COVID-19 AND BUSINESS CONFIDENCE IN BANGLADESH

RESULTS FROM THE FIRM-LEVEL SURVEY IN OCTOBER 2020

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Acronyms and Abbreviations

BBS	*Bangladesh Bureau of Statistics*
BCI	*Business Confidence Index*
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*
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*
NBR	*National Broad of Revenue*
OECD	*Organization for Economic Co-operation and Development*
PBSI	*Present Business Status Index*
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 onset of the crisis in early 2020, the COVID-19 pandemic continued its rampage on the global economy. Bangladesh also faced the backlashes of the economic turmoil induced by the pandemic. The adverse economic consequences of the crisis are still evident in depressed economic activities and domestic demand, decline or negligible recovery of certain industrial units, noticeable job losses along with fall in income. To combat the crisis, the Government of Bangladesh (GoB) announced generous incentive packages for the industries. In addition to such measures, during such an economic crisis, continuous monitoring of the private sector is warranted as it is one of the engines of economic growth. Against this backdrop, SANEM and The Asia Foundation jointly conducted the second 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.

Out of the 502 firms surveyed under this study, 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 three indices, namely (i) Present Business Status Index in July-September 2020 compared to July-September 2019, (ii) Present Business Status Index in July-September 2020 compared to April-June 2020, and (iii) Business Confidence Index for October-December 2020 compared to July-September 2020. 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 stimulus packages that elaborates business thoughts on 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. This study also covers a section on 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

There have been some visible improvements in overall business status in July-September 2020 compared to the business status in April-June 2020. The overall Present Business Status Index (PBSI) in April-June 2020 and July-September 2020 compared to the corresponding quarter of the previous year (2019) stand at 26.44 and 34.23, respectively. When compared to the last quarter (January-March 2020), the overall Present Business Status Index (PBSI) for April-June 2020 is found 29.48 while the PBSI for July-September 2020 over the April-June 2020 is found 47.96. With regard to PBSI over the previous quarter, as the value approaches

closer to 50, it indicates that the overall business situation in the country has improved significantly in July-September 2020 compared to April-June 2020. However, compared to the status in the same quarter of 2019, recovery is slow.

The improvement in overall business status in July-September 2020 is visible in all sub-indicators of PBSIs excluding the business cost indicator. With regard to PBSI over last year, amongst the sub-indicators, the highest marks have been observed on wages and employment in both rounds of the survey. In the case of employment, the PBSI (over last year, i.e. the same period in 2019) has increased from 33.09 to 41.83. In the case of wages, the score improved from 40.02 to 46.66. The prompt government response in channelling funds for wages of the workers could be one of the reasons which might attribute higher confidence on this indicator. In terms of PBSI over the previous quarter, amongst the sub-indicators, the scores in profitability have increased from 16.50 in the April-June quarter to 50.95 in the July-September quarter. The same trend has been found for investment, wages, and sales; all these sub-indicators have scored higher than 50 showing a slight improvement in the business status. The only indicator where the PBSIs (over last year & last quarter) have fallen is the Business Cost. The worsened business cost situation could be due to several factors including – the increased cost of raw materials, increased operational costs due to COVID hygiene protocols, etc.

Sectors are experiencing recovering at varying paces. Faster recovery is taking place in RMG, Textile, Pharmaceuticals and Chemicals, Food Processing, Retail, Restaurants, Financial Sector, and ICT. In contrast, slower recovery is being observed in Leather & Tannery, Light Engineering, Wholesale, Transport, and Real Estate.

The business confidence for October-December 2020 shows some improvement over business status in July-September 2020. The Business Confidence Index (BCI) for July-September 2020 and October-December 2020 stands at 51.06 and 55.24 respectively. The score of 55.24 in the second round of the BCI survey suggests, on average, business enterprises are somewhat optimistic regarding their business performance in the next quarter (October-December 2020) compared to the last quarter (July-September 2020). The improvement is visible in all sub-components of BCI. But still, the overall BCI is low.

Business cost poses a threat to future businesses. In terms of BCI, the only indicator where we observe a score lower than the 'point of reference' score 50 is the Business Cost indicator. During the pandemic, the cost has increased due to several factors including (i) disruption in the supply chain, (ii) increased cost of product transports and shipment costs, (iii) increased cost of non-pecuniary benefits (such as workers' transports), (iv) increased cost in inventory (since products are remaining on-shelf longer than the pre-pandemic situation), etc. The sluggish improvement on this indicator shows that the businesses are still wary about the cost of business.

Regarding the Business Confidence Index, almost all the subsectors are more optimistic for the October-December 2020 period compared to July-September 2020. The textile has shown the highest score on BCI (56.48). Apart from the Textile sector, Pharmaceuticals and Chemicals (55.03), other manufacturing (55.39), RMG (53.41), and Food Processing (55.94) have BCI scores higher than the overall BCI average. Light Engineering (52.17) sector's BCI

score is lower than the overall BCI score. Amongst the manufacturing sectors, the only sector which has a score of less than 50 on the BCI indicator is the Leather & Tannery (48.96). It shows the sector is not optimistic about the overall business condition in October-December 2020 compared to July-September 2020.

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 same quarter. 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. However, this expectation does not match with the realized scenario observed (in the second round of BCI survey) in July-September 2020 compared to April-June 2020. 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.

On average, the large firms are in a better position compared to the Micro, Small, and Medium Enterprises (MSMEs) in both PBSI and BCI indicators. Compared to Micro, Small, and Medium Enterprises (MSMEs), the BCI score of the large firms is higher. The overall PBSI (over last year & last quarter) scores are also higher for the large firms compared to the MSMEs. This primarily because the coping capacities of large firms during recessions are much higher than the small and medium firms. There are several factors that put the large firms in a better position during such crises like – (i) greater access to finances and stimulus packages, (ii) higher bargaining powers, (iii) well-established business network, (iv) a more diversified market reach, etc.

The exporters are relatively less optimistic regarding future expectations on several indicators compared to the non-exporters. The exporters have significantly lower confidence regarding investment, employment, wages, overall business cost, and sales/export orders compared to the non-exporters for October-December 2020. That is, the exporters are relatively less optimistic on these indicators compared to the non-exporters. The recent wave of the COVID-19, the continued slump in global trade, 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.

72 per cent of the surveyed firms are yet to receive any stimulus packages announced by the Government of Bangladesh. Around 19 per cent of the respondent said their firm received the stimulus package announced by the GoB. Another 72 per cent of the respondents replied that they did not avail of the package. Some of the respondents (around 9%) were not sure whether their firm received the stimulus package benefit or not.

There is a large divide in receiving the stimulus packages between the manufacturing and services sectors. Amongst the firms who received the stimulus packages (98 firms out of 502 surveyed firms), 80 per cent are from the manufacturing sector, while only 20 per cent are from the services sector. In total, out of the 252 firms surveyed in the manufacturing sector, 32.9 per cent of the firms replied that they received the GoB announced stimulus packages.

In the case of the services sector, only 6 per cent of the surveyed firms availed of the stimulus package.

Large enterprises are more capable of acquiring the stimulus packages than Micro, Small, and Medium Enterprises (MSMEs). In the case of the micro and small firms, only 8 per cent of the firms received the package. With regard to medium firms, around 20.5 per cent of firms acquired the package. In contrast, 41.4 per cent of the surveyed large firms availed the benefits.

The distribution of the firms with stimulus packages is not uniform across divisions. The distribution of the firms with stimulus packages is not uniform across divisions. Thirty per cent of the firms surveyed in Dhaka responded that they received the stimulus package (Map 3). In Chittagong, 26 per cent of the surveyed firms received the incentive package. This rate is around 10-17 per cent for Rajshahi, Rangpur, and Mymensingh. The lowest proportion of firms with stimulus packages is observed for Sylhet (5%) and Barisal (0%) divisions. Such heterogeneity in distribution reflects that there might be some accessibility barriers to the stimulus packages for the firms outside Dhaka and Chittagong.

The firms who did not avail the stimulus packages identified that the lack of packages for the respective industries, lengthy procedure, the fact that the package is not a grant, difficulty in obtaining information, etc. are the major barring factors. Several firms (175 firms) identified that there were no packages for their industries. Many of the respondents (around 89 firms) opined that the reason for not availing of the stimulus package is it is not a grant rather a loan with soft terms. Around 75 firms responded that the lengthy procedure in availing the stimulus package barred them from opting for it. Another 84 per cent respondents (out of 75 firms) replied that they did not avail themselves 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. There has not been any improvement in these areas compared to the findings of the first round of the survey.

The firms who acquired the packages identified problems such as lengthy procedures, difficulty related to bank services, lack of information or difficulty in understanding the procedure, etc. as major problems faced. 'Difficulty in the bank related services' was identified as a major problem by 65 per cent of the respondents (out of 173). Around 69 per cent of the respondents (out of 136) marked lengthy procedures as a major problem. Around half of the respondents (out of 116) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems. There has not been any improvement in these areas compared to the findings of the first round of the survey.

The firms who received the stimulus packages have a significantly better situation with respect to firms' investment, business costs, and sales or exports indicators on the PBSI score. In the case of PBSI, firms who received the stimulus packages had on average higher business performance in terms of all indicators during July-September 2020 compared to April-June 2020. However, these firms had a significantly better situation on the 'sales/export' indicator (by almost 6.65 percentage points higher than the non-recipients). It implies that the stimulus package recipient firms have been able to produce and export their products to

their export destinations. In the case of investment and business cost indicators, the recipient firms were in a better situation compared to the non-recipient firms in the July-September 2020 quarter.

Major challenges in doing business include corruption, poor trade logistics, unfavorable tax system, and access to finance. Corruption has been identified as a major problem by more than 87 per cent of the respondents (out of 393). Poor trade logistics related to port and customs were marked as unfavourable for doing business by 77 per cent of the respondents (out of 245). 76 per cent of the 452 respondents identified that Bangladesh's approach to 'managing the COVID-19 crisis' was unfavourable to the businesses. More than 67 per cent out of 400 respondents thinks that the present structure of the tax system is not favourable for doing business. In the case of access to finances, 71 per cent of the respondents (out of 400) finds it unfavourable. However, it is a matter of concern that the cost of business has increased in the second round of the survey compared to that of the first round.

71 per cent of the respondents think that Bangladesh's economy is moving towards recovery. The respondents were asked whether they think the economy is on the path to recovery. Around 71% of the respondents replied that the economy is moving towards recovery. However, the response is not uniform across the divisions. Firms from the northern regions are relatively more optimistic regarding economic recovery than the southern regions' firms.

Firms expect a moderate type of economic recovery for the country. Among 502 surveyed firms, only 4 per cent of the firms replied that they had observed a strong recovery. Twenty-six per cent of the firms perceive weak economic recovery, whereas 41 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 yet.

There is a clear pattern between firm size and the perception of the economic recovery of the surveyed firms. Large and medium firms are more optimistic than micro and small firms. 78.3 per cent of the surveyed large firms perceive that the economy is moving towards recovery in contrast to micro and small firms where 67.1 per cent of the firms perceive likewise.

Policy Implications

Conducting an appropriate assessment for the effective implementation of the stimulus packages: It is important to assess the effectiveness of the stimulus packages, and bring on any required modifications. A mere announcement of the stimulus packages will not be a sufficient measure to aid businesses to overcome the negative effects of the ongoing pandemic. Though the GOB made a timely release of the funds, businesses 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 of the proper implementation of the stimulus packages to identify the ineffectiveness in the processes and institutional arrangements.

Implementation of the special financial packages for startups: As evident in the BCI second round of the survey, the small and micro enterprises are the least optimistic about possible economic recovery. To enable the sustainability and survival of the small and medium startup enterprises and the micro firms, it is essential that the GOB should provide special funds and favourable tax and VAT exemptions if required. This requires greater fiscal management on the part of the government.

Adopting policies for attracting FDIs in the country: Attracting foreign direct investment could be a crucial strategy for retaining and ensuring a smooth transition to economic recovery in the post-pandemic period. This would require regulatory reforms as well innovative means to generate FDIs in the post-pandemic era, such as in the production and exports of medicines, health safety equipment, and ICT products. If accompanied by policy linkages between trade and investment, Bangladesh can benefit in the long run from export diversification, export market expansion as well as higher intra-regional trade and investment in the South Asian region.

Better implementation of the stimulus packages for the SMEs sector: As observed in the survey, SMEs were least successful in availing of 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 stimulus packages should be expanded and modified with a long-term plan to revive the SME sector of the country.

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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 small and medium enterprises. In many cases, the incentive packages have only been disbursed to the existing customers. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the small and medium enterprises. Moreover, many business entities in Bangladesh remain outside of the formal banking system. Bangladesh Bank 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.

Section I: Introduction

Since the onset of the crisis in early 2020, the COVID-19 pandemic continued its rampage on the global economy. Bangladesh also faced the backlashes of the economic turmoil induced by the pandemic. The adverse economic consequences of the crisis are still evident in depressed economic activities and domestic demand, decline or negligible recovery of certain industrial units, noticeable job losses along with fall in income. To combat the crisis, the Government of Bangladesh (GoB) announced generous incentive packages for the industries. In addition to such measures, during such an economic crisis, continuous monitoring of the private sector is warranted as it is one of the engines of economic growth.

Recovery from recessions requires the revival of business morale in the private sector. While announcements of stimulus packages aspire to business expectations, the actual business revival depends on the successful implementation and efficacy of stimulus packages. Therefore, continuous monitoring is required to understand whether, and to what extent the business confidence responds to the policy changes. Such observation enables the policymakers to answer some fundamental questions such as, 'whether the private sectors are confident enough for their returns', 'what is their perceptions regarding the investment opportunities in the next quarter?', 'what are their perceptions regarding employment, or wages scenario?', or 'How do they think the overall business cost in the economy will be in the next quarter'?

The answers to these questions are vitally important for three reasons. First, based on the business insiders' responses, it is possible to measure the current confidence level of the business community. Such a parameter is essential in understanding the nerves of this community. Second, if continuously monitored after regular intervals (such as monthly/quarterly), such data reflects the depth and motion of the crisis. It reveals some vital information on 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 insights that are crucially important to the Government. Finally, such indicators work as a 'collective tool' to bridge the business community with the policymakers. Since this information reflects sector-specific business confidence, it can be of particular use for business communities to voice 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 updates 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 essential. In the context of Bangladesh, no such regular monitoring data on 'business confidence' is available.

Attaining as high as 8.2 per cent GDP growth rate in FY2020-21 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 not only creates new job opportunities but also vibrates a virtuous multiplier effect across the backward and forward linking industries. Such new investments are only possible when the

business communities feel more assured of their returns along with minimalized risks. Like the practices in the advanced economies, Bangladesh, therefore, needs to monitor the business confidence regularly so that adequate policy adjustments are possible in the revised/new incentive packages as the crisis unfolds.

Against the backdrop, regular and timely monitoring on 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. The findings from the first round of the report were presented and published in August 2020. The second round of the survey was convened in October 2020. The second round of the survey covers the firms' present business scenario during July-September 2020 and their expectations for October-December 2020. This report is a summary of the findings from the second round of the survey.

Objectives of the Business Confidence Survey

The business confidence survey's main objective is to analyze and highlight the expectations of the business communities on investment, employment and wages, stimulus packages, performances related to business costs, sales or exports, and the status of the potential economic recovery during the current course of the 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, etc.
- Business thoughts on incentive packages (adequate/inadequate; effectiveness; etc.)
- Barriers to accessing the incentive packages
- Other specific challenges (infrastructural barriers, overall business environment, covid-19 related challenges, etc.)
- Perceptions on economic recovery

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 details the findings from the survey and the analysis of the business confidence indices. Section IV presents the results and analysis related to the stimulus package, existing business environment, and other identified policy priorities from the survey. Section V analyzes perception on economic recovery from the firm’s perspectives. Finally, Section VI concludes with a set of 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, which is the continuation of the BCI survey. However, the current study is a comparative analysis of these two 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 round analysis.

Survey Methodology

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

Survey Coverage

Both 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

Under the manufacturing sector, both rounds of the survey have covered all the major sub-sectors, such as Ready-Made Garments (RMG), Textiles, Leather and Tanneries, Food processing and agro-processing, Chemical and chemical products, Pharmaceuticals, Plastics and rubber, Electronics & light engineering, Manufacturing of furniture, and others (cement, steel, etc.). From the Services sector, the following sub-sectors have been covered: Wholesales, Retailers, Hotel & Restaurants, Transport, ICT & Telecommunication, E-commerce, Financial sector, Real estate, and Others (logistics services, tourism, etc.).

Survey technique and sampling framework

Both 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 two rounds on the same sample used in the second 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 500 firms (250 manufacturing firms and 250 services firms). A systematic approach for both 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

In the first step, we have blocked a minimum number of firms to be interviewed from each of the sub-sectors. For instance, we categorized the manufacturing sector into seven major sub-sectors (Table 2). In the first round survey, we blocked at least nine firms to be interviewed from all these sub-sectors. However, it has been increased to 15 firms in the second round of the survey. Therefore, 105 firms (15 firms from each of the seven sub-sectors) have been selected in the first stage.

Table 2: Sampling distribution from the manufacturing sector

	First Round (July-2020)				Second Round (October-2020)			
Manufacturing Sector	**First Step Total**	**Second Step Total**	**Grand Total**	**%**	**First Step Total**	**Second Step Total**	**Grand Total**	**%**
Ready Made Garments (RMG)	9	44	53	35%	15	73	88	35%
Textiles	9	17	26	17%	15	29	44	18%
Leather & Tannery	9	2	11	7%	15	3	18	7%
Pharmaceuticals & Chemicals	9	6	15	10%	15	9	24	10%
Food and Agro-Processing	9	15	24	16%	15	25	40	16%
Electronics & Light Engineering	9	3	12	8%	15	5	20	8%
Others (Cement, Steel etc.)	9	0	9	6%	15	0	15	6%
Total	63	87	150	100%	105	145	250	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 250 firms) are 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 145 firms (out of a total of 250) in the manufacturing sector have been selected based on these sub-sectors' contribution to the Gross Value Addition (GVA)[2] in the economy.

For instance, RMG contributed around 51 per cent of the total value-added of the manufacturing sector in the GDP. Therefore, out of the 145 remaining firms, 73 firms have been assigned to the RMG sub-sector. Likewise, the number of firms for each of the other sub-sectors has been determined. Finally, we get 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 88 RMG factories for the second round, which is roughly 35 per cent of our total sample size for the manufacturing sector.

[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

It needs to be mentioned that, in the first round BCI survey, a total of 153 firms from the manufacturing sector was surveyed though it was determined to survey 150 firms. Similarly, around 250 firms were determined to survey from the manufacturing sector for the second round, although a total of 252 firms has been surveyed. Nevertheless, during the field surveys, we needed to accept minor changes in the sample distribution of some sub-sectors in both rounds due to some practical problems. For instance, there were no pharmaceutical industries in the Rangpur division. As a result, the sample distribution has slightly changed from the previous round. The revised sample distribution by the manufacturing sector for the first and second round BCI survey is shown in Figures 1 & 2, respectively.

Figure 1: Revised (first round) sample distribution for the manufacturing sector (n=153)

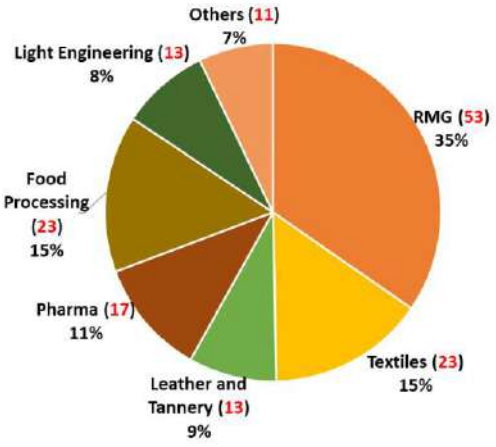
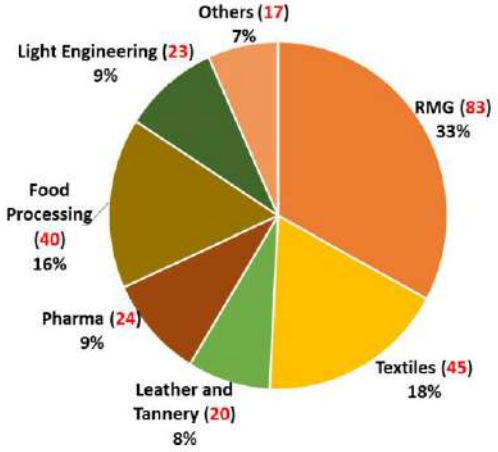


Figure 2: Revised (second round) sample distribution for the manufacturing sector (n=252)



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

Sampling framework for the services sector

A similar sampling methodology has been followed in the services sector. The services sector has been classified into eight major sub-sectors. In the first step, we blocked a minimum of 9 firms to be surveyed from each of these sub-sectors for the first round of the survey. In total, in the first round of the survey, 72 firms were selected in the first stage. In this round, we have blocked 15 firms in the first stage. Therefore, a total of 120 firms have been selected in the first stage for the second round of the survey (Table 3).

In the second stage, based on the relative weight in the Gross Value Addition in each subsector's GDP, we have assigned the remaining number of firms. Therefore, the remaining 130 firms have 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 wholesales alone contribute around 20 per cent of the total value-added of the services sector in the GDP. Hence, in the second step, 20 per cent of the remaining firms (i.e.26 firms) are assigned to the Wholesales.

Finally, we have 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 covers 41 firms from the wholesales, 41 firms from the retails, 18 firms

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

from the hotels and restaurants, 46 firms from transports and constructions, 25 firms from ICT and telecommunications, 28 firms from financial sectors, 38 firms from real estates, amongst others.

Table 3: Sampling distribution from the services sector

	First Round (July-2020)				Second Round (October-2020)			
Services Sector	**First Step Total**	**Second Round Total**	**Grand Total**	**%**	**First Step Total**	**Second Round Total**	**Grand Total**	**%**
Wholesales	9	15	24	16%	15	26	41	16%
Retailers	9	15	24	16%	15	26	41	16%
Hotel & Restaurants	9	2	11	7%	15	3	18	7%
Transport & Construction	9	19	28	19%	15	31	46	18%
ICT & Telecommunication	9	6	15	10%	15	10	25	10%
Financial Sector	9	8	17	11%	15	13	28	11%
Real Estate	9	13	22	15%	15	23	38	15%
Others (logistics, tourism etc)	9	0	9	6%	15	0	15	6%
Total	72	78	150	100%	120	130	250	100%

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

For the services sector, there has also been very little change in the sample distribution of some sub-sectors due to some practical problems already mentioned. The revised sample distribution by services sector for the first and second-round survey is presented in Figures 3 and 4, respectively.

Figure 3: Revised (first round) sample distribution by the services sector (n=150)

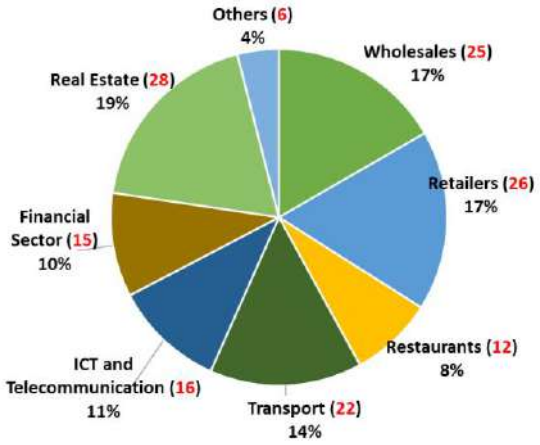
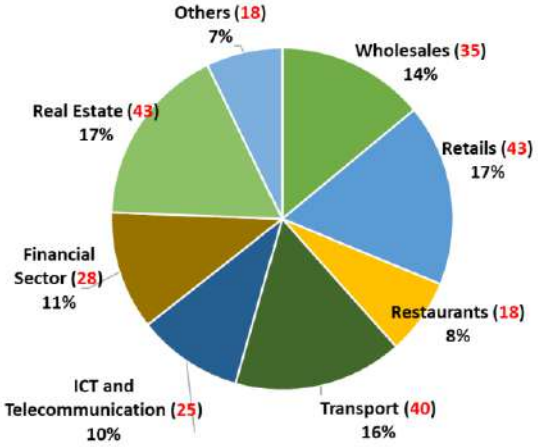


Figure 4: Revised (second round) sample distribution by the services sector (n=250)

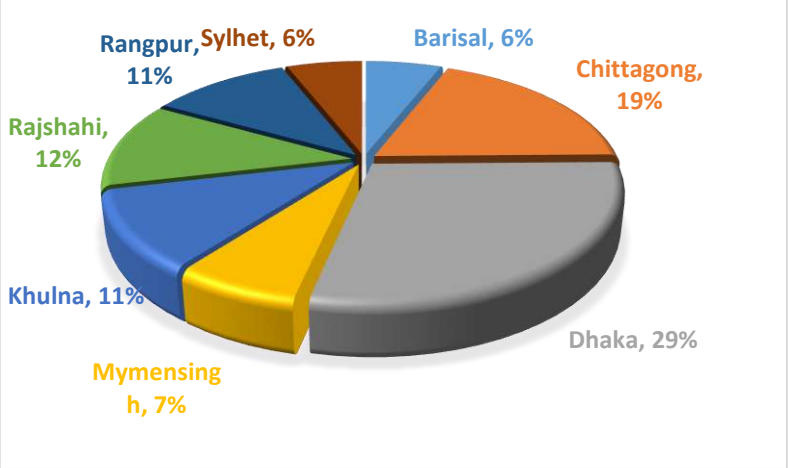


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Sampling distribution across divisions

For ensuring proper representation of the firms across the country, all the subsectors are distributed across the divisions based on 'divisional weights. These 'divisional weights' have been generated based on total industrial concentration. From the BBS Economic Census of 2013, we have estimated the relative share of each of the divisions in terms of economic establishments. For instance, based on the Economic Census, it is observed that almost 29 per cent of the total economic establishments of Bangladesh are concentrated in Dhaka. This rate is 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 5).

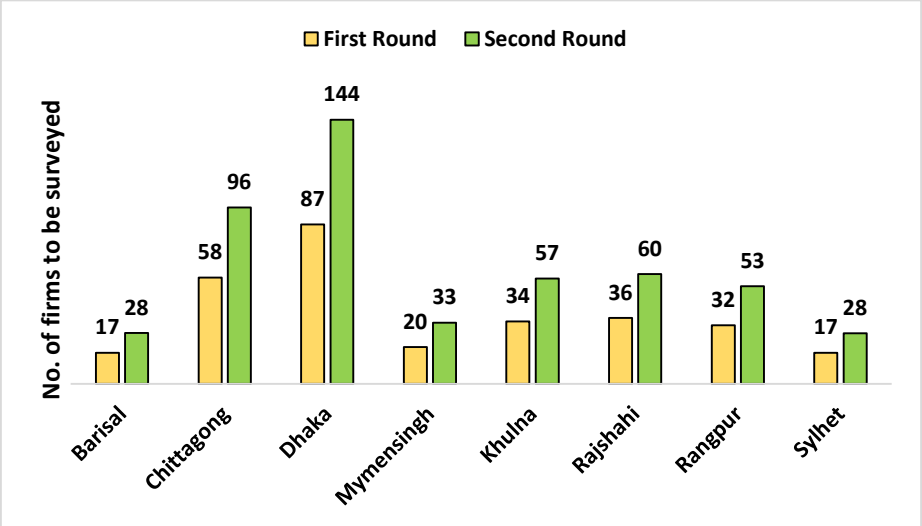
Figure 5: Distribution of economic establishment by Divisions (% of total)



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

We have consumed this divisional weight as the basis for our sampling distribution across divisions. Therefore, 29 per cent of our total samples (87 firms out of 300 firms for the first round of survey and 144 firms out of 500 firms for the second round of survey) are selected from the Dhaka division (Figure 6). We follow the same suit in determining the number of firms from each of the other divisions.

Figure 6: Distribution of samples by Divisions



Source: Authors' calculation based on SANEM BCI (first & second round) Survey 2020, BBS

Having determined the total number of firms to be surveyed from each of the divisions, in the last stage of our sampling, we have 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

It is noteworthy that not all the industries are available in all divisions. For instance, there are no Leather and Tannery firms in Barisal. In that case, we incorporate another firm (such as agro-processing, food processing, etc.) from other sub-categories to maintain total divisional balance. The omitted subcategory is covered from the districts where it is more available. For instance, in this case, the tannery is most available in Dhaka. Hence, we incorporate 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 (Figure 7 & 8). In the first round of the survey, the randomly drawn samples (300 firms) cover 22 districts of Bangladesh (Map 1). In this similar approach with a larger sample size (500 firms), the second-round survey covers 37 districts of Bangladesh (Map 2).

Figure 7: Revised (first round) sample distribution by Divisions

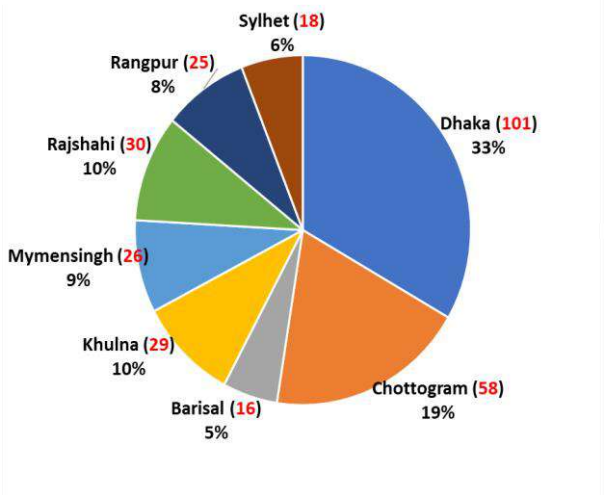
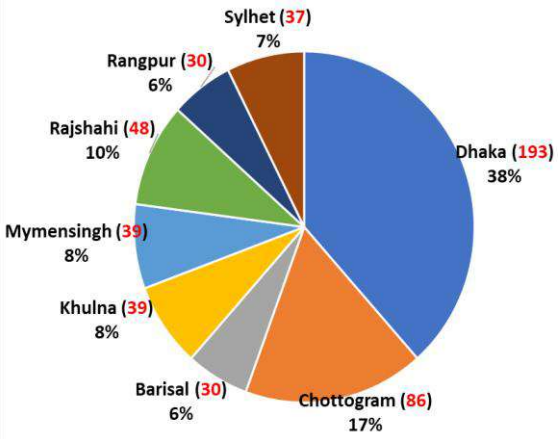


Figure 8: Revised (second round) sample distribution by Divisions



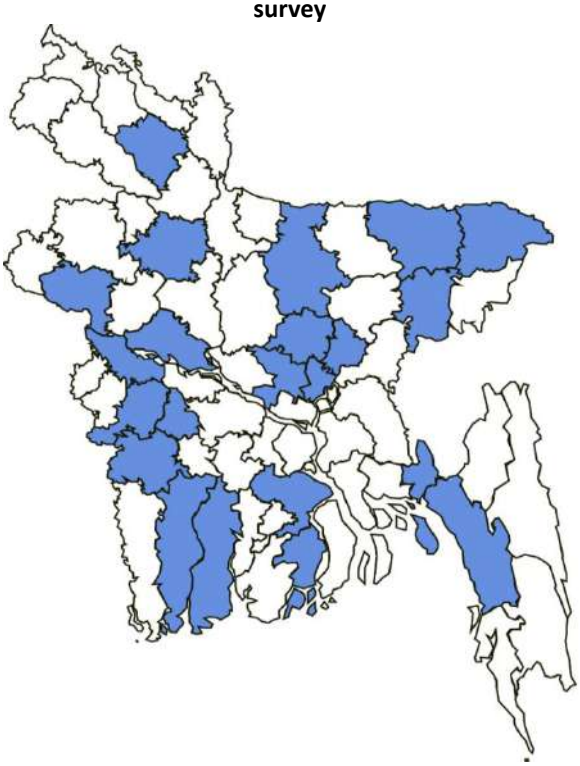
Source: Authors' estimation based on SANEM BCI (first & second Round) Survey, 2020

Selection of firms

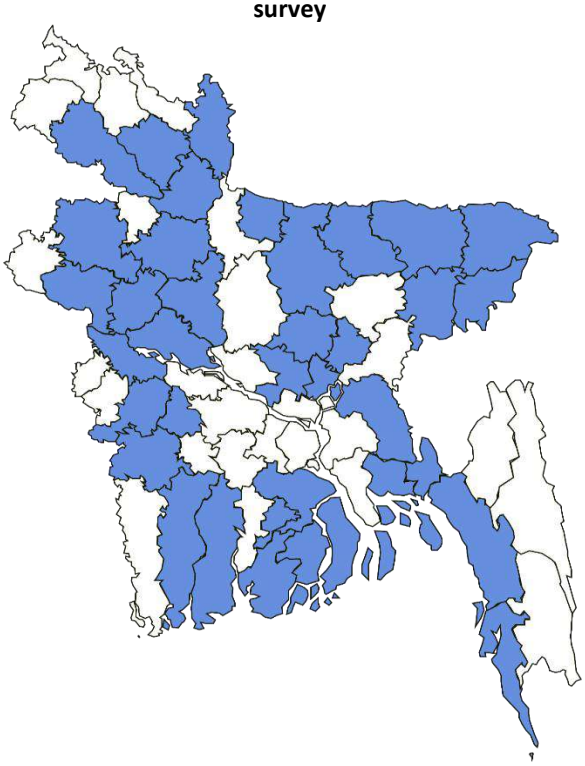
Each of the firms from the respective divisions is chosen randomly. To do so, SANEM has incorporated the list of all firms from the respective business association's websites (such as BGMEA, BKEMA, Bangladesh Textile Mills Association (BTMA), etc.). From the lists, we divided the firms across the divisions. 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 have 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 first round BCI survey



Map 2: Covered districts in the second round BCI survey



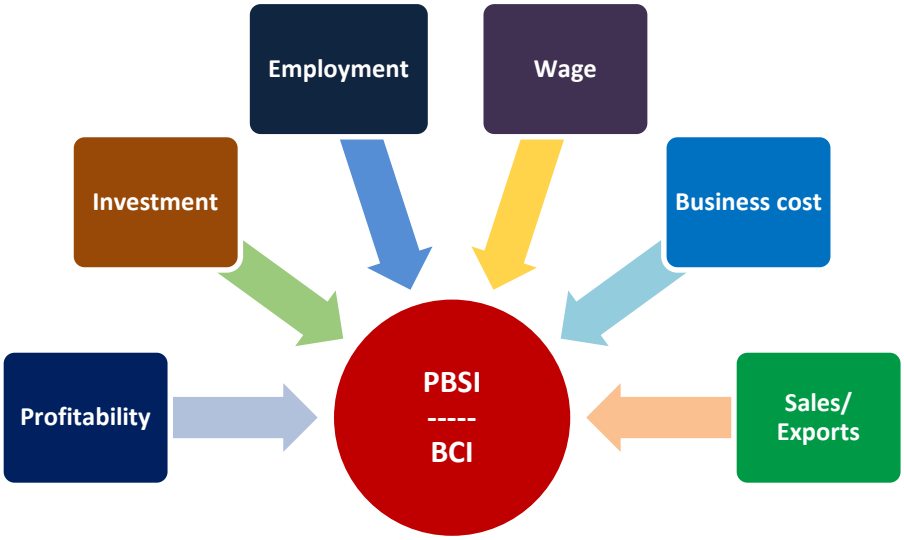
Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Assessment and 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 9). The six broad indicators include: (i) profitability, (ii) investment, (iii) employment, (iv) wages, (v) business cost, and (vi) sales/exports.

Figure 9: Broad indicators for BCI/PBSI assessment



Source: Authors' assessment on SANEM BCI (first & second round) Survey, 2020

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 business environment, etc. A questionnaire was developed to compute the attitudes and outlooks of business firms on these parameters (Annex 1).

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 first round BCI survey:

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

(ii) What was the condition of his business on the indicator 'i' in April-June 2020 compared to January to March 2020;

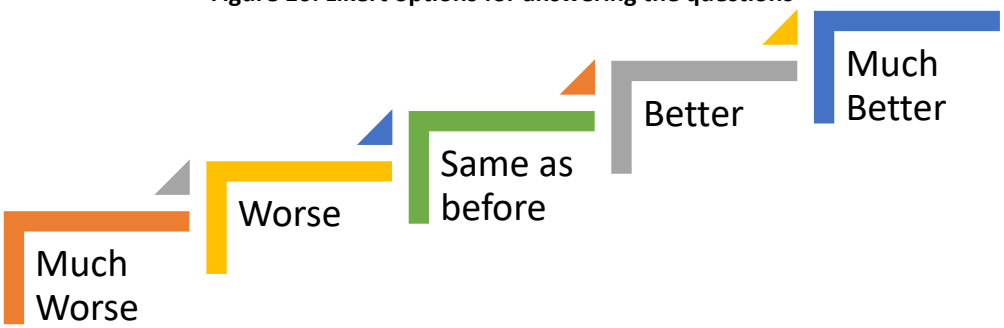
(iii) And what is the expectation on the condition of his business on the indicator 'i' in July-September 2020 compared to April-June 2020

Similarly, for the second-round survey, the respondents were asked the following three questions for each indicator:

(i) *What was the condition of his business on the indicator 'i' in July-September 2020 compared to July-September 2019;*
(ii) *What was the condition of his business on the indicator 'i' in July-September 2020 compared to April-June 2020;*
(iii) *And what is the expectation on the condition of his business on the indicator 'i' in October-December 2020 compared to July-September 2020*

For instance, regarding the business confidence in profitability, a sample question for the second-round survey was like, "compared to the last quarter (July-September 2020), what is your perception regarding profitability in your business in the next quarter (October-December 2020)". The respondents had five options to choose from: (i) much worse, (ii) worse, (iii) same as before, (iv) better, and (v) much better (Figure 10).

Figure 10: Likert options for answering the questions



Source: Authors' assessment on SANEM BCI (first & second round) Survey, 2020

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 in the near future. 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. 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 (first and second round) Survey, 2020

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, a 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:

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

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 and second round surveys are calculated as 0.81 & 0.83 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, both rounds of the BCI survey are highly reliable.

Section III: Survey Findings

Location of the firms

More than 80 per cent of the firms covered in this survey are located outside of the SEZ/EPZ or industrial areas/parks (Table 6). Around 19 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, 34.5 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, 97 per cent comes from outside of EPZ/SEZ/industrial parks or industrial areas.

Table 6: Distribution of firms by location and industry

	Distribution of firms by locations (number)			*Distribution of firms by locations (% of total)*		
Location	Manufacturing	Services	Total	Manufacturing	Services	Total
EPZ/SEZ	7	0	7	2.8%	0.0%	1.4%
Industrial parks/areas	87	8	95	34.5%	3.2%	18.9%
Outside of EPZ/SEZ/Industrial parks	158	242	400	62.7%	96.8%	79.7%
Total	252	250	502	100.0%	100.0%	100.0%

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

Ownership types of firms

Most of the firms (96.6 per cent) in the survey are domestic private-ownership companies (Table 7). Around 1.4 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.

Table 7: 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	5	7	0.8%	2.0%	1.4%
Domestic-foreign joint venture	4	1	5	1.6%	0.4%	1.0%
Foreign ownership	1	3	4	0.4%	1.2%	0.8%
Government ownership	0	1	1	0.0%	0.4%	0.2%
Total	252	250	502	100.0%	100.0%	100.0%

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

In terms of gender composition amongst the owners, around 41 per cent of the manufacturing firms have partial female ownership (Figure 11) while in the service sector this rate is 28 per cent (Figure 12). Around 2 per cent of the manufacturing firms have full female ownership, whereas no services sector firms have full female ownership. The highest rates of female ownerships (partially or fully) are observed in the RMG (52%), Textiles (51%), Pharmaceuticals and Chemicals (50%), and Food processing (45%). In the case of the services

sector firms, the highest rates of female ownerships are observed in Financial sectors (75%), Real Estate (40%), Other services (28%), Transport (25%), and ICT & Telecommunication (24%).

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

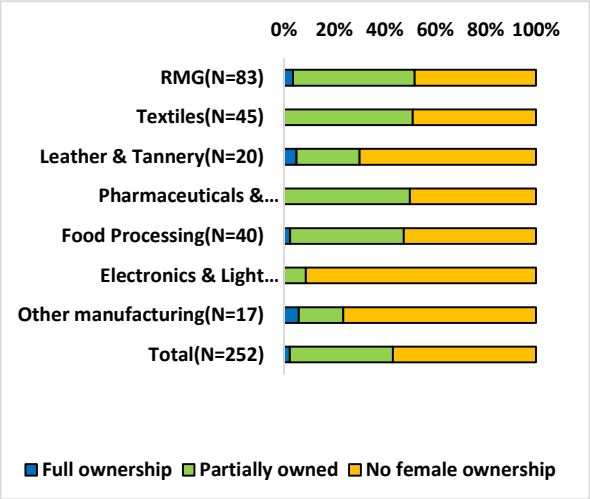
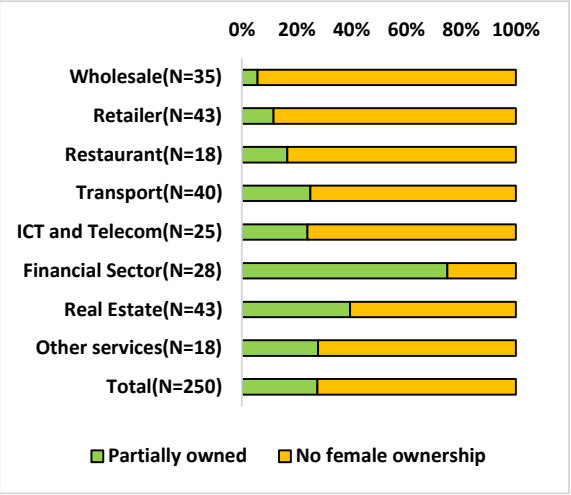


Figure 12: Female ownership status in services firms (%)



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

Years in operation

The average years of existence of the surveyed manufacturing firms are 19.9 years (Table 8). 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 (20.7 years), Textiles (20 years), Light Engineering (19.5 years), and RMG (18.9 years). In the case of the services sector, the mean years of existence are 16.1 years where the Financial Sector (29.1 years), Transport (16.1), and wholesales (15.4 years) have the highest mean years of existence.

Table 8: Years in operation for the firms

Sector	Firms	Mean	Std. Dev.
Manufacturing	RMG (N=83)	18.9	10.4
	Textiles (N=45)	20.0	13.2
	Leather & Tannery (N=20)	20.7	16.3
	Pharmaceuticals & Chemicals (N=24)	27.5	19.4
	Food Processing (N=40)	19.0	12.8
	Electronics & Light Engineering (N=23)	19.5	15.1
	Other manufacturing (N=17)	15.0	6.5
	Total manufacturing (N=252)	19.9	13.3
Services	Wholesale (N=35)	15.4	11.7
	Retailer (N=43)	15.1	12.9
	Restaurant (N=18)	12.3	10.6
	Transport (N=40)	16.1	13.6
	ICT and Telecom (N=25)	15.2	8.6

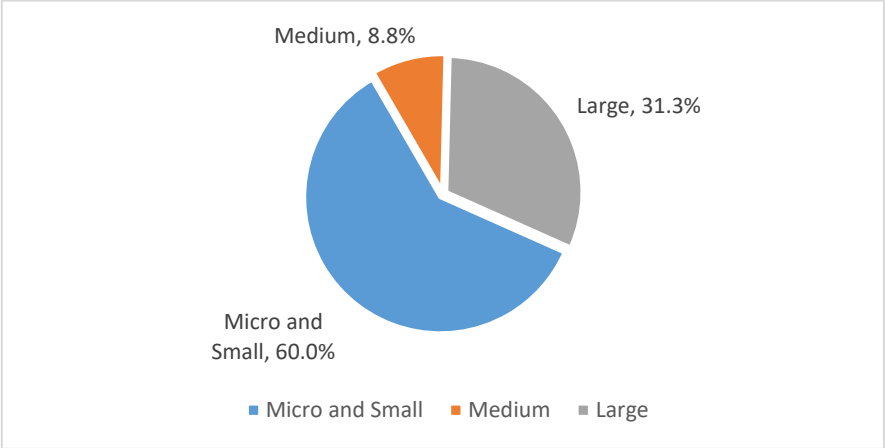
Sector	Firms	Mean	Std. Dev.
	Financial Sector (N=28)	29.1	13.8
	Real Estate (N=43)	13.5	7.3
	Other services (N=18)	10.9	8.2
	Total Services (N=250)	16.1	12.2

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

Surveyed firm sizes

Out of the 502 surveyed firms, 60 per cent are micro and small, 8.8 per cent of the firms are medium, and 31.3 per cent firms are large (Figure 13).

Figure 13: Surveyed firm sizes



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

In the manufacturing sector, 41.3 per cent of the firms are micro and small, 10.7 per cent of the firms are medium, and 48 per cent of the firms are large (Table 9). Amongst the sub-sectors in the manufacturing industry, RMG's 71.1 per cent of the firms are large whereas this is 60 per cent for Textiles, 50 per cent for the Pharmaceuticals and Chemicals industry, and 40 per cent for the Leather and Tannery. Electronics & Light Engineering and Food Processing sectors comprise mostly micro and small firms (82.6% and 60%, respectively).

Table 9: Surveyed firm sizes in the manufacturing sectors

	Number of firms surveyed (number)				Firm distribution (% of total manufacturing sector firms)			
Firm	**Micro and Small**	**Medium**	**Large**	**Total**	**Micro and Small**	**Medium**	**Large**	**Total**
Ready Made Garments (RMG)	19	5	59	83	22.9	6.0	71.1	100.0
Textiles	11	7	27	45	24.4	15.6	60.0	100.0
Leather and Tannery	11	1	8	20	55.0	5.0	40.0	100.0
Pharmaceuticals and Chemicals	7	5	12	24	29.2	20.8	50.0	100.0
Food Processing	24	6	10	40	60.0	15.0	25.0	100.0
Electronics and Light Engineering	19	2	2	23	82.6	8.7	8.7	100.0
Other manufacturing	13	1	3	17	76.5	5.9	17.6	100.0
Total	104	27	121	252	41.3	10.7	48.0	100.0

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

In the case of the services sector, 78.8 per cent of the surveyed firms are micro and small, 6.8 per cent of the firms are medium, and 14.4 per cent of the firms are large (Table 10). Amongst the sub-sectors, Financial sector, Real estate, and ICT and Telecommunications sectors have a relatively large proportion of large firms (67.9%, 20%, and 16.3% respectively). Retailer, Wholesale, Other services, Restaurant, and Transport sectors comprise of mostly micro and small firms (100%, 97.1%, 94.4%, 88.9% and 80% respectively).

Table 10: Surveyed firm sizes in the services sector

	Number of firms surveyed (number)				Firm distribution (% of total services sector firms)			
Firm	**Micro and Small**	**Medium**	**Large**	**Total**	**Micro and Small**	**Medium**	**Large**	**Total**
Wholesale	34	1	0	35	97.1	2.9	0.0	100.0
Retailer	43	0	0	43	100.0	0.0	0.0	100.0
Restaurant	16	1	1	18	88.9	5.6	5.6	100.0
Transport	32	4	4	40	80.0	10.0	10.0	100.0
ICT and Telecommunication	19	1	5	25	76.0	4.0	20.0	100.0
Financial Sector	5	4	19	28	17.9	14.3	67.9	100.0
Real Estate	31	5	7	43	72.1	11.6	16.3	100.0
Other services	17	1	0	18	94.4	5.6	0.0	100.0
Total	197	17	36	250	78.8	6.8	14.4	100.0

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

Size of the workforce of the surveyed firms

In the manufacturing sector, the average workforce size of the surveyed firms was 1,151 (Table 11). Amongst the subsectors in manufacturing, Textiles (2,421), RMG (1,376), and Pharmaceuticals & Chemicals (1,006) have the largest workforce size. In the services sector, the average workforce size is 155. Among the other sub-sectors of the service sector, the financial sector (1,009) has the largest workforce size on average.

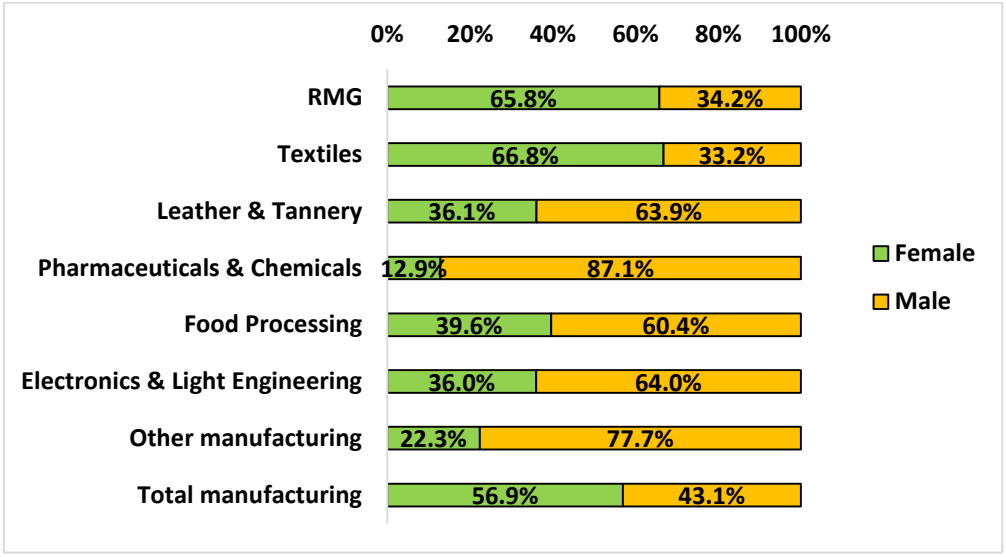
Table 11: Average permanent employment of the firms

Sector	Firms	Mean	Std. Dev.
Manufacturing	RMG (N=83)	1376	2348
	Textiles (N=45)	2421	10378
	Leather & Tannery (N=20)	456	578
	Pharmaceuticals & Chemicals (N=24)	1006	1897
	Food Processing (N=40)	331	635
	Electronics & Light Engineering (N=23)	370	1164
	Other manufacturing (N=17)	705	2411
	Total manufacturing (N=252)	**1151**	**4702**
Services	Wholesale (N=35)	9	12
	Retailer (N=43)	7	10
	Restaurant (N=18)	28	32
	Transport (N=40)	82	228
	ICT and Telecom (N=25)	84	202
	Financial Sector (N=28)	1009	1497
	Real Estate (N=43)	90	178
	Other services (N=18)	10	14
	Total Services (N=250)	**155**	**595**

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

In the case of the manufacturing sector, around 57 per cent of total workers are female (Figure 14). The highest rates of female employment are observed in Textiles (66.8%), RMG (65.8%), and Food processing (39.6%) subsectors.

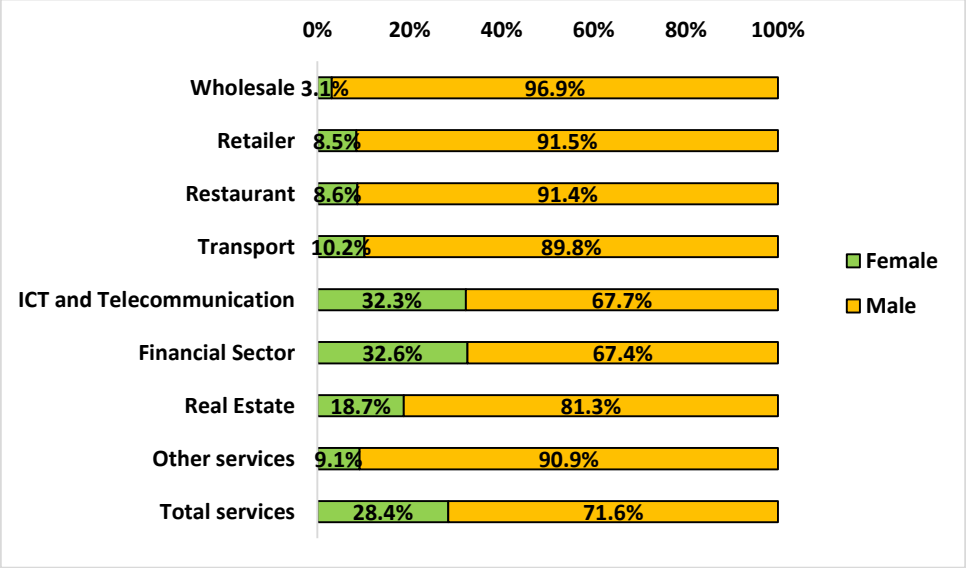
Figure 14: Employment status by gender in the manufacturing firms



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

The workforce in the services sector is mostly male-dominated. Around 71.6 percent of total employment in the services sector are male (Figure 15). Amongst the sub-sectors, the share of female workers in the total employment is higher for the Financial sector (32.6%), ICT and Telecommunication (32.3%), and Real estate (18.7%).

Figure 15: Employment status by gender in the services firms

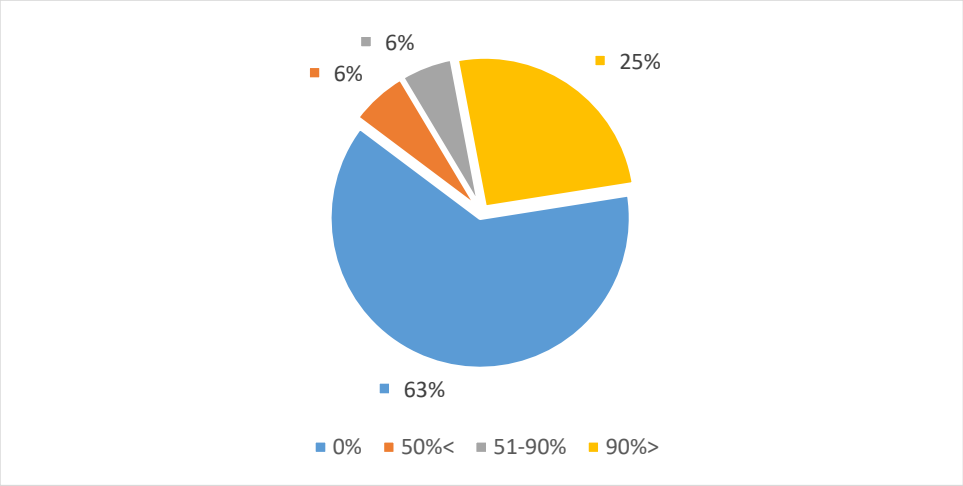


Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

Export status of the surveyed firms

Amongst the total surveyed firms, 37 per cent are export-oriented (partially or fully) (Figure 16). A quarter of the total surveyed firms are fully exported oriented (100% of the sales come from exports). Out of the 187 export-oriented firms, 164 of them from the manufacturing sector.

Figure 16: Share of exports in total sales (%)



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

Amongst the surveyed manufacturing firms, 65.1 per cent of them have some shares of exports in total sales (Table 12). Almost all the firms (92.8%) in the RMG sector have export shares in total sales whereas, in the case of the textiles sector, 82.2 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 20.8 per cent of the firms are export-oriented, whereas, in the case of food processing, 65 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 12: Export status of firms in the manufacturing sectors

	Export status by firms (number)			Export status by firms (per cent)		
Firm	**Non-exporter**	**Exporter**	**Total**	**Non-exporter**	**Exporter**	**Total**
Ready Made Garments (RMG)	6	77	83	7.2	92.8	100.0
Textiles	8	37	45	17.8	82.2	100.0
Leather and Tannery	3	17	20	15.0	85.0	100.0
Pharmaceuticals and Chemicals	19	5	24	79.2	20.8	100.0
Food Processing	14	26	40	35.0	65.0	100.0
Electronics and Light Engineering	22	1	23	95.7	4.3	100.0
Other manufacturing	16	1	17	94.1	5.9	100.0
Total	88	164	252	34.9	65.1	100.0

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

Only 9.2 per cent of the surveyed services sector firms are exporters (Table 13). Amongst the subsectors, Transport (25%) and Financial sector (14.3%) have some export shares in their total sales. In the case of other sub-sectors such as Wholesales, ICT & Telecommunications, only a few firms are found to have export shares in total sales (8.6% and 8% respectively).

Table 13: Export status of firms in the services sector

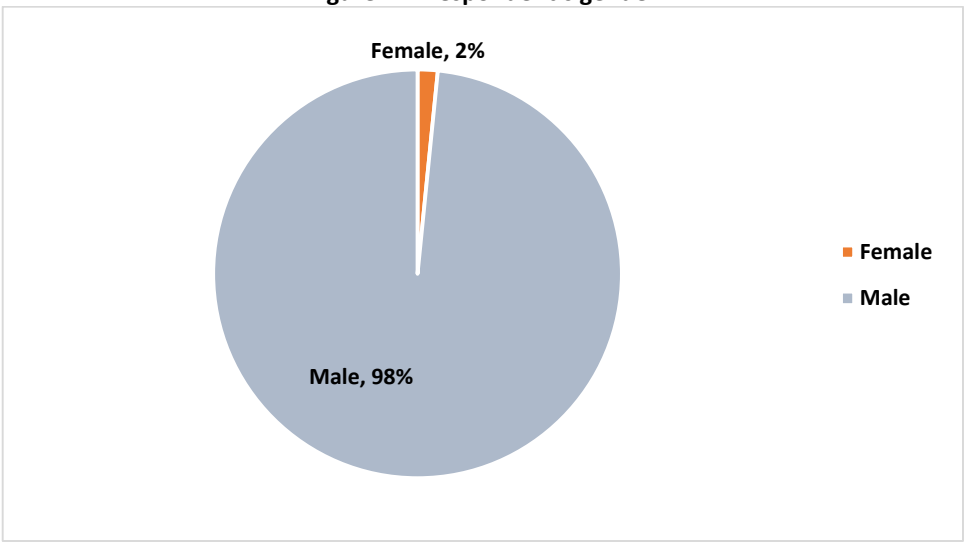
	Export status by firms (number)			Export status by firms (per cent)		
Firm	Non-exporter	Exporter	Total	Non-exporter	Exporter	Total
Wholesale	32	3	35	91.4	8.6	100.0
Retailer	43	0	43	100.0	0.0	100.0
Restaurant	17	1	18	94.4	5.6	100.0
Transport	30	10	40	75.0	25.0	100.0
ICT and Telecommunication	23	2	25	92.0	8.0	100.0
Financial Sector	24	4	28	85.7	14.3	100.0
Real Estate	43	0	43	100.0	0.0	100.0
Other services	15	3	18	83.3	16.7	100.0
Total	227	23	250	90.8	9.2	100.0

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

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 17).

Figure 17: Respondent's gender



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

On average, the respondents from the manufacturing sector had an experience of 12.9 years (Table 14). In the case of the services sector, the mean years of experience of the top executives were 9.8 years.

Table 14: Years of experiences of the respondents

Sector	Firms	Mean	Std. Dev.
Manufacturing	RMG (N=83)	12.9	8.2
	Textiles (N=45)	13.0	9.1
	Leather & Tannery (N=20)	11.7	9.1
	Pharmaceuticals & Chemicals (N=24)	14.0	6.9
	Food Processing (N=40)	13.8	10.4
	Electronics & Light Engineering (N=23)	12.3	8.9
	Other manufacturing (N=17)	11.2	7.2
	Total manufacturing (N=252)	12.9	8.6
Services	Wholesale (N=35)	9.3	8.0
	Retailer (N=43)	9.1	7.1
	Restaurant (N=18)	6.7	6.7
	Transport (N=40)	9.3	7.7
	ICT and Telecom (N=25)	12.7	9.1
	Financial Sector (N=28)	13.1	10.3
	Real Estate (N=43)	9.7	7.5
	Other services (N=18)	7.9	5.9
	Total Services (N=250)	9.8	8.0

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

The overall analysis of BCI and PBSI 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 18). 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 18: Interpretation of BCI/PBSI indices

Source: Authors' assessment based on SANEM BCI (first & second round) Survey, 2020

Present Business Status Index (PBSI)

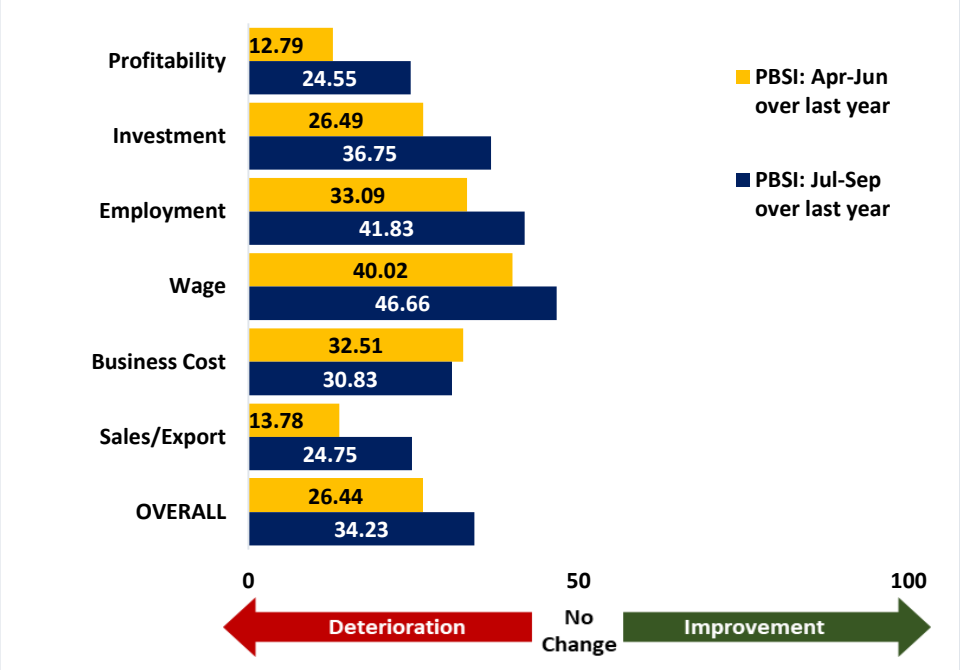
This study constructs two sets of Present Business Status Index (PBSI) for each round of the BCI survey. From the first round of the survey, this study constructs: (i) PBSI in April to June 2020 compared to the previous quarter (January to March 2020), and (ii) PBSI in April to June 2020 compared to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

quarter (April to June 2020), and (ii) PBSI in July to September compared to the previous year (July to September 2019).

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

The overall PBSI in April-June 2020 and July-September 2020 compared to the corresponding quarter of the previous year (2019) stand at 26.44 and 34.23, respectively (Figure 19). The improvement in the indicator shows that the business situation has improved somewhat in the July-September quarter compared to April-June 2020.

Figure 19: Present Business Status Index (PBSI) compared to the last year



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

Amongst the sub-indicators, the highest marks have been observed on wages and employment in both rounds of the survey. In the case of employment, the PBSI (over last year, i.e. the same period in 2019) has increased from 33.09 to 41.83. In the case of wages, the score improved from 40.02 to 46.66. Despite such improvements, both these indicator values are still below 50 showing that the business status on these indicators is worse than it was during the same period in 2019. The prompt government response in channelling funds for wages of the workers could be one of 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.

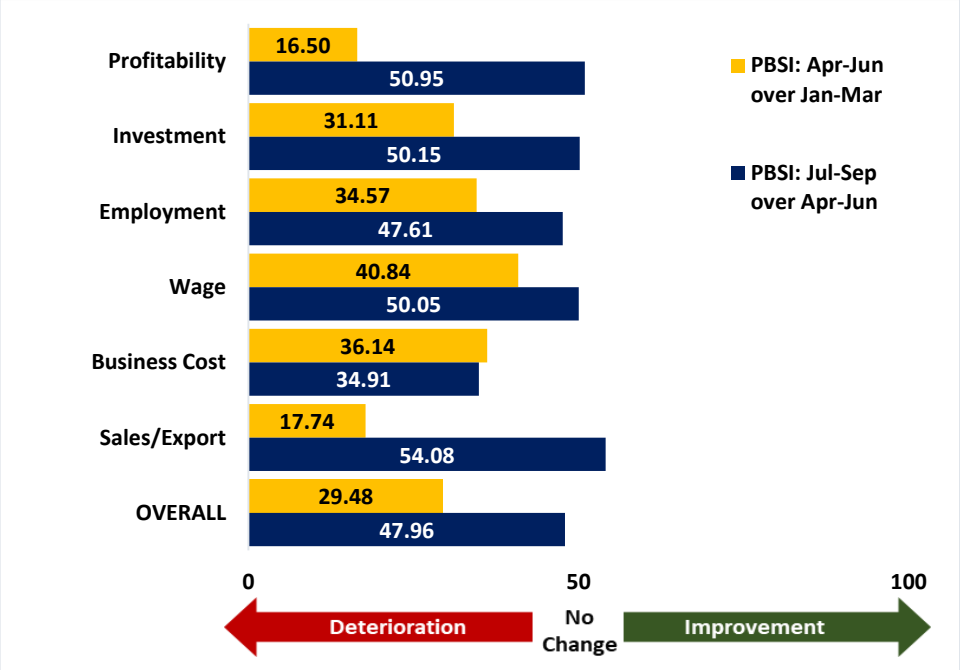
Amongst others, the PBSI on profitability has doubled in July-September than observed in the April-June quarter. The score has also increased for other indicators such as investment and sales. The only indicator where the PBSI has fallen is the Business Cost. The PBSI on in this indicator (over the same period in 2019) observed in July-September 2020 has fallen from what was observed in 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 hygiene protocols, etc.

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

When compared to the last quarter (January-March 2020), the overall Present Business Status Index (PBSI) for April-June 2020 is found 29.48 (Figure 20) while the PBSI for July-September 2020 over the April-June 2020 is found 47.96. Like PBSI over the past year, all indicators of PBSI over the previous quarter are found to be less than 50. However, as the value approaches closer to 50, it indicates that the overall business situation in the country has improved significantly in the July-September quarter compared to April-June 2020.

Amongst the sub-indicators, the scores in profitability have increased from 16.50 in the April-June quarter to 50.95 in the July-September quarter. The same trend has been found for investment, wages, and sales; all these sub-indicators have scored higher than 50 showing a slight improvement in the business status. In the case of the Business Costs, the indicator has fallen in July-September 2020 compared to April-June 2020.

Figure 20: Present Business Status Index (PBSI) compared to the last quarter



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

Business Confidence Index (BCI)

In addition to the PBSIs, this study also measures the Business Confidence of the respondents. The Business Confidence Index (BCI) shows the expectations of the business personnel on the selected indicators in the next quarter (such as October-December 2020) compared to the previous quarter (July-September 2020).

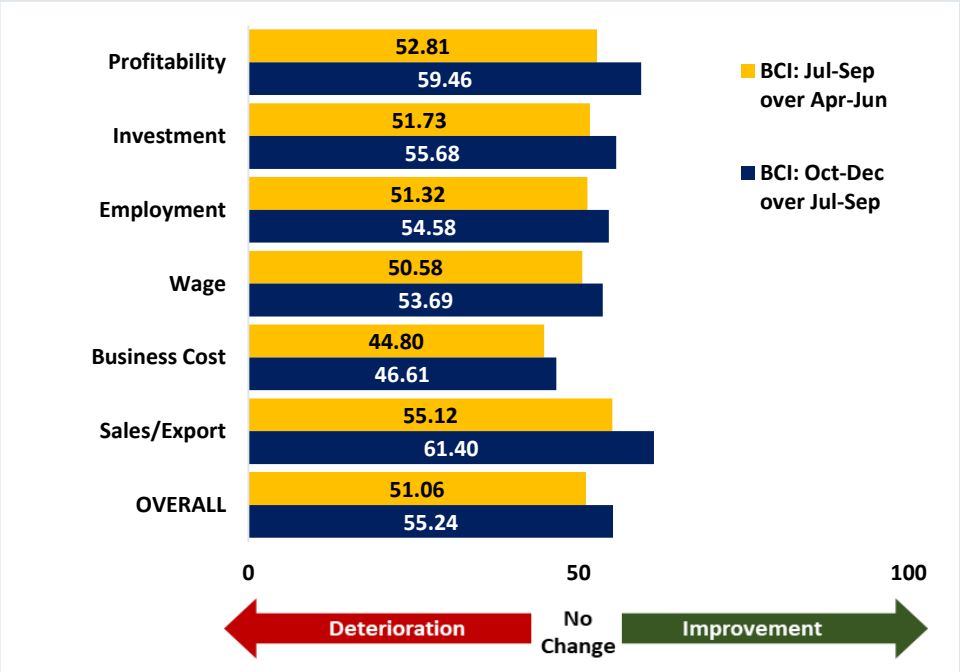
The BCI for October-December 2020 (compared to July-September 2020) stands at 55.24 (Figure 21). Therefore, on average business enterprises are somewhat optimistic regarding their business performance in the October-December 2020 quarter compared to the last quarter (July-September 2020).

Amongst the indicators, the highest mark is observed for sales/export orders (61.40). The score for exporters on this indicator is slightly higher than the score for non-exporters. During

the consultation with the business insiders, it was identified that the reasons for this increase in export orders could be primarily attributed to the pre-existing orders placed before the pandemic set in. However, due to demand slumps, the price of the final products is expected to be much lower than the pre-pandemic situation. Therefore, the scenario on profitability is slightly pessimistic than the sales or export orders, which is reflected in the score of the profitability indicator (59.46).

The only indicator where we observe a score lower than the 'point of reference' score 50 is the Business Cost indicator. During the pandemic, the cost has increased due to several factors including (i) disruption in the supply chain, (ii) increased cost of product transports and shipment costs, (iii) increased cost of non-pecuniary benefits (such as workers' transports), (iv) increased cost in inventory (since products are remaining on-shelf longer than the pre-pandemic situation), etc. The sluggish improvement on this indicator shows that the businesses are still wary about the cost of business.

Figure 21: Business Confidence Index (BCI)



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

Comparison between PBSI and BCI

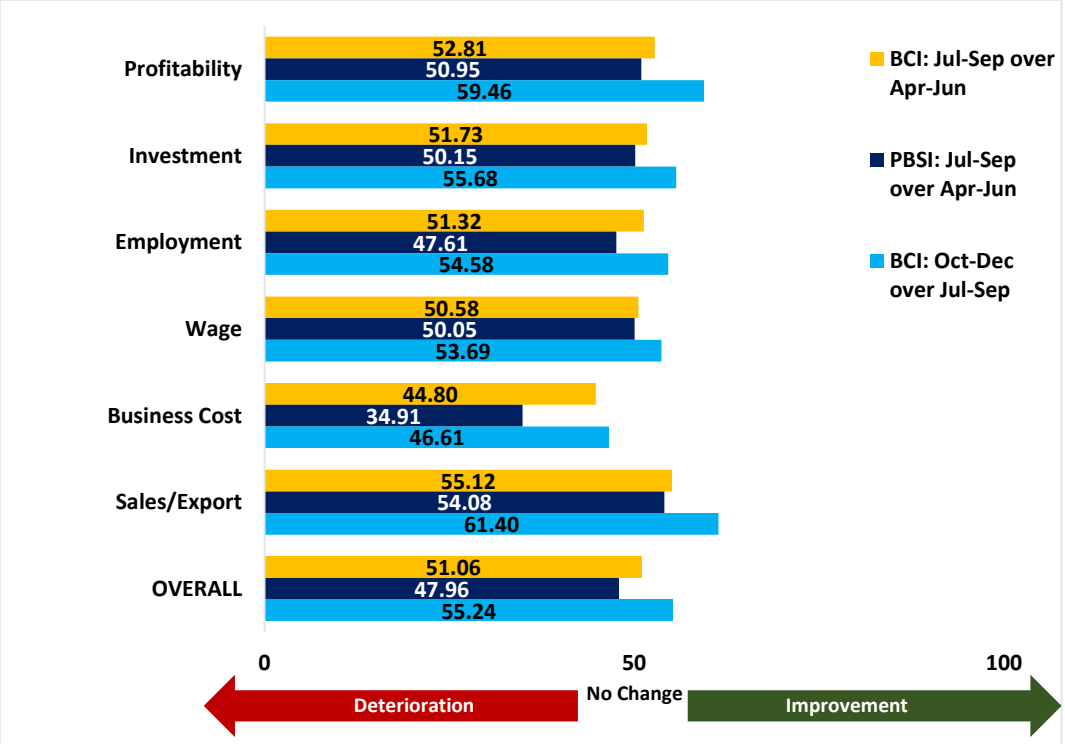
As we have two rounds of the survey, it is possible to compare the BCI for the period of July-September 2020 (constructed based on the first round survey held in July 2020) with the PBSI for July-September 2020 (constructed based on the second round survey held in October 2020). While BCI provides expectations reported by the businesses in advance, PBSI shows realized business conditions. A comparison of both with reference to the same period (April-June 2020) might hint at the gaps between expectations and reality.

As observed, the overall BCI score (51.06) for July-September 2020 is higher than the PBSI score (47.96) with reference to April-June 2020 (Figure 22). The realized overall business situation for July-September 2020 was lower than expected. This holds for all the sub-indicators as well. For instance, in the case of profitability, the firms expected the business

condition would slightly improve in July-September 2020 compared to April-June 2020 when they were surveyed in July 2020. Based on our survey in October 2020, we observe that the condition on profitability improved less in magnitude compared to the expectations. The greatest gap between expectations and reality is observed in the case of Business Cost. Based on the first-round survey, we estimated the BCI on this indicator for July-September as 44.80. However, during the second round of the survey, we found the score of the business cost at 34.91. Such a large gap in expectation and reality shows that the impact of the pandemic on the business costs not only arose from the disruptions in the supply chain but also from the uncertainly in business operations.

For all the indicators, the expectations for October to December 2020 compared to July-September 2020, as measured with BCI, sees a large jump. It shows, the businesses are more optimistic regarding the October-December quarter than before.

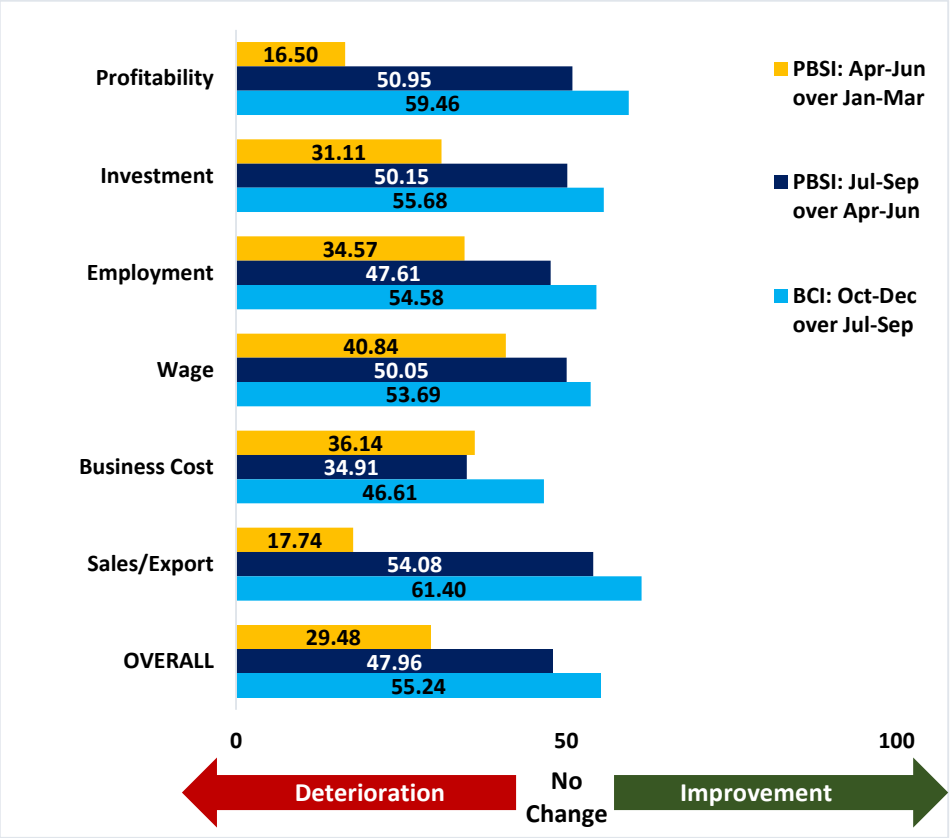
Figure 22: Comparison between PBSI and BCI



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

The overall PBSI scores in April-June 2020 and July-September 2020 stand at 29.48 and 47.96 while the overall BCI score in the October-December 2020 is 55.24 (Figure 23). The overall BCI score indicates an expected better business environment in the upcoming quarter. The PBSI scores of all the sub-indicators in the April-June 2020 quarter were lower than the cut-off point (50) and the business situation in that quarter was much pessimistic. With prompt government support and reopening of the economy, the PBSI scores in the July-September 2020 quarter have increased more compared to the PBSI scores in the April-June 2020 quarter. The firms are also much optimistic about the business situation in the October-December quarter. The only component where firms remained pessimistic throughout the survey period is the business cost indicator.

Figure 23: Trend in PBSI and BCI



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

Cross-sectoral analysis of BCI and PBSI indices

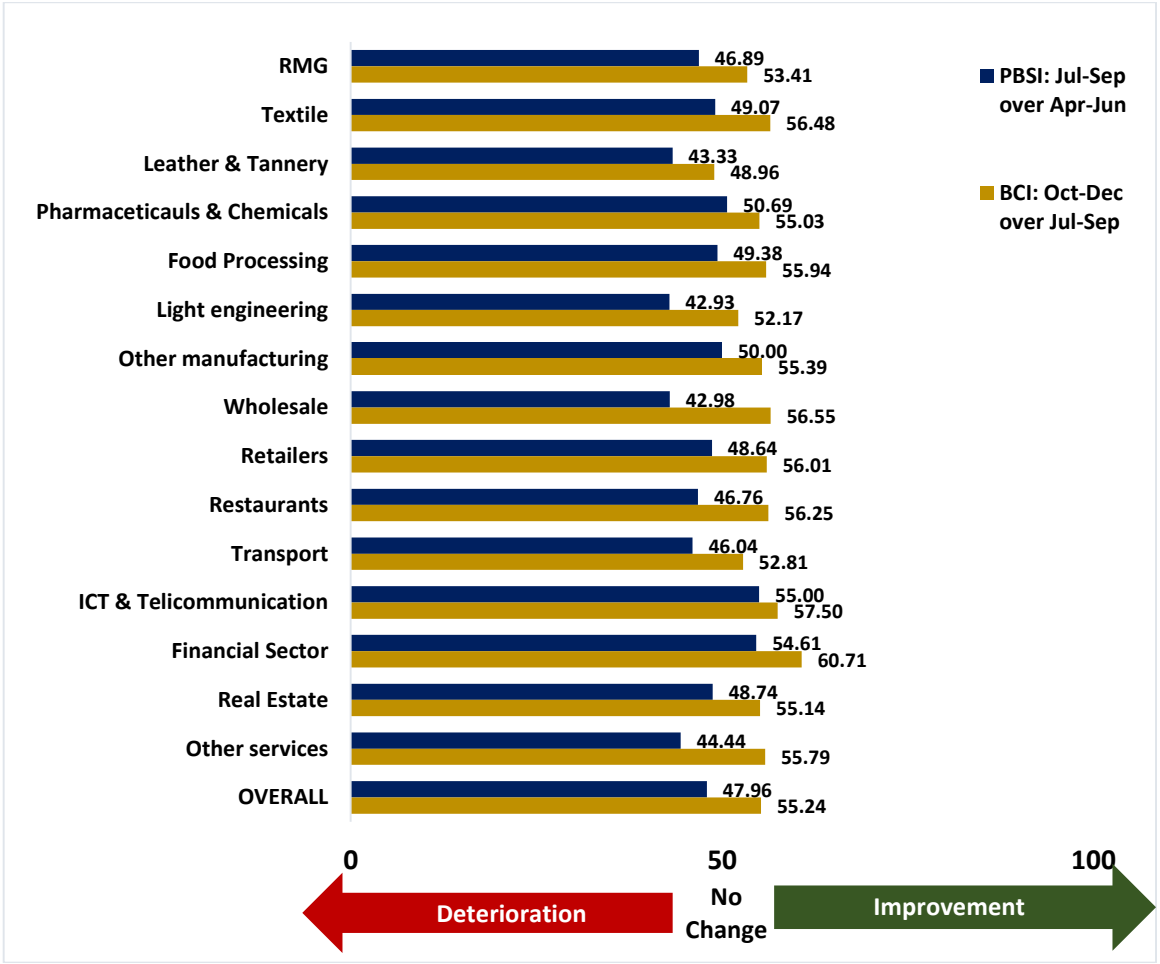
As has already been noted, although the overall PBSI and BCI score obtained for all firms are 47.96 and 56.24, business status and confidence are not homogenous at the industry level (Figure 24). In terms of the PBSI score (compared to April-June 2020), amongst the seven sub-sectors under the manufacturing sector, Pharmaceuticals and Chemicals has shown the highest score (50.69). The Pharma sector thrived well and performed relatively better than the other industries. The demand for Pharmaceutical commodities was more robust, both in the domestic as well as international markets than ever before. Amongst all the major exporting sectors of Bangladesh, the pharmaceutical sector had a strong export growth than others.

Apart from the Pharma sector, Food Processing (49.38), and Textile (49.07) have also shown higher scores on PBSI. Leather & Tannery (43.33), RMG (46.89), and Light Engineering (42.93) sector's performance were lower than the benchmark score of 50. There could be a couple of reasons behind such low PBSI scores. The fall in export orders (in terms of price, quantity, or both), relatively low demands at the domestic markets, disruptions in the supply chains, or increased costs of manufacturing raw materials might put these sectors on the back foot.

Regarding the Business Confidence Index, almost all the subsectors are more optimistic for the October-December 2020 period compared to July-September 2020. The textile has shown the highest score on BCI (56.48). Apart from the Textile sector, Pharmaceuticals and Chemicals (55.03), other manufacturing (55.39), RMG (53.41), and Food Processing (55.94)

have BCI scores higher than the overall BCI average. Light Engineering (52.17) sector's BCI score is lower than the overall BCI score. Amongst the manufacturing sectors, the only sector which has a score of less than 50 on the BCI indicator is the Leather & Tannery (48.96). It shows the sector is not optimistic about the overall business condition in October-December 2020 compared to July-September 2020.

Figure 24: Sector-wise overall PBSI and BCI



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

Like the manufacturing sub-sectors, the present business status index in the services sector flared a similar situation. Amongst the services sub-sectors, ICT & Telecommunication has the highest PBSI score (55). The surge in online activities during the COVID-19 crisis might have helped the firms performing better. Apart from the ICT & Telecommunication sector, Retailers (48.64), Financial Sector (54.61), and Real Estate (48.74) have PBSI scores higher than the overall PBSI average. On the other hand, Wholesales (42.98), Restaurants (46.76), Transport (46.04), and other services (44.44) have lower PBSI scores than the overall PBSI score.

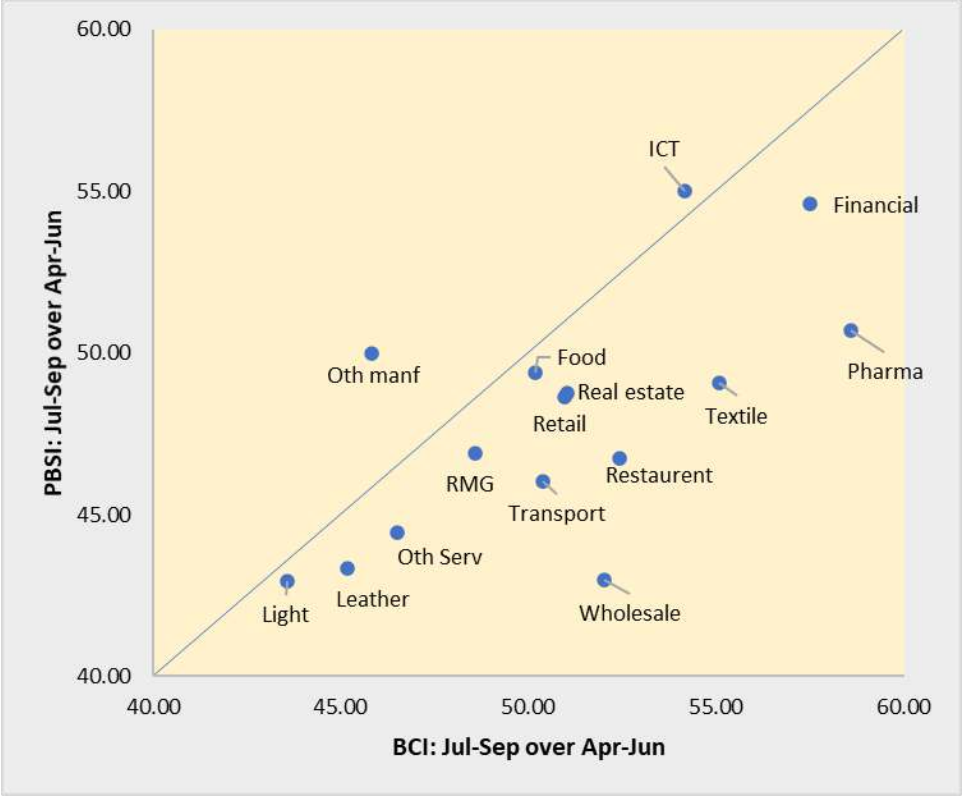
In terms of the BCI scores, the financial sector has the highest marks (60.71) when compared to July-October 2020. Since all the government stimulus packages are being channelled through the banking sector, financial sectors had a better cushion compared to others. Noteworthily, almost all the services sectors' (apart from transport and real estate) BCI score is much higher than the benchmark score 50. This is an indication that the business

community from the services sectors is relatively more optimistic regarding the revival of their businesses in the next quarter than July-September 2020.

As has already been mentioned, 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 25: 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 25: Cross-sectoral BCI & PBSI: Expectations vs reality



Source: Authors' estimation based on SANEM BCI (first & second Round) Survey, 2020

Sectoral PBSI and BCI Indices

The anecdotal analysis provides an overall score for the BCI and PBSI indices. However, as has already been noted, the resilience to shocks is not homogenous across firms and industries. Therefore, the business confidence in the next quarter (October-December 2020) compared to the previous quarter (July-September 2020) could largely vary across firms as well as across sectors. For capturing sectoral business confidence, this study prepares BCI indices at the sectoral level.

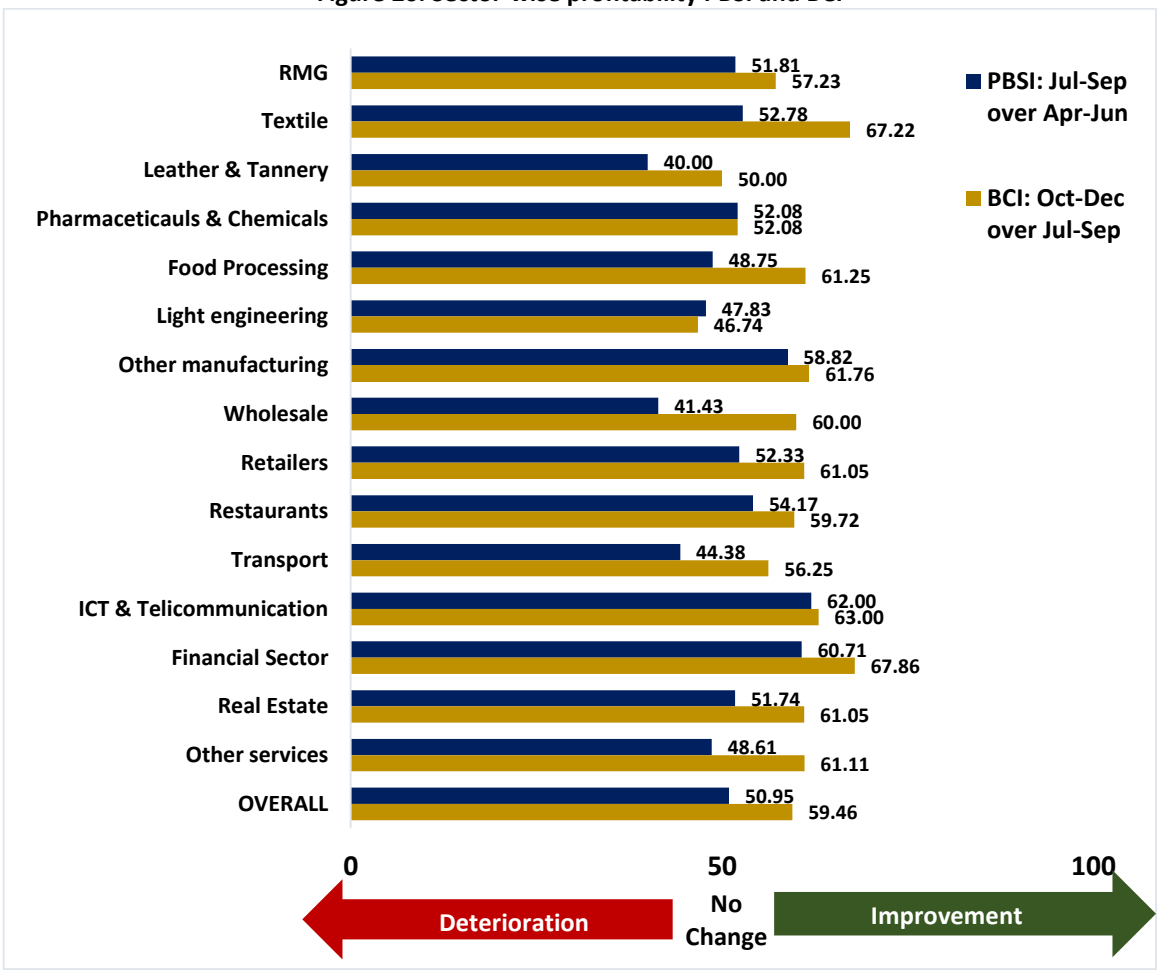
Sector-wise profitability PBSI and BCI

On the July-September quarter, the overall profitability PBSI (50.95) indicates that the overall profitability scenario of the business has only increased very slightly between July-September 2020 compared to April-June 2020. Most of the sub-sectors of the manufacturing and services industries have a lower profitability PBSI score than the overall profitability PBSI score. It indicates that the manufacturing sector firms performed relatively worse than the services sector firms.

In the manufacturing sector, the Textile sector has the highest profitability PBSI (52.78). Apart from Textile, RMG (51.81), Pharma (52.08) and other manufacturing (58.82) have higher profitability PBSI scores than the overall score whereas Leather & Tannery (40), Food processing (48.75) and Light Engineering (47.83) have relatively lower scores. In the service sector, ICT & Telecommunication (62) has the highest profitability PBSI score. Amongst others, the financial sector (60.71), Real Estate (51.74), Retailers (52.33), and Restaurants (54.17) have the profitability PBSI score higher than the average profitability PBSI. The higher than 50 PBSI score indicates that these industries performed better in July-September compared to April-June 2020. On the other hand, Wholesale (41.43), Transport (44.38), and other services (48.61) have profitability PBSI score less than 50 indicating that these sectors' performance in July-September 2020 was somewhat worse than April-June 2020.

On the BCI index, all the subsectors showed optimism about profitability in the upcoming quarter (October-December 2020). In the case of manufacturing firms, the highest confidence in the profitability sub-indicator is observed for the Textile industry, followed by Food processing (61.25) and RMG (57.23). All other sub-sectors, especially Light Engineering (46.74) industry have a pessimistic view as far as confidence in the profitability sub-indicator is concerned. On average, firms from the services sub-sectors are more optimistic on the profitability sub-indicator than the firms from the manufacturing industries (Figure 26). For instance, the Financial Sector has the highest BCI scores (67.86) amongst all the sectors. ICT and Telecommunication (63), Wholesales (60), Real estate (61.05), Restaurants (59.72), and Retailers (61.05) are also expecting a rebound in profits in the coming quarter. Only one services sector which has a BCI score less than the overall average is Transport (56.25).

Figure 26: Sector-wise profitability PBSI and BCI



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

Sector-wise investment PBSI and BCI

In the manufacturing sector, Pharmaceuticals and Chemicals (56.25) has the highest investment PBSI. Amongst others, Textile (51.11), Food Processing (53.75), and other manufacturing (51.47) have PBSI scores higher than the benchmark 50. It shows, investment scenario in these sectors was slightly better than April-June 2020. Conversely, sectors such as RMG (49.40), Leather & Tannery (41.25), and Light Engineering (40.22) had a worse investment scenario in July-September 2020 compared to April-June 2020.

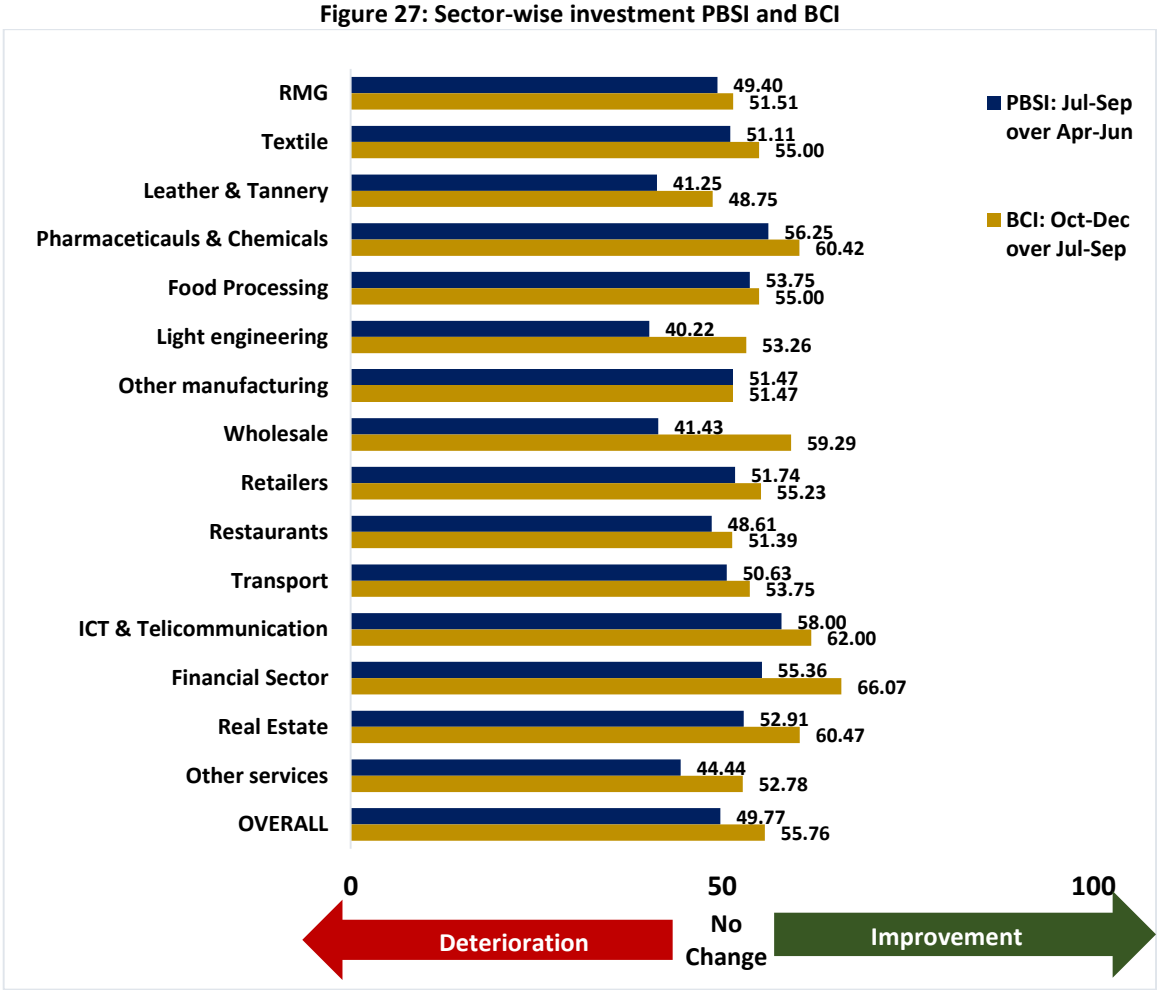
In the services sector, ICT & Telecommunication has the highest investment PBSI score (58) followed by the Financial Sector (55.36), Real Estate (52.91), Retailers (51.74), and Transport (50.63). Wholesale (41.43), Restaurants (48.61), and other services (44.44) have the investment PBSI scores lower than the benchmark 50, indicating that their present business status in July-October 2020 compared April-June 2020 was not optimistic.

Taking into consideration of the second wave of the COVID-19 crisis, the BCI investment BCI does not improve much compared to PBSI in July-October 2020. In the manufacturing sector, Pharmaceuticals and Chemicals have the highest BCI score than the other sectors. The rest of the sub-sectors have lower than the average overall BCI sector. In the service sector, the financial sector (66.07) has the highest investment BCI score because all types of economic

activities have been tried to undertake the online banking system to maintain the social distance due to the COVID-19 crisis. Therefore, in the future, it may remain as a very potential sector, and investment may increase.

Amongst others, Wholesale (59.29), ICT & Telecommunication (62), and Real Estate (60.47) have the investment BCI score higher than the average BCI score. Retailers (55.23), Restaurants (51.39), Transport (53.75), and other services (52.78) have lower investment BCI scores than the average investment BCI score.

Figure 27: Sector-wise investment PBSI and BCI



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

Sector-wise employment PBSI and BCI

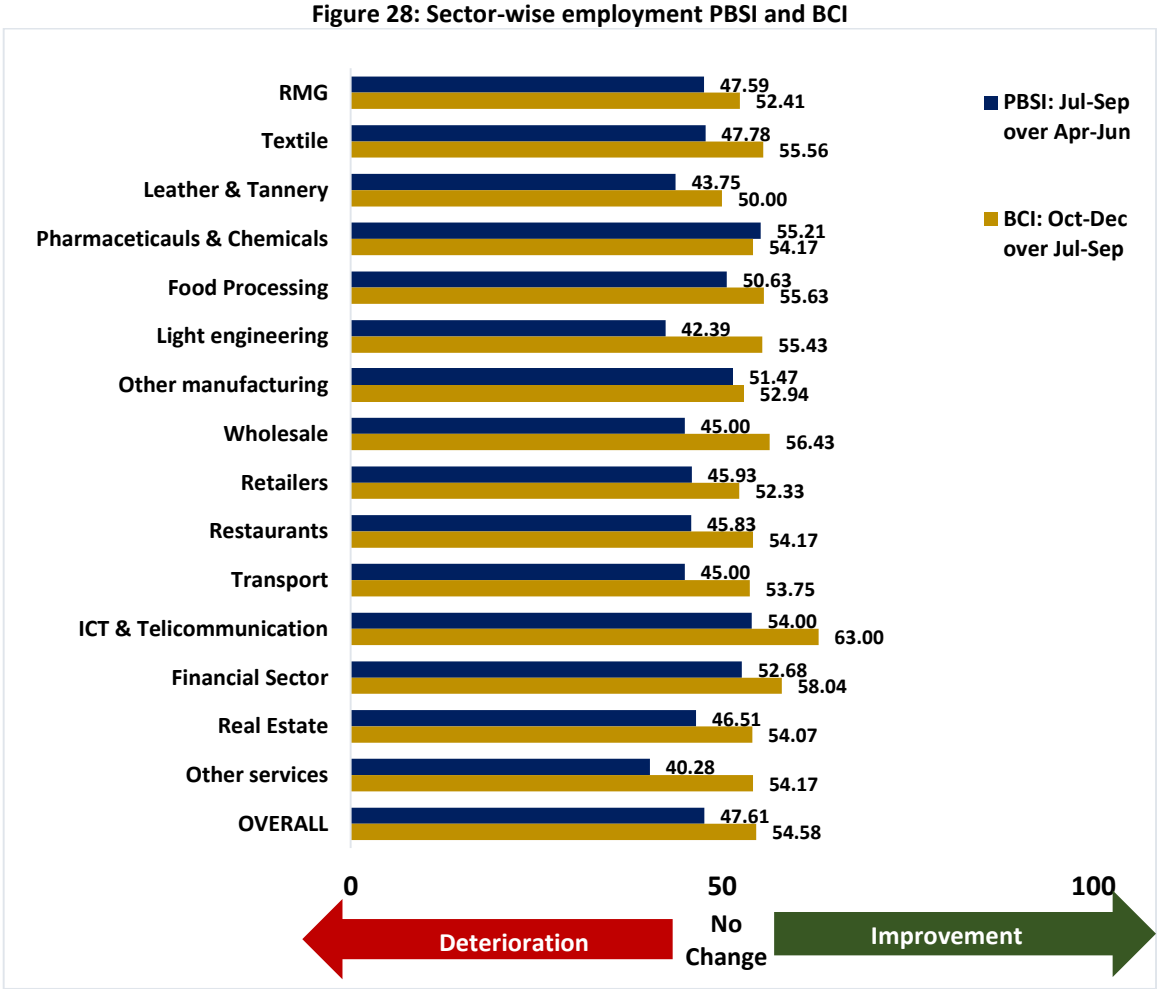
At the beginning of the COVID-19 crisis, many people lost their jobs – either temporarily or permanently. After the relaxation of the lockdown, the employment scenario started getting better, although at a very slow pace. The slow progress can be related to the PBSI score of 47.61, which shows that, indeed, the situation in July-September 2020 continued to worse than the situation in April-June 2020 (Figure 28).

In the manufacturing sector, Pharmaceuticals and Chemicals (55.21) has the highest employment PBSI score. Amongst others, Textile (47.78), Food Processing (50.63), and other manufacturing (51.47) have employment PBSI scores higher than the benchmark 50 showing

there was at least some improvement in the employment in these sectors. RMG (47.59), Leather & Tannery (43.75), and Light Engineering (42.39) have PBSI scores less than 50, meaning there worsening employment scenario in these sectors.

In the service sector, ICT & Telecommunication has the highest employment PBSI score (63). With the increase in online activities, employment opportunities in this sector have increased by many folds. Amongst others, only the financial sector (52.68) has a higher employment PBSI score than the benchmark. All other sectors in the services industry have a score lower than 50, meaning the employment scenario in these industries slightly worsened compared to April-June 2020.

Figure 28: Sector-wise employment PBSI and BCI



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

Nevertheless, in the October-December quarter, the firms expect further improvement in the overall employment scenario. In the manufacturing sector, Food processing (55.63) has the highest employment BCI score, followed by Textile (55.56), and Light Engineering (55.43). Sectors such as RMG (52.41), Leather & Tannery (50), and other manufacturing (52.94) have employment BCI scores lower than the average employment BCI score. Therefore, compared to the other sectors, the expected employment scenario by these industries seems bleaker. In the service sector, ICT & Telecommunication (63) has the highest employment BCI score followed by the financial sector (58.04), and the Wholesale (56.43). Noteworthily, compared

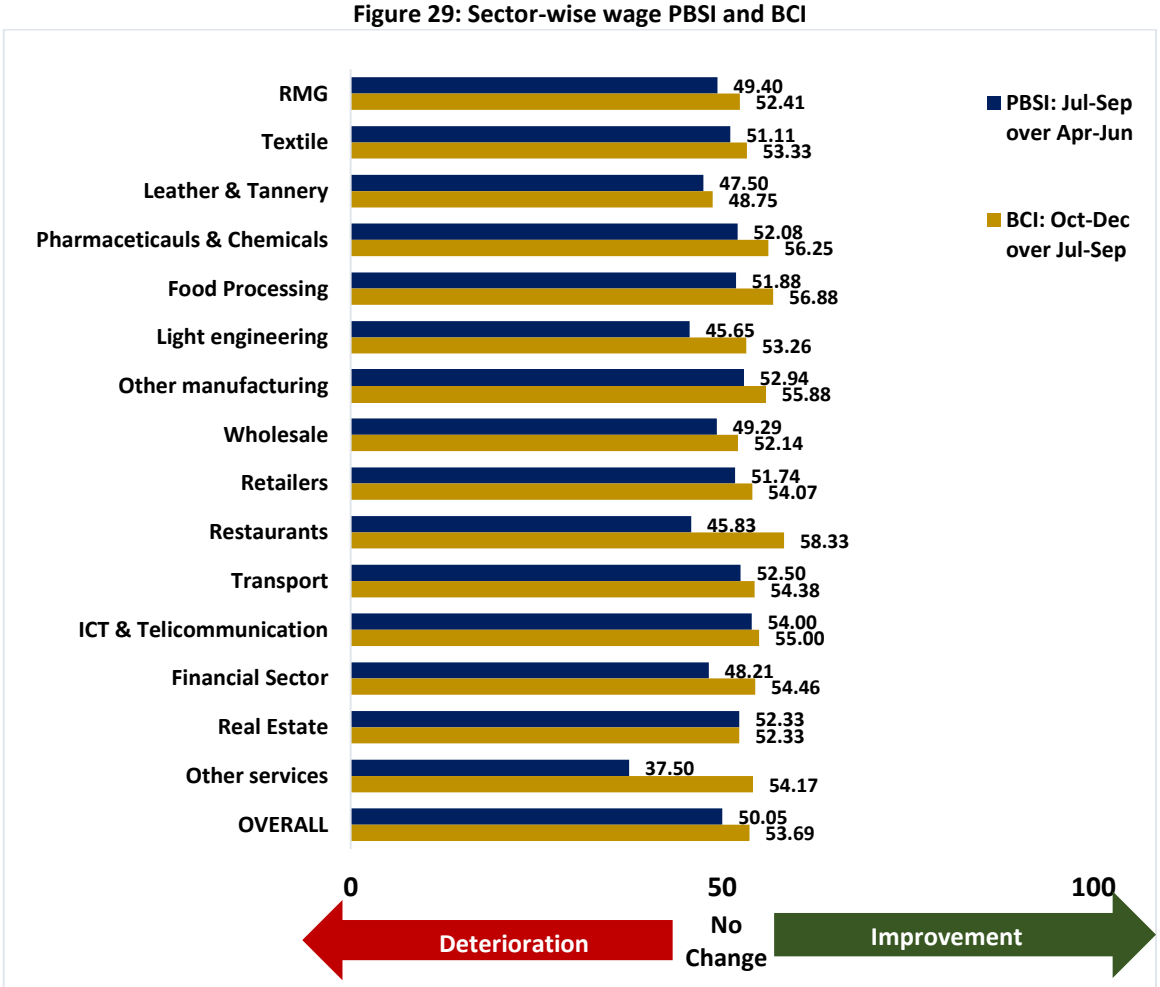
to the manufacturing sector, firms from the services sector are more optimistic regarding their expectations on the employment scenario in October-December 2020.

Sector-wise wage PBSI and BCI

In the July-September 2020 quarter, the overall wage PBSI score (50.05) indicates an almost unaltering situation compared to April-June 2020 (Figure 29). In the manufacturing sector, Pharmaceuticals & Chemicals (52.08) has the highest wage PBSI score. It is followed by the Food processing (51.88) and Textile (51.11) sectors. RMG (49.40), Leather & Tannery (47.50), and Light Engineering (45.65) have the lower wage PBSI showing that businesses in these sectors incurred a slightly worsening situation regarding wages in July-October 2020 compared to April-June 2020.

In the service sector, ICT & Telecommunication has the highest wage PBSI score (54). Amongst other sub-sectors, Real Estate (52.33), Transport (52.50), and Retailers (51.74) have slightly improved the situation. Wholesale (49.29), Restaurant (45.83), and other services (37.50) have lower wage PBSI scores than the benchmark PBSI score (50) and therefore indicates that the situation worsened regarding wages in July-September 2020 compared to April-June 2020.

Figure 29: Sector-wise wage PBSI and BCI



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

The overall BCI on the Wage indicator was found to be 53.69, indicating the business community's expectation that the wages situation might improve marginally in October-December 2020 compared to July-September 2020. However, sectors such as Leather and Tannery (48.75), and Light Engineering (53.26) are expecting a fall in the overall wage scenario than the immediate last quarter. In the case of the services sector, the workers' wage scenario is expected to be worsening compared to the last quarter for Wholesales (52.14) and Real Estate (52.33) sectors. The overall wage scenario might slightly improve for the sectors such as Retail (54.07), Restaurants (58.33), Food Processing (56.88), ICT and Telecommunications (55), the financial sector (54.46), Textiles (53.33), Pharmaceuticals (56.25), and Transport (54.38).

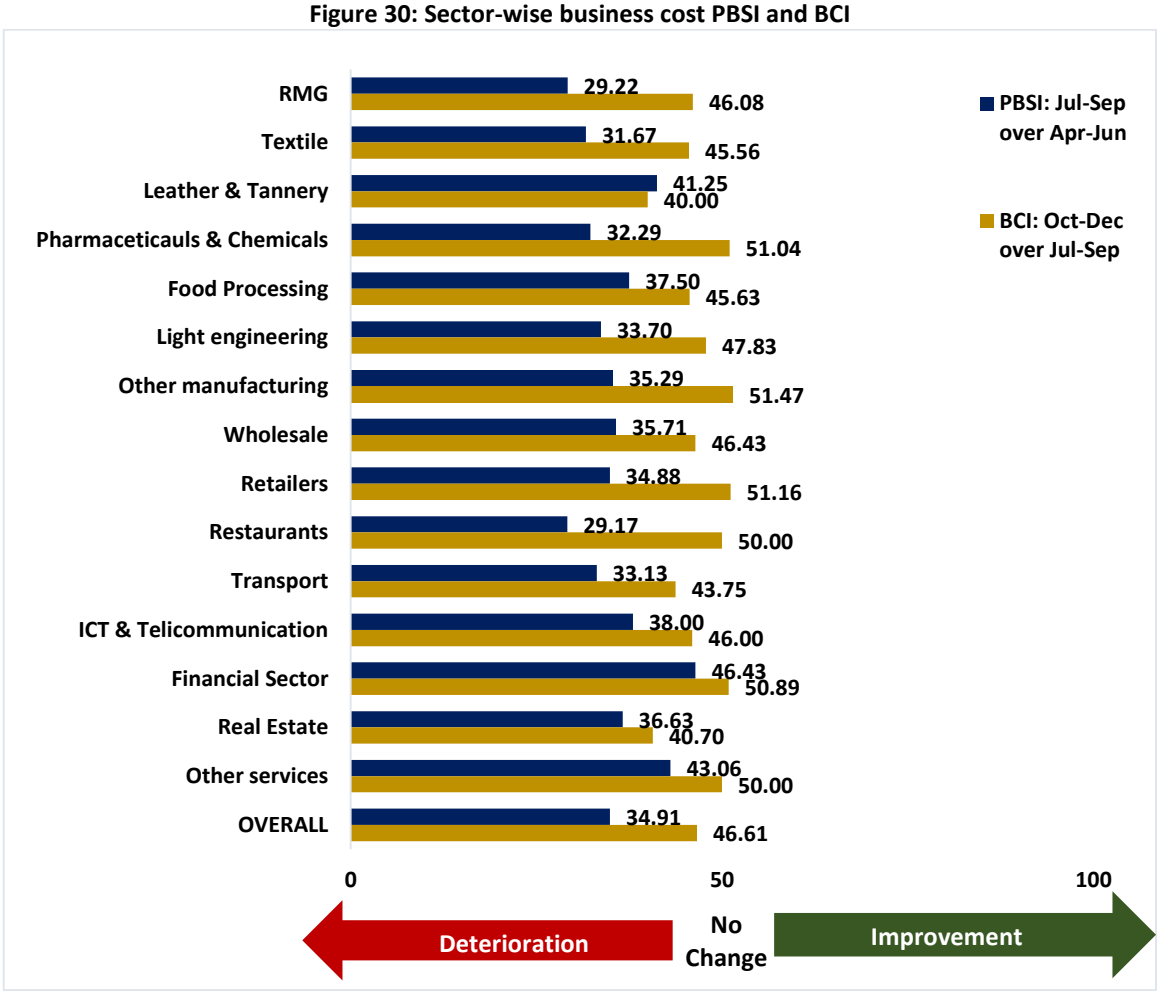
Sector-wise business cost PBSI and BCI

Amongst all, the worst performance has been observed on the business cost indicator as reflected on the overall business cost PBSI score (34.91). In the manufacturing sector, RMG (29.22) and Textile (31.67) have the lowest business cost PBSI scores. On the other hand, in the services sector, Restaurant (29.17) and Transport (33.13) have the lowest business cost PBSI scores.

Similar is found in the case of the BCI indicator on business cost (46.61) (Figure 30). Such a low score on the BCI points towards the concerns of the business community regarding increased cost in doing business in the October-December 2020 quarter compared to the previous. Such cost increase can be attributed to severe supply chain disruptions, increased cost of raw materials, increase in non-pecuniary benefits of the workers, increased costs for the firms for maintaining health safety protocols, increased cost in transportation and other logistics supports, etc.

While the overall BCI score on business cost is very low, there are still some differences across sub-sectors. In the manufacturing sector, only the Pharmaceuticals industry expects some improvement in the business cost in October-December 2020 compared to the earlier quarter. The lowest sub-sectoral BCI score on Business cost is observed for the Leather and Tannery industry (40). In the services sector, the Retail, and Financial sector expects some improvement in the Business Cost scenario in October-December 2020 compared to July-September 2020. All other service-sector firms have a score lower than 50. Amongst them, the lowest scores are observed for Real Estate (40.70) and Transport (43.75).

Figure 30: Sector-wise business cost PBSI and BCI



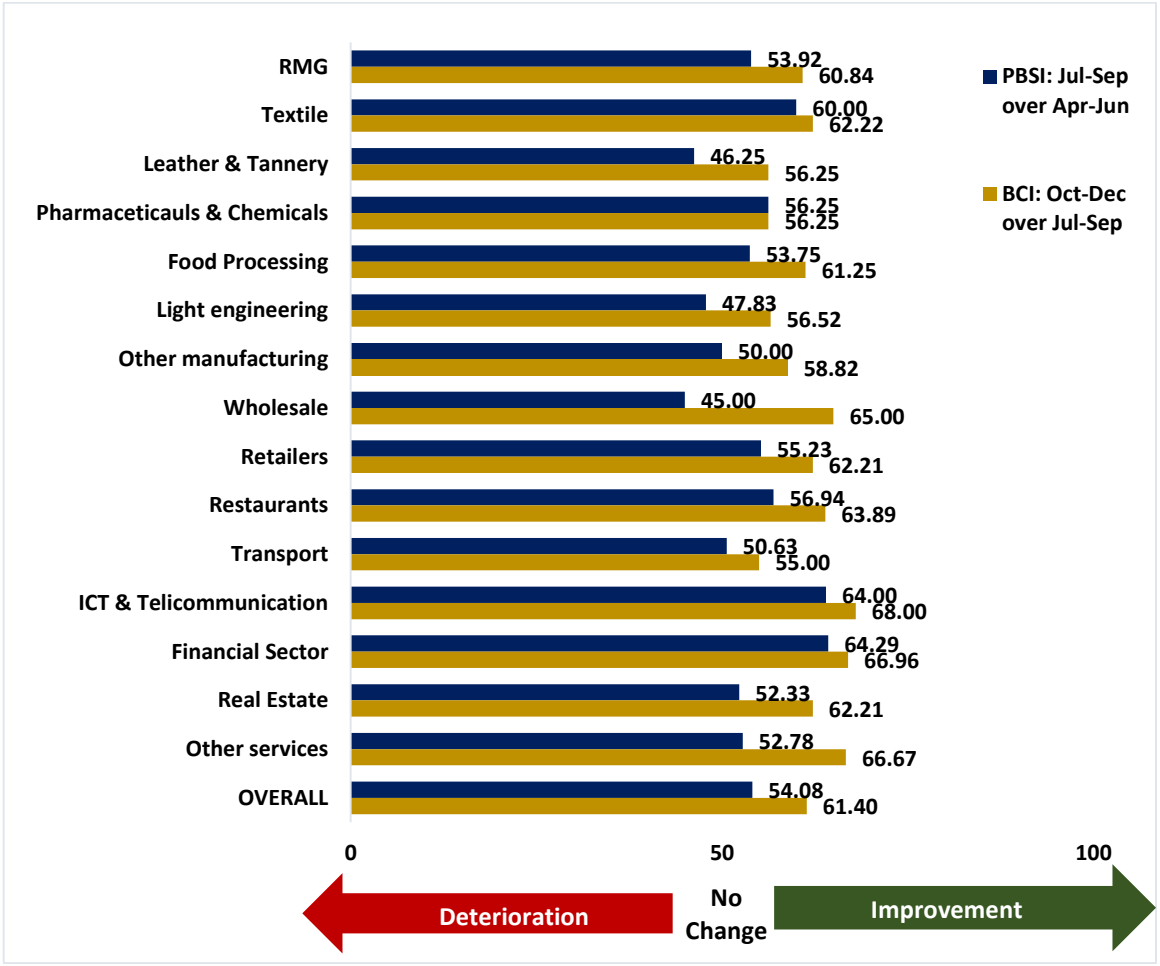
Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

Sector-wise sales/export PBSI and BCI

The overall sales/export PBSI score (54.08) indicates some improvements in export/sales parameters in the July-September quarter compared to the April-June 2020. However, there is a sharp contrast in performances between the manufacturing sector firms and the services sector firms. Compared to the services sector, manufacturing sector firms performed poorer. In the manufacturing sector, Textile (60) has the highest sales/export PBSI, followed by Pharmaceuticals (56.25). The worst performance has been observed for Leather & Tannery (46.25) and Light Engineering (47.83). In the service sector, the financial sector (64.29) has the highest sales/export PBSI, and Wholesale (45) has the lowest sales/export PBSI score.

Amongst the broad sub-indicators, the highest BCI score is observed in the case of sales or exports (61.40) (Figure 22). The highest confidence is observed for the Textiles (62.22), and Food Processing (61.25). Amongst the services sector firms, wholesales (65), ICT & Telecommunication (68), and financial sectors (66.96) have higher expectations in sales or exports in October-December 2020 compared to July-September 2020.

Figure 31: Sector-wise sales/export PBSI and BCI



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

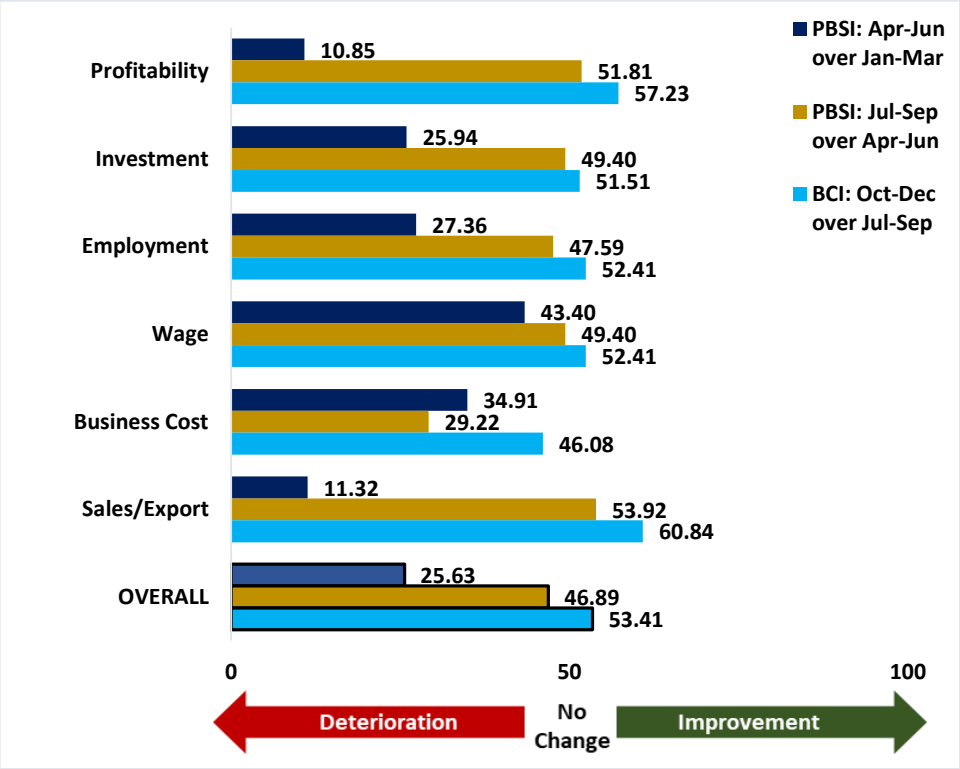
Comparison of PBSI and BCI by subsectors

Readymade Garment Sector

For the RMG sector, the overall PBSI in April-June 2020 (over January-March), PBSI in July-September 2020 (over April-June 2020), and BCI for October-December 2020 (over July-September 2020) are 25.63, 46.89, and 53.41 respectively (Figure 32). The PBSI in July-September 2020 shows remarkable improvement compared to PBSI in April-June 2020. The GoB announced stimulus packages for the sector as well as the resumption of the previous export orders could have contributed to such improvement. The improvement is apparently visible in all the indicators but business cost.

Regarding the BCI indicators, apart from the business cost, all other indicators cross the benchmark score of 50, indicating that the firms are expecting better situations in October-December 2020 compared to July-September 2020.

Figure 32: RMG Sector: PBSI and BCI

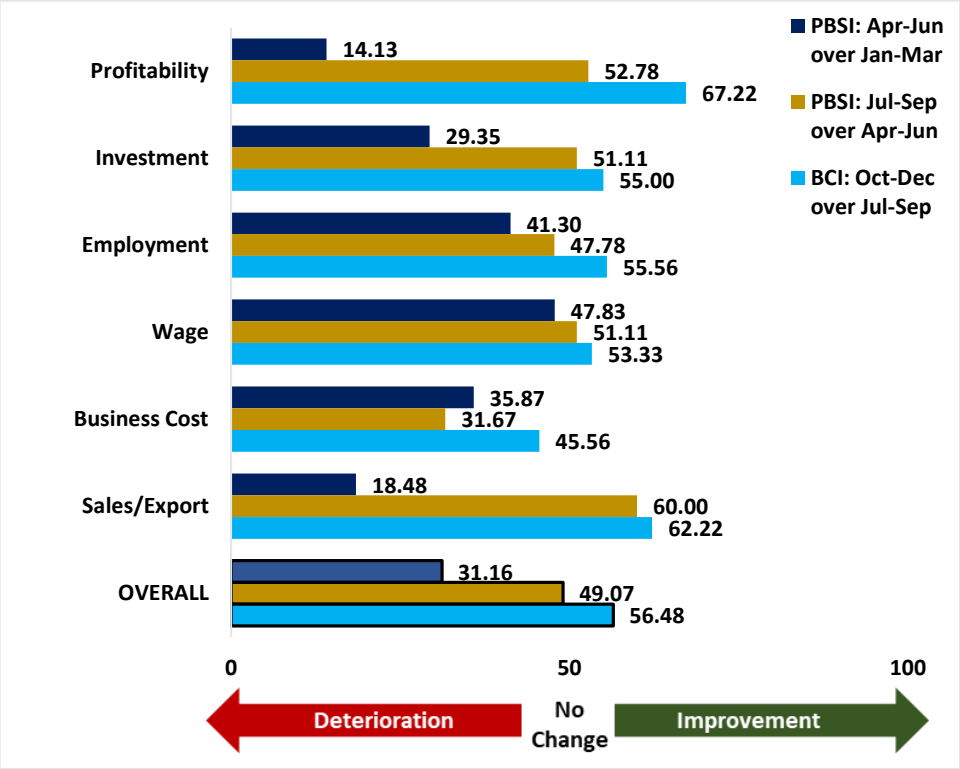


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Textile Sector

For the textile sector, apart from the business cost, all other indicators on the PBSI scores in July-September 2020 quarter have a higher score than the PBSI scores on April-June 2020. The largest improvement is observed in the sales indicator. The PBSI on sales/export orders in July-September 2020 increased to 60 from a meagre 18.5 in April-June 2020. The Textile sector is not much optimistic about wages in the immediate past quarter and the upcoming quarter. We find the same picture for the employment indicator, but the position of the employment indication is slightly better than the wage indicator. Regarding the investment indicator, investment in the sector was better in July-September 2020 compared to the April-June 2020 quarter. The sector expects slight improvement on this indicator (in terms of the BCI index) over the October-December quarter.

Figure 33: Textile Sector: PBSI and BCI

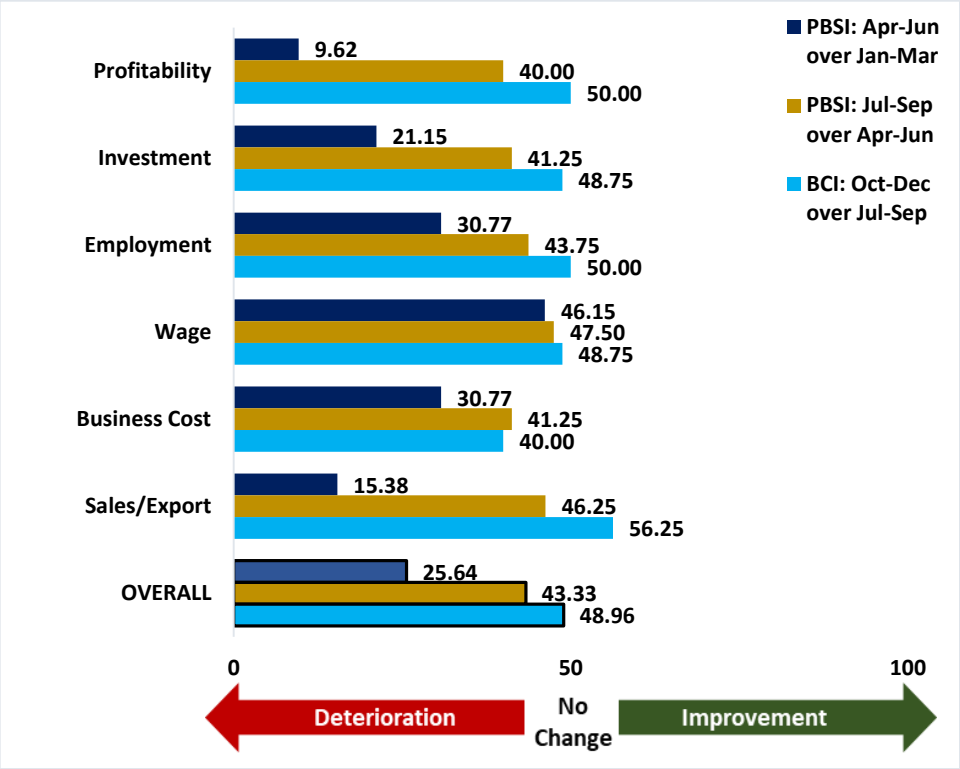


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Leather & Tannery Sector

For the Leather & Tannery sector, the PBSI (April-June 2020), PBSI (July-September 2020), and BCI (October-December 2020) are 25.64, 43.33, and 48.96, respectively. Among all the indicators, the sales/export indicator has the highest PBSI score in the Leather & Tannery sector in the immediate past quarter and the upcoming quarter compared to the April-June 2020 quarter. We find this reflection in the profitability indicator. The profitability indicator shows that the position of the sector has improved much compared to the April-June 2020 quarter, and the sector expects that its profitability PBSI score will be better in the upcoming quarter. The investment PBSI score was better in the immediate past quarter than the April-June 2020 quarter. But the sector is less optimistic about the investment of the October-December quarter. The business cost indicator has shown that the business cost of the sector has increased on the July-September 2020 quarter than the April-June 2020 quarter amid the COVID-19 crisis, but the sector expects that business cost will reduce slightly in the next quarter. The wage indicator has shown that the sector is very pessimistic about wages and the rate of improvement of wage in the three quarter is extremely low. The employment PBSI score indicates a better position in the sector. But amongst the sub-sectors of the manufacturing sector, the overall PBSI and BCI scores are lowest in the Leather & Tannery sector.

Figure 34: Leather and Tannery Sector: PBSI and BCI

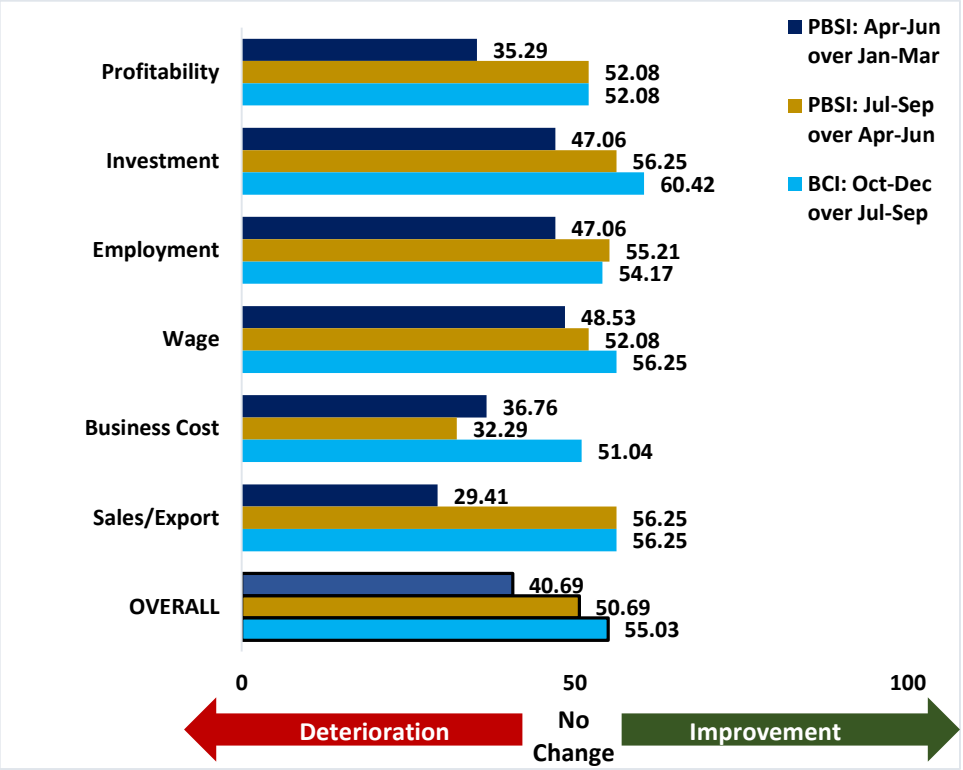


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Pharmaceutical & Chemical Sector

For the Pharma sector, the overall PBSI (April-June 2020), PBSI (July-September 2020), and BCI (October-December 2020) are 40.69, 50.69, and 55.03, respectively. Compared to the April-June 2020 quarter, the sector observed slight improvements in most of the sub-indicators. Indeed, the PBSI Business Cost indicator fell in this quarter, showing a worsened situation on this parameter. Nonetheless, the sector expects improvements on this parameter in October-December 2020 compared to July-September 2020.

Figure 35: Pharmaceuticals and Chemicals Sector: PBSI and BCI

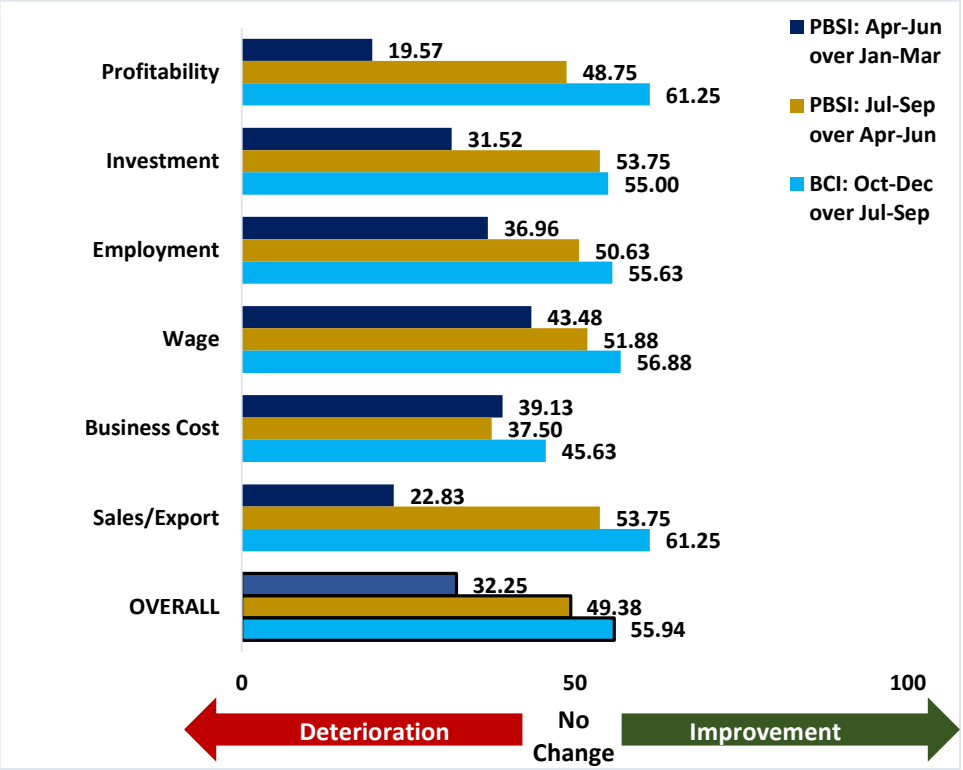


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Food-processing Sector

For the food-processing industry, the PBSI in April-June 2020 (over January-March 2020), and the PBSI in July-September 2020 (over April-June 2020) stands at 32.25 and 49.38 respectively, while business confidence in October-December 2020 (over July-September 2020) stands at 55.94 (Figure 36). The sector expects some improvement in profitability, employment, and sales orders compared to the last quarter. However, the BCI Business Cost indicator of the sector stands at 45.63 showing the worsened situation might linger in October-December 2020, although to a lesser magnitude.

Figure 36: Food Processing Sector: PBSI and BCI

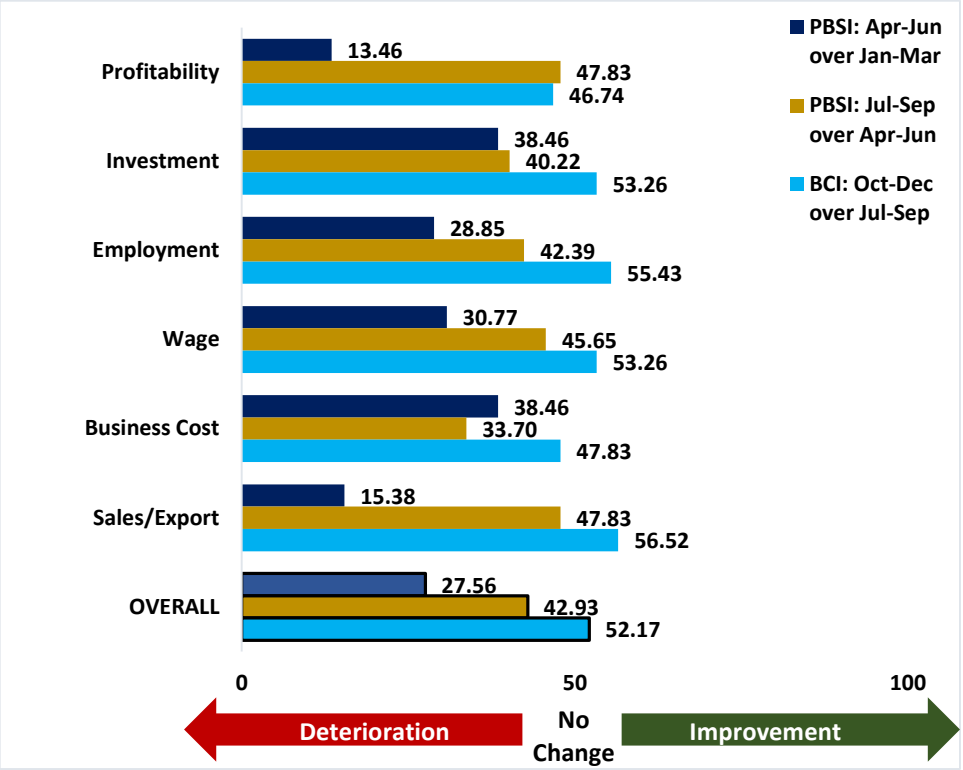


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Light-engineering Sector

In the Light-engineering and electronics sector, none of the broad six indices had a score higher than the cut-off score of 50 for the PBSI scores on the July-September 2020 quarter. All the indicators, excluding Business Cost, show improvement compared to the April-June 2020 quarter. The expectations on these indicators in October-December 2020 seem bleaker when compared to other sectors (Figure 37). Amongst the sub-indicators, the lowest expectation is observed on the profitability (46.74) and Business Cost (47.83). The sector expects a slight improvement in investment, employment, wage, and sales in the October-December 2020 quarter.

Figure 37: Light Engineering and Electronics Sector: PBSI and BCI

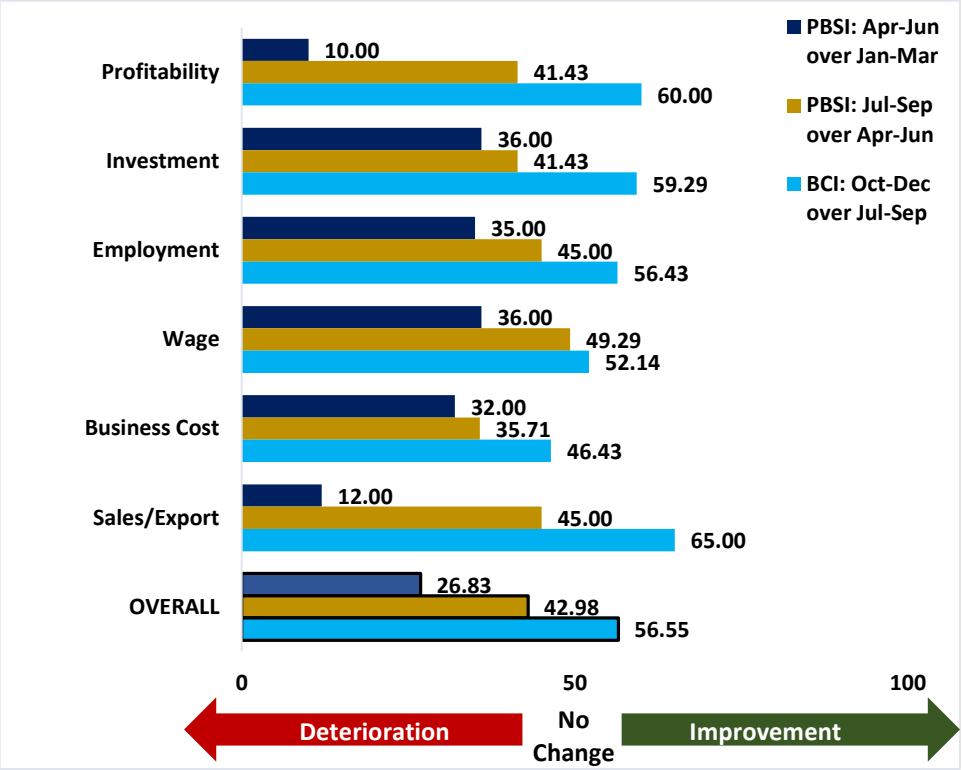


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Wholesale Sector

For the wholesales sector, the PBSI in the April-June 2020 quarter and PBSI in July-October 2020 quarter stand at 26.83 and 42.98, respectively, while BCI stands at 52.00 (Figure 38). The wholesales sector expects a significant rebound in profitability and sales compared to what they had in the last quarter. Compared to January to March, in April-June 2020, the overall profitability situation for the wholesales sector was extremely worse with a PBSI score of just ten and in the immediate past quarter (in July-October 2020 compared to April-June 2020) the profitability indicator improved by a large margin. The BCI on profitability for the October-December 2020 quarter stands at 60, meaning that the sector is somewhat optimistic regarding a rebound in profits in this quarter. In the case of sales or export orders, the PBSI for the whole sector was only 12, which stands at 65 on the BCI indicator. It shows a rapid jump in the expectation from the wholesale sector in the increase in sales orders in the October-December 2020 quarter.

Figure 38: Wholesale Sector: PBSI and BCI

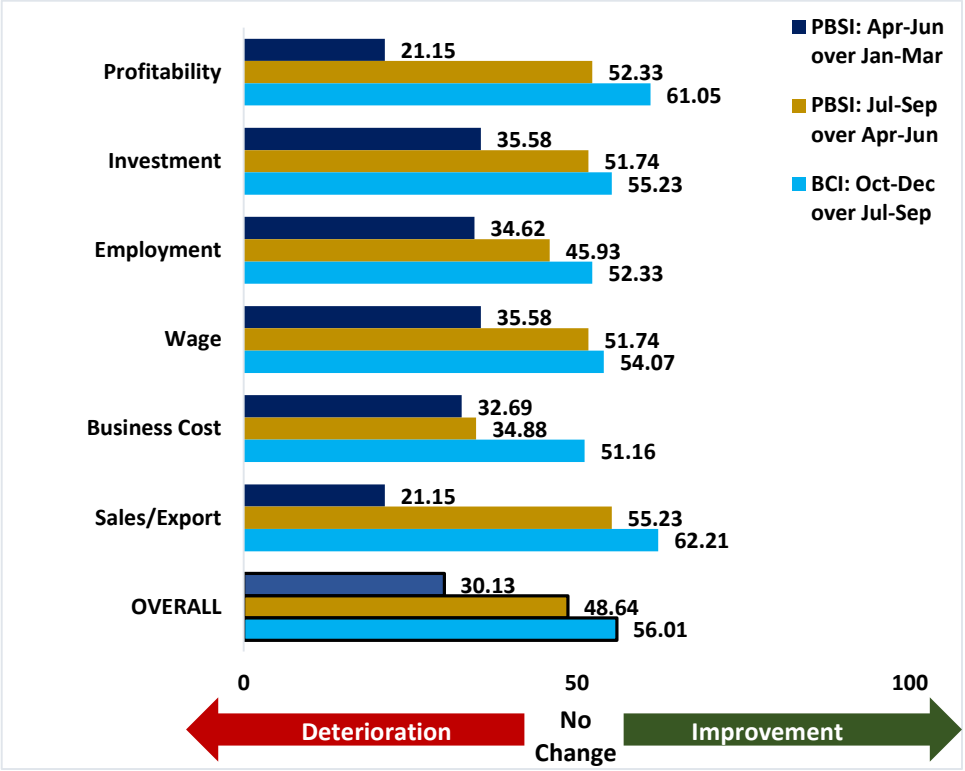


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Retail Sector

The overall PBSI for the retail sector in the April-June quarter (over January-March 2020) was 30.13 meaning the business situation in the sector was 'worse' (Figure 39). Despite having an improving situation in most of the sub-indicators, the PBSI in the sector stands at 48.64 in July-September 2020. Such low improvement in the overall PBSI originates from two sub-indices: Business Cost (34.88) and Employment (45.93). All other indicators of the sector are higher than 50, resembling improving profitability, investment, wage, and sales. Regarding the expectations in October-December 2020, the overall BCI indicator for the sector is found at 56.01. That is, the business community in this sector is expecting some improvement in the next quarter. Amongst the BCI sub-indicators, the highest scores are observed in sales/export orders (62.21) and profitability (61.05).

Figure 39: Retail Sector: PBSI and BCI



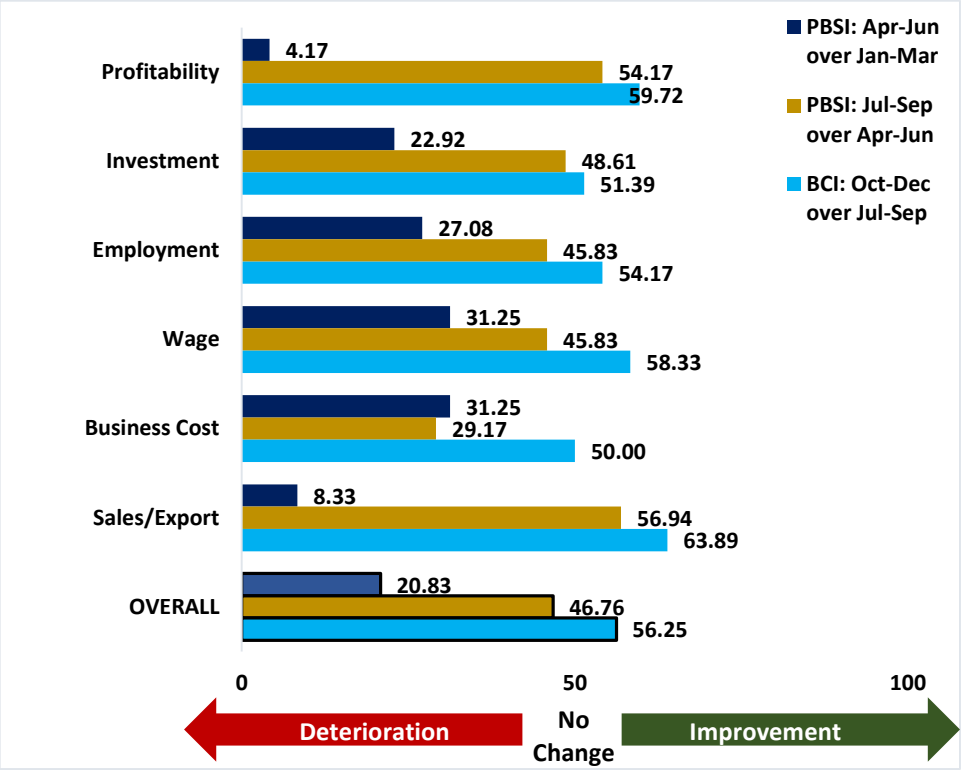
Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Restaurant Sector

Amongst all the sectors surveyed, the lowest PBSI was observed for the restaurant sectors on the April-June 2020 quarter (Figure 40). The overall PBSI (April-June 2020), PBSI (July-September 2020), and BCI (October-December 2020) 20.83, 46.76, and 56.25, respectively, show a rapid increase in the present business status of the firms. Amid the prolonged lockdown situation due to the COVID-19 crisis, restaurant sectors were badly affected and suffered a lot. But the decision for opening up the economy has boosted up the business morale in this sector. All the indicators in the sector have shown better performance on the July-September 2020 quarter compared to the April-June 2020 quarter, and the sector expects that in the upcoming quarter (October-December 2020) all the indicators will show a moderately good performance.

Amongst the sub-indicators, the business cost has increased slightly in the July-September quarter. The sector expects some improvement on this indicator in October-December 2020. The profitability, investment, and sales/export indicators have increased much on the July-September 2020 quarter compared to the April-June 2020 quarter, and BCI scores also indicate expected improvements on all these indicators.

Figure 40: Restaurant Sector: PBSI and BCI

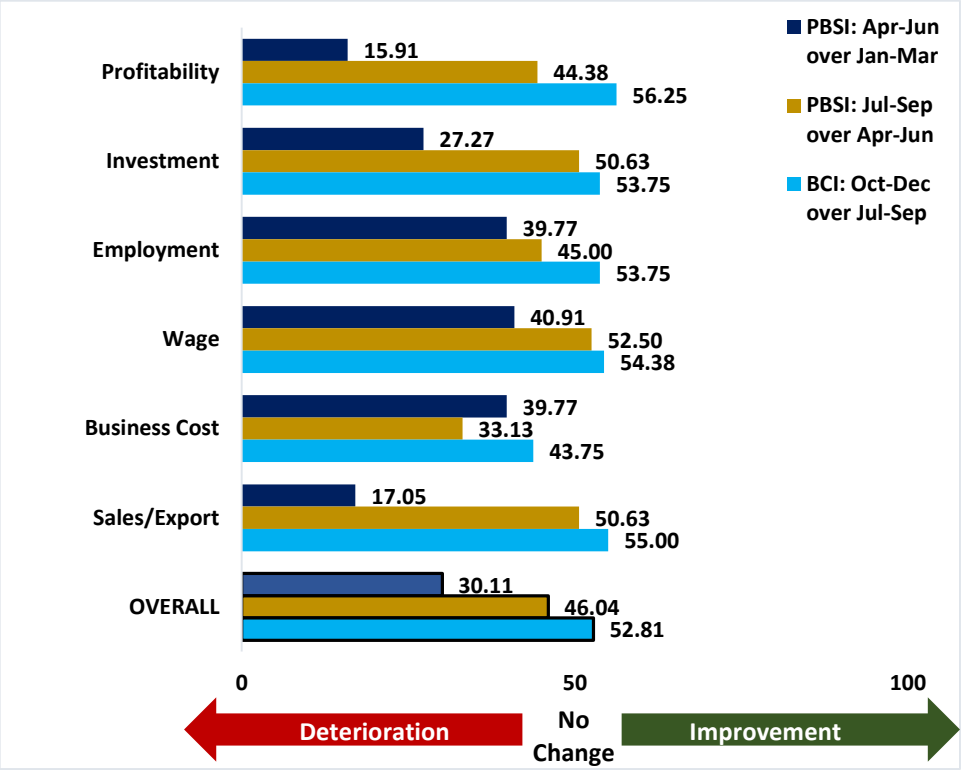


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Transport Sector

For the transport sector, the overall PBSI over April-June 2020 and PBSI over last quarter are found as 30.11 and 46.04, respectively (Figure 41). The overall BCI score for the sector is 52.81, meaning there is an expectation amongst the businesses in this sector that the situation might improve moderately over the course of October-December 2020 compared to that of July-September 2020. Like the other sectors, this sector also faced a challenge in profitability, investment, and sales during the lockdown in April-June 2020. Nonetheless, the sector has improved somewhat on these three indicators in July-September 2020. The situation on business cost might slightly improve during the October-December 2020 quarter. The employment and wage indicators have improved somewhat in the immediate past quarter, and the BCI scores of these indicators have shown an improvement for the next quarter. After unveiling the lockdown, the transport sector has performed better on the July-September 2020 quarter compared to the April-June 2020 quarter. The sector expects a better performance in the October-December 2020 quarter.

Figure 41: Transport Sector: PBSI and BCI

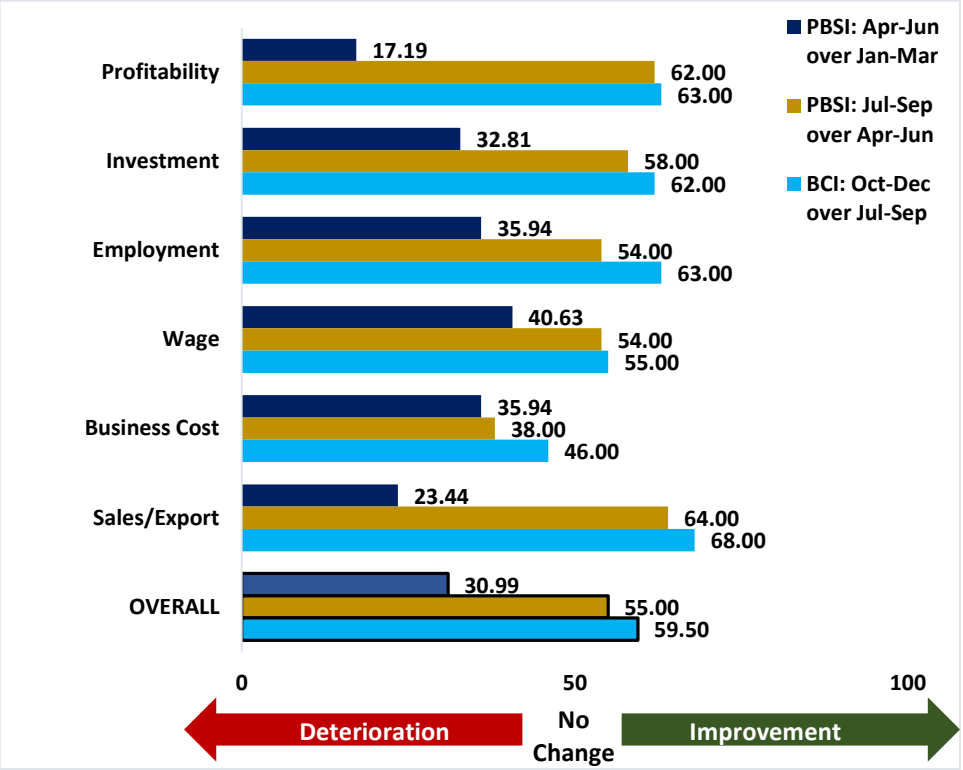


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

ICT and Telecommunication Sector

The PBSI (over July-September 2020 quarter) for the ICT and telecommunications sector is 55 showing that the overall business situation in the sector in July-September 2020 quarter was 'better' compared to April-June 2020 quarter (Figure 42). With an overall BCI score of 59.50, there are expectations that the overall business in the sector will improve somewhat in October-December 2020 compared to the last quarter. Amongst the PBSI and BCI sub-indicators, all other indicators are above the cut-off mark 50 showing expectations from the businesses regarding improvement in the scenario in the coming quarter. The overall Business Cost in the sector has improved both in terms of PBSI as well as BCI over the last two rounds of the survey.

Figure 42: ICT and Telecommunication Sector: PBSI and BCI

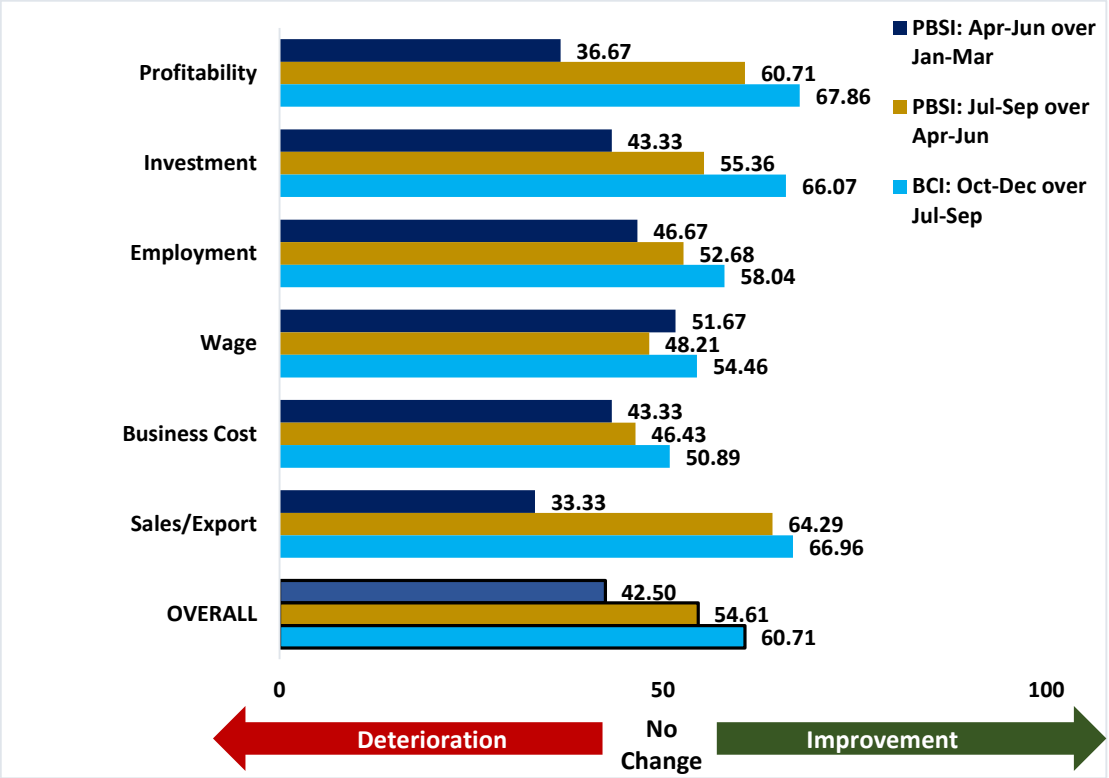


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Financial Sector

Amongst all the sectors, one of the most robust performances in terms of overall businesses has been observed in the financial sector (Figure 43). The PBSI over the April-June 2020 quarter and last quarter for the sector are 42.50 and 54.61 respectively. It shows, the overall business situation in July-September 2020 for the sector can be termed as slightly better compared to the reference quarter (April-June 2020). The improvement in the PBSI score originates from two sub-indicators, namely profitability, and sales. One of the reasons for such higher scores could be, unlike most other sectors, the financial sectors were allowed for continued operation amidst the lockdown in April-June 2020 (although the operation hours were limited). The overall BCI score for the sector (60.71) shows that the sector expects an improvement in the overall business situation in the October-December 2020 quarter. There are expectations that the situation on profitability, investment, employment, wages, and sales may improve further in the upcoming quarter. The lowest score on the sub-indicators is observed for the business cost (50.89) showing that the situation on business cost may improve between October-December 2020 compared to July-September 2020.

Figure 43: Financial Sector: PBSI and BCI

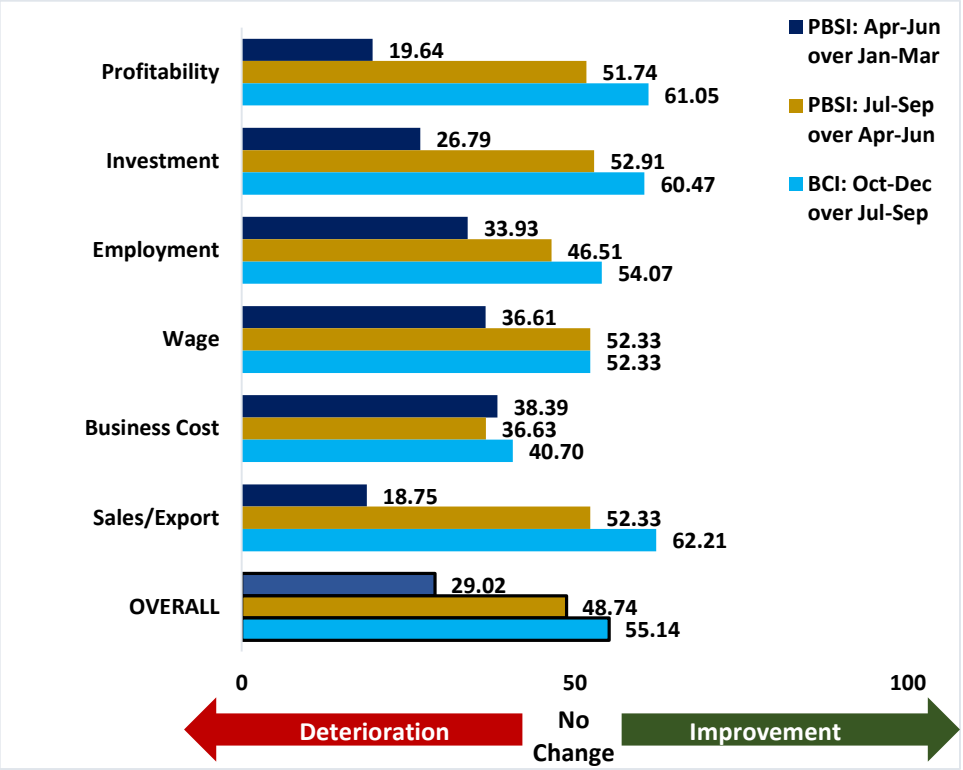


Source: Authors' estimation based on SANEM BCI (first & second round) Survey, 2020

Real Estate Sector

The PBSI in the real estate sector was 48.74 in July-September 2020 over April-June 2020 (Figure 44). The overall BCI for the sector stands at 55.14, meaning that the sector expects slight improvements in the overall business situation in the coming quarter. The expectations are highest regarding profitability (61.05) and sales/export (62.21) in the October-December quarter. The lowest scores are observed for business costs (40.70). Although higher than the previous quarter, the score still lingers below 50, meaning the sector is not optimistic regarding the business cost even in October-December 2020.

Figure 44: Real Estate Sector: PBSI and BCI



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

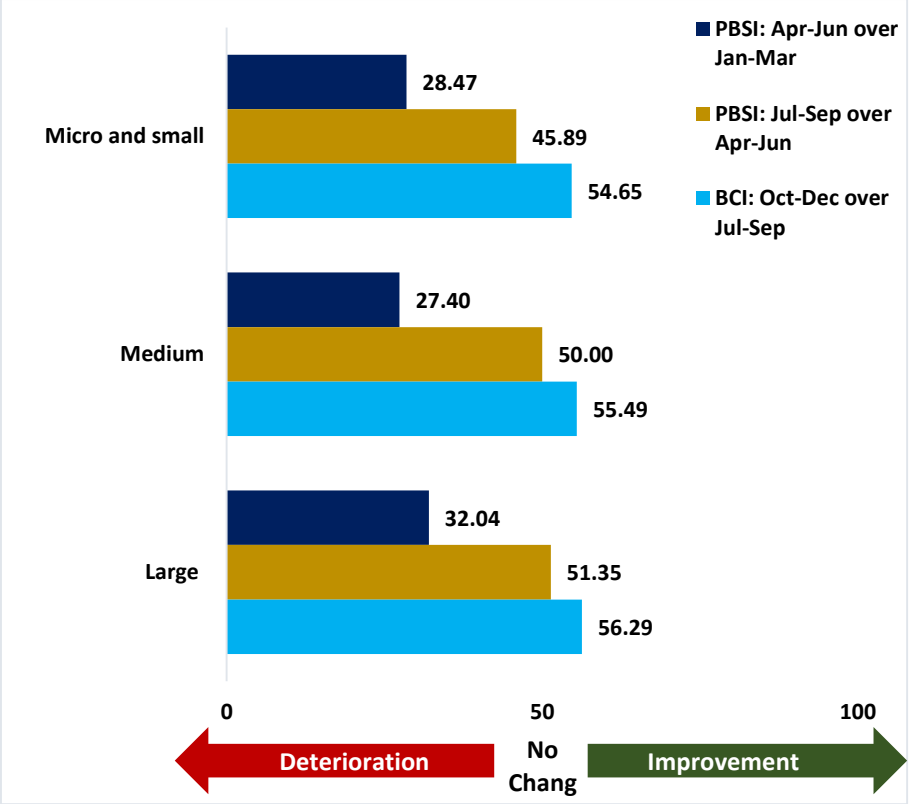
Comparison from other perspectives

Comparison 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. There are several factors that put the large firms in a better position during such crises like – (i) greater access to finances and stimulus packages, (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 45).

As observed in the first round of the 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 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. It shows that the large firms performed significantly better than the small firms in both rounds of the survey. The BCI score (October-December 2020) of the large firms is also significantly higher than the BCI score of the micro and small enterprises.

Figure 45: Comparison of PBSI and BCI by firm sizes



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

Several aspects are visible when observed for the sub-indicators of the BCI by firm sizes (Table 17). 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 much lower for the large firms compared to the MSMEs. That is, the BCI scores for the sub-indicators are closed around the mean for the large firms than the MSMEs. Interestingly, the dispersion in the BCI score for firms of all sizes in the second round is much lower than the first round of the survey. It indicates the responses of the firms tended closer to the mean values in the second round of the survey than it was in the first round. In other words, the business expectations of the firms regarding the BCI parameters converged more in the second round compared to the earlier round of the survey.

Table 15: BCI Scores by firm sizes

Large	Mean	N (Observations)	Standard Deviation
Overall	56.29	157	9.959
Profit	60.026	157	5.702
Investment	55.445	157	5.188
Employment	54.353	157	2.621
Wages	53.452	157	1.857
Business Costs	46.463	157	2.943
Sales/Export Order	61.328	157	3.217
Medium			
Overall	55.492	44	12.922
Profit	59.894	44	5.905
Investment	56.555	44	4.55
Employment	54.877	44	2.076
Wages	54.125	44	2.028
Business Costs	46.361	44	3.358
Sales/Export Order	60.889	44	3.703
Micro and Small			
Overall	54.651	301	12.15
Profit	59.105	301	4.644
Investment	55.67	301	3.825
Employment	54.658	301	2.697
Wages	53.742	301	2.182
Business Costs	46.729	301	3.515
Sales/Export Order	61.52	301	3.82

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

However, mere observation of the mean differences between the large firms and others does not necessarily imply statistically significant distinctions. In this respect, all the firms are recategorized between Large firms (157 firms) and Micro, Small, and Medium Enterprises (MSMEs, 345 firms) (Table 16 and Table 17). 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 and exports also varies statistically significantly by firm sizes. The only indicator where it does not vary significantly is the Business Cost indicator.

In contrast to the findings from this round, in the earlier 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 16: 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* **	345	157	46.41	51.35	-4.94	1.188	-4.150	0.000
PBSI Profit* **	345	157	48.04	57.33	-9.28	2.456	-3.800	0.000
PBSI Investment* **	345	157	48.12	54.62	-6.50	1.722	-3.750	0.000
PBSI Employment **	345	157	46.52	50.00	-3.48	1.615	-2.150	0.032
PBSI Wages* **	345	157	48.99	52.39	-3.40	1.132	-3.000	0.003
PBSI Business Costs	345	157	35.65	33.28	2.37	1.707	1.400	0.166
PBSI Sales/Exports* **	345	157	51.16	60.51	-9.35	2.360	-3.950	0.000

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

With respect to the BCI score, large firms have a statistically significantly higher score compared to the MSMEs by only 1.53 percentage points. This difference is lower than the earlier round of the survey. It indicates that the business expectations from the MSMEs are also leaping forward. The only BCI sub-indicator where we find a statistically significant difference between the large and small MSMEs is the wages sub-indicator, although the magnitude of the difference is minimal. Interestingly, in the first round of the survey, the BCI sub-indicators on employment, and sales/exports were also found to be significantly higher for the large firms. The erosion of significance in the BCI indicator implies 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 the slump period.

Aligning this finding with the PBSI score differences observed in Table 14, several aspects can be distinguished. First, in the first three months of the crisis (April-June 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 similar experience regarding profit, investment, employment, business costs, or sales. Second, the large firms expected a much better business situation regarding employment, wages, and sales/exports in July- September 2020 compared to April-June 2020 (as they proclaimed during the first round of the survey). Indeed, their performance in all the indicators except business cost was much better than the smaller firms. This might be due to their access to finances, ease in availing stimulus packages, or stronger business network compared to the MSMEs. And lastly, the BCI score expectation in the October-December 2020 converges in the same direction regardless of the firm size.

Table 17: 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	345	157	54.76	56.29	-1.53	1.033	-1.500	0.139
BCI Profit	345	157	59.21	60.03	-0.82	0.524	-1.550	0.118
BCI Investment	345	157	55.78	55.44	0.34	0.465	0.750	0.467
BCI Employment	345	157	54.69	54.35	0.33	0.253	1.300	0.189
BCI Wages*	345	157	53.79	53.45	0.34	0.189	1.800	0.073
BCI Business Costs	345	157	46.68	46.46	0.22	0.301	0.750	0.466
BCI Sales/Exports	345	157	61.44	61.33	0.11	0.329	0.350	0.735

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

Comparison of PBSI and BCI by export status

The COVID-19 pandemic has brought global trade to a standstill. 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.

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 this round, we observe the reverse (Figure 18). The mean PBSI for the exporters is slightly higher than the non-exporters. Nevertheless, the difference between the exporters and non-exporters on the mean PBSI was not statistically significant in both rounds of the survey.

Table 18: Two-sample t-test for the PBSI indicators by Exporter-Non-exporter categories

PBSI Indicators	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
PBSI Firm	315	187	47.71	48.37	-0.66	1.187	-0.550	0.578
PBSI Profit	315	187	50.56	51.61	-1.05	2.423	-0.450	0.665
PBSI Investment	315	187	49.13	51.87	-2.74	1.742	-1.600	0.116
PBSI Employment	315	187	47.30	48.13	-0.83	1.566	-0.550	0.598
PBSI Wages	315	187	49.76	50.54	-0.77	1.190	-0.650	0.516
PBSI Business Costs* **	315	187	36.59	32.09	4.50	1.648	2.750	0.006
PBSI Sales/Exports	315	187	52.94	56.02	-3.08	2.391	-1.300	0.199

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

In the case of the PBSI sub-indicators, none are found to be significant. In the earlier round, the exporting firms had 5.6 percentage points lower score on the PBSI Investment indicator. That is, exporters had a worse investment scenario in April-June 2020 compared to January-March 2020 than the non-exporters. However, in this round, we observe a higher score for the exporters compared to the non-exporters – although the difference is not statistically significant. In the case of the wages, exporting firms had a statistically significantly better position compared to the non-exporting firms in the earlier round. One of the reasons for this result could be the ease in availing stimulus packages for the exporters compared to the non-exporters. In this round, that difference has also eroded. The only indicator where the PBSI score in this round is found significant between the exporters and non-exporters is the Business Cost indicator. Exporting firms have 4.5 percentage points lower score on the Business Cost indicator compared to the non-exporters. It shows, they are in a relatively backward situation compared to the non-exporters regarding the business costs.

In the case of the BCI indicators, the exporters have significantly lower confidence regarding investment, employment, wages, overall business cost, and sales/export orders compared to the non-exporters for October-December 2020 (Table 19). 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 (45.60) is 1.6 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 October-December 2020 compared to April-June 2020.

Table 19: Two-sample t-test for the BCI indicators by Exporter-Non-exporter categories

BCI Indicators	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
BCI Firm	315	187	55.21	55.28	-0.07	1.057	-0.050	0.948
BCI Profit	315	187	59.56	59.30	0.27	0.476	0.550	0.578
BCI Investment* **	315	187	57.05	53.37	3.68	0.342	10.750	0.000
BCI Employment* **	315	187	55.09	53.73	1.35	0.221	6.100	0.000
BCI Wages* **	315	187	53.99	53.17	0.82	0.194	4.250	0.000
BCI Business Costs* **	315	187	47.22	45.60	1.62	0.267	6.050	0.000
BCI Sales/Exports* **	315	187	61.84	60.67	1.17	0.299	3.900	0.000

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

The second wave of the Coronavirus, the continued slump in global trade, 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.

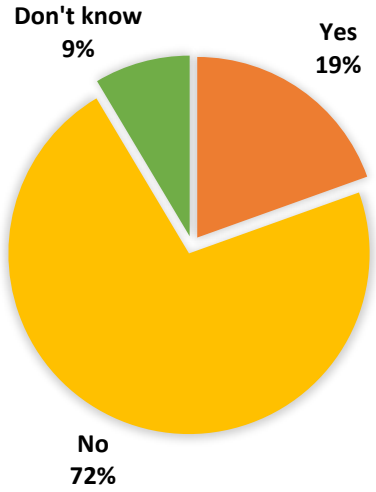
Section IV: Status on Stimulus Packages and Overall Business Environment

Since the onset 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 second round of the BCI survey were asked whether the firms have received the stimulus package or not. Around 19 per cent of the respondents said their firms received the stimulus package announced by the GOB (Figure 46). Another 72 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.

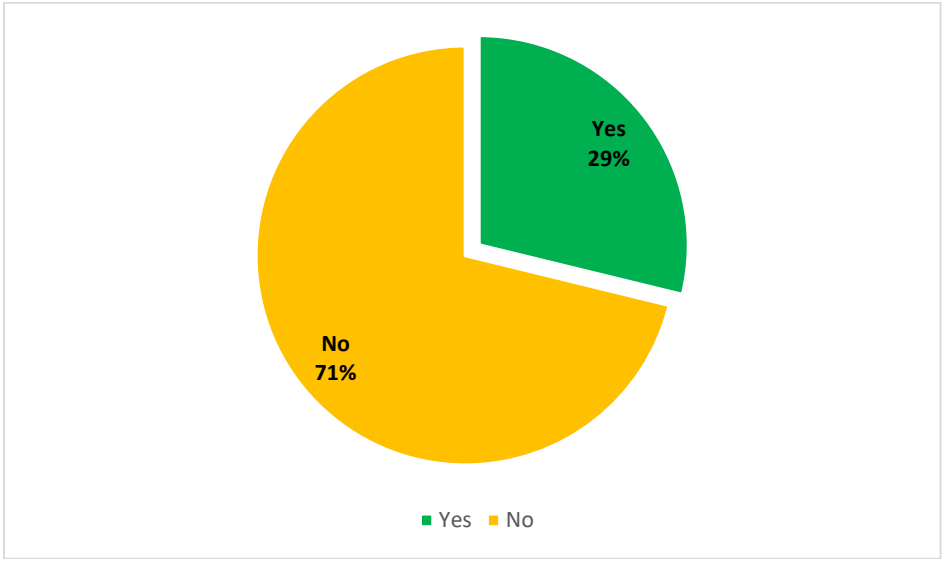
Figure 46: Distribution of the firms on stimulus package receipt options



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

Amongst the 502 firms, 361 firms had enough knowledge of stimulus packages but didn't get them. These firms were asked whether the firms tried to avail the stimulus package. Twenty-nine per cent of firms said their firms tried to avail the stimulus package but could not avail it. And, 257 firms (71 per cent of firms) replied that they didn't try at all (Figure 47).

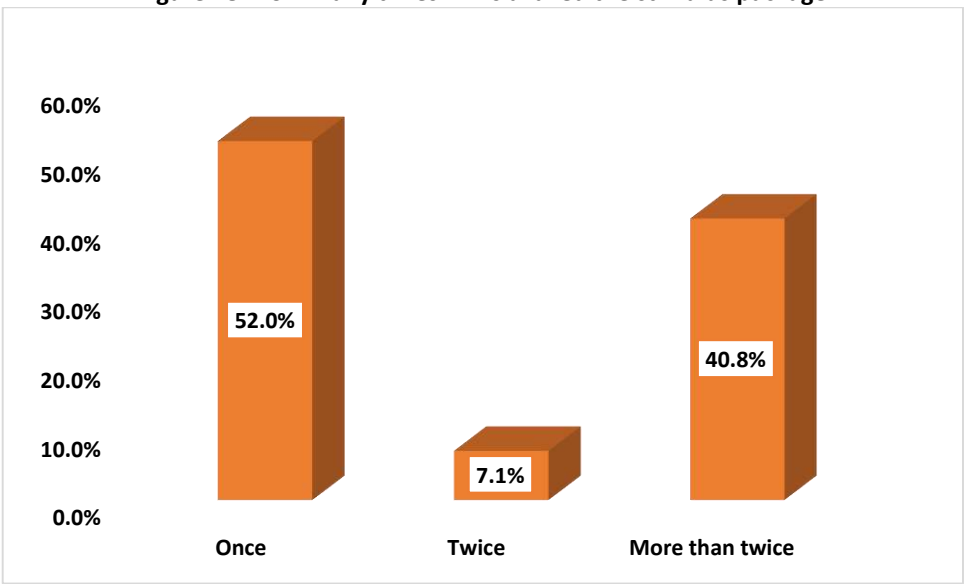
Figure 47: Percentage of firms who tried to avail the package (but didn't/couldnot avail)



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

The 98 firms (out of 502) who received the stimulus package were asked how many times they availed it. Fifty-two per cent of firms said their firms availed at once (Figure 48). 7.1 per cent of firms received the benefit twice while more than 40.8 per cent of firms replied that they received it more than twice.

Figure 48: How many times firms availed the stimulus package



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

The respondents who availed of the stimulus package were also asked the months in which the firms availed it (Table 20). It is noteworthy to mention that the GoB announced its first stimulus package in April 2020. Between April and October 2020, the GoB has announced 21 stimulus packages. Based on the survey responses, we find, the highest number of firms (51 firms) received the stimulus package in June (51 firms). In all other months, around 5 per cent of the total surveyed firms received some form of the stimulus package. As observed, a significant number of firms received the package more than twice – which are mostly from the RMG.

Table 20: Distribution of stimulus package by months

Distribution

	April	May	June	July	August	September	October
First time	23	13	20	14	10	12	12
Second time	2	22	9	5	5	4	4
Third time	0	2	21	8	4	4	4
Fourth time	0	0	1	15	2	4	3
Fifth time	0	0	0	0	0	0	1
Total	25	37	51	42	21	24	24

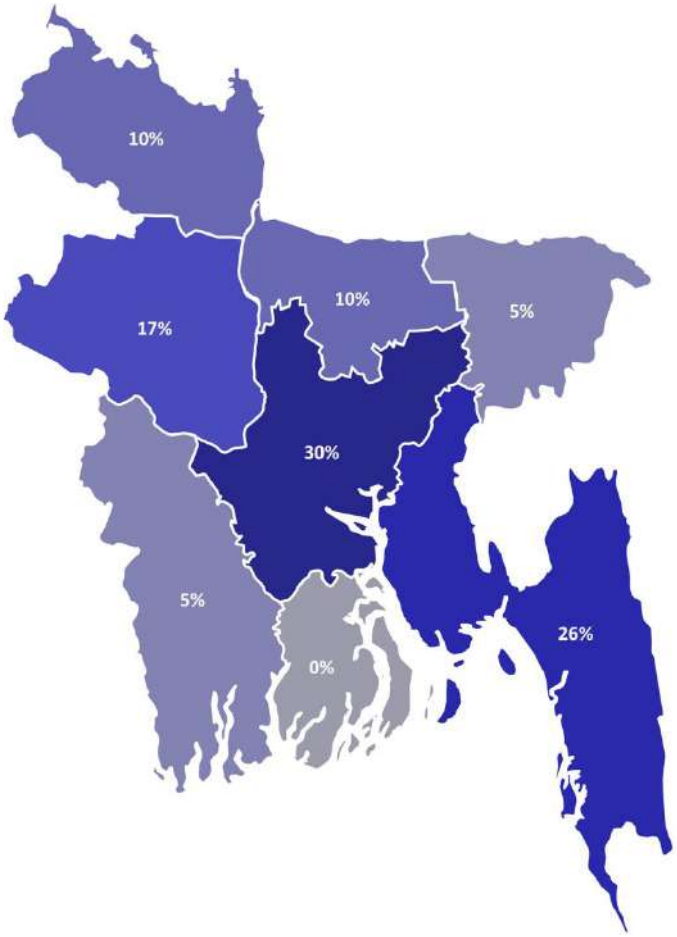
Per cent (%)

	April	May	June	July	August	September	October
First time	92.00	35.14	39.22	33.33	47.62	50.00	50.00
Second time	8.00	59.46	17.65	11.90	23.81	16.67	16.67
Third time	0.00	5.41	41.18	19.05	19.05	16.67	16.67
Fourth time	0.00	0.00	1.96	35.71	9.52	16.67	12.50
Fifth time	0.00	0.00	0.00	0.00	0.00	0.00	4.17
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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

The distribution of the firms with stimulus packages is not uniform across divisions. Thirty per cent of the firms surveyed in Dhaka responded that they received the stimulus package (Map 3). In Chittagong, 26 per cent of the surveyed firms received the incentive package. This rate is around 10-17 per cent for Rajshahi, Rangpur, and Mymensingh. The lowest proportion of firms with stimulus packages is observed for Sylhet (5%) and Barisal (0%) 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 (second round) Survey, 2020

Table 21: Firms receiving stimulus packages in the manufacturing sector

	Firms receiving stimulus packages (number)			Firms receiving stimulus packages (per cent)		
Firms	No,/Don't know	Yes	Total	No,/Don't know	Yes	Total
Ready Made Garments (RMG)	36	47	83	43.4%	56.6%	100.0%
Textiles	27	18	45	60.0%	40.0%	100.0%
Leather and Tannery	15	5	20	75.0%	25.0%	100.0%
Pharmaceuticals and Chemicals	20	4	24	83.3%	16.7%	100.0%
Food Processing	35	5	40	87.5%	12.5%	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	169	83	252	67.1%	32.9%	100.0%

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

Amongst the firms who received the stimulus packages, 80 per cent are from the manufacturing sector (Table 21). In total, out of the 252 firms surveyed in the manufacturing sector, 32.9 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: 56.6 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 49). In Leather and Tannery, 25 per cent of the firms received the package whereas, in the case of Pharmaceuticals and Chemicals and Light engineering, these rates are 16.7 per cent and 13 per cent respectively. The least proportion of firms with stimulus packages in the manufacturing sector is observed in food processing: only 12.5 per cent of the firms availed the package.

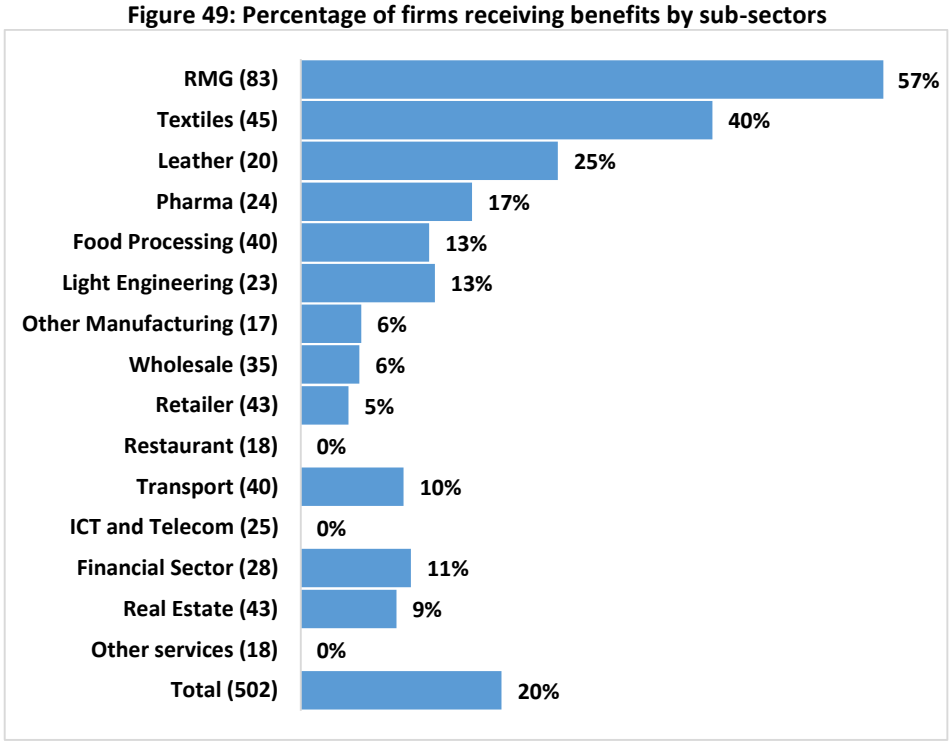
In the case of the services sector, only 6 per cent of the surveyed firms received the stimulus package (Table 22). Most of the recipients of the packages in this sector are from the Transport, Real Estate, Financial sectors, and Wholesales. On the other hand, in the case of Restaurant, ICT and Telecommunication, and other services, no firms availed the incentive packages.

Table 22: Firms receiving stimulus packages in the services sector

	Firms receiving stimulus packages (number)			Firms receiving stimulus packages (Percent)		
Firms	No,/Don't know	Yes	Total	No,/Don't know	Yes	Total
Wholesale	33	2	35	94.3%	5.7%	100.0%
Retailer	41	2	43	95.3%	4.7%	100.0%
Restaurant	18	0	18	100.0%	0.0%	100.0%
Transport	36	4	40	90.0%	10.0%	100.0%
ICT and Telecommunication	25	0	25	100.0%	0.0%	100.0%
Financial Sector	25	3	28	89.3%	10.7%	100.0%
Real Estate	39	4	43	90.7%	9.3%	100.0%
Other services	18	0	18	100.0%	0.0%	100.0%
Total	235	15	250	94.0%	6.0%	100.0%

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

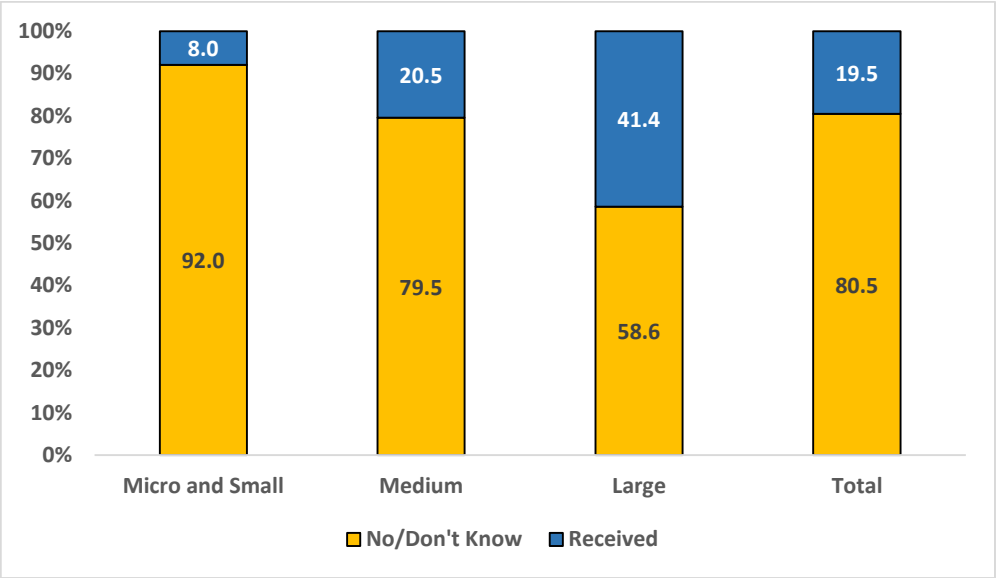
Figure 49: Percentage of firms receiving benefits by sub-sectors



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

There is a clear pattern between firm size and the status in availing the stimulus packages (Figure 50). In the case of the micro and small firms, only 8 per cent of the firms received the package. In contrast, 41.4 per cent of the surveyed large firms availed the benefits. 20.5 per cent of the medium firms received the benefits of the incentive packages.

Figure 50: Stimulus package receipt by firm sizes (%)



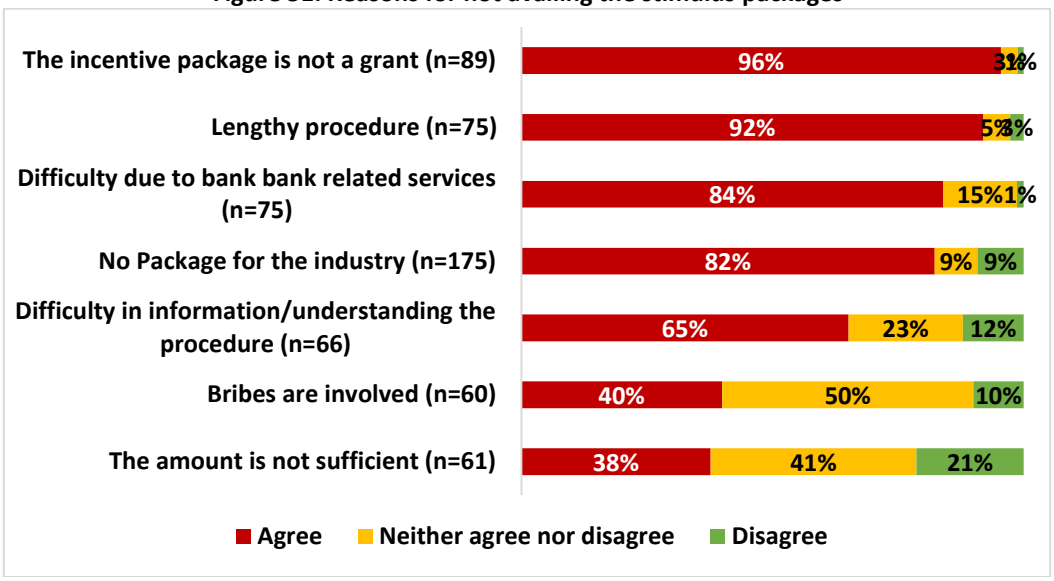
Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

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. Afterward, the five alternatives are further clustered into three: agree, neither agree nor disagree, and disagree (Figure 51).

Many of the respondents (96% of 89 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 (82% of 175 firms) identified that there were no packages for their industries. 75 firms who responded on the question of lengthy procedure, 92 per cent of them opined that the procedure delays in availing the stimulus package barred them from opting for it. Another 84 per cent of respondents (out of 75) replied that they did not avail 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 60 firms who responded on the question of bribes as a hindering factor –only 40 per cent agreed that it was one of the deterring reasons. Noteworthy to mention that, another 50 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 10 per cent. The response rate on this indicator could be downward biased as the respondents might not feel comfortable in answering questions on bribes/corruption.

Figure 51: Reasons for not availing the stimulus packages

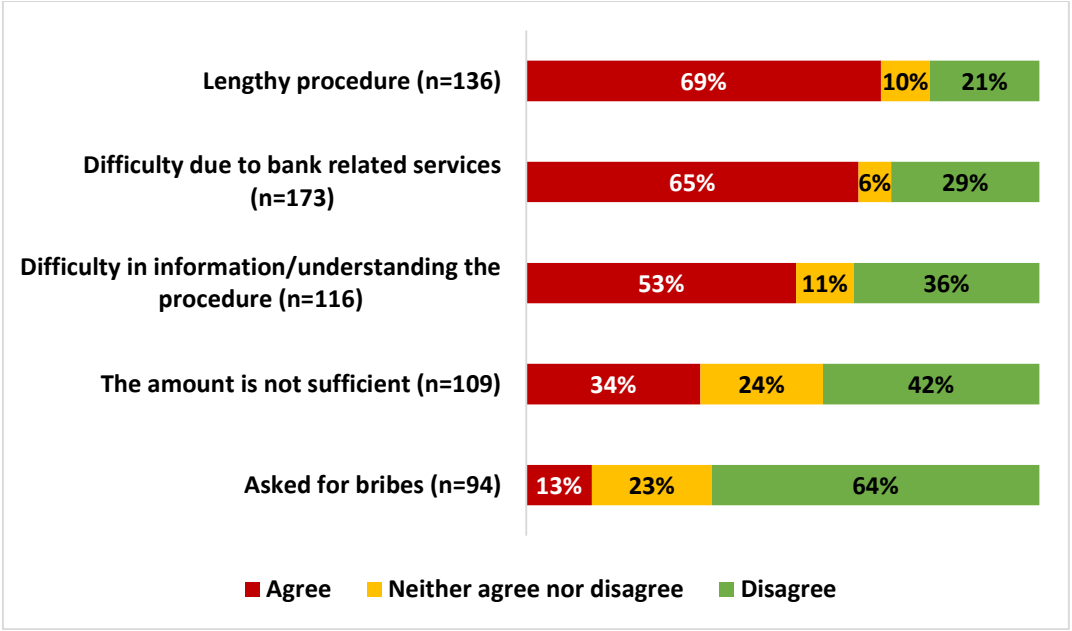


Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020
Note: n is the number of firms responded on that indicator; the respondeds were allowed to choose from one or more options listed in the figure.

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 52). 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 52: Problems in availing stimulus packages



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

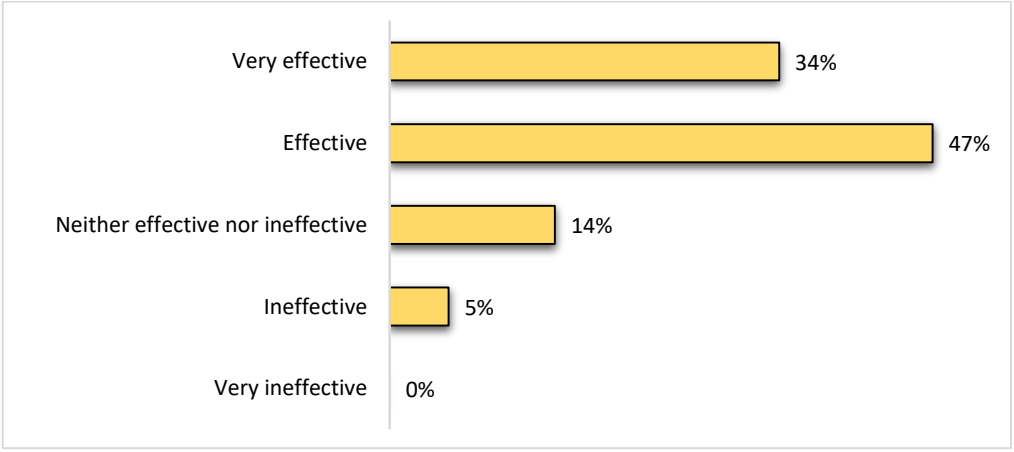
Out of the 136 respondents who replied to the question on 'lengthy procedure', 69 per cent marked it as a major problem. 'Difficulty in the bank related services' was identified as a major problem by 65 per cent of the respondents (out of 173). Around half of the respondents (out of 116) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems. 34 per cent of the respondents (out of 109) think that the amount of the announced stimulus package is not adequate. Only 13 per cent of the respondents (out of 94) 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 98 stimulus package recipient firms, 34 per cent viewed the packages as very effective, and another 47 per cent opined it as effective (Figure 53). Only 5 per cent of the recipients said the stimulus package was ineffective.

Figure 53: Effectiveness of the stimulus packages



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

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, firms who received the stimulus packages had on average greater business performance in terms of investment during July-September 2020 compared to April-June 2020 (Table 23). Moreover, these firms had a significantly better situation on the 'Sales/export order' indicator. However, these firms had a significantly worse situation on the 'Business costs' indicator (by almost 5.7 percentage points lower than the non-recipients).

Table 23: 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*	98	404	49.87	47.49	2.38	1.357	1.750	0.082
PBSI Profit	98	404	53.32	50.37	2.95	3.046	0.950	0.335
PBSI Investment***	98	404	54.85	49.01	5.84	1.956	3.000	0.004
PBSI Employment	98	404	49.75	47.09	2.65	1.854	1.450	0.155
PBSI Wages	98	404	51.53	49.69	1.84	1.424	1.300	0.198
PBSI Business Costs***	98	404	30.36	36.02	-5.66	1.955	-2.900	0.004
PBSI Sales/Exports**	98	404	59.44	52.79	6.65	2.845	2.350	0.021

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

In the case of the BCI indicators (Table 24), the stimulus package recipient firms' expectations regarding investment, employment, wages, 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 52). Most of the recipients of the stimulus packages are exporters (almost 77.6 per cent of all recipients). As has been noted in the previous section, the observed business outlook for the exporters is significantly bleaker than the non-exporters (see Table 17). 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. Also, as noted in Table 18, the Business Cost situation of the stimulus package recipients was six percentage points worse than the non-recipients. Therefore, even with the stimulus packages, the firms are less confident regarding these indicators in the October-December quarter primarily due to the second wave of the pandemic and its continued impact on the global trade.

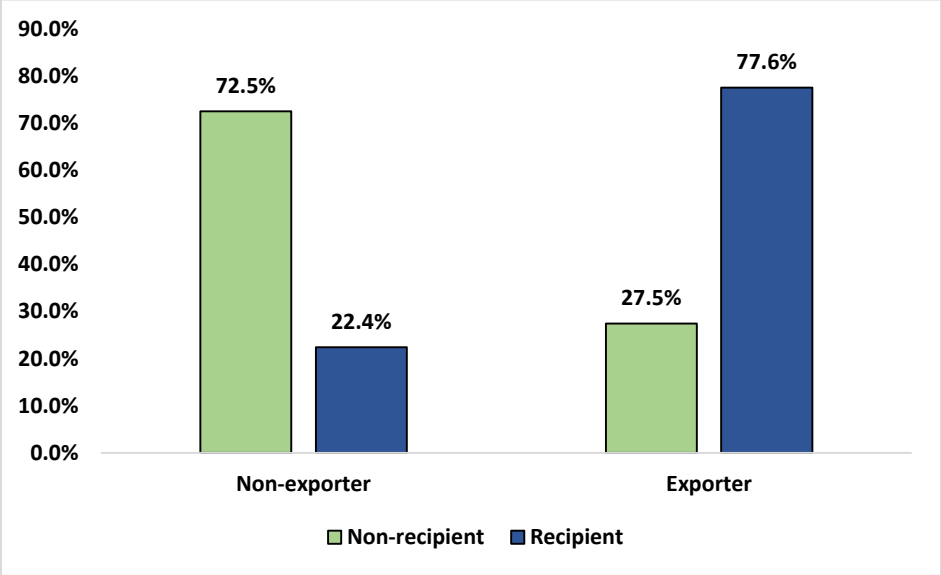
Table 24: t-test on the BCI score by the status of stimulus package receipt

PBSI Indicators	Obs (Recipient)	Obs (Non-Recipient)	Mean (Recipient)	Mean (Non-Recipient)	diff	Standard Error	t-value	p-value
BCI Firm***	98	404	57.61	54.66	2.95	1.089	2.700	0.007
BCI Profit	98	404	58.99	59.58	-0.59	0.593	-1.000	0.326
BCI Investment***	98	404	53.74	56.15	-2.41	0.427	-5.650	0.000
BCI Employment***	98	404	53.57	54.83	-1.25	0.227	-5.550	0.000
BCI Wages***	98	404	53.01	53.85	-0.84	0.195	-4.300	0.000
BCI Business Costs***	98	404	45.91	46.79	-0.88	0.302	-2.900	0.004
BCI Sales/Exports***	98	404	60.66	61.59	-0.93	0.312	-2.950	0.004

Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020
*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 in the wage indicator is observed 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 54: Stimulus package received by exporters and non-exporters



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

Overall Business Environment and Major Challenges in Doing Business

For years, Bangladesh has been facing severe challenges in many indicators related to trade and business logistics. During a pandemic like COVID-19, it is important to regularly monitor the overall business environment as well as challenges for doing business.[4]

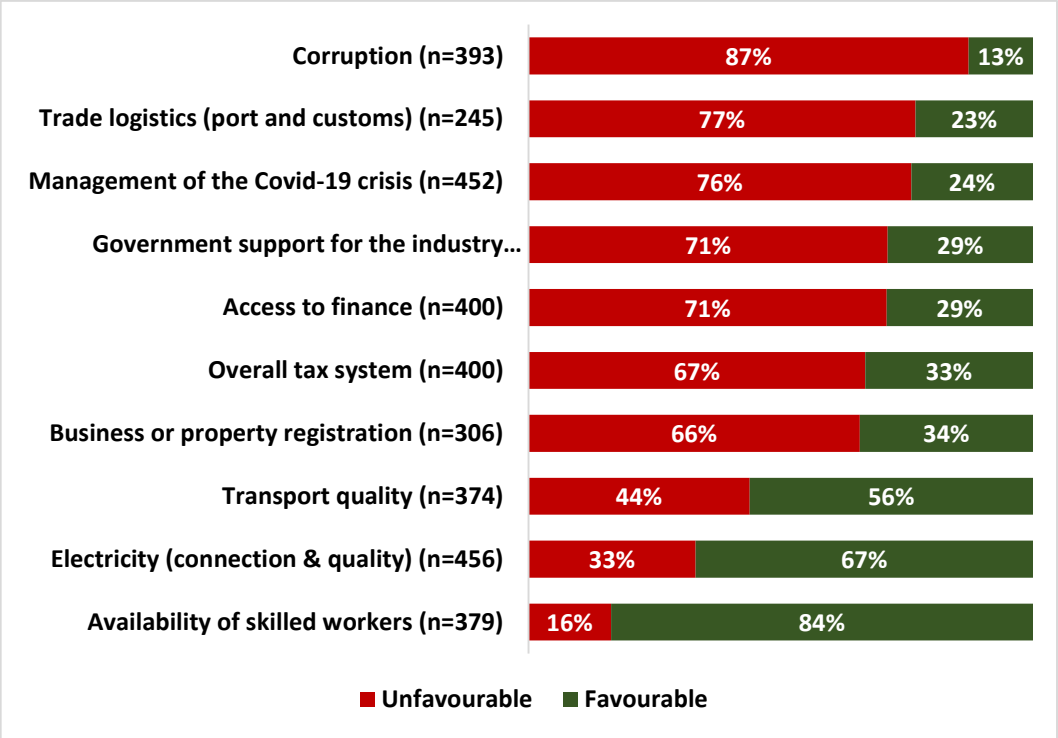
For a clear understanding of the overall business environment in the country during the pandemic, this survey provided some relevant key indicators to the respondents. For instance, the respondents were asked: "On a scale of 1 to 6, at present, how much favourable are the following indicators for your overall business performance?" Here 1 represented an extremely unfavourable situation, whereas 6 represented an extremely favourable situation. Thereafter, the study clustered the six alternatives into two broad categories: favourable and unfavourable (Figure 55).

Out of the 393 respondents who replied to the query on corruption, 87 per cent considered the present state of corruption as unfavourable to the businesses. Poor trade logistics related to port and customs were marked as unfavourable for doing business by 77 per cent of the respondents (out of 245). 76 per cent of the 452 respondents identified that Bangladesh's approach to 'managing the COVID-19 crisis' was unfavourable to the businesses. More than 60 per cent out of 400 respondents thinks that the present structure of the tax system is not favourable for doing business. In the case of access to finances, 71 per cent of the respondents (out of 400) find it unfavourable. Regarding business or property registration, 66 per cent of the firms (out of 306) considered it as unfavourable. There are a couple of indicators where most of the respondents think the overall condition is favourable to the businesses. For

[4] This survey uses the term 'doing businesses' to show the present condition of the businesses with regard to several key indicators. The term is not synonymous to the World Bank's 'Doing Business Indicators' which has a completely separate definition.

instance, in the case of transport quality, 56 per cent of the respondents (out of 374) think it is favourable to their businesses. Sixty-seven per cent of the respondents (out of 456) think that the present status of skilled workers' availability is favourable to their businesses. In the case of the electricity connection and quality, 84 per cent (out of 379) opined that the present state of electricity is favourable to doing businesses.

Figure 55: Major challenges in doing business



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

When catered to the major challenges faced by the businesses by industries (i.e. Manufacturing and Services), a couple of interesting patterns are evident (Figure 56 and Figure 57). For both industries, corruption tops the list in terms of the percentage of respondents who think it is unfavourable. For the manufacturing sector, the other top five challenges faced by the businesses are corruption (92%), trade logistics related to port and customs facilities (78%), the overall structure of the tax system (68%), management of the covid-19 crisis (76%), access to finance (72%), and overall government support for the industry (67%). In the case of the services sector, apart from corruptions, the other top five challenges faced by the businesses are (Figure 55): lack of overall government support for the industry (76%), management of the covid-19 crisis (76%), trade logistics (75%), access to finances (70%), and overall tax structure system (65%).

Figure 56: Major challenges faced by the Manufacturing sector firms

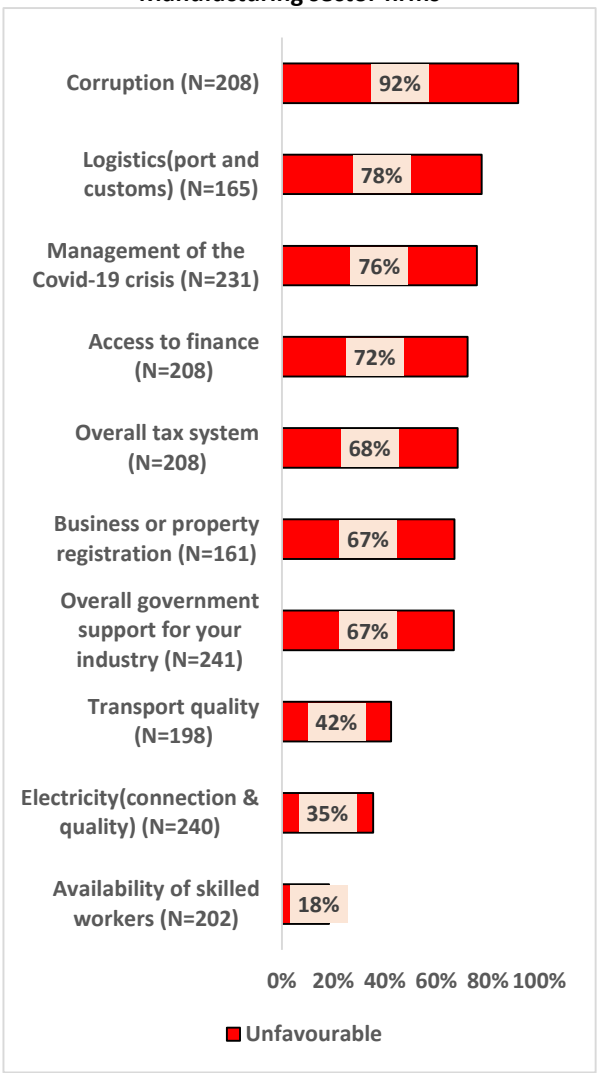
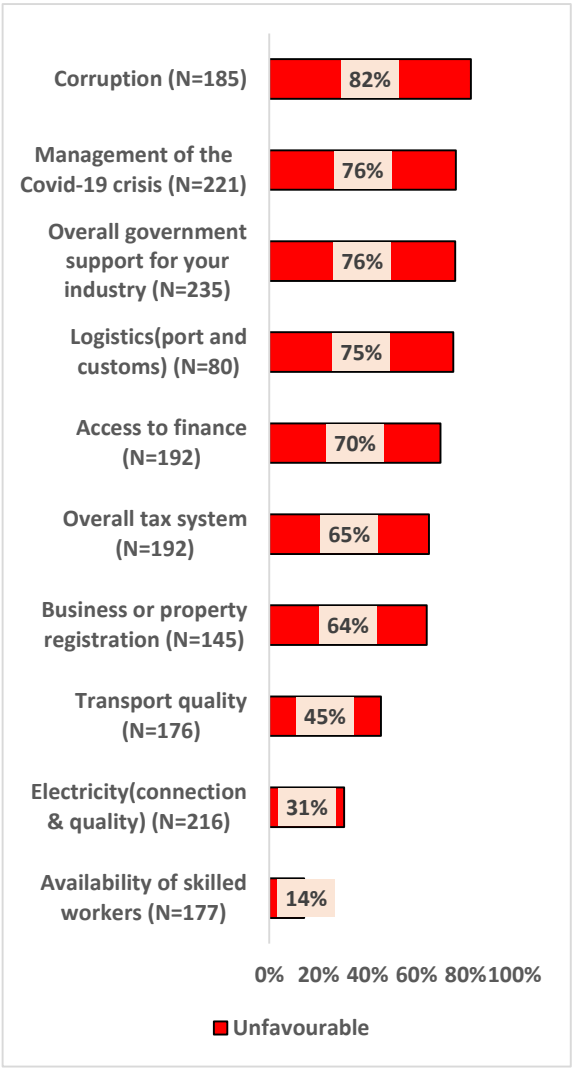


Figure 57: Major challenges faced by the Services sector firms



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

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 25), the most important priority areas could be identified as (i) ease of finances, (ii) improvement of the access as well as the quality of the utility services, (iii) further increase in the inventive packages for the industries to combat the COVID-19 pandemic, (iv) improved trade logistics, (v) ensuring skilled manpower, and (vi) reduction of import tariffs on raw materials, etc.

In the case of the Services sector (Table 26), the top priorities identified by the businesses are: (i) Eased access to utility services and quality of utility services, (ii) ensuring skill manpower, (iii) increased government support for combating the COVID-19 crisis, (iv) improved quality of transport and trade logistics, and (v) eased property registration procedure.

Table 25: Three most important areas where the government should prioritize its policies (in the case of the manufacturing sector)

	Indicators	First Priority Area (%)	Second Priority Area (%)	Third Priority Area (%)
Manufacturing Sector	Ease access to finance (N=114)	71.9	15.8	12.3
	Ease the access to Utility services (N=26)	46.2	46.2	7.7
	Provide/increase incentive packages to combat COVID-19 (N=102)	37.3	31.4	31.4
	Improve customs management at ports (N=74)	33.8	35.1	31.1
	Ensure skilled manpower (N=28)	25.0	32.1	42.9
	Reduce import tariffs for raw materials (N=29)	24.1	37.9	37.9
	Improve the quality of road transport/transport logistics (N=47)	21.3	36.2	42.6
	Ease the property registration procedure (N=15)	20.0	53.3	26.7
	Increase port-handling capacity for export and import (N=31)	19.4	41.9	38.7
	Provide duty drawback or direct cash incentive for exporters of your sector (N=40)	15.0	40.0	45.0
	Reduce export & import procedural delays (N=39)	12.8	38.5	48.7
	Provide the bonded warehouse facility to your sector (N=8)	12.5	25.0	62.5
	Improve the quality of utility services (N=59)	8.5	66.1	25.4
	Others (N=77)	62.3	14.3	23.4

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

Table 26: Three most important areas where the government should prioritize its policies (in the case of services sector)

	Indicators	First Priority Area (%)	Second Priority Area (%)	Third Priority Area (%)
Services sector	Ease access to finance (N=138)	64.5	23.9	11.6
	Ensure skilled manpower (N=29)	41.4	24.1	34.5
	Provide/increase incentive packages to combat COVID-19 (N=120)	35.8	33.3	30.8
	Reduce import tariffs for raw materials (N=9)	33.3	44.4	22.2
	Increase port-handling capacity for export and import (N=9)	33.3	44.4	22.2
	Provide the bonded warehouse facility to your sector (N=7)	28.6	57.1	14.3
	Improve the quality of utility services (N=46)	28.3	54.3	17.4
	Ease the access to Utility services (N=30)	26.7	43.3	30.0
	Reduce export & import procedural delays (N=15)	26.7	26.7	46.7
	Improve customs management at ports (N=21)	23.8	33.3	42.9
	Improve the quality of road transport/transport logistics (N=75)	22.7	44.0	33.3
	Provide duty drawback or direct cash incentive for exporters of your sector (N=15)	20.0	40.0	40.0
	Ease the property registration procedure (N=36)	13.9	41.7	44.4
	Others (N=82)	56.1	20.7	23.2

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

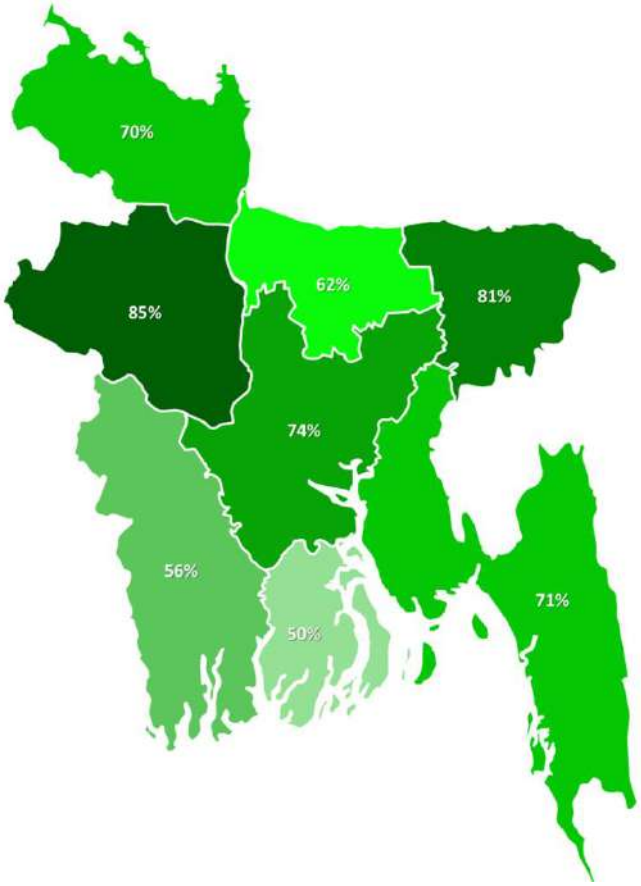
Section V: Perceptions Towards Economic Recovery

Most of the countries are facing an economic contraction due to the coronavirus crisis. 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 a number of 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 second 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% of the respondents replied that the economy is moving towards recovery. However, the response is not uniform across the divisions (Map 4). Firms from the northern regions are relatively more optimistic regarding economic recovery than the southern regions' firms. There are also some interesting patterns in optimism between firms from the manufacturing and the services sectors.

Map 4: Percentage of firm's perception on economic recovery by Divisions



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

Seventy-one per cent of the firms in the manufacturing sector (252 Firms) are optimistic about the economic recovery (Table 27). Among the manufacturing Sub-sectors, Textiles showed the most optimism. 84.4 per cent of the surveyed Textile firms think that the economy is moving towards recovery. This expectation has been shared by 68.7 per cent RMG firms, 66.7 per cent Pharmaceutical firms, 60 per cent of the Leather and Tannery firms, amongst others.

Table 27: Firm's recovery status in the manufacturing sector

	Recovery status of firms (number)			Recovery status of firms (per cent)		
Firm	**Yes**	**No**	**Total**	**Yes**	**No**	**Total**
Ready Made Garments	57	26	83	68.7%	31.3%	100.0%
Textiles	38	7	45	84.4%	15.6%	100.0%
Leather and Tannery	12	8	20	60.0%	40.0%	100.0%
Pharmaceuticals and Chemicals	16	8	24	66.7%	33.3%	100.0%
Food Processing	30	10	40	75.0%	25.0%	100.0%
Electronics and Light Engineering	14	9	23	60.9%	39.1%	100.0%
Other Manufacturing	12	5	17	70.6%	29.4%	100.0%
Total	179	73	252	71.0%	29.0%	100.0%

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

Likewise, to the manufacturing sector, 70.8 per cent of the service sector firms are optimistic about economic recovery (Table 28). The most optimistic firms in the service sector are Financial Sector and Wholesale: In Financial Sector, 85.7 per cent of surveyed firms are optimistic about the economic recovery whereas, in the case of Wholesale and Real Estate, these rates are 74.3 and 72.1 per cent respectively. Among the Service Sub-sectors, Transportation and ICT &Telecommunication are less optimistic: In Transportation, 60 per cent of the surveyed firms are optimistic about the positive economic recovery whereas, in the case of ICT and Telecommunication, the rate is 64 per cent.

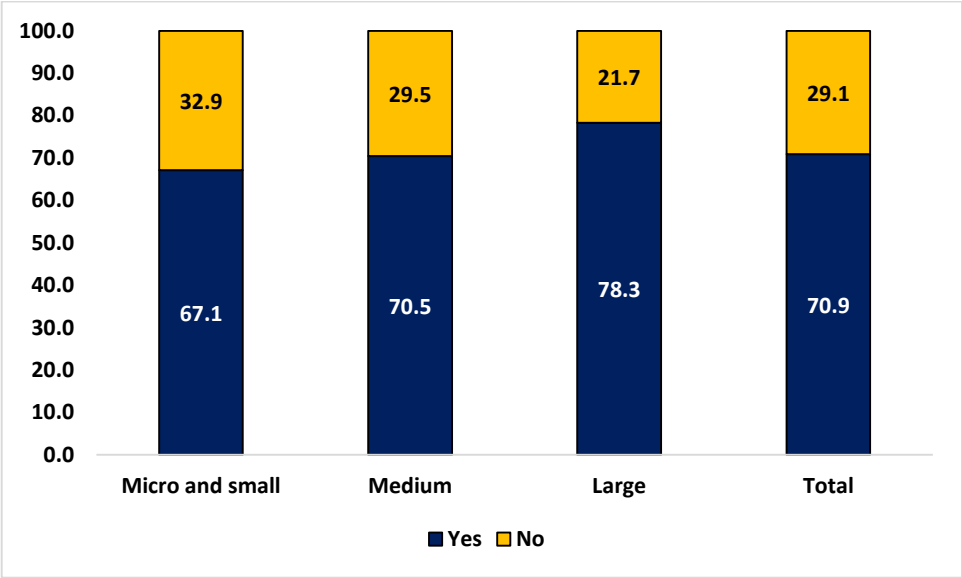
Table 28: Firm's recovery status in the services sector

	Recovery status of firms (number)			Recovery status of firms (per cent)		
Firm	**Yes**	**No**	**Total**	**Yes**	**No**	**Total**
Wholesale	26	9	35	74.3%	25.7%	100.0%
Retailer	29	14	43	67.4%	32.6%	100.0%
Restaurant	12	6	18	66.7%	33.3%	100.0%
Transport	24	16	40	60.0%	40.0%	100.0%
ICT and Telecommunication	16	9	25	64.0%	36.0%	100.0%
Financial Sector	24	4	28	85.7%	14.3%	100.0%
Real Estate	31	12	43	72.1%	27.9%	100.0%
Other services	15	3	18	83.3%	16.7%	100.0%
Total	177	73	250	70.8%	29.2%	100.0%

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

There is a clear pattern between firm size and the perception of the economic recovery of the surveyed firms. Large and medium firms are more optimistic than micro and small firms. 78.3 per cent of the surveyed large firms perceive that the economy is moving towards recovery in contrast to micro and small firms where 67.1 per cent of the firms perceive likewise.

Figure 58: Economic recovery by firm sizes

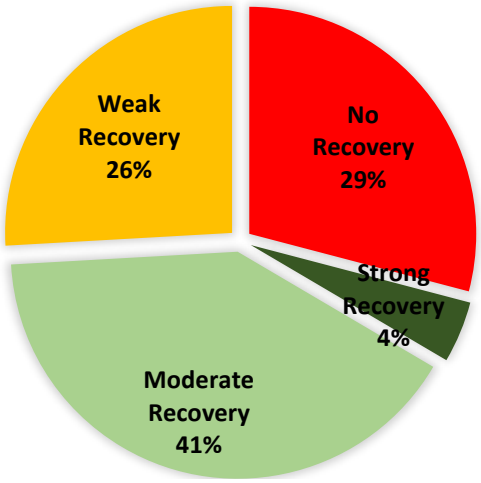


Source: Authors' estimation based on SANEM BCI (second round) Survey, 2020

Type of Economic Recovery

The 502 firms who participated in the survey were asked about the current economic recovery in Bangladesh (Figure 59). The respondents were asked to choose from four alternatives: strong recovery, moderate recovery, weak recovery, and no recovery. Among 502 surveyed firms, only 4 per cent of the firms replied that they had observed a strong recovery. Twenty-six per cent of the firms perceive weak economic recovery, whereas 41 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 yet.

Figure 59: Type of economic recovery



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

In the manufacturing sector, most of the firms opined that there is a moderate economic recovery. Only 5 per cent of the surveyed manufacturing firms expected a strong economic recovery, and on the other hand, 25 per cent of the surveyed firms think the economic

recovery could be weak. Twenty-nine per cent of the survey manufacturing firms opined that there is no sign of economic recovery yet.

Table 29: Type of economic recovery in the manufacturing sector (% of total manufacturing firms surveyed)

Firm	Strong	Moderate	Weak	No recovery	Total
Ready Made Garment (RMG)	4%	49%	16%	31%	100%
Textiles	4%	53%	27%	16%	100%
Leather and Tannery	5%	30%	25%	40%	100%
Pharmaceuticals & Chemicals	4%	46%	17%	33%	100%
Food Processing	3%	33%	40%	25%	100%
Electronics and Light Engineering	17%	17%	26%	39%	100%
Other Manufacturing	0%	35%	35%	29%	100%
Total	5%	42%	25%	29%	100%

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

Like the manufacturing sector, most of the surveyed firms in the service sector are optimistic about the moderate economic recovery: 40 per cent of the surveyed firms exposed their opinion about a moderate recovery. Only 4 per cent of the surveyed firms exposed their opinion about the strong recovery, and on the other hand, 27 per cent of the firms replied that they had observed a weak economic recovery. Twenty-nine per cent of the firms replied that they had observed no economic recovery.

Table 30: Type of economic recovery in the services sector (% of total services sector firms surveyed)

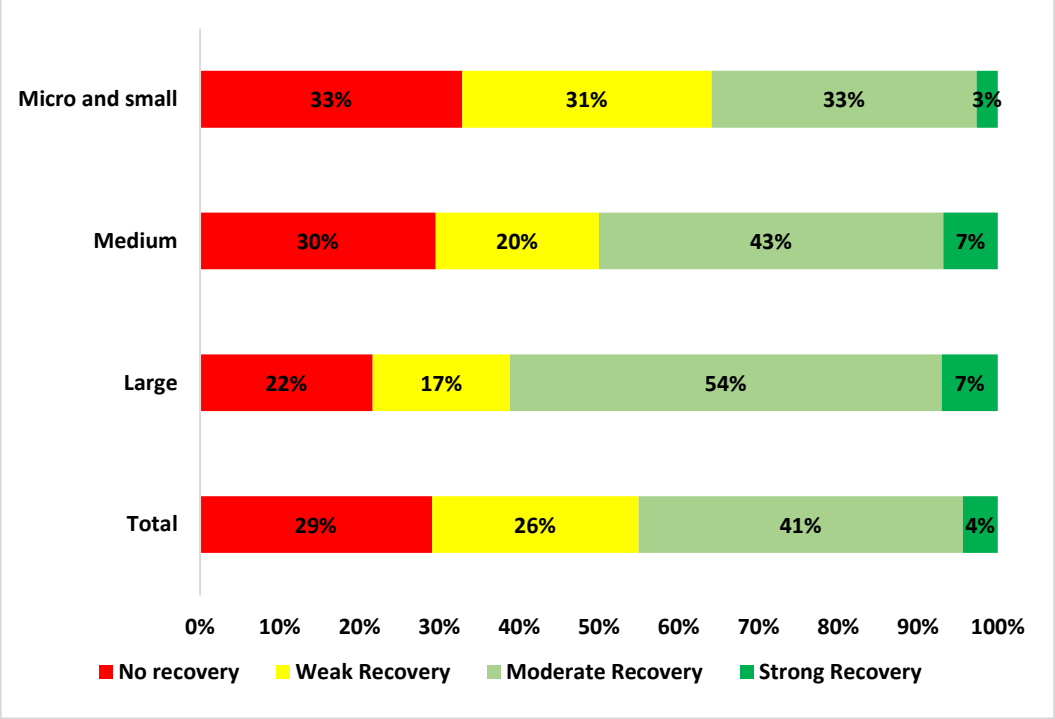
Firm	Strong	Moderate	Weak	No recovery	Total
Wholesale	3%	34%	37%	26%	100%
Retailer	2%	42%	23%	33%	100%
Restaurant	11%	17%	39%	33%	100%
Transport	3%	38%	20%	40%	100%
ICT and Telecommunication	0%	36%	28%	36%	100%
Financial Sector	14%	64%	7%	14%	100%
Real Estate	2%	35%	35%	28%	100%
Other services	0%	50%	33%	17%	100%
Total	4%	40%	27%	29%	100%

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

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 those with lower BCI and PBSI scores. Second, although the businesses resumed in May, the lack of confidence regarding economic recovery could be entirely due to the continued turmoil in the global trade and lack of investment motives among the business enterprises. Lastly, based on the findings, it can be argued that sectors with the least confidence should be given the most emphasis in the coming rounds of the stimulus packages to revive the business morale.

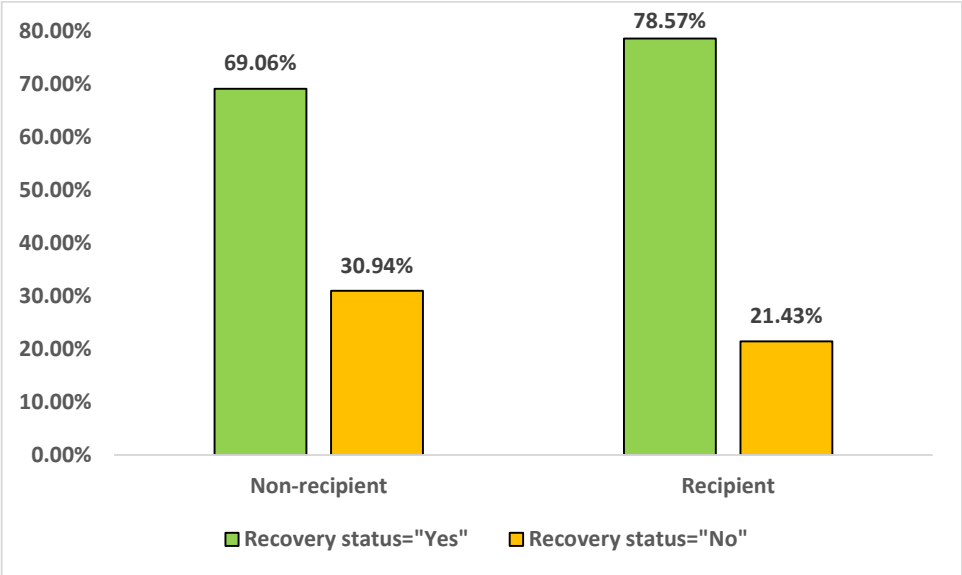
There is also a pattern between firm size and expectations on the type of economic recovery. Large firms and medium firms are more optimistic about moderate or strong economic recovery than the micro and small firms.

Figure 60: Type of economic recovery by firm sizes



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

Figure 61: Stimulus package receipt by economic recovery status



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

It can also be observed that the recipients of stimulus packages are more optimistic than the non-recipient firms (Figure 61). This might be one of the reasons why large and medium firms are 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.

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-VI: Conclusion and Policy Recommendations

In the face of the ongoing rampage by the COVID-19 pandemic economic adversities and uncertainties 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. 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 three indices, namely – (i) Present Business Status Index in July-September 2020 compared to April-June 2019, (ii) Present Business Status Index in July-September 2020 compared to July-September 2019, and (iii) Business Confidence Index for October-December 2020 compared to July-September 2020. 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 visible improvements in overall business status in July-September 2020 compared to the business status in April-June 2020. However, compared to the status in the same quarter of 2019, recovery is slow. Sectors are experiencing recovering at varying paces. Faster recovery is taking place in RMG, textile, pharma, food processing, retail, restaurants, financing sector, ICT. Slower recovery is being observed in leather, light engineering, wholesale, transport, and real estate.

The business confidence for October-December 2020 shows some improvement over business confidence in April-June 2020. The improvement is visible in all sub-components of BCI. But still, the overall BCI is low. At the sectoral level, despite the improvement, leather still demonstrates BCI of less than 50. BCIs in other sectors are in the range between 50 and 60.

Regarding the reach of the stimulus package, only 28 per cent of the surveyed firms have received some form of the stimulus package. Like in the first round of the survey, the major areas of challenges include unavailability of the package for the industry, lengthy procedure, difficulty in bank-related services, and difficulty in the information. There has not been any improvement in these areas. For a quicker and stronger economic recovery, effective implementation of the stimulus package is critically important.

Also, as demonstrated in the first round of the survey, no major improvement is seen in the case of the business cost. Indeed, many firms reported increased costs of the business in the second round of the survey. Corruption, poor trade logistics, unfavourable tax system, access to finance, and ineffective management of the COVID-19 health crisis appear to be other major challenges.

In this round of the survey, a new section was included in the perception of economic recovery. While 71% of the surveyed firms think that Bangladesh is on the path to economic recovery, only 6% of them consider it as a strong recovery, and 57% and 37% think it as moderate and weak recovery respectively.

Based on the survey findings, this report, therefore suggests the following sets of recommendations to be adopted with priority:

Conducting an appropriate assessment for the effective implementation of the stimulus packages: It is important to assess the effectiveness of the stimulus packages, and bring on any required modifications. A mere announcement of the stimulus packages will not be a sufficient measure to aid businesses to overcome the negative effects of the ongoing pandemic. Though the GOB made a timely release of the funds, businesses 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 of the proper implementation of the stimulus packages to identify the ineffectiveness in the processes and institutional arrangements.

Implementation of the special financial packages for startups: As evident in the BCI second round of the survey, the small and micro enterprises are the least optimistic about possible economic recovery. To enable the sustainability and survival of the small and medium startup enterprises and the micro firms, it is essential that the GOB should provide special funds and favourable tax and VAT exemptions if required. This requires greater fiscal management on the part of the government.

Adopting policies for attracting FDIs in the country: Attracting foreign direct investment could be a crucial strategy for retaining and ensuring a smooth transition to economic recovery in the post-pandemic period. This would require regulatory reforms as well innovative means to generate FDIs in the post-pandemic era, such as in the production and exports of medicines, health safety equipment, and ICT products. If accompanied by policy linkages between trade and investment, Bangladesh can benefit in the long run from export diversification, export market expansion as well as higher intra-regional trade and investment in the South Asian region.

Better implementation of the stimulus packages for the SMEs sector: As observed in the survey, SMEs were least successful in availing of 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 stimulus packages should be expanded and modified with a long-term plan to revive the SME sector of the country.

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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 small and medium enterprises. In many cases, the incentive packages have only been disbursed to the existing customers. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the small and medium enterprises. Moreover, many business entities in Bangladesh remain outside of the formal banking system. Bangladesh Bank 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.

Annexe: 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 the first round of the business confidence survey in July, 2020. Based on the survey responses, a workshop was arranged on August, 2020, and a report was published as well which was communicated to renowned economists and policy makers in the country. We will now conduct the second round of the survey, which will begin on 12 October, 2020 and will be completed by 25 October, 2020. This round is very crucial to compare the opinions of business community with the previous round, 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 that your 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. Others

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 (>> 9; 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 of 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 his 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 July to September (2020) compared to April to June (2020)?

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

Q.2.2 How was your profit in July to September 2020 compared to July to September2019?

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

Q.2.3 Compared to July-September (2020), what is your expectation about profit in October-December (2020)?

- 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 his 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 July to September (2020) compared to April to June (2020)?

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

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

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

Q.3.3 Compared to July-September (2020), what is your expectation about investment scenario in October-December (2020)?

- 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 his 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 (October 2020)? (Record in number)

Q.4.2 How many of the permanent employees are females (October 2020)? (Record in number)

Q.4.3 How was your overall employment scenario in your organization in July to September (2020) compared to April to June (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 July to September (2020) compared to July to September (2019)?

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

Q.4.5 Compared July-September (2020), what is your expectation about overall employment scenario in your organization in October-December (2020)?

- 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 his 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 July to September (2020) compared to April to June (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 July to September (2020) compared to July to September (2019)?

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

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

- 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 his 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 July to September (2020) compared to April to June (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 July to September (2020) compared to July to September (2019)?

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

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

- 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 his 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?

Q.7.2 How was your sales/export order in July to September (2020) compared to April to June (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 July to September (2020) compared to July to September (2019)?

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

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

- 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 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 the stimulus package? [Select one]

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

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

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

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 basically a loan with 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 prioritise its policies? (Answer briefly) [Select the THREE Most Priority Areas]

1. Ease access to finance
2. Ensure skilled manpower
3. Ease the 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 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.

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