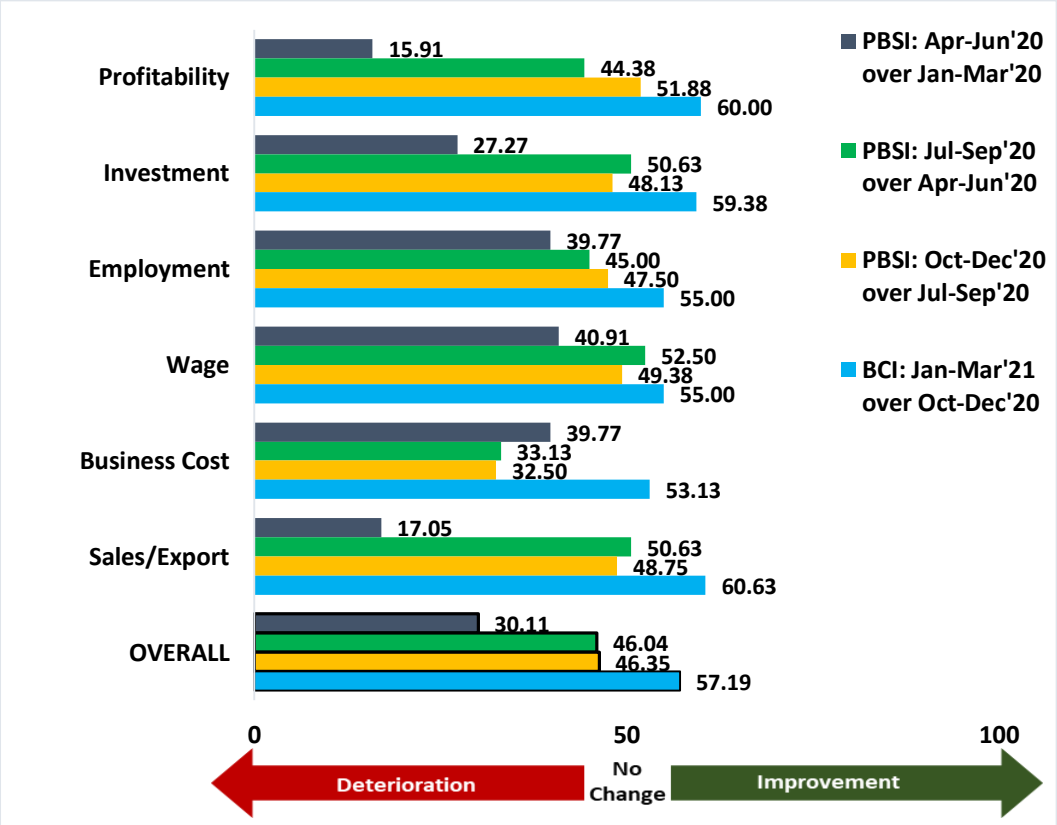
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 78: Restaurant Sector: PBSI and BCI



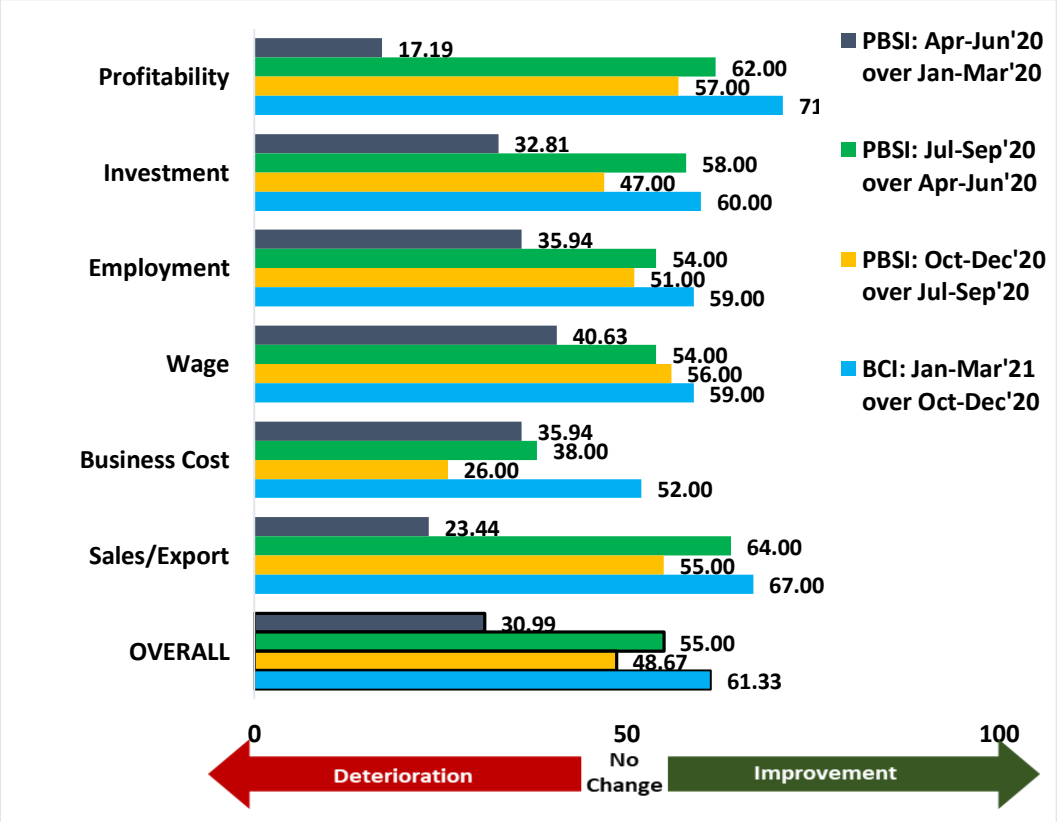
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 79: Transport Sector: PBSI and BCI



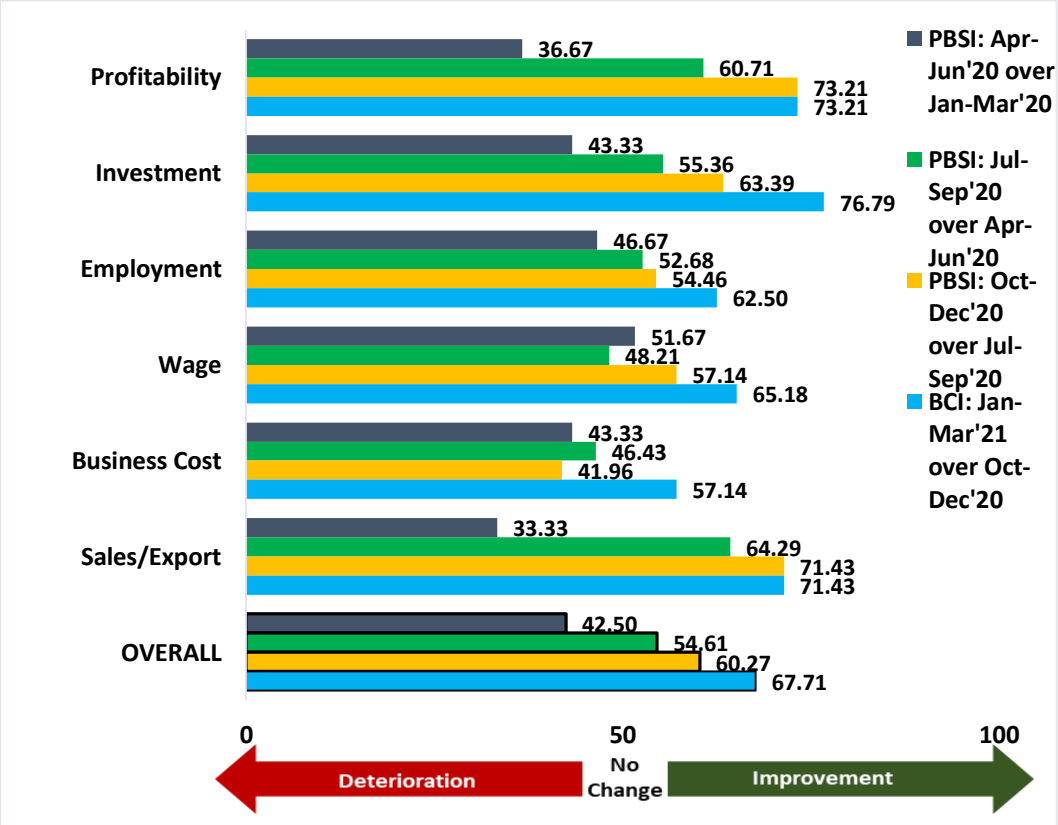
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 80: ICT and Telecommunication Sector: PBSI and BCI



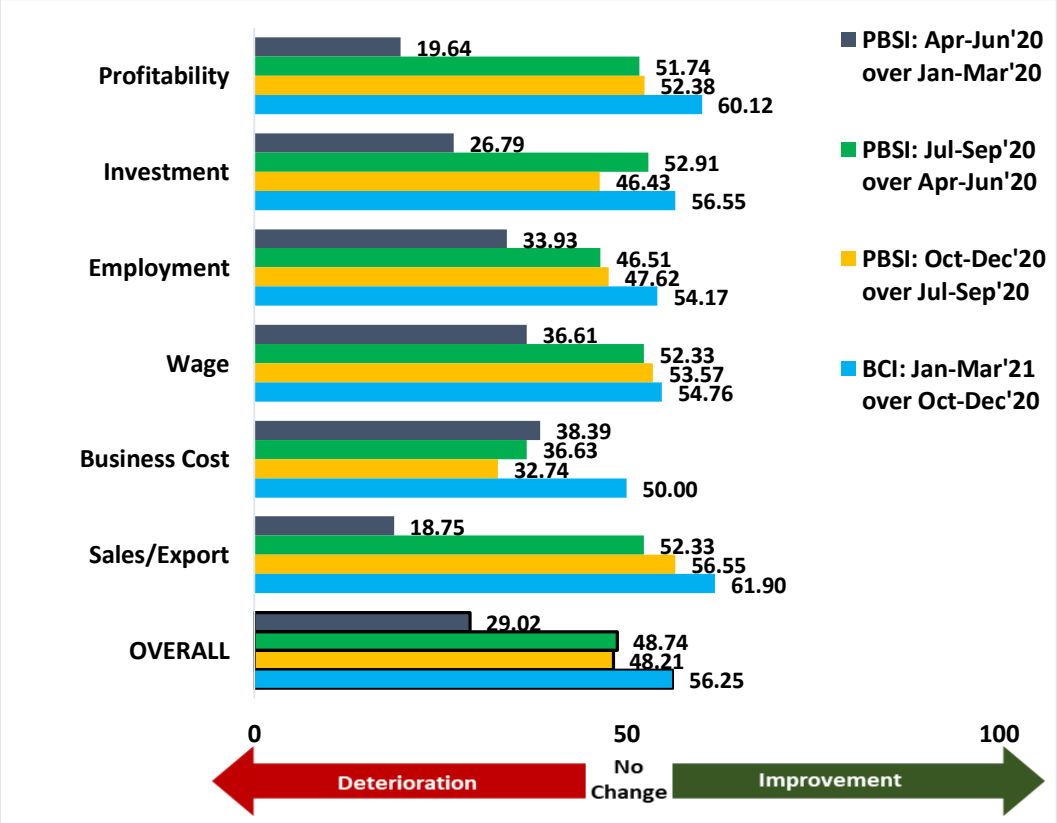
Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 81: Financial Sector: PBSI and BCI



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Figure 82: Real Estate Sector: PBSI and BCI



Source: Authors' estimation based on SANEM BCI (quarterly) Survey, 2020-21

Annexe 2: Questionnaire for the Business Confidence Index (BCI) survey

The Global Economy is passing through an unprecedented crisis. Bangladesh is no different. The economic crisis fuelled by COVID-19 has been proven to be unpredictable and rapidly evolving. During such economic downturns, close monitoring of the private sector is warranted. This is primarily because, for any economy, private investment is one of the fundamental sources of economic expansion. Recovery from economic downturns caused by the pandemic would require a revamped rejuvenation of the private sector. Unless and otherwise, the business community in a country are assured of their returns, along with assurances of risk minimizations, no country can revive from economic recessions.

SANEM and The Asia Foundation (TAF) have jointly taken the initiative to measure the condition of business confidence in Bangladesh quarterly. SANEM is a renowned Think Tank and Research Organisation based in Dhaka, Bangladesh. The Asia Foundation is a leading non-profit international development organisation working for improving lives across developing Asia.

Meanwhile, SANEM and TAF have successfully conducted two rounds of the business confidence survey in July & October 2020 respectively. Based on the survey responses, two consecutive workshops were arranged on August and November 2020, and findings of the surveys were communicated to renowned economists and policymakers in the country. We will now conduct the third round of the survey, which will begin on 5 January 2021 and will be completed by 20 January 2021. This round is very crucial to compare the opinions of the business community with the previous rounds and to have their expectations in the next round.

As a business insider, once again your opinions have become extremely important during such crises. Your perceptions regarding the overall business scenario are extremely valuable in understanding what policy revisions are required, and where further policy deepening is essential.

It will take a maximum of 10-15 minutes to complete this survey. We are most grateful to you for making this time amidst your busy schedule. Your valuable insights are essential in this endeavour.

We assure you that all responses, including your personal and firm details, will be kept strictly confidential. All your responses will only be used for the purpose of research.

Section 1

General Information about the Firm

Q.1.1 Firm Information

Firm Name
Firm ID
Division Name
District Name

1.2 Type of Firm

Q.1.2 What is the type of this Firm?

1. Manufacturing (>> Q.1.3)
2. Services (>> Q.1.4)

Q.1.3 If manufacturing, please select the firm type from the options listed below.

1. RMG
2. Textile
3. Leather
4. Tannery
5. Pharmaceuticals
6. Food processing
7. Chemical and chemical products
8. Plastics, rubber and other non-metallic products
9. Light engineering
10. Electronics
11. Furniture
12. Heavy engineering (Cement, Steel)
13. Others

Please specify "Others" for question 1.3

Q.1.4 If service, please select the firm type from the options listed below.

1. Real estate
2. Wholesale
3. Retailers
4. Restaurants
5. Tourism and Hospitality
6. Transport
7. Financial sector
8. ICT and Telecommunication (excluding E-commerce)
9. E-commerce
10. Construction
11. Other

Please specify "Others" for question 1.4

1.5(a) Firm Contact Information

Mailing Address
Phone Number

Do you agree to start the interview now?

1. Yes (>> Respondent's Contact Details; Start the Interview)
2. No (>> 10; Thank the contact person and conclude the interview)

1.5(b) Respondent's Contact Details

Respondent's Name
Respondent's gender
Respondent's designation in the Firm
Mobile Number of the respondent
Email Address
Number of years in Firm

1.6 Location of the Firm

Q.1.6 where is the Firm located?

1. EPZ/SEZ
2. Industrial Park/ Industrial Area
3. Outside of the above-mentioned locations

1.7 Firm Ownership

Q.1.7 What is the type of ownership of the Firm?

1. Government ownership
2. Domestic Private company
3. Public-Private joint ownership
4. Domestic-Foreign joint venture
5. Foreign Ownership

1.8 [Female ownership in the Firm]

Q.1.8 Is this establishment owned by a female [partially/fully]?

1. Fully owned by a female
2. Partial female ownership
3. No female share or ownership

1.9 Year of Establishment

Q.1.9 In which year was the Firm established?

Section-2: Financial Condition or Profitability

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.2.1 How was your profit in October to December (2020) compared to July to September (2020)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.2.2 How was your profit in October to December 2020 compared to October to December 2019?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.2.3 Compared to October to December (2020), what is your expectation about profit in January to March (2021)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Section-3: Investment Situation

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.3.1 How was your investment scenario in October to December (2020) compared to July to September (2020)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.3.2 How was your investment scenario in October to December (2020) compared to October to December (2019)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.3.3 Compared to October-December (2020), what is your expectation about the investment scenario in January to March (2021)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Section-4: Employment Situation

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.4.1 How many permanent employees do you have NOW (January 2021)? (Record in number)

Q.4.2 How many of the permanent employees are females (January 2021)? (Record in number)

Q.4.3 How was your overall employment scenario in your organization in October to December (2020) compared to July to September (2020)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.4.4 How was your overall employment scenario in your organization in October to December (2020) compared to October to December (2019)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.4.5 Compared to October-December (2020), what is your expectation about the overall employment scenario in your organization in January-March (2021)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Section-5: wages Situation

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.5.1 How was the salary/wages of the workers/employees in your organization in October to December (2020) compared to July to September (2020)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.5.2 How was the salary/wages of the workers/employees in your organization in October to December (2020) compared to October to December (2019)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Q.5.3 Compared to October-December (2020), what is your expectation about the salary/wages of the workers/employees in your organization in January to March (2021)?

- Much worse [0]
- Worse [25]
- Same as before [50]
- Better [75]
- Much better [100]

Section-6: Business Costs

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Business cost 'Increased a lot' is equivalent to 0; 'Increased' is 25; 'Same as before' is 50; 'Decreased' is 75; and 'Decreased a lot' is 100.

Q.6.1 How was your overall business cost in October to December (2020) compared to July to September (2020)?

- Increased a lot [0]
- Increased [25]
- Same as before [50]
- Decreased [75]
- Decreased a lot [100]

Q.6.2 How was your overall business cost in October to December (2020) compared to October to December (2019)?

- Increased a lot [0]
- Increased [25]
- Same as before [50]
- Decreased [75]
- Decreased a lot [100]

Q.6.3 Compared to October-December (2020), what do you expect regarding your overall business cost in January-March (2021)?

- Increase a lot [0]
- Increase [25]
- Same as before [50]
- Decrease [75]
- Decrease a lot [100]

Section-7: Sales or Exports

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Export/Sales order 'Decreased a lot' is equivalent to 0; 'Decreased' is 25; 'Same as before' is 50; 'Increased' is 75; and 'Increased a lot' is 100.

Q.7.1. What is the share of export in your total sales? (Write in Percentage, %: 0% to 100%)

Q.7.2 How was your sales/export order in October to December (2020) compared to July to September(2020)?

- Decreased a lot [0]
- Decreased [25]
- Same as before [50]
- Increased [75]
- Increased a lot [100]

Q.7.3 How was your sales/export order in October to December (2020) compared to October to December(2019)?

- Decreased a lot [0]
- Decreased [25]
- Same as before [50]
- Increased [75]
- Increased a lot [100]

Q.7.4 Compared to October-December (2020), what is your expectation about sales/export order in January-March (2021)?

- Decrease a lot [0]
- Decrease [25]
- Same as before [50]
- Increase [75]
- Increase a lot [100]

Section 8: Stimulus Packages and Business Environment

Q.8.1 Have you availed of any of the announced incentive packages?

1. Yes (>>Q.8.2)
2. No (>>Q.8.6)
3. I do not know whether my company availed stimulus package or not (>>Q.8.10)

Q 8.2 How many times did you receive the stimulus package?

1. Once (>>Q.8.3>>Q.8.7>>Q.8.8>>Q.8.10)
2. Twice (>>Q.8.4>>Q.8.5>>Q.8.7>>Q.8.8>>Q.810)
3. More than twice(Specify months) (>>Q.8.7>>Q.8.8>>Q.8.10)

Q.8.3 What was the month you availed of the stimulus package? [Select one]

Q.8.4 What was the month you availed of the stimulus package first? [Select one]

Q.8.5 What was the month you availed of the stimulus package for the second time? [Select one]

Q.8.6 Have you tried to avail any of the announced stimulus packages?

1. Yes (>>Q.8.7>>Q.8.10)
2. No (>>Q.8.9>>Q.8.10)

Q.8.7 What problems did you face in availing/pursuing the incentive package? (Multiple selections possible)

Options	Strongly Disagree (1)	Disagree (2)	Neither agree nor disagree (3)	Agree (4)	Strongly Agree (5)
a. The amount is not sufficient					
b. Asked for bribes					
c. Lengthy procedure					
d. Difficulty in understanding the procedure of application					
e. Difficulty due to Bank collateral/Bank related services					
f. Others [Specify]					

Please specify "Others" for question 8.7

Q.8.8 On a scale of 1 (Very ineffective) to 5 (extremely effective), in your view, how effective are the incentive packages for your industry as a whole?

1. Very ineffective
2. Ineffective
3. Neither effective nor ineffective
4. Slightly effective
5. Extremely effective

Q.8.9 What are the reasons for you not to avail the incentive package/try to avail the incentive package (Multiple selections)?

Options	Strongly Disagree (1)	Disagree(2)	Neither agree nor disagree (3)	Agree (4)	Strongly Agree (5)
a. No package for your industry (in your knowledge)					
b. The incentive package is a loan with a low interest rate/ This is not a grant					
c. The amount is not sufficient					
d. Bribes are involved					
e. Lengthy procedure					
f. Difficulty in information/ understanding the procedure of application					
g. Difficulty due to Bank collateral/Bank related services					
h. Others [Specify]					

Please specify "Others" for question 8.9

Q.8.10 On a scale of 1 to 6, at present how much favourable are the following indicators for your overall business performance (here, 1 represents extremely unfavourable to business, and 6 represents extremely favourable to business)?

Options	Extremely unfavourable (1)	Moderately unfavourable (2)	Slightly unfavourable (3)	Slightly favourable (4)	Moderately favourable (5)	Extremely favourable (6)
Electricity (connection and quality)						
Overall Tax System						
Business or property Registration						
Access to finance						
Corruption						
Availability of skilled workers						
Transport quality						
Trade Logistics (Port and Customs)						
Overall government support for your industry						
Management of the COVID-19 crisis (health sector and economy)						

Q.8.11 In your perception, what are the THREE most important areas for your sector where the government should prioritize its policies? (Answer briefly) [Select the THREE Most Priority Areas]

1. Ease access to finance
2. Ensure skilled manpower
3. Ease access to Utility services (Gas, Water, Electricity, etc.)
4. Improve the quality of utility services (Gas, Water, Electricity, etc.)
5. Improve the quality of road transport/transport logistics
6. Ease the property registration procedure
7. Provide/increase incentive packages to combat COVID-19
8. Provide bonded warehouse facility to your sector
9. Provide/increase duty drawback or direct cash incentive/subsidies for exporters of your sector
10. Reduce import tariffs for raw materials
11. Improve customs management at ports
12. Increase port-handling capacity for export and import
13. Reduce export & import procedural delays
14. Others *[Please specify]*

Please specify "Others" for question 8.11

Section 9: Path to Economic Recovery

Q.9.1 Do you think Bangladesh is on the path to economic recovery?

1. Yes (>>Q.9.2)
2. No (>>Say, thank you, conclude the interview)

Q.9.2 What kind of economic recovery are you observing?

1. Strong Recovery
2. Moderate Recovery
3. Weak Recovery

Section 10: Interviewer Details

10.1 Enumerator’s Name
10.2 Enumerator's ID number
10.3 Enumerator’s Comment

SANEM, launched in January 2007 in Dhaka, is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. It is also a network of economists and policymakers with a special emphasis on economic modeling. SANEM aims to promote objective and high quality research in the areas of international trade, macroeconomy, poverty, labour market, environment, political economy and economic modeling. SANEM contributes to governments' policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities, and individual researchers. SANEM arranges regular training programs on economic modeling and contemporary economic issues.

SANEM Publications
252/3, North Goran, Khilgaon
Dhaka - 1219, Bangladesh

SANEM
RESEARCH | KNOWLEDGE | DEVELOPMENT
The Asia Foundation