August 2020

COVID-19 AND BUSINESS CONFIDENCE IN BANGLADESH

Results from the Firm-level Survey in July 2020

Selim Raihan

Mahtab Uddin

Md. Tuhin Ahmed

Jonaed

Fabiha Bushra Khan

SANEM
RESEARCH | KNOWLEDGE | DEVELOPMENT

The Asia Foundation

COVID-19 and Business Confidence in Bangladesh: Results from the Firm-level Survey in July 2020

August 2020

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

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

Md. Tuhin Ahmed
Research Associate, SANEM

Jonaed
Research Associate, SANEM

Fabiha Bushra Khan
Research Associate, SANEM

The Survey has been conducted by the South Asian Network on Economic Modeling (SANEM) in collaboration with the Asia Foundation (TAF). The authors acknowledge valuable research supports received from Sk Ashibur Rahman (Assistant Director, Admin, SANEM) Shoaib Ahamad (Programme Associate, SANEM) and Jabunnaher (Research Assistant, SANEM) in conducting the survey and preparing this report.

Published in August 2020

Citation: Raihan, S., Uddin, M., Ahmed, M.T., Jonaed., & Khan, F.B. (2020). "COVID-19 and Business Confidence in Bangladesh: Results from the Firm-level Survey in July 2020", SANEM Publications, Dhaka, Bangladesh.

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

With supports from The Asia Foundation

Cover Design: Nayeem Rahman Khan

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

ISBN Number
978-984-34-9379-8

Table of Contents

List of Tables

List of Maps

List of Figures

Acronyms and Abbreviations

BBS	*Bangladesh Bureau of Statistics*
BBSEC	*Bangladesh Bureau of Statistics Economic Census*
BCI	*Business Confidence Index*
BCS	*Business Confidence Survey*
BGMEA	*Bangladesh Garment Manufacturers and Exporters Association*
BiLSTM	*Bidirectional Long Short-Term Memory*
BKEMA	*Bangladesh Knitwear Manufacturers and Exporters Association*
BTMA	*Bangladesh Textile Mills Association*
BTS	*Business Tendency Survey*
BUILD	*Business Initiative Leading Development*
CBRT	*Central Bank of the Republic of Turkey*
CCI	*Consumer Confidence Index*
EPZ	*Export Processing Zone*
EU	*European Union*
GDP	*Gross Domestic Product*
GoB	*Government of Bangladesh*
GVA	*Gross Value Addition*
HEI	*Harmonized Expectation Indicator*
ICS	*Index of Consumer Sentiment*
ICT	*Information and Communications Technology*
ID	*Identity*
MSMEs	*Micro, Small and Medium Enterprises*
NAS	*National Accounts Statistics*
NIP	*National Industrial Policy*
OECD	*Organization for Economic Co-operation and Development*
PBSI	*Present Business Status Index*
PCI	*Private Consumption Index*
PII	*Private Invest Index*
RMG	*Ready Made Garments*
SANEM	*South Asian Network on Economic Modeling*
SEZ	*Special Economic Zone*
SME	*Small and Medium Enterprises*
TAF	*The Asia Foundation*
TPE	*Total Persons Engaged*

Executive Summary

The global pandemic has slowed down economic activities across the world. Bangladesh is also experiencing economic downturns fuelled by the crisis. During such economic downturns, a close monitoring of the private sector is warranted as recovery from downturns 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. A critical and thorough assessment of the businesses is required to gauge the gaps in policies and expectations from the business communities. Against this backdrop, SANEM and The Asia Foundation jointly conducted a survey on over 300 firms in Bangladesh in attempts to investigate attitudes and expectation of businesses on profitability, investment, wages, employment, business costs, sales or exports, stimulus packages, amongst others.

Out of the 303 firms surveyed under this study, 153 firms were from manufacturing sector and 150 firms were from 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 were 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 April-June 2020 compared to April-June 2019, (ii) Present Business Status Index in April-June 2020 compared to January-March 2019, and (iii) Business Confidence Index for July-September 2020 compared to April-June 2020. The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights.

Major Findings

The overall business status in April-June 2020 was extremely poor. The overall PBSI for April-June 2020 compared to the corresponding quarter of the previous year stands at 26.44. When compared to the last quarter (January-March 2020), the Present Business Status Index (PBSI) for April-June 2020 is found 29.48. Noteworthily all indicators of PBSI (over last year & last quarter) are below 50, indicating that the status of the business in April to June 2020 compared to April to June 2019 or January to March 2020 was significantly worse. Two sub-indicators for both indices – (i) profitability, and (ii) sales/export orders had the lowest scores.

With regard to sectoral business status in April-June 2020, the worst performers are the RMG, leather, light engineering, wholesale and restaurant, while the better performers are pharmaceuticals and financial sector. Although all sub-sectors for April-June 2020 suffered, pharmaceuticals and financial sub-sector performed better amongst others. The PBSI over the past year and the last quarter for pharmaceuticals sector are 38.97 and 40.69, respectively, and for financial sector are 39.72 and 42.50, respectively. Compared to other sectors (such as RMG or Leather and Tannery) the PBSI on profitability, investment, or sales and exports in the pharmaceutical as well as in the financial sector was higher by several folds.

It shows, although the overall business situation for both sector can be termed as 'worse' compared to the reference quarter (January-March 2020 or April-June 2019), however, in comparison to other sectors, the scores are significantly higher for the pharmaceutical, and financial sectors.

The business confidence for July-September 2020 shows some improvement over business status in April-June 2020. The Business Confidence Index (BCI) for July-September 2020 stands at 51.06. It suggests, on average business, enterprises are somewhat optimistic regarding their business performance in the next quarter (July-September 2020) compared to the last quarter (April to June 2020); although the level of such positive expectation can be said extremely minimal.

Compared to the manufacturing sub-sectors, firms from the services sectors are more optimistic regarding the business condition in the quarter of July-September 2020. Despite improvement in overall business confidence for July-September 2020, some manufacturing sub-sectors like RMG, leather, light engineering, and other manufacturing demonstrate BCI less than 50. These sectors are pessimistic regarding the improvement in the overall business scenario in Jul-September 2020 over April-June 2020. However, the major improvement in sectoral business confidence for July-September 2020 is seen for textile & pharmaceuticals from manufacturing sector, and all sub-sectors from services sector as their BCIs are above 50.

On an average, the large firms performed better 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 by three percentage points. The overall PBSI scores (on both indicators) is also higher for the large firms compared to the MSMEs.

The BCI and PBSI scores of the exporting firms are significantly lower than the non-exporting firms on several indicators. In case of investment, the exporting firms had 5.6 percentage points lower score on the PBSI scale. That is, exporters had worse investment scenario in April-June 2020 compared to January-March 2020 than the non-exporters. In the case of the BCI indicators, the exporters have significantly lower confidence regarding profitability, investment, and overall business cost compared to the non-exporters for the July-September 2020. That is, the exporters are relatively less optimistic on these indicators compared to the non-exporters.

Only one-third of the surveyed firms acquired the stimulus packages announced by the Government of Bangladesh. Around 33.7 per cent per cent of the respondent said their firm received the stimulus package announced by the GoB. Another 55.4 per cent of the respondents replied that they did not avail the package. Some of the respondents (around 10.9%) were not sure whether their firm received the stimulus package benefit or not.

There is a large divide in receiving the stimulus packages between manufacturing and services sector. Amongst the firms who received the stimulus packages (102 firms out of 303 surveyed firms), 80 per cent are from the manufacturing sector, while only 20 per cent are from services sector. In total, out of the 153 firms surveyed in the manufacturing sector, 53.6

per cent of the firms replied that they received the GoB announced stimulus packages. In the case of the services sector, only 13.3 per cent of the surveyed firms availed 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 18.4 per cent of the firms received the package. With regard to medium firms, around 42.3 per cent firms acquired the package. In contrast, 57.3 per cent of the surveyed large firms availed the benefits.

The distribution of the firms with stimulus packages is not uniform across divisions. Around half of the firms surveyed in Dhaka responded that they received the stimulus package. In Chittagong, 40 per cent of the surveyed firms received the package. This rate is around 23-24 per cent for Rajshahi, Rangpur, and Mymensingh. The lowest proportion of firms with stimulus packages is observed for Sylhet (17%) and Barishal (19%) divisions.

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. Many of the respondents (around 122 firms) opined that the reason for not availing the stimulus package is it is not a grant rather a loan with soft terms. Several firms (31 firms) identified that there were no packages for their industries. Around 34 firms responded that the lengthy procedure in availing the stimulus package barred them from opting it. Around 39 firms responded 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.

The firms who acquired the packages identified problems such as lengthy procedure, difficulty related to bank services, lack of information or difficulty in understanding the procedure, etc. as major problems faced. Around 64 per cent of the respondents (out of 83) marked lengthy procedure as a major problem. 'Difficulty in the bank related services' was identified as a major problem by 61 per cent of the respondents (out of 90). Around half of the respondents (out of 85) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems.

The firms who availed the stimulus packages remarked the packages as effective in improving their business situation. Out of the 102 stimulus package recipients, 47 per cent viewed the packages as very effective, and another 40 per cent opined it as effective. Only 6 per cent of the recipients said the stimulus package was not effective at all.

The firms who received the stimulus packages have a significantly better situation with respect to workers' wages indicator on the PBSI score. In the case of PBSI, firms who received the stimulus packages had on average lower business performance in terms of profitability during April-June 2020 compared to January-March 2020. However, these firms had a significantly better situation on the 'wage' indicator (by almost 4.6 percentage points higher than the non-recipients). It must be noted that a large portion of the announced stimulus

packages was designated for employees' wages. That might have significantly contributed to the recipient firms' overall performance on the workers' wage indicator.

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 88 per cent of the respondents (out of 210). Poor trade logistics related to port and customs were marked as unfavourable for doing business by 71% of the respondents (out of 129). 70 per cent of the 259 respondents identified that Bangladesh's approach to 'managing the COVID-19 crisis' as unfavourable to the businesses. More than 60 per cent out of 230 respondents thinks that the present structure of the tax system is not favourable for doing businesses. In the case of access to finances, 59 per cent of the respondents (out of 227) finds it unfavourable.

Policy Implications

Planned management of the COVID-19 induced health crisis is essential: A centralized approach to managing the crisis, especially the effect of the pandemic on national health status is required. If not properly managed it will have chain effects on consumption expenditures, investment expenditures as well as output and GDP growth in the long-run.

Adopting a sustainable recovery plan for the economy to come out of the COVID-19 pandemic induced crisis: Bangladesh should undertake a remedial policy plan over the medium to long term. The plan should specify the areas where the Government should commit to further policy deepening. A reference point for such specific policy deepening can be taken from the priority areas identified in this study.

Adopting policies for attracting FDIs in the country: Relying on the domestic private investment will not be sufficient enough for Bangladesh in attaining as well as sustaining a higher growth trajectory. Many foreign investments are now diverting from China to other destinations due to the recent development in the global trade situation. Bangladesh needs to upscale its logistics and other institutions as well as infrastructural supports.

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

Easing the business environment: Bangladesh needs to improve the overall business environment in the country. The property registration system needs to be eased. There are a couple of essential utility services where further improvement is essential. Over the years, the problem of access to electricity has largely been resolved. However, the quality of the supplied electricity is still a concern. Other utility services (such as water and gas) needs improvement in quality as well. With regard to trade and other logistics, Bangladesh needs a revamped action for eradicating the trade logistics barriers (such as procedural delays, time to export/import, etc.). Above all, corruption in the country needs a stronghold for sustainable development in the future.

Devising a monitoring and evaluation (M&E) framework for keeping a tab on the stimulus packages: Although the Government of Bangladesh announced the incentive packages, there is no widely available information on how many firms availed those packages, what problems they faced, or what is the update on the stimulus packages. The GoB needs to devise a M&E framework in monitoring the progress in disbursing the stimulus packages. The framework should encapsulate possible barriers as well as challenges being faced by the firms.

Easing the disbursement of the stimulus packages from the banking sector: The Bangladesh Bank needs to provide a guideline to the Banks in disbursing the loans to the small and medium enterprises as the banks are less interested in disbursing the incentive packages to the small and medium enterprises. Moreover, a large number of business entities in Bangladesh remains outside of the formal banking system. The central bank of the country can undertake necessary measures in collaboration with the NBR in devising a policy so that all business enterprises come under the financial sector network. Careful observation is required in identifying where the customers are facing problems and how to overcome those challenges.

Effective implementation of the stimulus packages: As has been identified in the report, a large number of the respondents from the survey remarked that the information regarding the stimulus packages was not appropriately available. The unavailability of proper instruction on how to avail the packages was one of the major constraints. Therefore, information on how to avail the stimulus packages needs to be well disseminated in all relevant business forums.

Section I: Introduction

Unlike no time before, economies around the world are facing an unprecedented crisis. Bangladesh is no different. Many national and international agencies forecasted Bangladesh's GDP growth rate to be between 1.6 to 3.8 per cent in the FY2020-21 in contrast to the Government of Bangladesh's (GoB) expectation of 8.2 per cent. To tackle the economic challenges sparked by the COVID-19 pandemic, the GoB has already announced a comprehensive stimulus package for Agriculture, Manufacturing, as well as SME sectors. Notwithstanding the measures, these packages might not be as fruitful as they are intended as the economic crisis fueled by COVID-19 has been proven to be unpredictable and rapidly evolving.

During such economic downturns, close monitoring of the private sector is warranted since it is one of the fundamental sources of economic expansion. Being the engine of economic growth, 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. Conventional economic theories suggest stimulating fiscal and monetary policy packages to boost the business community confidence.

However, it is noteworthy that, the mere announcement of policy packages is not sufficient for increasing the business morale during recessions. Such measures require close monitoring of the market to assess whether, and to what extent, the business confidences are responding to the policy changes. Close monitoring reveals the gaps in the policy packages. It enables the policymakers to answer some fundamental questions such as, 'are the private sectors confident enough for their returns?', 'what is their perception regarding investment opportunities in the next quarter?', 'what are their perceptions regarding the employment and wage scenarios?', 'do they think employment in their respective sectors going to shrink in the coming quarters compared to the last quarter?', 'do the investment scenario looks gloomier because of dearer situations in the business costs?', etc.

The answers to these questions are vitally important for three reasons. First, based on the responses from the business insiders, it is possible to measure the current confidence level of the business community. Such a parameter is essential in understanding the nerves of this community. Second, such data, if continuously monitored after regular intervals (such as monthly/quarterly) reflects the depth and motion of the crisis. It reveals some vital information on the 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 which are crucially important to the Government. Last but not least, 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 in voicing for 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.[1] Since the Asian Crisis in the late 1990s, the East Asian countries periodically monitors 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. This report is a summary of the findings from the survey.

Objectives of the Business Confidence Survey

The broad objective of the survey is to explore the outlooks and expectations of business communities on investment, employment and wages, stimulus packages, firm-specific financial performances, business costs, sales or exports, amongst others.

More specifically, this survey aims to observe:

- Industry outlook on profit, prices, employment, wages, and new investment opportunities, total output, exports demands, domestic output demand, etc.
- Business thoughts on incentive packages (adequate/inadequate; effectiveness; etc.)
- Access to barriers to the incentive packages
- Other specific challenges (infrastructural barriers, overall business environment, covid-19 related challenges, etc.)

Organization of the report

This report has been organized in the following manner: this introduction is followed by a brief review of the literature on Business Confidence Index. Section III details the survey methodology, sampling framework, as well as indices methodologies. Section IV details the findings from the survey and the analysis of the business confidence indices. In Section V, this

[1] https://data.oecd.org/leadind/business-confidence-index-bci.htm

report presents the results and analyses related to the stimulus package, existing business environment and other identified policy priorities from the survey. Finally, Section VI concludes with a set of recommendations to be undertaken.

Section II: Brief Review of Literature

The Business Confidence Index (BCI) provides information on future developments in the economy based on opinion surveys on potential changes in various economic variables. The OECD, for instance, generates the index based on plausible changes in certain variables such as production, orders and inventories of finished goods in the industrial sectors. The index thus provides insights into changes in output and significant alterations in the business cycle in the near future. Being a leading predictor of future output and business environment, it captures the attention of policymakers, government officials, forecasters and media. According to the OECD (2020), positive expectations about business performance in the near future are indicated by values above 100 and vice versa.

Construction and analysis of the BCI to predict future economic developments are valuable along three dimensions (Khan and Upadhayaya, 2018). Firstly, it contributes to improving the quality and reliability of investment and business forecasts. Secondly, it provides a justification for including business confidence in theoretical and empirical models of business cycles. Thirdly, it provides valuable insights into the effects of business personnel' psychological and social circumstances on their business and investment-related decisions.

Studies of previous literature reveal various empirical techniques and econometric methods applied to construct or estimate the index. Ece, Hamsici and Oral (2005) construct a real sector business confidence index using the Business Tendency Survey (BTS) of the Central Bank of the Republic of Turkey (CBRT). The BTS is a comprehensive monthly survey to trace out the assessments and expectations of senior managers of major firms on different aspects of the economy. The study follows the same methodology as the one generated in OECD (Nilsson, 1999) and uses cyclical fluctuations in variables such as production, employment, new orders, sales price, investment plans and limits to production. The empirical findings of the study are presented in relation to standardization and smoothing, seasonality, series selection and weighting. Candemyr and Karabudak (1994) too use the monthly Business Tendency Survey of the Central Bank of the Republic of Turkey to generate a monthly and quarterly composite business confidence index using the method of cross-correlograms. The cross-correlograms with different lags were employed to find the highest correlation between balances obtained from survey series and the quantitative series. The study identifies business confidence with short-term production decisions within this framework.

Several other empirical studies have surpassed the method of utilizing survey data to construct the index and depended on sophisticated econometric models and tools to estimate the business confidence index. For instance, Los and Ocheretin (2019) attempt to verify the possibility of using certain economic indicators to predict the business confidence index. The methodological basis for the selection of the indicators was according to the recommendations for calculating business expectations indicators mentioned in the Joint Harmonised EU Programme of Business and Consumer Surveys. Producer prices, unemployment rate, gross domestic product (GDP) and new orders were the indicators chosen for the analysis of the index. A cross-correlation analysis ranked quarterly values of the indicators into coincident, lagging and leading indicators. The various regression models for the business confidence index were then specified using coincident and lagging variables to determine which indicators behaved in line with the index and which responded with a

delay or in advance compared to business confidence and expectations for five different countries. The models were then used to forecast the value of the index in the following period.

A novel framework for constructing the business confidence index was proposed by Sakaji, Kuramoto, Matsushima et al., (2019). The study attempts to generate local business confidence indices using the contact histories of local banks. They used a learned bidirectional long short-term memory (BiLSTM) model to compute the indices which were then used to conduct an analysis of local inter-industry relations. The findings show that the index generated using local bank contact histories could reproduce the existing index with a greater degree of accuracy. Bialowolski (2012), on the other hand, advocates the application of the multi-group confirmatory factor analysis to generate the business sentiment indicators in business surveys. The study constructs two different sentiment indicators for the manufacturing industry based on the hypothesis that only the internally coherent survey questions are proxies for the indicators. Based on future production, orders, branch's financial conditions and general economic situation, the empirical findings provide consistent estimates of the business sentiment with a single index. The results further suggest that index with various diagnostic and forecasting indicators would be unreliable. In other words, the framework employed verifies whether sets of fields in the business survey questionnaires used are reliable proxies of business sentiment.

The business confidence index has also been found to be consistent with other kinds of indices such as Consumer Confidence Index (CCI), Private Consumption Index (PCI), Private Invest Index (PII) etc. As an example of the CCI, also known as the Consumer Sentiment Index, the University of Michigan's Index of Consumer Sentiment (ICS) is most popular in the existing literature. The ICS is calculated based on the respondent's assessment of their personal finances, national economic performance and buying conditions. The second round of interviews is held six months later to capture the optimism (certainty) or pessimism (uncertainty) of consumers. Another indicator is the Consumer Confidence Index calculated on the basis of responses collected on family income, business conditions and job prospects (Kellstedt, Linn and Hannah, 2015).

Other studies have also attempted to formulate a sectoral index for business confidence. Esterhuizen and Rooyen (2003) construct a business confidence index for the agribusiness in South Africa called the Agribusiness Confidence Index. This index is compiled using a quarterly survey to collect primary data from about 80 argo-business enterprises. Weights were assigned to the set of ten indicators (turnover, net operating income, employment conditions, exports, market share, among others) to compile the quarterly index. The empirical findings of the study showed particular changes in the index on a yearly basis and indicated positive correlations of the index with favourable changes in factors related to industry competitiveness and investment.

In the context of Bangladesh, some surveys on BCI are found, but that is conducted either in Dhaka centric or in a very limited scale. Raihan and Haque (2007) attempt to construct a Business Confidence Index based on five indicators among the business community in Dhaka. The study interviews around 150 firms from both manufacturing and services sector. The

study also analyses sectoral as well as aggregate BCI very critically. This attempt to construct BCI was the very first time in Bangladesh, but it was only the Dhaka centric.

BUILD, a non-profit business organisation in Bangladesh, have conducted Business Confidence Survey (BCS) four times since 2013. BUILD (2019) conducts its 4th BCS between March and August 2019 covering 250 firms from 8 major cities of the country. Although the 4th BCS covers 8 major cities, it might not represent the average business community as no district-level representatives present the survey. Even its analysis on BCI is more of like overall sense, no sectoral analysis is found in its study.

LightCastle Partners (2020) conducted a business confidence survey between March and April 2020 aiming to capture outlooks and perspectives of business executives of the private sector in the country. In this regard, the study interviews 59 firms across 20 more sectors. The study uses a Harmonized Expectation Indicator (HEI) to assess business sentiment, which is based on a score between -100 and +100. A value of -100 means the most pessimistic expectation of traders about business in the upcoming days, while +100 indicates the most optimistic expectation. The study, therefore, finds an index value of -19.27, indicated that business community are much pessimistic in the near future. However, the study has two major limitations. First, it takes only 59 firms across 20 more sectors. It indicates that on average, three firms per sector is taken, which is not good enough to analyse a sector concretely as well as to get a clear picture of the whole sector. Second, the study was not conducted across the country. Therefore, the diversity across the country is not captured in the survey.

To the best of our knowledge, the present survey, as well as the study, conducted by SANEM and The Asia Foundation, is the largest firm-level survey during the pandemic in Bangladesh. The survey, as well as the study on BCI across the country, is also the very first time in its history. The study also analyses the sector-wise Business Confidence Index (BCI) and Present Business Status Index (PBSI) as well as their comparison very critically.

Section III: Methodology

Survey Methodology

The exercise has been carried out based on 'primary data' collected from the business communities. This section details on the survey methodology.

Survey Coverage

The survey has 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, this survey has 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, following sub-sectors has been covered: Wholesales, Retailers, Hotel & Restaurants, Transport, ICT & Telecommunication, Financial sector, Real estate, and Others (logistics services, tourism etc.).

Survey technique and sampling framework

The survey has 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 three-round on the same sample.

Sampling framework

The sample size of the survey was aimed at 300 firms (150 manufacturing firms and 150 services sector firms) considering the time and budgetary constraints. A systematic approach 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, 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 in seven major sub-sectors (Table 2). We have blocked at least nine firms to be interviewed from all these sub-sectors. Therefore, a total of 63 firms (nine firms from each of the seven sub-sectors) have been selected in the first stage. The reason for such block allocation is, as has already been mentioned, given the heavy concentration in the economy in a few sectors, a sampling distribution purely based on population proportions will not truly represent the holistic business environment scenario.

After this block allocation of firms in the total sampling framework, the rest of the firms (out of 150 firms) are selected based on each sub-sectors' contribution of these sectors' total Gross Value Addition (GVA) in the economy. That is, in the second stage, the remaining 87 firms (out of a total 150) 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 addition of the manufacturing sector in the GDP. Therefore, out of the 87 remaining firms, 44 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 53 RMG factories, which is roughly 35 per cent of our total sample size for the manufacturing sector.

Table 2: Sampling distribution from the manufacturing sector

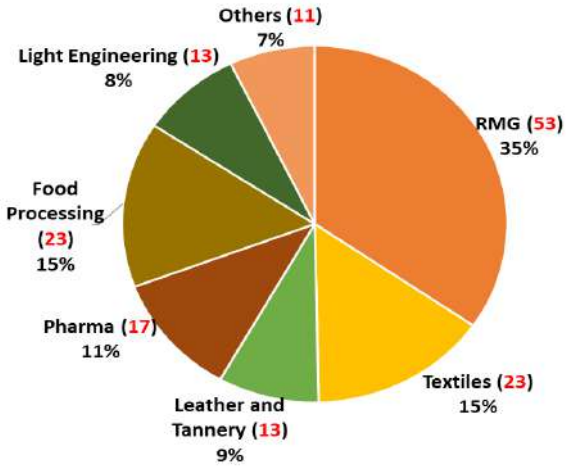
Manufacturing Sectors (150)	First Step Total	Second step Total	Grand Total	Percentage (%)
Ready Made Garments (RMG)	9	44	53	35%
Textiles	9	17	26	18%
Leather & Tannery	9	2	11	7%
Pharmaceuticals & Chemicals	9	6	15	10%
Food and Agro-Processing	9	15	24	16%
Electronics & Light Engineering	9	3	12	8%
Others (Cement, Steel, etc.)	9	0	9	6%
Total	63	87	150	100%

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

It needs to be mentioned that a total of 153 firms from the manufacturing sector has been surveyed though it was determined to survey 150 firms. Moreover, there has been a very little change in sample distribution of some sub-sectors due to some practical problems (For instance, there were no pharmaceutical industries in Rangpur division). As a result, the actual sample distribution has changed somewhat from the previous one but not too much. The actual sample distribution by the manufacturing sector is shown in figure 1.

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

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



Source: SANEM BCI 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 have blocked a minimum of 9 firms to be surveyed from each of these sub-sectors. That is, in total, 72 firms have been selected in the first stage (Table 3).

In the second stage, based on the relative weight in the Gross Value Addition in the GDP of each of these subsectors, we have assigned the remaining number of firms. Therefore, the remaining 78 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.16 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 150 firms from the services sector, this survey covers 25 firms from the wholesales, 25 firms from the retails, 11 firms from the hotels and restaurants, 28 firms from transports and communications, 15 firms from ICT and telecommunications, 17 firms from financial sectors, 23 firms from real estates, amongst others.

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

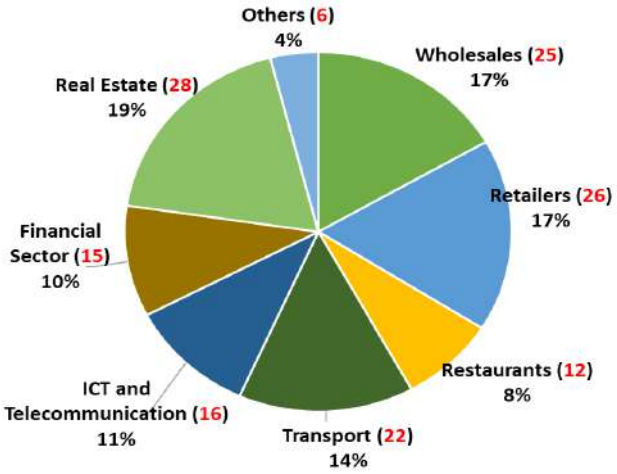
Table 3: Sample from services sector

Services Sectors (150)	First Step Total	Second step Total	Grand Total	Percentage (%)
Wholesales	9	16	25	16%
Retailers	9	16	25	16%
Hotel & Restaurant	9	2	11	7%
Transport	9	19	28	18%
ICT & Telecommunication	9	6	15	10%
Financial Sector	9	8	17	11%
Real Estate	9	14	23	15%
Others (logistics, tourism, etc.)	9	0	9	6%
Total	72	78	150	100%

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

For the services sector, there has also been a very little change in sample distribution of some sub-sectors due to some practical problems mentioned earlier. As the change is too little in nature, it doesn't hamper our distributional assumptions and supports our actual sample distribution as well. The actual sample distribution by services sector is presented in Figure 2.

Figure 2: Revised sample distribution by services sector(n=150)

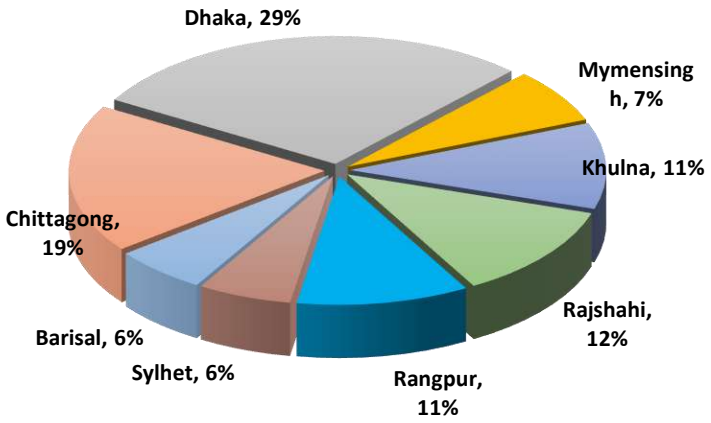


Source: Authors' estimation based on SANEM BCI Survey, 2020

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. This 'divisional weights' has 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 of Mymensingh, and six per cent for Barisal and Sylhet respectively (Figure 3).

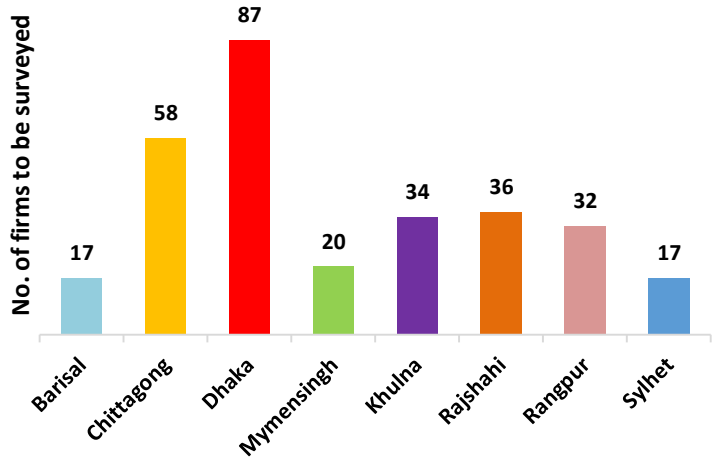
Figure 3: Distribution of economic establishment by Divisions (% of total)



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

We 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) are selected from the Dhaka division (Figure 4). We follow the same suit in determining the number of firms from each of the other divisions.

Figure 4: Distribution of samples by division



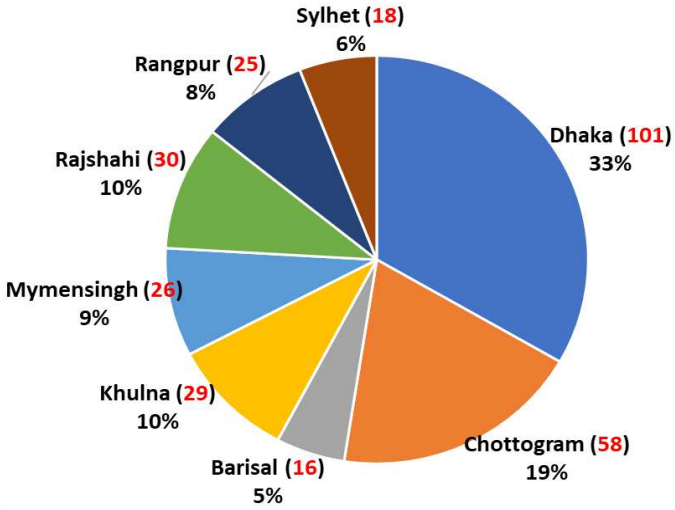
Source: Authors' calculation based on Economic Census 2013, BBS

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, according to our sampling framework, 17 of the firms should be from Barisal. Out of these 17 firms, eight would be from the manufacturing sector, and nine would be from the services sector. The eight firms from the manufacturing sector include RMG (3 firms), Textile (1 firm), Leather and Tannery (1 firm), etc.

It is noteworthy that not all the industries are available in all the 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 was kept quite close to the original sampling framework (Figure 5). The randomly drawn samples cover 22 districts of Bangladesh (Map 1).

Figure 5: Revised sample distribution by division

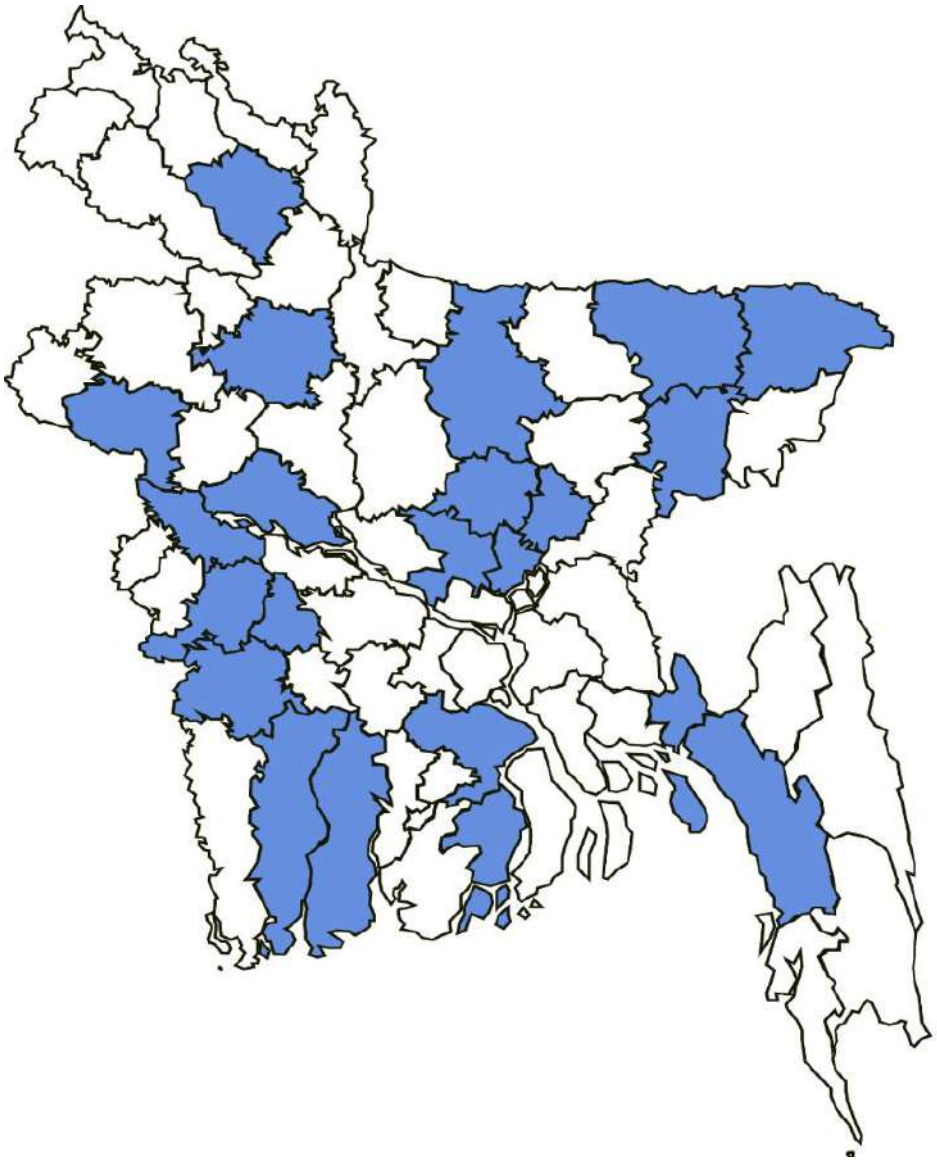


Source: Authors' estimation based on SANEM BCI Survey, 2020

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.

Map 1: Covered districts in the BCI Survey



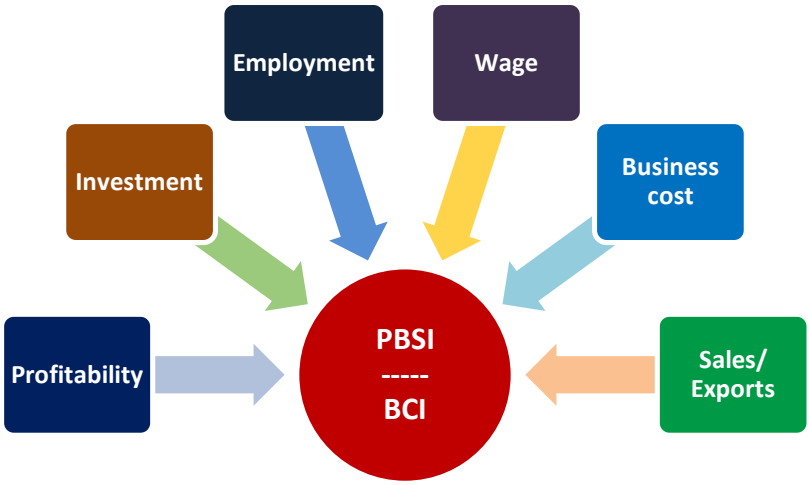
Source: SANEM BCI Survey, 2020

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 such a way that it can reflect economic condition as well as business outlooks of firms (Figure 6). The six broad indicators include: (i) profitability, (ii) investment, (iii) employment, (iv) wages, (v) business cost, and (vi) sales/exports.

Figure 6: Broad indicators for BCI/PBSI assessment



Source: Authors' assessment

Apart from the six indicators, a crucial indicator, namely stimulus package with COVID-19 context has been used for assessing business confidence and business status. A questionnaire was developed to compute the attitudes and outlooks of business firms based on these indicators (Annex 1).

The questionnaire was developed such a way that it could be used for forecasting about the next quarter 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:

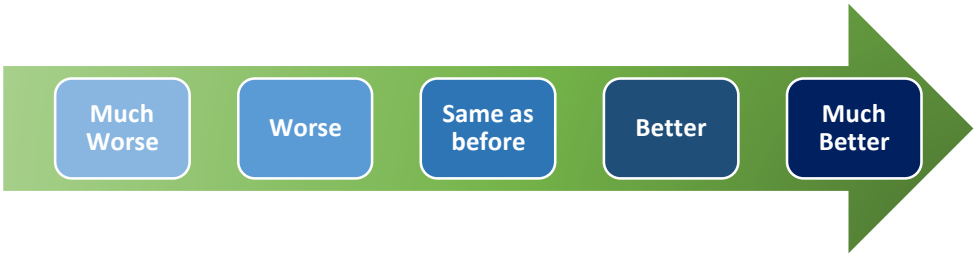
(i) What was the condition of his business on the indicator 'i' in April-June 2020 compared to April to June 2019;

(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

For instance, regarding the business confidence on profitability, a sample question was like, "compared to the last quarter (April-June 2020), what is your perception regarding profitability in your business in the next quarter (July-September 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 7).

Figure 7: Five Likert options for respondents in answering the questions



Source: SANEM BCI Survey, 2020

The choice 'Much worse' is interpreted as the situation where the responded thinks 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 earlier 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. From the 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, which have been converted into quantitative data by assigning weights to it. 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 is assigned to the options of "worse", "same as before", "better", and "much better" respectively (Table 5).

Table 4: 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: SANEM BCI 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) as 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/service)

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, 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 following:

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

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 for those surveys where the questionnaire is designed in the Likert scale. As the present survey was set based on a Likert questionnaire, it was very relevant to calculate 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 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 was calculated as 0.81. 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, the present survey is highly reliable.

Section IV: Survey Findings

Location of the firms

Most of the firms (83 per cent) covered in this survey comes outside of SEZ/EPZ or industrial areas (Table 5). Around 16 per cent of the firms surveyed are from the industrial areas/industrial parks, while 2 per cent are from the Export Processing Zones or Special Economic Zones. In the case of 153 Manufacturing firms, 27 per cent of them comes from industrial parks or industrial areas, and 4 per cent comes from the EPZ or SEZ. In the case of the services sector, 97 per cent comes from outside of industrial parks or industrial areas.

Table 5: Distribution of firms by location and industry

Location	**Distribution of firms by locations (#)**			**Distribution of firms by locations (% of total)**		
	Manufacturing	Services	Total	Manufacturing	Services	Total
EPZ/SEZ	6	0	6	3.9%	0.0%	2.0%
Industrial parks/areas	42	5	47	27.5%	3.3%	15.5%
Outside of EPZ/SEZ/ Industrial parks	105	145	250	68.6%	96.7%	82.5%
Total	153	150	303	100.0%	100.0%	100.0%

Source: SANEM BCI survey 2020.

Ownership types of firms

Most of the firms (96%) in the survey are domestic private-owned companies (Table 6) which reflects the objective of the survey. In terms of gender, around 39 per cent of the manufacturing firms had partial female ownership (Figure 9) whereas 28 per cent of the services sector firms have female ownership (Figure 10). The highest rates of female ownerships (partially or fully) are observed in the RMG (59.5%%), Pharma (52.9%), Food processing (39.1%), and Textile (30.4%). In the case of the services sector firms, highest rates of female ownerships are observed in Financial sectors (60%), Real Estate (42.9%), Restaurants (33%) and Transport (31%).

Table 6: Type of ownership by industries

Ownership type	**Ownership type of firms by industries (#)**			**Ownership type of firms by industries (% of total)**		
	Manufacturing	**Services**	**Total**	**Manufacturing**	**Services**	**Total**
Government ownership	0	1	1	0.0%	0.7%	0.3%
Domestic private company	149	142	291	97.4%	94.7%	96.0%
Public private joint ownership	1	3	4	0.7%	2.0%	1.3%
Domestic foreign joint venture	2	3	5	1.3%	2.0%	1.7%
Foreign ownership	1	1	2	0.7%	0.7%	0.7%
Total	153	150	303	100.0%	100.0%	100.0%

Source: SANEM BCI survey 2020.

Figure 8: Female ownership status in the manufacturing firms (%)

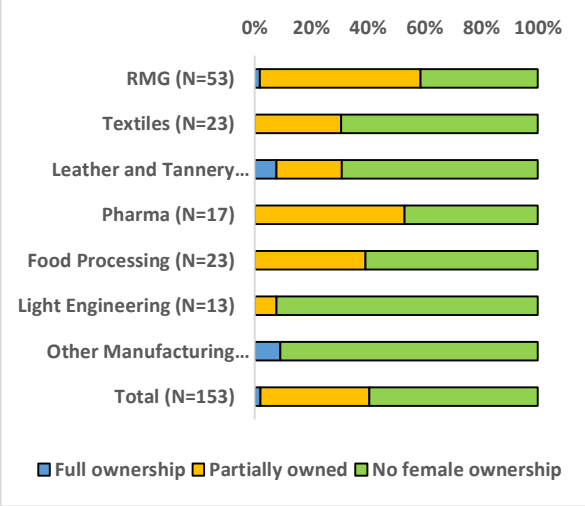
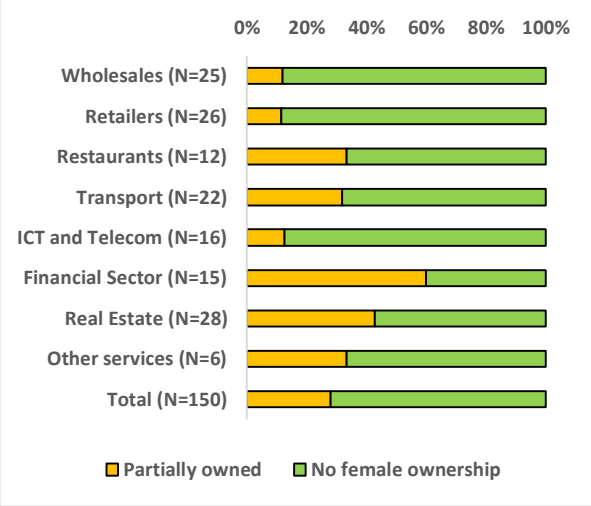


Figure 9: Female ownership status in the services firms (%)



Source: SANEM BCI survey 2020.

Years in operation:

The average years of existence of the surveyed manufacturing firms is 20.7 years (Table 7). The mean years of existence is highest for Textiles (24.9 years), Pharma (24.2 years), RMG (20.8 years), Light Engineering (19.8 years) and Leather and Tannery (18.2 years). In the case of the services sector, the mean years of existence is 16.9 years where Financial Sector (27.8 years), Transport (19.1), and wholesales (18.7 years) have the highest mean years of existence.

Table 7: Years in operation for the firms

Sector	Firm	Years in operation for the firm	
		Mean	**Std. Dev.**
Manufacturing sector	RMG (N=53)	20.8	11.1
	Textiles (N=23)	24.9	15.0
	Leather and Tannery (N=13)	18.2	12.6
	Pharma (N=17)	24.2	12.9
	Food Processing (N=23)	18.9	12.6
	Light Engineering (N=13)	19.8	16.2
	Other Manufacturing (N=11)	14.3	6.2
	Total Manuf. (N=153)	20.7	12.6
Services sector	Wholesales (N=25)	18.7	12.9
	Retailers (N=26)	13.0	11.2
	Restaurants (N=12)	13.3	10.1
	Transport (N=22)	19.1	12.8
	ICT and Telecom (N=16)	18.3	8.3
	Financial Sector (N=15)	27.8	10.6
	Real Estate (N=28)	13.5	9.0
	Other services (N=6)	9.3	2.7
	Total Services (N=150)	16.9	11.5

Source: SANEM BCI survey 2020.

Surveyed Firm sizes:

Out of the 303 surveyed firms, 57.4 per cent are small, 8.6 per cent of the firms are medium, and 34 per cent firms are large. In the manufacturing sector, 39.2 per cent of the firms are micro and small, 9.2 per cent of the firms are medium, and 51.6 per cent of the firms is large (Table 8). Amongst the sub-sectors in the manufacturing industry, RMG's 79.2 per cent of the firms are large whereas this is 56.5 per cent for Textiles, 46.2 per cent for the Leather and Tannery, and 52.9 per cent for the pharmaceutical industry. Food processing and light engineering sectors comprise of mostly micro and small firms (60.9% and 92.3% respectively).

Table 8: Surveyed firm sizes in the Manufacturing sectors

Firm	Number of firms surveyed (#)				Firm distribution (% of total manufacturing)			
	Micro and small	Medium	Large	Total	Micro and small	Medium	Large	Total
Ready Made Garments	9	2	42	53	17.0	3.8	79.2	100.0
Textiles	8	2	13	23	34.8	8.7	56.5	100.0
Leather and Tannery	5	2	6	13	38.5	15.4	46.2	100.0
Pharmaceuticals and chemicals	4	4	9	17	23.5	23.5	52.9	100.0
Food Processing	14	3	6	23	60.9	13.0	26.1	100.0
Light Engineering	12	1	0	13	92.3	7.7	0.0	100.0
Other Manufacturing	8	0	3	11	72.7	0.0	27.3	100.0
Total	60	14	79	153	39.2	9.2	51.6	100.0

Source: SANEM BCI survey 2020

In the case of the services sector, 76 per cent of the surveyed firms are small, 8 per cent are medium, and 16 per cent of the firms are large (Table 9). Amongst the sub-sectors, transports, ICT and telecommunications, and Financial sectors have a relatively large proportion of large firms (22.7%, 12.5%, and 80.0% respectively).

Table 9: Surveyed firm sizes in the Services sector

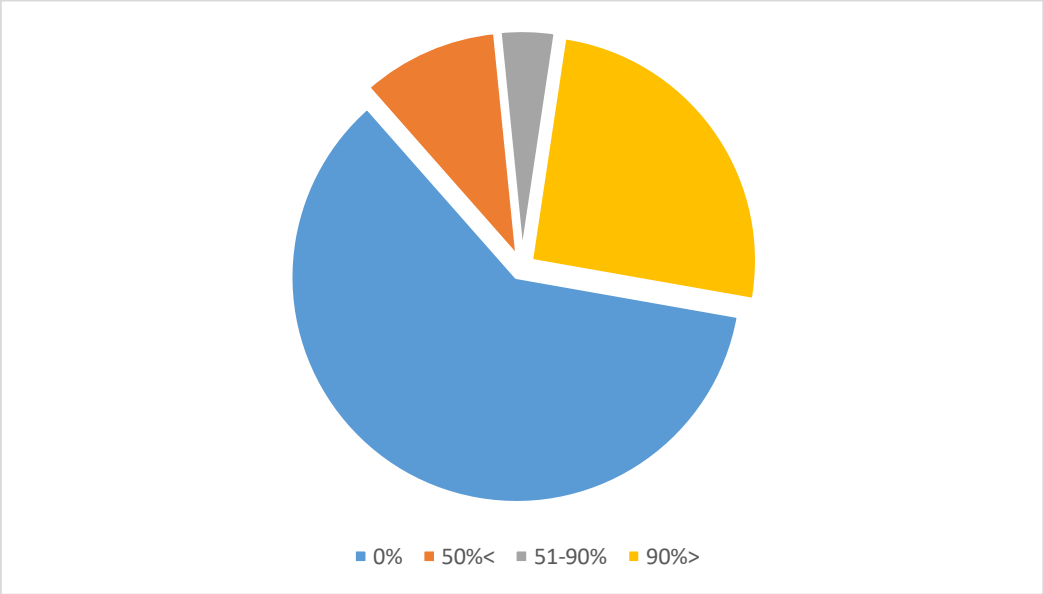
Firm	Number of firms surveyed (#)				Firm distribution (% of total Services sector firms)			
	Micro and small	Medium	Large	Total	Micro and small	Medium	Large	Total
Wholesales	23	1	1	25	92.0	4.0	4.0	100.0
Retails	25	1	0	26	96.2	3.8	0.0	100.0
Restaurants	9	2	1	12	75.0	16.7	8.3	100.0
Transport	16	1	5	22	72.7	4.5	22.7	100.0
ICT and Telecommunications	13	1	2	16	81.3	6.3	12.5	100.0
Financial sector	1	2	12	15	6.7	13.3	80.0	100.0
Real estate	21	4	3	28	75.0	14.3	10.7	100.0
Other services	6	0	0	6	100.0	0.0	0.0	100.0
Total	114	12	24	150	76.0	8.0	16.0	100.0

Source: SANEM BCI survey 2020

Export status of the surveyed firms:

In total, around 40 per cent of all surveyed firms have export shares in total sales (Figure 11). Amongst them, 24.4 per cent of the firms are completely export-oriented (100% of the sales comes from exports). Out of the 119 export-oriented firms, 106 of them are from the manufacturing sector.

Figure 10: Share of exports in total sales (%)



Source: SANEM BCI survey 2020

Amongst the surveyed manufacturing firms, 69.3 per cent of them have some shares of exports in total sales. Almost all the firms (96.2%) in the RMG sector have export shares in total sales whereas, in the case of the textiles sector, 78.3 per cent of the firms are export-oriented. All firms under the leather and tannery sector are export-oriented. In the case of pharmaceuticals and chemicals, around 47.1 per cent of the firms are export-oriented whereas, in the case of food processing, 60.9 per cent of the firms are exporters. The least share of exporters is observed for the light engineering sector (only 7.7 per cent of the firms are exporters).

Table 10: Export status by firms in the manufacturing sector

Firm type	Export status by firms (Number)			Export status by firms (%)		
	Non-exporter	Exporter	Total	Non-exporter	Exporter	Total
RMG	2	51	53	3.8	96.2	100.0
Textiles	5	18	23	21.7	78.3	100.0
Leather and tannery	0	13	13	0.0	100.0	100.0
Pharmaceuticals and chemicals	9	8	17	52.9	47.1	100.0
Food Processing	9	14	23	39.1	60.9	100.0
Light engineering	12	1	13	92.3	7.7	100.0
Other manufacturing	10	1	11	90.9	9.1	100.0
Total	47	106	153	30.7	69.3	100.0

Source: SANEM BCI survey 2020

Only 8.7 per cent of the surveyed services sector firms are exporters (Table 11). Amongst the subsectors, 20 per cent of the financial sector firms have some export shares in their total sales. In the case of other sub-sectors such as wholesales, transports, ICT and Telecommunications only a few firms are found to have export shares in total sales (8%, 22.7%, and 6.3% respectively).

Table 11: Export status of the firms in the services sector

Firm type	Export status by firms (Number)			Export status by firms (%)		
	Non-exporter	Exporter	Total	Non-exporter	Exporter	Total
Wholesales	23	2	25	92.0	8.0	100.0
Retailers	25	1	26	96.2	3.8	100.0
Restaurants	12	0	12	100.0	0.0	100.0
Transport	17	5	22	77.3	22.7	100.0
ICT and telecommunications	15	1	16	93.8	6.3	100.0
Financial sector	12	3	15	80.0	20.0	100.0
Real estate	28	0	28	100.0	0.0	100.0
Other services	5	1	6	83.3	16.7	100.0
Total	137	13	150	91.3	8.7	100.0

Source: SANEM BCI survey 2020

Profile of the respondents:

The survey team tried to engage with the relevant top executives of the firms. On average, the respondents from the manufacturing sector had an experience of 13 years (Table 8). In the case of the services sector, the mean years of experience of the top executives were 11.2 years. Among the respondents, only two per cent were females.

Table 12: Years of experience of the respondents

Sector	Firm	Years of experience of the respondent	
		Mean	Standard deviation
Manufacturing sector	RMG (N=53)	13.1	9.0
	Textiles (N=23)	15.8	9.4
	Leather and Tannery (N=13)	10.1	8.3
	Pharma (N=17)	13.4	6.7
	Food Processing (N=23)	15.0	11.5
	Light Engineering (N=13)	12.3	9.3
	Other Manufacturing (N=11)	9.4	5.7
	Total Manuf. (N=153)	13.2	9.1
Services sector	Wholesales (N=25)	13.8	11.2
	Retailers (N=26)	9.1	7.5
	Restaurants (N=12)	8.7	7.9
	Transport (N=22)	10.8	7.7
	ICT and Telecom (N=16)	16.0	8.7
	Financial Sector (N=15)	12.5	11.1
	Real Estate (N=28)	9.5	7.5
	Other services (N=6)	8.5	2.7
	Total Services (N=150)	11.2	8.8

Source: SANEM BCI survey 2020

Overall Analysis of BCI and PBSI Indices

Following the methodology described, based on the survey data, this study constructs BCI and PBSI indices. 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 11). 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 11: Interpretation of BCI/PBSI Indices

Source: SANEM BCI survey, 2020

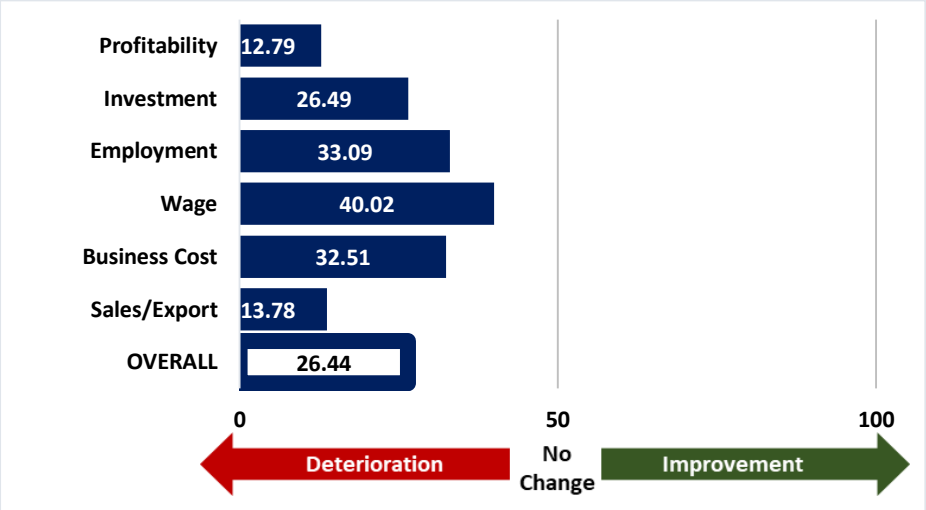
Present Business Status Index (PBSI)

This study constructs two sets of Present Business Status Index (PBSI): (i) PBSI in April to June 2020 compared to the previous quarter (January to March 2020 and PBSI in April to June 2020 compared to last year (April-June 2019).

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

The overall PBSI for April-June 2020 compared to the corresponding quarter of the previous year stands at 26.44 (Figure 12). Noteworthily all indicators of PBSI are below 50, indicating that the status of the business in April to June 2020 compared to April to June 2019 was significantly worse. Two sub-indicators – (i) profitability, and (ii) sales/export orders had the lowest scores. The business confidence in wages and employment seemed highest among the indicators. 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, this claim needs to be justified with cautions because firms are usually less willing to share their information on employment and wage reductions. The drastically low values in profitability and sales/export orders resemble the impact of the COVID-19 on the firm sectors.

Figure 12: Present Business Status Index (PBSI) Compared to Last Year

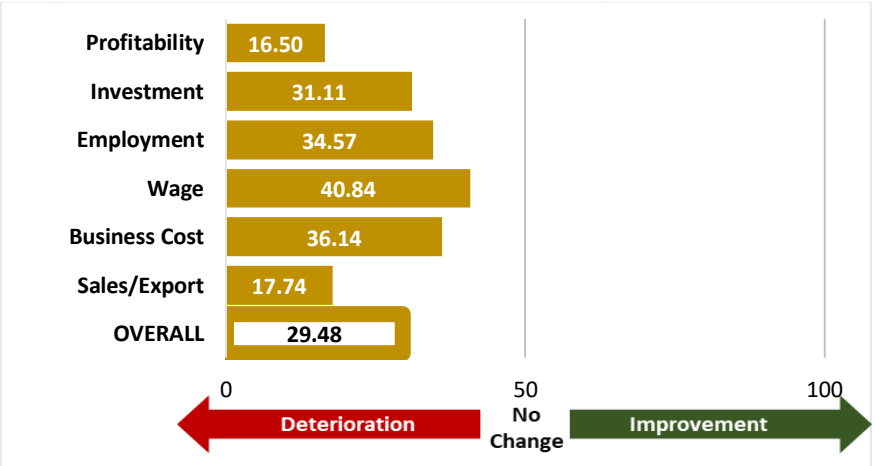


Source: Authors' estimation based on SANEM BCI Survey, 2020

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

When compared to the last quarter (January-March 2020), the Present Business Status Index (PBSI) for April-June 2020 is found 29.48 (Figure 13). Like PBSI over the past year, all indicators of PBSI over the previous quarter are found to be less than 50. The scores on profitability (16.50), as well as sales/ export orders (17.74), are much lower than the overall PBSI.

Figure 13: Present Business Status Index (PBSI) Compared to Last Quarter



Source: Authors' estimation based on SANEM BCI Survey, 2020

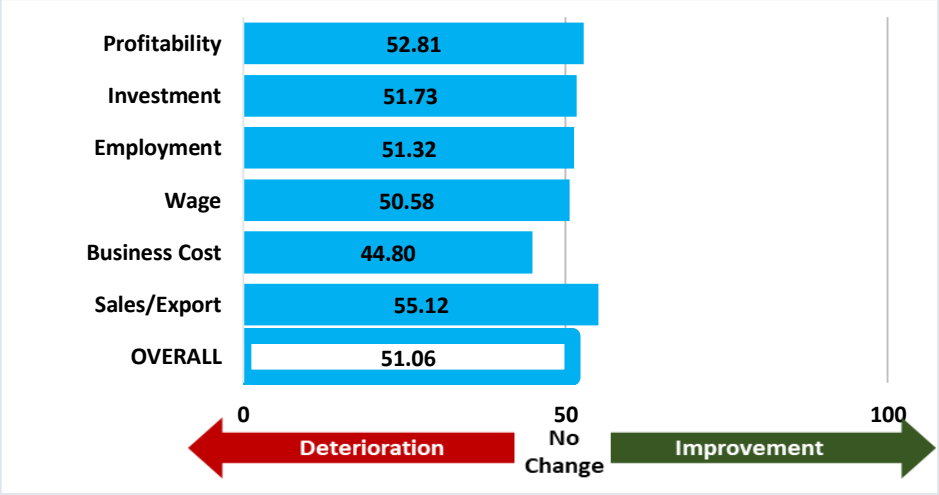
The distinction in the aforementioned PBSI (last quarter) and PBSI (last year) is significant. All indicators in the PBSI (last quarter) lower than the PBSI (las year). Two factors are attributing to this trend. First, even before the COVID-19 crisis started, Bangladesh was facing an unprecedented reduction in export growths in the FY2019-20. The business situation in the country was already less booming in January-March 2020 compared to April-June 2019. Therefore, the business situation in April to June 2020 looked gloomier when compared to April to June 2019 than January to March 2020. Second, since the onset of the virus in the Chinese economy in January, the global economy had already started suffering from the supply chain disruptions. Business confidence in Bangladesh was already started falling since then.

Business Confidence Index (BCI)

The Business Confidence Index (BCI) for July-September 2020 stands at 51.06 (Figure 14). It suggests, on average business, enterprises are somewhat optimistic regarding their business performance in the next quarter (July-September 2020) compared to the last quarter (April to June 2020); although the level of such positive expectation can be said extremely minimal. All but one indicator (on Business Cost) is higher than the 'point of reference' score 50. It means there is still pessimism regarding the cost of businesses. During the pandemic, the cost of business has increased due to several factors such as (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.

Amongst the indicators, the highest mark is observed in sales/export orders (55.12). The score for exporters on this indicator (55.4) is slightly higher than the score for the non-exporters (54.9). 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 began. 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 (52.81).

Figure 14: Business Confidence Index (BCI)

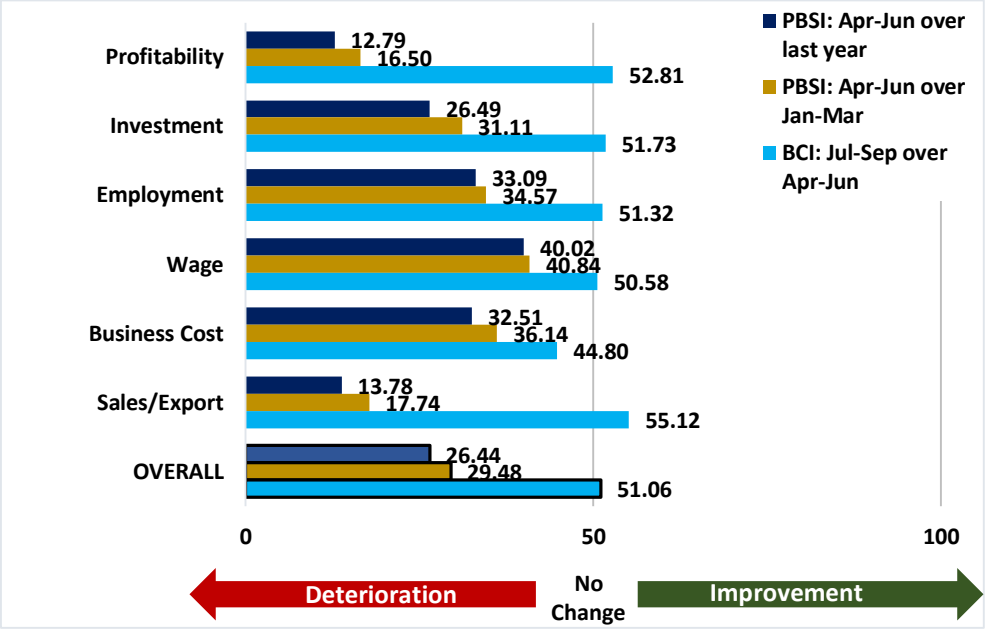


Source: Authors' estimation based on SANEM BCI Survey, 2020

Comparison between PBSIs and BCI

It is observed that the PBSI over the last year in all indicators is much lower than both PBSI over the previous quarter and BCI (Figure 15). As has already been mentioned, even before the COVID-19 crisis started, Bangladesh was facing an unprecedented reduction in export growths in the first two-quarters of FY2019-20. The business situation in the country was already much lower in January-March 2020 compared to April-June 2019. As a result, the business situation in April to June 2020 looked gloomier when compared to April to June 2019 than January to March 2020. In addition, since the onset of the virus in the Chinese economy in January, the global economy has been suffering from supply chain disruptions. Business confidence in the country started falling since then.

Figure 15: Comparison of PBSI and BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

The BCI scores in all indicators are much higher compared to both PBSI over last year and PBSI over last quarter indicating that business community are more confident with the next quarter (July September 2020) than before.

Cross-sectoral analysis of BCI and PBSI indices

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

Cross-Sectoral BCI analysis

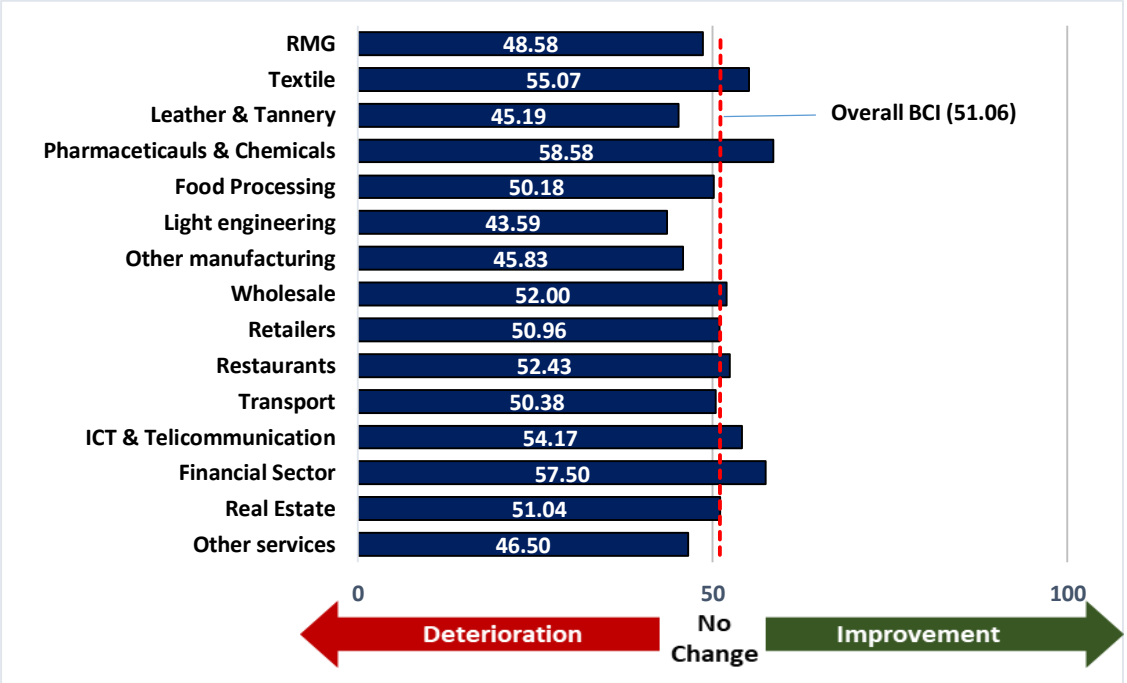
As has already been noted, although the overall BCI score obtained for all firms is 51.06, the intra-industry business confidence is not homogenous (Figure 16). Amongst the seven sub-sectors, this study has delved under the manufacturing sector, Pharmaceuticals and Chemicals has shown the highest score on BCI index (58.58). The Pharma sector thrived well through this crisis. The pharmaceutical industry performed relatively better both in the domestic as well as international market. Amongst the exporting sectors of Bangladesh, the export trend of the pharmaceutical sector was more robust than any others.[4] This could be one of the reasons why the sector has the highest business confidence for the next quarter. .Apart from the Pharma, only Textile industry has a BCI score (55.07) higher than the overall BCI value. The BCI values for RMG (48.58), Leather and tannery (45.19), and Light engineering (43.59) are far lower than the overall average. Such low BCI scores originate as RMG, leather & tannery, light engineering and other manufacturing sectors are much pessimistic about the

[4] This is based on an analysis based on the EPB data by the study team

July-September 2020 quarter. 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 industries at the backfoot.

Compared to the manufacturing sub-sectors, firms from the services sectors are more optimistic regarding the business condition in the quarter of July-September. Amongst the services sub-sectors, the financial sector has the highest BCI score (57.50). Since all the government stimulus packages are being channelled through the banking sector, financial sectors had better cushion compared to others. Noteworthily, almost all the services sectors' (apart from transport) BCI score is very close to the overall BCI score. This is an indication that the business community from the services sectors are relatively more optimistic regarding the revival of their businesses in the next quarter than the April-June 2020.

Figure 16: Sector-wise Overall BCI

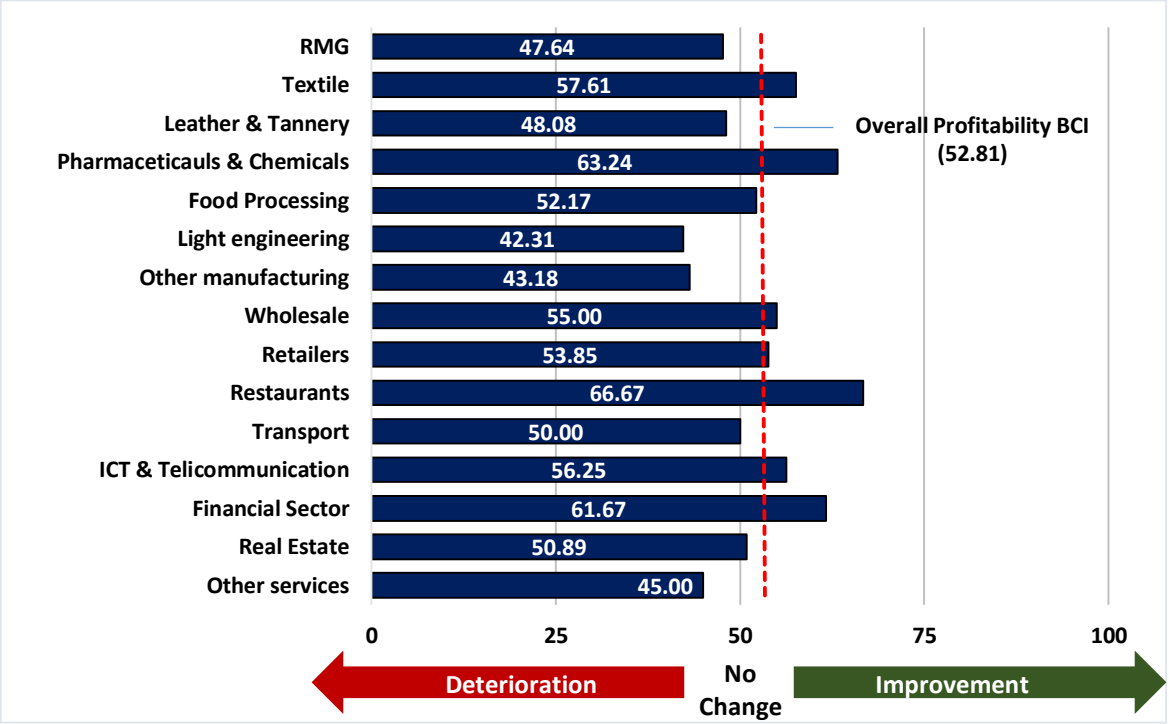


Source: Authors' estimation based on SANEM BCI Survey, 2020

Sector-wise profitability BCI

The overall profitability BCI (52.81) indicates that the business community is slightly more optimistic about profitability in the upcoming quarter (July-September 2020). On average, firms from the services sub-sectors are more optimistic on the profitability sub-indicator than the firms from the manufacturing industries (Figure 17).

Figure 17: Sector-wise profitability BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

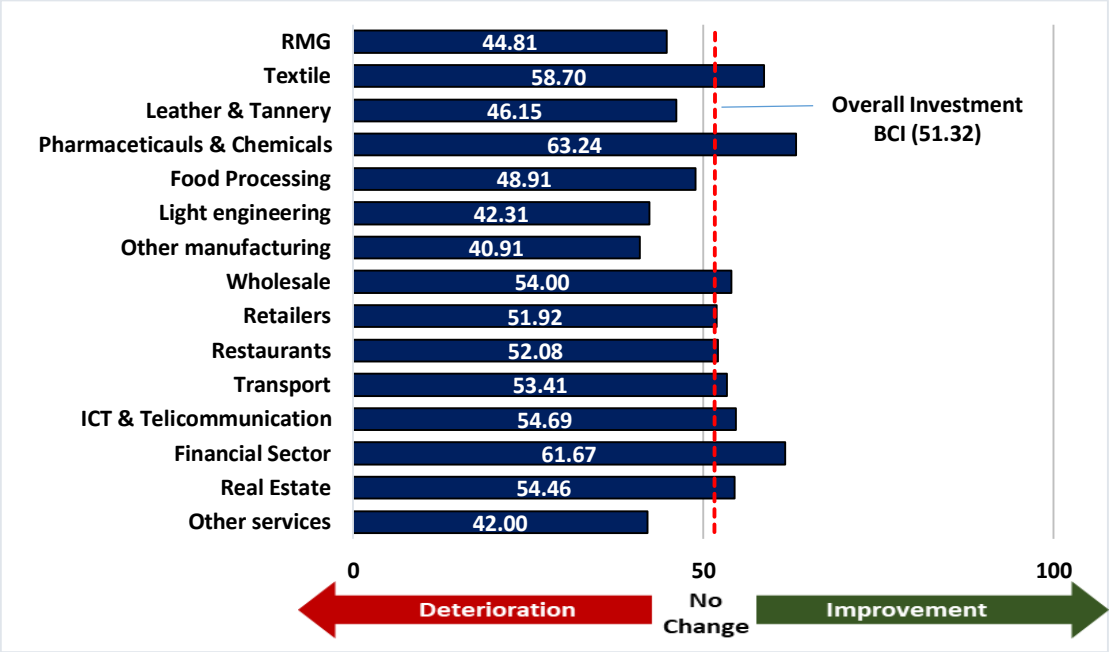
In the case of manufacturing firms, the highest confidence in the profitability sub-indicator is observed for the Pharmaceutical industry, followed by Textiles (57.61) and Food procession (52.17). All other sub-sectors in the manufacturing industry has a pessimistic view as far as confidence in the profitability sub-indicator is concerned. In the case of the services sector, the restaurants sub-sector has the highest BCI scores (66.67). Such optimism originates from several factors, such as – Government's current easing down of the operating hour restrictions and increased public mobility. The financial sector, ICT and Telecommunication, Wholesales, and Retailers are also expecting a rebound in profits in the coming quarter. Only two services sectors which have BCI score less than the overall average are Transport (50.0) and Real estate (50.89).

Sector-wise investment BCI

The overall BCI sub-indicator on investment (51.32) is slightly lower than the overall sub-indicator on profitability observed above (Figure 18). The investment BCI is lower than the average for all sub-sectors in the manufacturing industry except Pharmaceuticals (63.24) and Textiles (58.70). Such low confidence for investment might originate from bleak prospects in profitability, high business operating costs due to supply chain disruptions as well as a decline in sales or export orders.

The confidence for the services sector firms is slightly better with all sub-sectors having a score more than the overall Investment BCI score (51.32).

Figure 18: Sector-wise Investment BCI

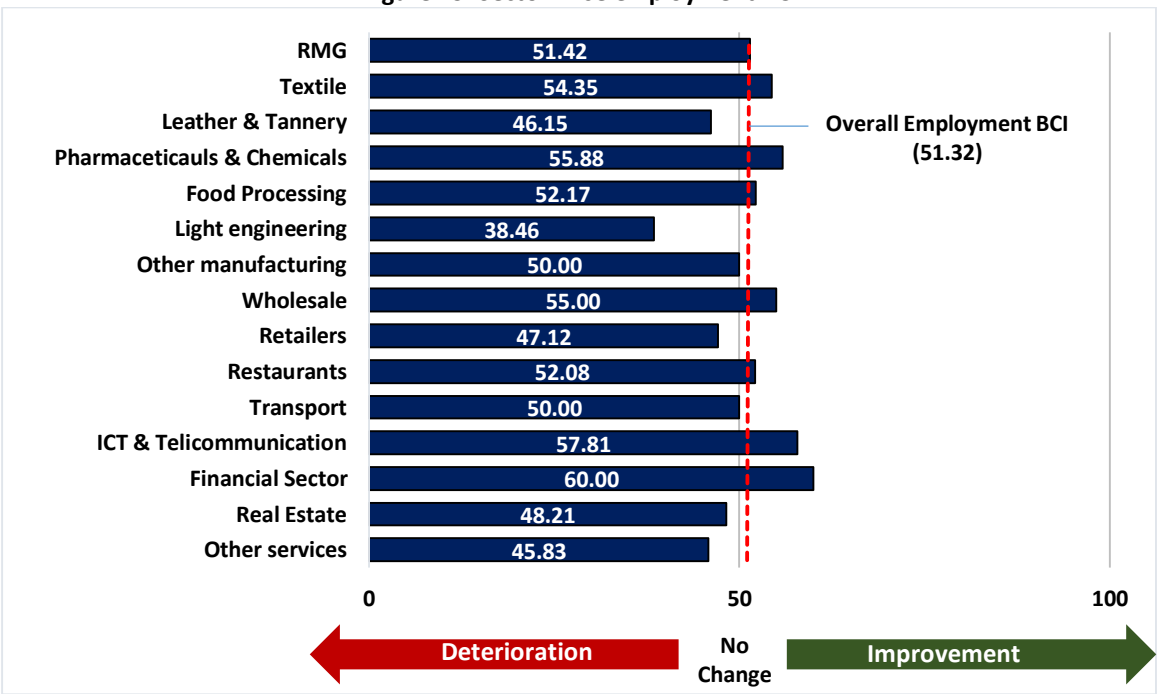


Source: Authors' estimation based on SANEM BCI Survey, 2020

Sector-wise employment BCI

The overall employment BCI is slightly promising, which is reflected by the index value of 51.32 (Figure 19). Manufacturing sub-sectors such as RMG, Textiles, Pharmaceuticals, and Food Processing has a higher value than the overall average. On the other hand, Leather, and the light engineering sectors have much lower scores than the overall average (16.15 and 38.46, respectively).

Figure 19: Sector-wise employment BCI



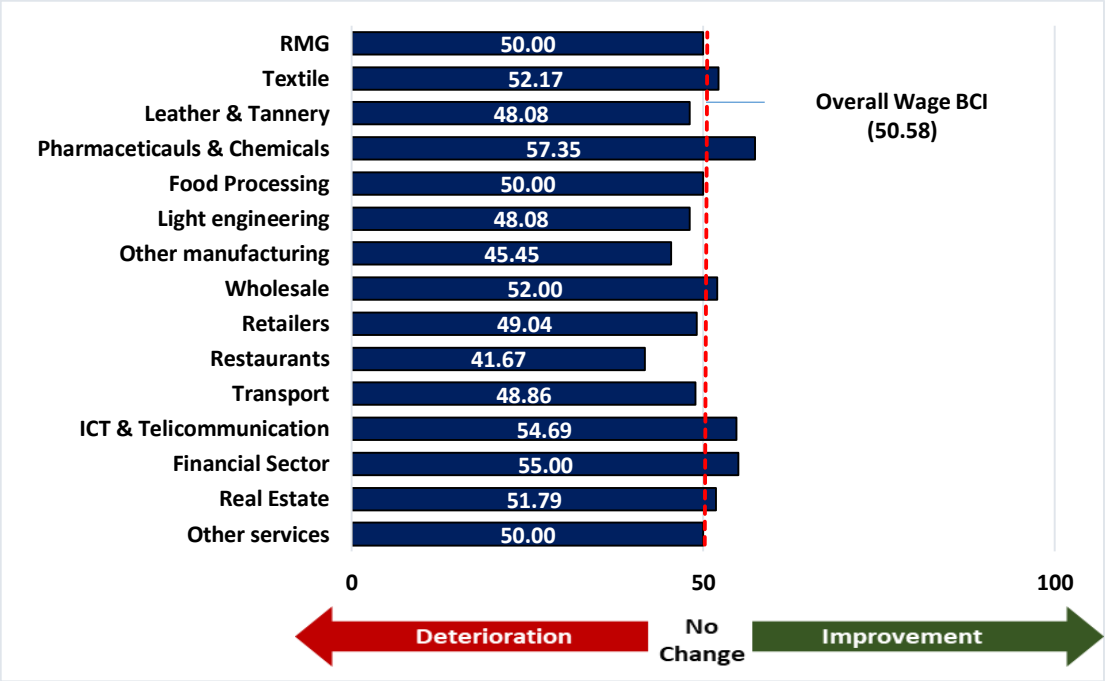
Source: Authors' estimation based on SANEM BCI Survey, 2020

In the case of the services sectors, Wholesales (55), Restaurants (52.08), ICT and Telecommunications (57.81) and Financial sectors (60). The lowest scores on the Employment BCI in the services sector is observed for the retailers (47.12) and the real estate sectors (48.21). Based on the employment BCI scores, therefore, the more vulnerable sectors for employment in the country could be Leather and Tannery, Light Engineering, Retailers, Transport, Real estate, amongst others.

Sector-wise wage BCI

The overall BCI on Wage indicator was found to be 50.58, indicating the business community's expectation that wages might remain unchanged in the July-September 2020 as it was in April-June 2020 (Figure 20). However, sectors such as Leather and Tannery, and Light Engineering are expecting a fall in the overall wage scenario than the immediate last quarter.

Figure 20: Sector-wise wage BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

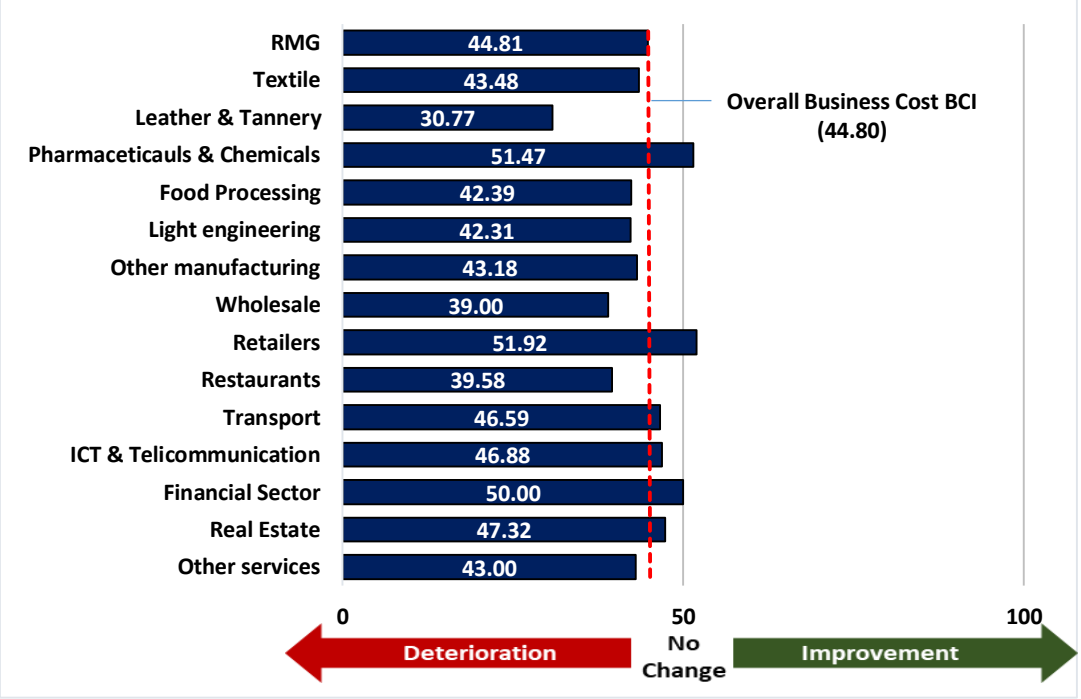
In the case of the services sector, workers' wage scenario is expected to be worsening compared to the last quarter for Retail, Restaurants, and Transport sectors. The overall wage scenario might slightly improve for the sectors such as Wholesales, ICT and Telecommunications, Financial sector, Textiles, Pharmaceuticals, etc.

Sector-wise business cost BCI

As noted, the lowest business confidence on any of the six broad sub-indicators is observed in the case of the Business cost BCI (44.80) (Figure 21). Such a low score on the BCI indicates the concerns of the business community with regard to increased cost in doing business in the July-September 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 Pharmaceuticals industry expects some improvement in the business cost in the July-September 2020 compared to the earlier quarter. The lowest sub-sectoral BCI score on Business cost is observed for the Leather and Tannery industry (30.77). In the case of the services sector, the lowest scores are observed for the wholesales (39), and Restaurants (39.58). Amongst the services sector firms, only the financial institutes expect a no change in the business cost in the next quarter.

Figure 21: Sector-wise business cost BCI

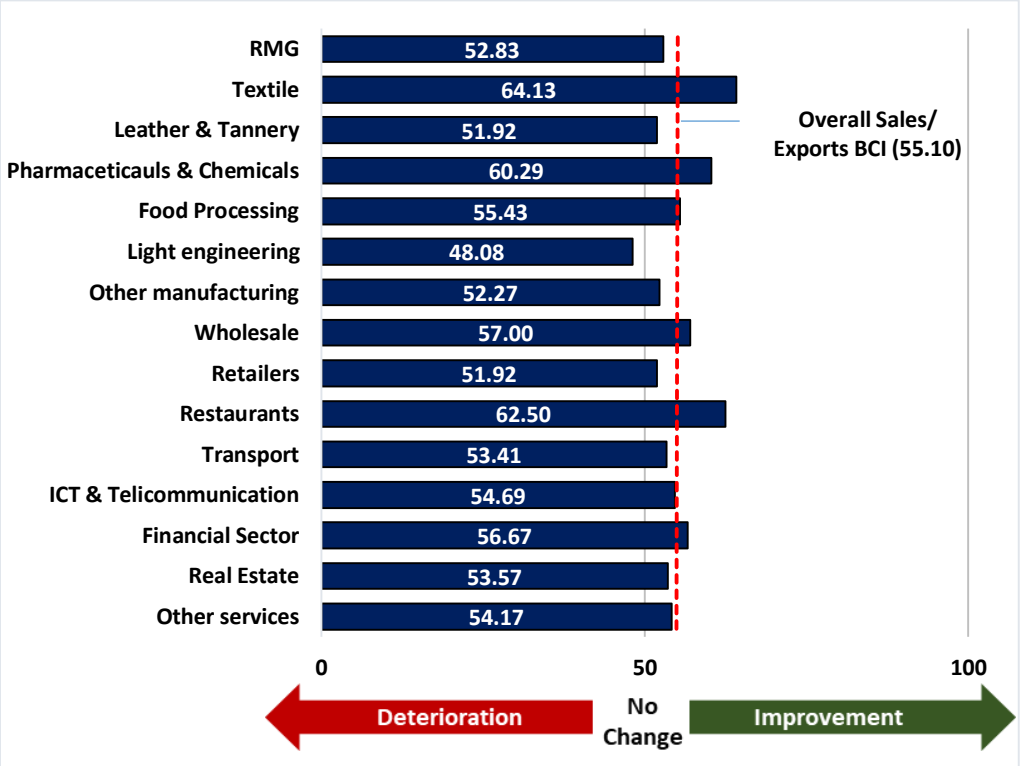


Source: Authors' estimation based on SANEM BCI Survey, 2020

Sector-wise sales/export BCI

Amongst the broad sub-indicators, the highest BCI score is observed in the case of sales or exports. (55.12) (Figure 22). Apart from light engineering sub-sector, all other sectors in the manufacturing industry expect some improvement in their sales or exports orders in the July-September 2020 quarter. The highest confidence is observed for the Textiles (64.13), Pharmaceuticals (60.29). Amongst the services sector firms, wholesales (57), Restaurants (62.50) and Financial sectors have higher expectations in sales or exports in the July-September quarter compared to the last.

Figure 22: Sector-wise Sales/Export BC



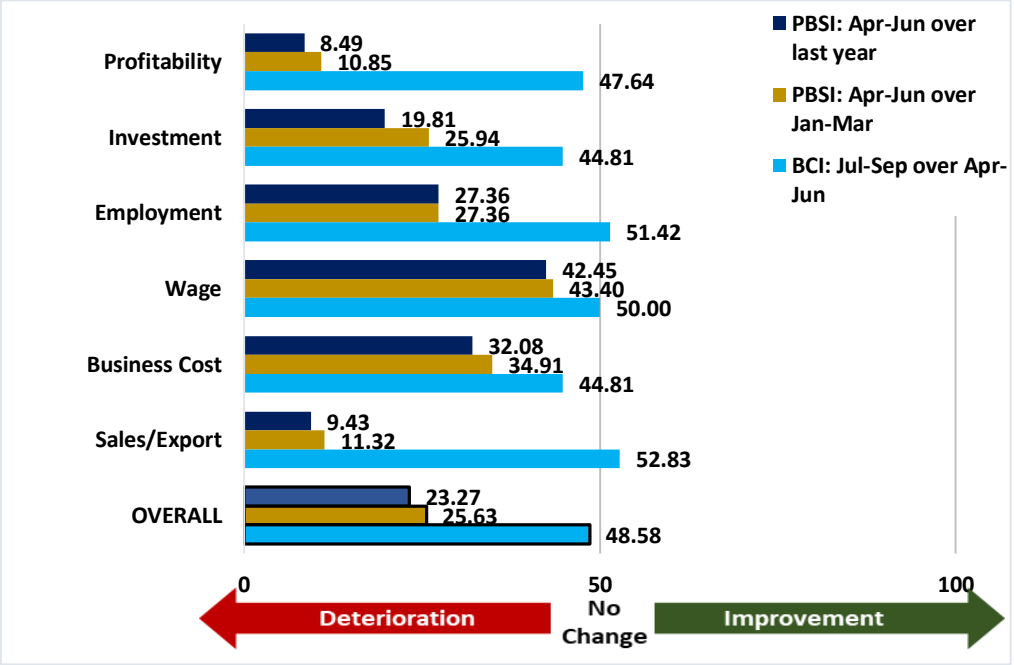
Source: Authors' estimation based on SANEM BCI Survey, 2020

Comparison of PBSI and BCI by subsectors

Readymade Garment Sector

For the RMG sector, the overall PBSI over last years, PBSI over last quarter and BCI stand at 23.77, 25.63 and 48.58 respectively (Figure 23). RMG's Present Business Index indicators on profitability and sales or export orders were only 10.9 and 11.3, respectively (compared to the January-March 2020). Such low scores show the drastic fall in profits as well as sales orders due to the pandemic. The score on employment was 27.36 showing that the firms were extremely pessimistic with the overall employment scenario in the sector in April-June 2020 compared to January-March 2020. With regard to wages, the firms indicated that the overall wage scenario deteriorated in April-June 2020 compared to January-March 2020. However, the magnitude of this deterioration was much smaller than what is observed in the cases of any other indicators. One reason why the overall wages situation of the RMG workers did not deteriorate could be the stimulus packages announced for the sector. Noteworthily, theses stimulus packages were primarily announced for the firms for providing wages of the workers.

Figure 23: RMG Sector: PBSI and BCI

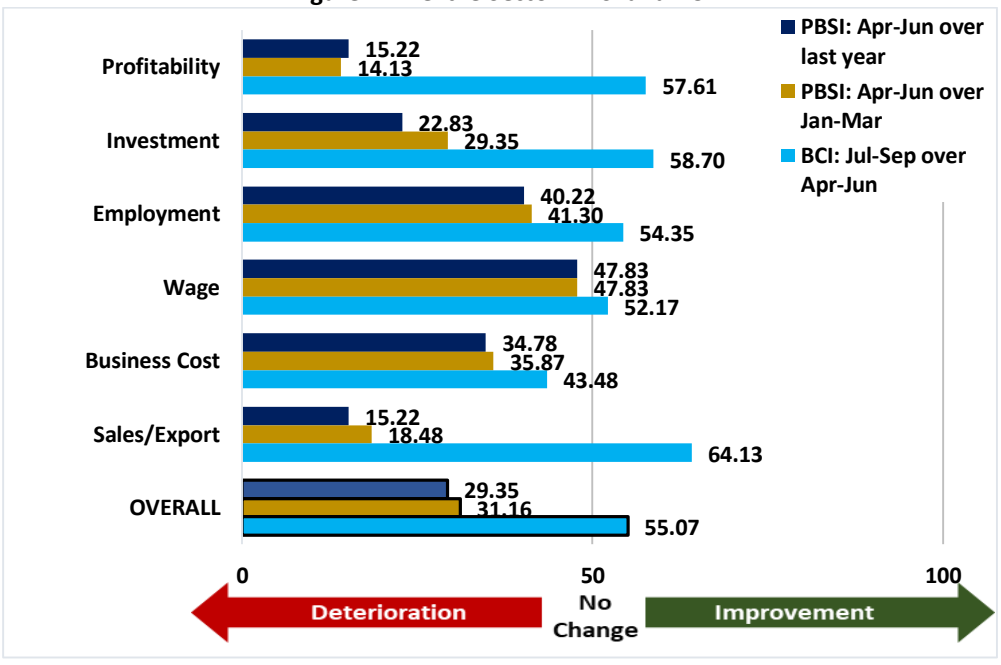


Source: Authors' estimation based on SANEM BCI Survey, 2020

Textile Sector

The business confidence index for the textile sector stands at 55.07, which is almost double to the PBSI score that this sector had (Figure 24). Such high rise in business confidence originates from three fronts: (i) profitability – from a PBSI of 14.13 this sector's business confidence for the July-September 2020 reaches at 57.61 points. (ii) Compared to the January-March 2020, the overall business status for investment in the textile sector in April-June 2020 was 29.35. The Business confidence for this sector in investment is recorded at 58.70 for the next quarter. And (iii) whereas the PBSI for sales order stands at 18.48, the BCI score for the next quarter stands at 64.13.

Figure 24: Textile Sector: PBSI and BCI

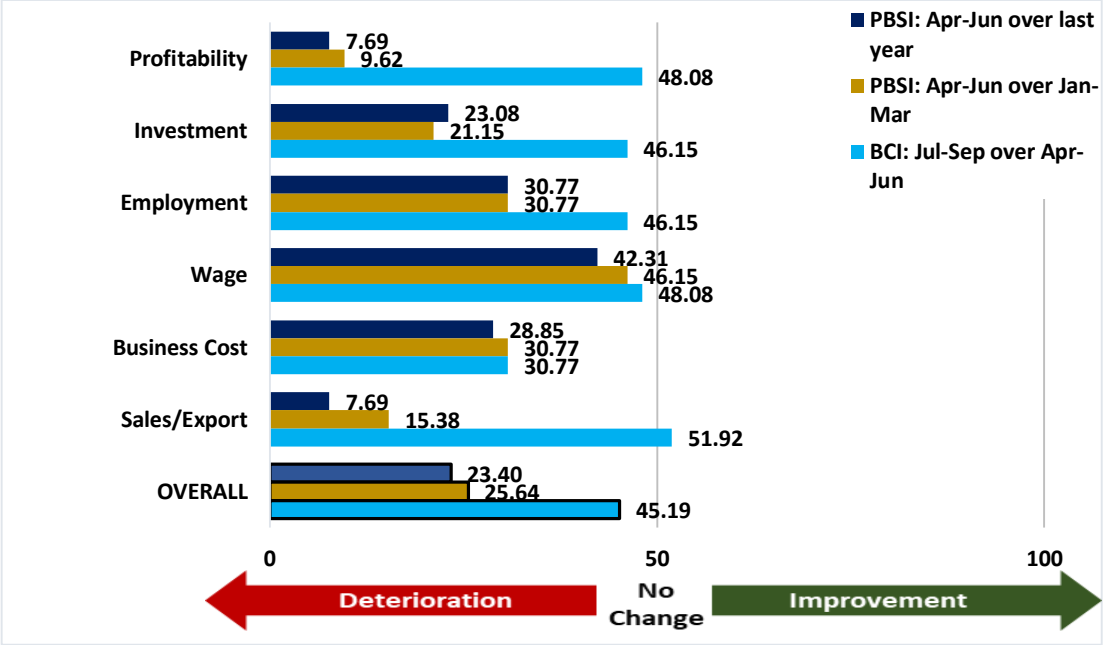


Source: Authors' estimation based on SANEM BCI Survey, 2020

Leather & Tannery Sector

The PBSI for the leather and tannery sector is one of the lowest among the sub-sectors (25.64). The scores in profitability and sales and export orders for this sector can be recorded at 9.62 and 15.38, respectively (Figure 25). Such low scores show the level of business contraction that this sector went through during the April-June 2020 quarter. For the July-September 2020 quarter, the overall improvement in the business confidence in this sector is noteworthy (from a PBSI of 25.64 to a BCI score of 45.19). However, the overall score for the sector is still below the cut-off mark 50. It shows that the sector is still not optimistic regarding the business rebound in the next quarter. The lowest confidence is seen in the indicators of the business costs. The overall business cost scenario in the sector from April to June 2020 can be interpreted as 'worse' compared to January to March 2020. The BCI score of 30.77 on this indicator shows that the business insiders are concerned that the situation may remain as 'worse' even in the July-September 2020. crossed the benchmark level. It indicates that the leather & tannery sector shows a pessimistic impression over the quarters. Like RMG, profitability and sales or export order PBSI regarding leather sector are much lower than that of BCI.

Figure 25: Leather Sector: PBSI and BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

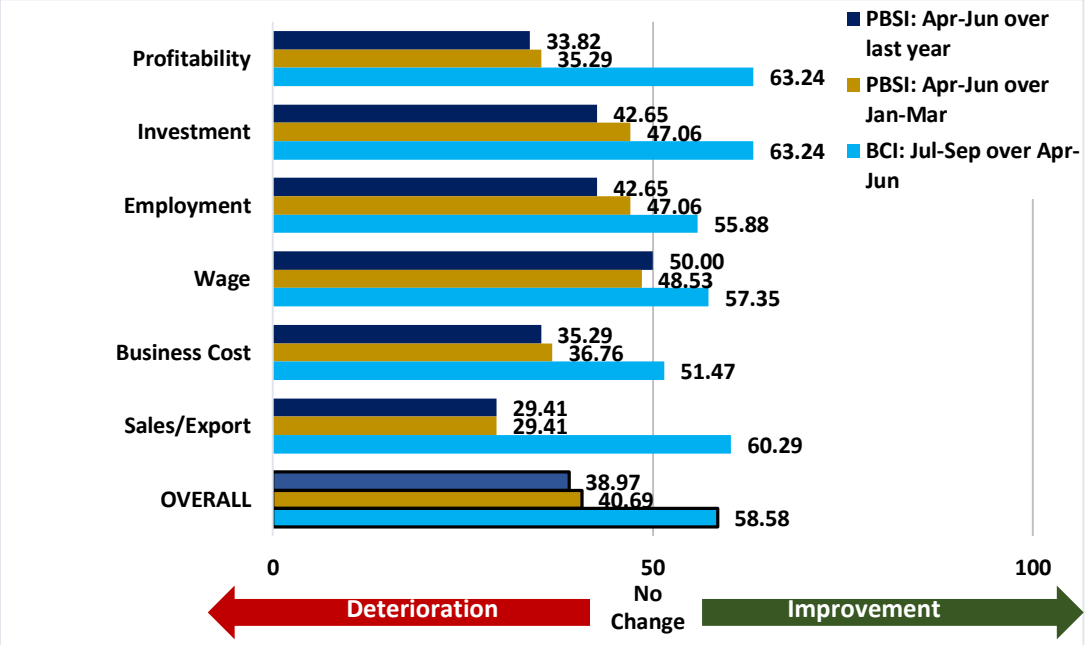
Pharmaceutical Sector

Amongst the sub-sectors, the PBSI, as well as the BCI for the pharmaceutical sectors, was recorded as one the highest (40.69 and 58.58, respectively) (Figure 26). Compared to other sectors (such as RMG or Leather and Tannery) the PBSI on profitability, investment, or sales and exports in the pharmaceutical industry was higher by several folds.

There are a couple of reasons why pharmaceutical sectors thrived well through the pandemic crisis. First, being a priority sector in a health crisis like the COVID-19 pandemic, the demand for pharmaceutical commodities were not as slump as it is seen for other products. Rather, for some pharmaceutical drugs, the demand increased by manifolds compared to the pre-COVID situation. Second, all pharmaceutical firms follow proper health protocols as per their

business regulations. Therefore, when the COVID-19 pandemic set in, unlike other sectors, the Pharma industry was already prepared for ensuring health protocols for the workers. Their new investment in this pursuit was lower as well. In addition, continued global demand for pharmaceutical products also contributed to keeping the business morale high in this sector.

Figure 26: Pharmaceuticals Sector: PBSI and BCI

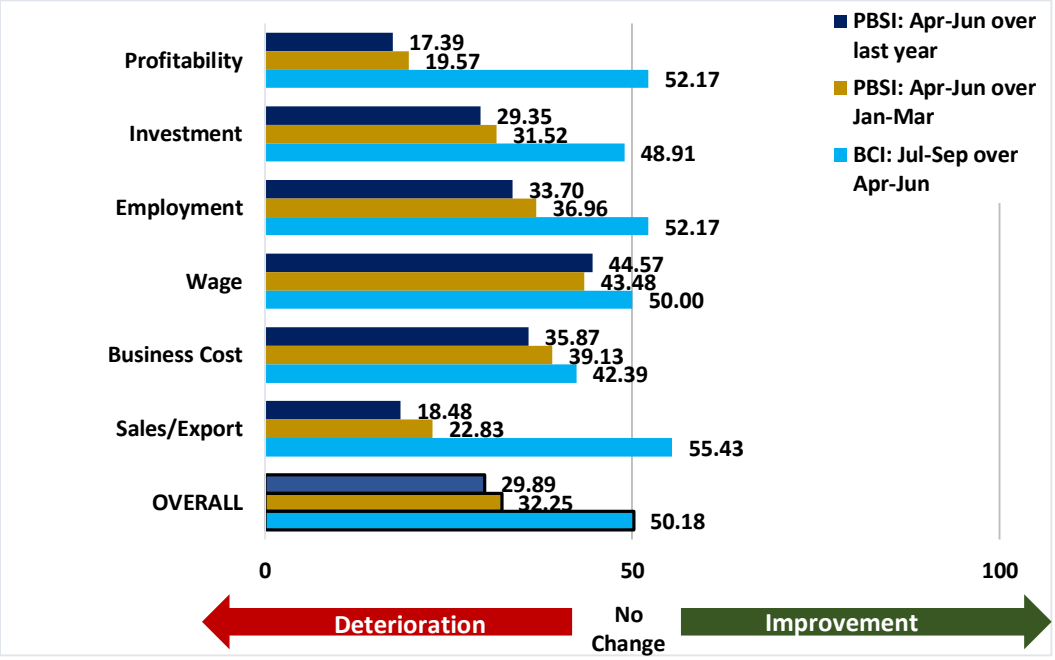


Source: Authors' estimation based on SANEM BCI Survey, 2020

Food-processing Sector

For the food-processing industry, the business status in April-June 2020 over the past year and past quarter stand at 29.89 and 32.25, respectively, while business confidence in July-September stands at 50.18 (Figure 27). The business confidence for the sector can be interpreted as while the sector at large does not think the overall business situation in July-September 2020 will improve much compared to the situation in April-June 2020, but it will not worsen either. The sector aspires that there could be some improvement in profitability, employment, and sales orders compared to the last quarter. However, the overall business cost situation for the sector is feared to slightly worsen further in the next quarter compared to the last.

Figure 27: Food-processing Sector: PBSI and BCI

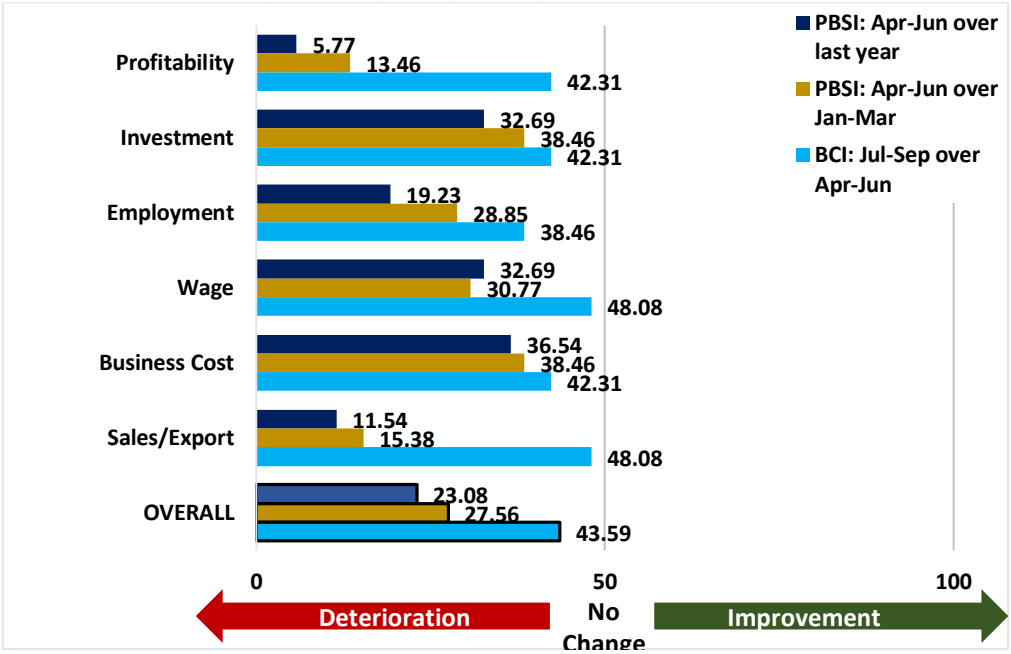


Source: Authors' estimation based on SANEM BCI Survey, 2020

Light-engineering Sector

On the Business Confidence Index, the light engineering sector has the lowest score amongst the manufacturing sectors (43.59) (Figure 28). None of the broad six indices had a score higher than the cut-off score of 50. It shows the pessimism of the businesses in this sector on all these indicators. Noteworthy to mention that most of the firms in the light engineering under this survey are small enterprises (almost 93%). This might be one of the reasons why the overall score of the sector is much lower than any other manufacturing industries. Being small, these firms have less access to finances or stimulus packages, as well as well-established sales network, or other benefits that the large firms enjoy.

Figure 28: Light-engineering sector: PBSI and BCI

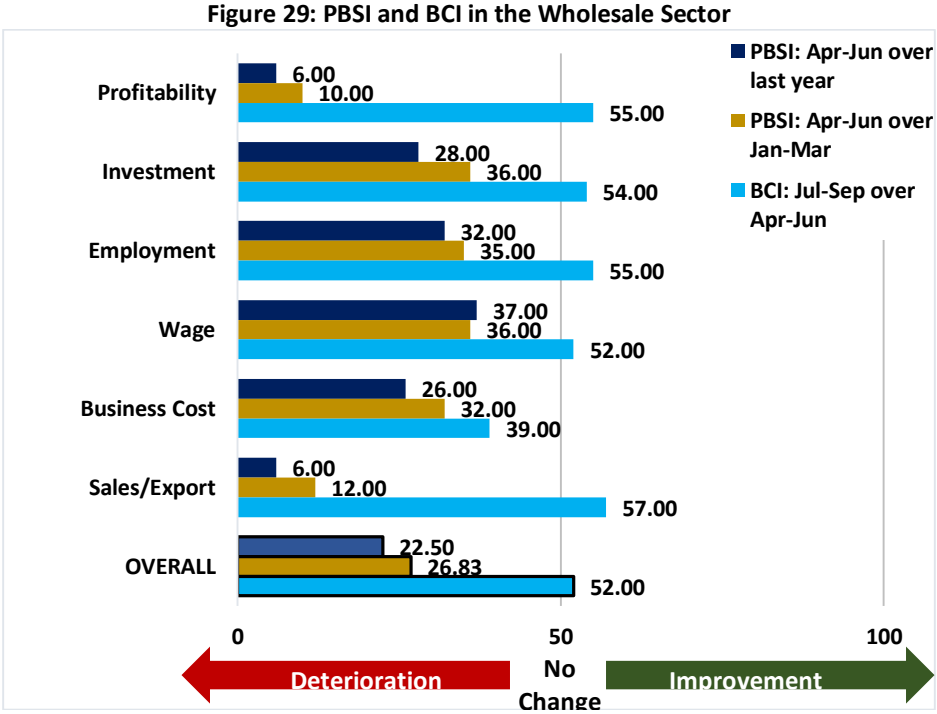


Source: Authors' estimation based on SANEM BCI Survey, 2020

Wholesale Sector

For the wholesales sector, the PBSI over last year and last quarter stand at 22.50 and 26.83 respectively, while BCI stands at 52.00 (Figure 29). 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 10. The BCI on profitability for the July-September 2020 stands at 55, 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 57 on the BCI indicator. It shows a rapid jump in the expectation from the wholesale sector in the increase in sales orders in the July-September 2020 quarter.

Figure 29: PBSI and BCI in the Wholesale Sector

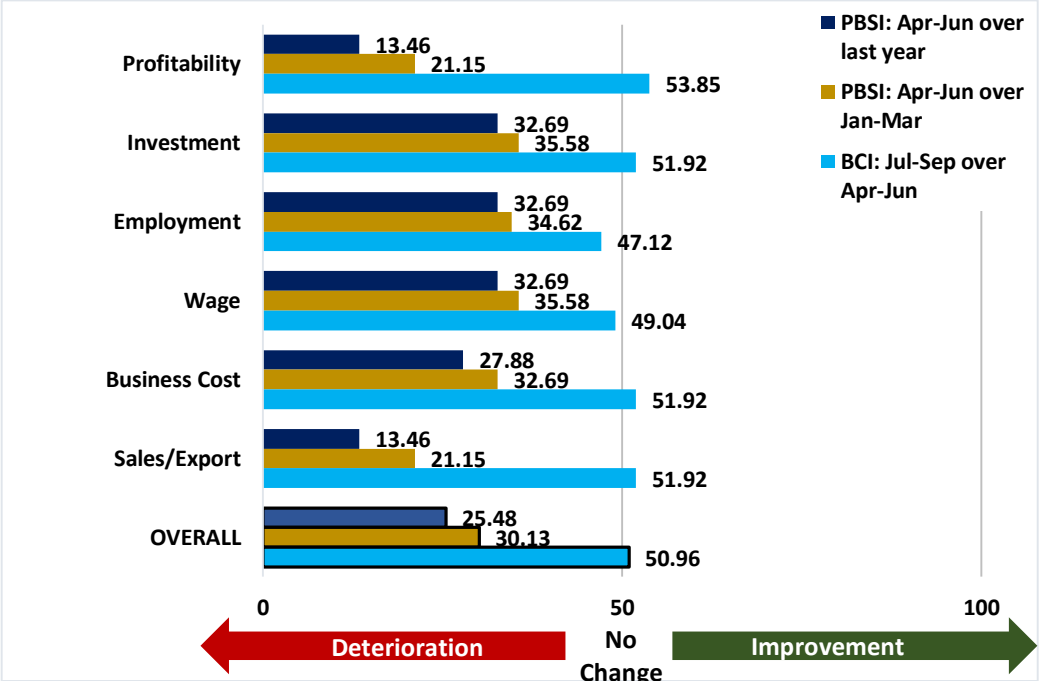


Source: Authors' estimation based on SANEM BCI Survey, 2020

Retail Sector

The overall PBSI for the retail sector over the January-March quarter was 30.13 meaning the business situation in the sector was 'worse' in April-June 2020 compared to the previous quarter (Figure 30). The overall BCI indicator for the sector is found at 50.96, which shows the business community in this sector is expecting a slight improvement in the next quarter. Amongst the BCI sub-indicators lowest scores are observed for employment (47.12) and wages (49.04). Therefore, there are concerns that the employment and wages scenario in this sector might deteriorate further in July-September 2020 compared to April-June 2020.

Figure 30: PBSI and BCI in the Retail Sector



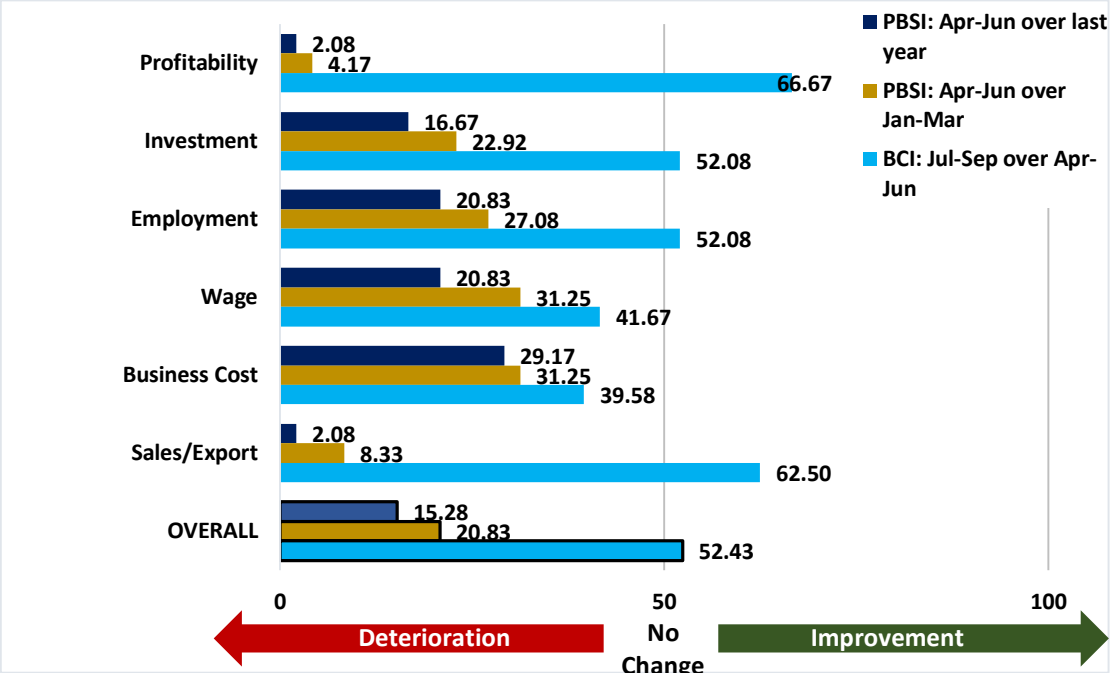
Source: Authors' estimation based on SANEM BCI Survey, 2020

Restaurant Sector

Amongst all the sectors surveyed, the lowest PBSI is observed for the restaurant sectors (Figure 31). The overall PBSI score for the sector stands at only 20.83, meaning that, compared to January to March 2020, the overall business situation of the firms in April-June 2020 was much worse. On two sub-indices, namely profitability and sales orders, this sector had extremely low values. For instance, on profitability sub-index, the present business status index of this sector in April-June 2020 compared to January-March 2020 was only 4.17. In the case of sales, this value is only 8.33. Such low present business status originates entirely due to the measures undertaken for managing the COVID-19 pandemic.

The decision for opening up the economy has boosted up the business morale in this sector. The BCI for profitability stands at 66.67 for this sector while the index on sales or export orders is found to be 62.50. The improvement in these parameters shows that the businesses are somewhat confident that the business scenario related to profitability and sales will increase during this period. Nonetheless, the businesses fear that the overall scenario on wages and business cost for the sector might worsen further. Although the firms are expecting higher profitability in the coming months, it is well understood that these firms went through severe losses for a prolonged period of two to three months during April-June 2020. One of the strategies for cost mitigation for these firms could be lowering wages for the workers. Given that there is already an over-supply of labours in the market, there will be downward pressure on labour market wages. With regard to the business cost, the continued worsened situation might originate from the supply-side disruptions in the sector.

Figure 31: Restaurant Sector: PBSI and BCI

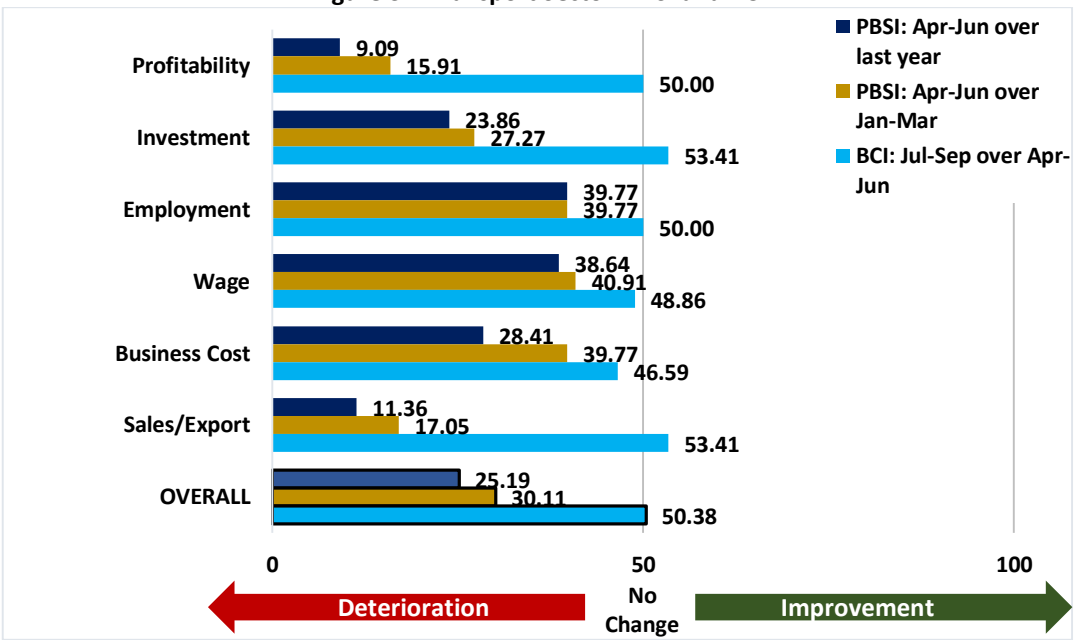


Source: Authors' estimation based on SANEM BCI Survey, 2020

Transport Sector

For the transport sector, the overall PBSI over last year and PBSI over last quarter are found as 25.19 and 30.11, respectively (Figure 32). The overall BCI score for the sector is 50.38 meaning there is an expectation amongst the businesses in this sector that the situation might not improve much over the course of July-September 2020 compared to that of April-June 2020.

Figure 32: Transport Sector: PBSI and BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

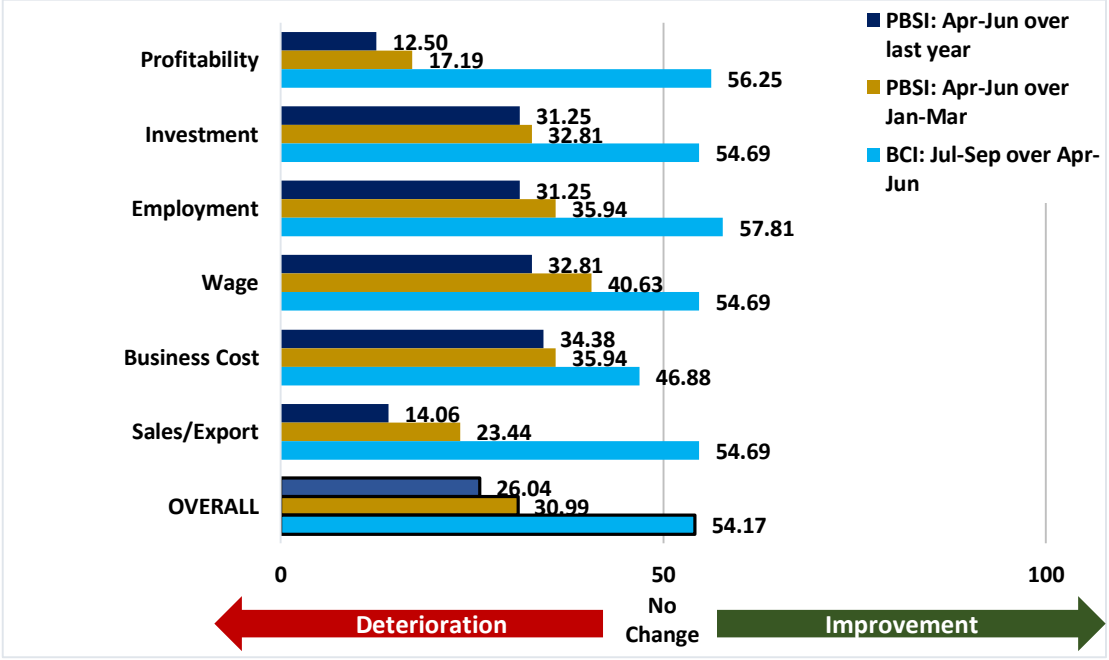
Like the other sectors, this sector also faced challenge in profitability, investment, and sales during the lockdown in April-June 2020. Nonetheless, the sector is somewhat optimistic on

these three indicators in the July-September 2020. The situation on wages and business cost might slightly worsen during this quarter due to the pandemic induced shock.

ICT and Telecommunication Sector

The PBSI (over past quarter) for the ICT and telecommunications sector is 30.99 showing that the overall business situation in the sector in April-June 2020 was 'worse' compared to January-March (Figure 33). With an overall BCI score of 54.17, there are expectations that the overall business in the sector will improve in July-September compared to the last quarter. Amongst the BCI sub-indicators, apart from the business cost, all other indicators are above the cut-off mark 50 showing expectations from the businesses regarding improvement in the scenario in the coming quarter.

Figure 33: ICT and Telecommunication Sector: PBSI and BCI



Source: Authors' estimation based on SANEM BCI Survey, 2020

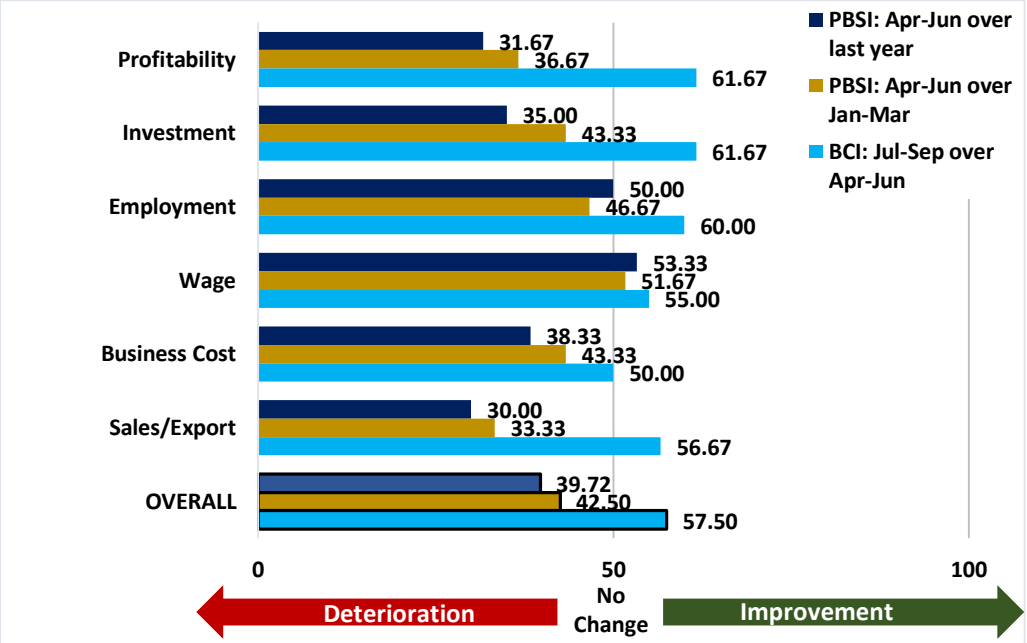
Financial Sector

Amongst all the sectors, one of the most robust performance in terms of over-all businesses has been observed in the financial sector (Figure 34). The PBSI over the past year and last quarter for the sector are 39.72 and 42.50, respectively. It shows, although the overall business situation for the sector can be termed as 'worse' compared to the reference quarter (January-March 2020 or April-June 2019), however, in comparison to other sectors, the scores are higher. The distinction in PBSI scores between the financial sector and others originates from two sub-indicators, namely - profitability, and sales. On these two sub-indicators, the values remained above 30 whereas in case of the other sectors, the values were in the range of 10-20. 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 was limited).

The overall BCI score for the sector (57.50) shows that the sector expects an improvement in overall business situation in the July-September 2020 quarter. There are expectations that the situation on profitability, investment, employment, wages, and sales will improve over

the July-September 2020 quarter. The lowest score on the sub-indicators is observed for the business cost (50.0) showing that the situation on business cost may remain 'unchanged' between July-September 2020 compared to April to June 2020.

Figure 34: Financial Sector: PBSI and BCI

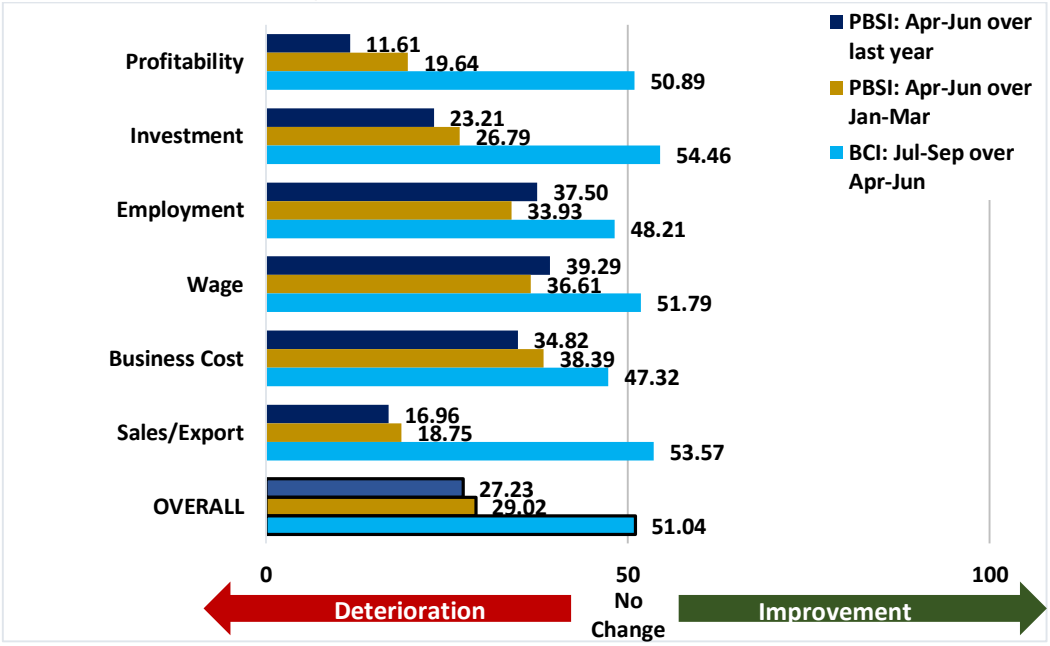


Source: Authors' estimation based on SANEM BCI Survey, 2020

Real Estate Sector

The PBSI in the real estate sector was 19.64 in the April-June 2020 over January to March 2020, which interprets the situation as 'much worse' (Figure 35). The overall BCI for the sector stands at 51.04, which is slightly over the 'cut-off' mark 50, meaning that the sector expects slight improvements in the overall business situation in the coming quarter. The expectations are highest regarding investment (54.46) and sales (53.57) over the July-September quarter. The lowest scores are observed for business costs (47.3) and employment (48.2). With disruptions in the supply chain continued, the business cost in the sector might not improve much until the pandemic crisis ends.

Figure 35: Real Estate Sector: PBSI and BCI



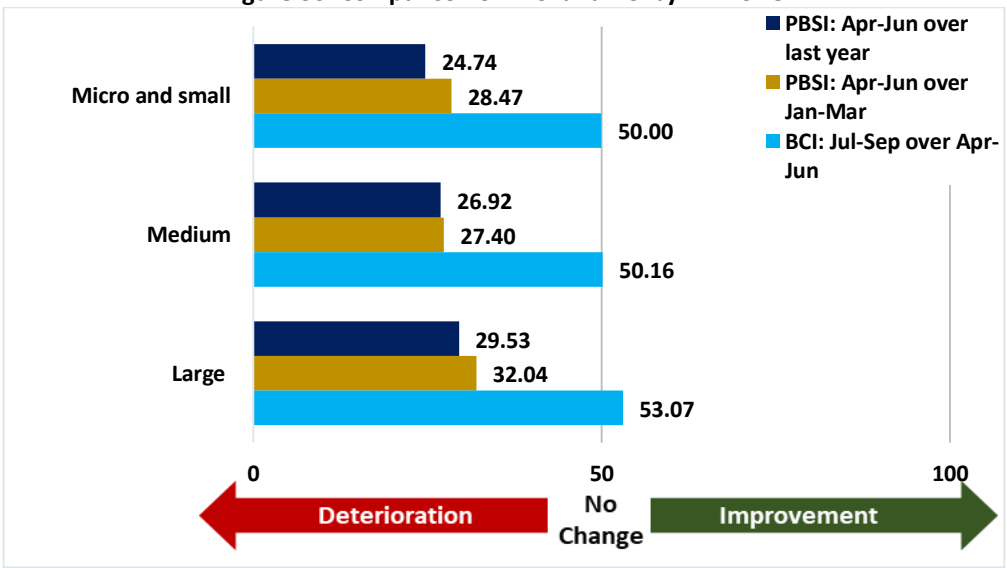
Source: Authors' estimation based on SANEM BCI Survey, 2020

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 at 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 BCI scores of the firms by their sizes (Figure 36). Compared to Micro, Small, and Medium Enterprises (MSMEs), the BCI score of the large firms is higher by three percentage points. The overall PBSI scores (on both indicators) is also higher for the large firms compared to the MSMEs.

Figure 36: Comparison of PBSI and BCI by Firm Size



Source: Authors' estimation based on SANEM BCI Survey, 2020

Two aspects are visible when observed for the sub-indicators of the BCI by firm sizes (Table 13). First, for almost all indicators, the values of the BCI sub-indicators for the large firms is 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 closer around the mean for the large firms than the MSMEs.

Table 13: BCI scores by firm sizes

Large

BCI	Mean	N (observations)	Standard deviation
Overall	53.07	103	14.33
Profit	52.69	103	6.28
Investment	51.39	103	7.44
Employment	52.88	103	3.53
Wages	51.28	103	2.96
Business Costs	44.92	103	4.51
Sales	55.66	103	4.06
Medium			
Overall	50.16	26	14.12
Profit	55.14	26	6.72
Investment	53.87	26	6.39
Employment	51.9	26	4.81
Wages	51.27	26	4.12
Business Costs	44.86	26	5.74
Sales	56.27	26	4.27
Micro and Small			
Overall	50	174	15.26
Profit	52.53	174	5.57
Investment	51.62	174	4.92
Employment	50.31	174	4.76
Wages	50.06	174	3.06
Business Costs	44.73	174	4.76
Sales	54.62	174	3.73

Source: Authors' estimation based on SANEM BCI Survey, 2020

However, mere observation of the mean differences between the large firms and others do not necessarily imply statistically significant distinctions. In this respect, all the firms are recategorized between Large firms (103 firms) and Micro, Small, and Medium Enterprises (MSMEs, 200 firms) (Table 14 and Table 15). It is observed that the overall PBSI at the firm level is significantly higher for the large firms compared to the MSMEs. However, the PBSI scores between the large and MSMEs for the profit, investment, employment, business costs, or sales and exports does not vary significantly among the firms by sizes. It shows that, the impact of the pandemic induced by the economic restrictions was largely homogenous across all firm sizes. The only sub-indicator where the large firms had significantly better present business status was 'wages' indicator. On average, large firms had nine percentage points higher PBSI scores than the MSMEs. One reason for the high difference could be the easier access the large firms had in availing the stimulus packages announced by the Government of Bangladesh.

Table 14: Two-sample t test for the PBSI indicators by firm sizes

PBSI (last quarter) indicators	Obs (MSME)	Obs (Large)	Mean (MSME)	Mean (Larges)	diff	Standard Error	t-value	p-value
PBSI Firm***	200	103	28.33	32.04	-3.71	1.314	-2.8	.005
PBSI Profit	200	103	15.38	18.67	-3.32	2.202	-1.5	.134
PBSI Investment	200	103	30.00	33.25	-3.25	2.389	-1.35	.175
PBSI Employment	200	103	33.75	36.17	-2.42	2.162	-1.1	.265
PBSI Wages***	200	103	37.75	46.85	-9.09	1.925	-4.7	0.00
PBSI Business Costs	200	103	35.88	38.59	-2.72	2.897	-.95	.349
PBSI Sales/Exports	200	103	17.25	18.69	-1.44	2.333	-.6	.537

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

Table 15: Two-sample t test for the BCI indicators by firm sizes

BCI Indicators	Obs (MSME)	Obs (Large)	Mean (MSME)	Mean (Large)	diff	Standard Error	t-value	p-value
BCI Firm*	200	103	50.02	53.08	-3.05	1.77	-1.75	.086
BCI Profit	200	103	52.87	52.69	0.18	0.742	0.25	.811
BCI Investment	200	103	51.91	51.39	0.52	0.82	0.65	.528
BCI Employment***	200	103	50.52	52.88	-2.36	0.485	-4.85	0.00
BCI Wages***	200	103	50.22	51.28	-1.07	0.371	-2.9	.005
BCI Business Costs	200	103	44.74	44.92	-0.17	0.563	-0.3	.761
BCI Sales/Exports*	200	103	54.84	55.66	-0.82	0.483	-1.7	.09

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

With respect to the BCI score, large firms have a statistically significantly higher score compared to the MSMEs (almost three percentage points). The BCI sub-indicators on employment, wages and sales/exports are also found to be significantly higher for the large firms. Aligning this finding with the PBSI score differences observed in Table 14, two 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 are expecting a much better business situation regarding employment, wages, and sales/exports in the July-September 2020 compared to April-June 2020. This might be due to their access to finances, ease in availing stimulus packages, or stronger business network compared to the MSMEs.

Comparison of PBSI and BCI by export status

The COVID-19 pandemic has brought the global trade at 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 which have export shares in the total sales, (ii) non-exporters: firms whose export share in total sales is null.

It is observed that the, regarding the overall PBSI score, the mean PBSI score is slightly higher for the non-exporters than the mean PBSI score for the exporters (Table 16). However, the difference between the exporters and non-exporters on the mean PBSI is not statistically significant. In the case of the PBSI sub-indicators, indicators such as investment, and wages

are found significant. In case of investment, the exporting firms had 5.6 percentage points lower score on the PBSI scale. That is, exporters had worse investment scenario in April-June 2020 compared to January-March 2020 than the non-exporters. However, in the case of the wages, exporting firms had statistically significantly better position compared to the non-exporting firms. One of the reasons for this result could be the ease in availing stimulus packages for the exporters compared to the non-exporters. Apart from this, in all other indicators, exporting firms had a lower score on the PBSI than the non-exporting firms, albeit none of the differences was statistically significant.

Table 16: 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	184	119	30.07	28.85	1.22	1.29	0.95	.345
PBSI Profit	184	119	17.26	15.34	1.92	2.14	0.9	.371
PBSI Investment***	184	119	33.29	27.73	5.57	2.30	2.4	.017
PBSI Employment	184	119	35.33	33.40	1.92	2.09	0.9	.36
PBSI Wages***	184	119	38.04	45.17	-7.12	1.89	-3.75	0
PBSI Business Costs	184	119	37.64	35.50	2.13	2.81	0.75	.449
PBSI Sales/Exports	184	119	18.89	15.97	2.92	2.26	1.3	.197

Source: SANEM BCI Survey

*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

Table 17: Two-sample t-test for the BCI indicators by Exporter-Non-exporter categories

BCI Indicator	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
BCI Firm	184	119	51.18	50.88	0.30	1.81	0.15	.868
BCI Profit***	184	119	53.70	51.42	2.29	0.66	3.45	.001
BCI Investment***	184	119	52.93	49.89	3.04	0.72	4.25	00
BCI Employment	184	119	51.05	51.74	-0.69	0.48	-1.45	.152
BCI Wages	184	119	50.49	50.70	-0.21	0.34	-0.60	.55
BCI Business Costs***	184	119	45.71	43.39	2.31	0.56	4.10	00
BCI Sales/Exports	184	119	54.92	55.42	-0.49	0.48	-1.05	.303

Source: SANEM BCI Survey

*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

In the case of the BCI indicators, the exporters have significantly lower confidence regarding profitability, investment, and overall business cost compared to the non-exporters for the July-September 2020 (Table 17). 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 (43.39) is 2.3 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 July-September 2020 compared to the April-June 2020. There are no statistically significant difference in the BCI scores between the exporters and the non-exporters on the other indicators.

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.

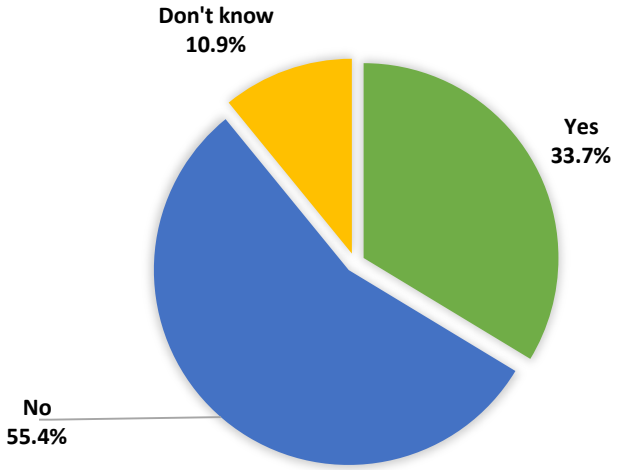
Section V: Status on Stimulus Packages and Overall Business Environment

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. The announced stimulus packages amounted to TK 103,117 crore (almost 3.7 per cent of the GDP) is the second-largest among the peer countries.[5] As has already been mentioned, one of the objectives of this study is assessing the effectiveness and adequacy of the stimulus packages for the business community at large. This section 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.

Status of availing the stimulus packages

The respondents were asked whether the firm has received the stimulus package or not. 33.7 per cent per cent of the respondent said their firm received the stimulus package announced by the GoB (Figure 37). Another 55.4 per cent of the respondents replied that they did not avail the package. Some of the respondents (around 10.9%) were not sure whether their firm received the stimulus package benefit or not.

Figure 37: Distribution of the firms on stimulus package receipt options



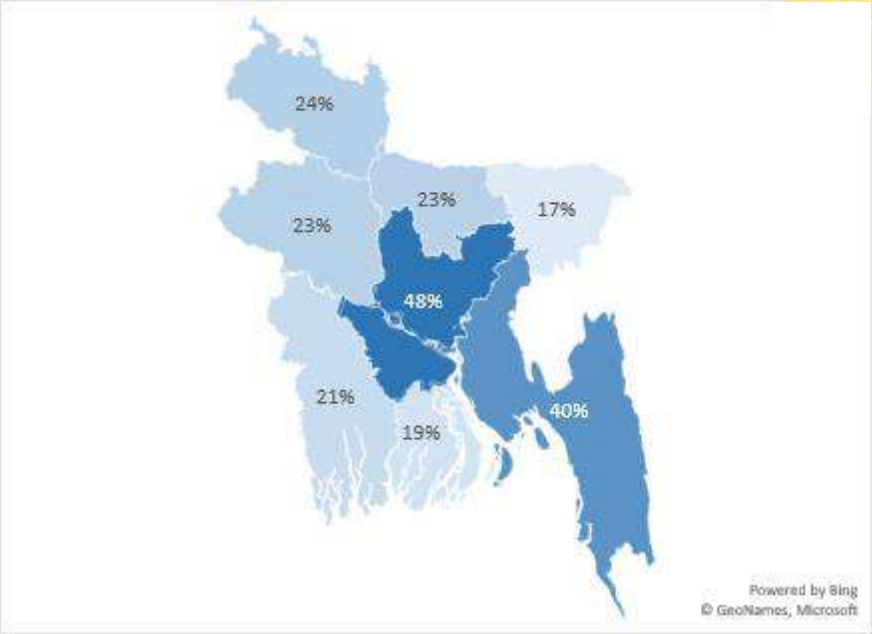
Source: Authors' estimation based on SANEM BCI Survey, 2020

The distribution of the firms with stimulus packages is not uniform across divisions. Around half of the firms surveyed in Dhaka responded that they received the stimulus package (Map 2). In Chittagong, 40 per cent of the surveyed firms received the package. This rate is around 23-24 per cent for Rajshahi, Rangpur, and Mymensingh. The lowest proportion of firms with stimulus packages is observed for Sylhet (17%) and Barishal (19%) 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

[5] https://www.thedailystar.net/business/news/bangladeshs-stimulus-package-second-highest-among-peer-countries-1914621

heterogeneity can be attributed to the distribution of the firms across divisions. Dhaka and Chittagong divisions hosts the majority of the manufacturing firms who might have more access to the announced packages than others.

Map 2: Percentage of firms with stimulus package by Divisions



Source: Authors' estimation based on SANEM BCI Survey, 2020

Table 18: Firms receiving stimulus packages in the manufacturing sector

Firm	**Firms receiving stimulus packages (number)**			**Firms receiving stimulus packages (%)**		
	No/Don't know	Yes	Total	No/Don't know	Yes	Total
Ready Made Garments	12	41	53	22.6%	77.4%	100.0%
Textiles	8	15	23	34.8%	65.2%	100.0%
Leather and Tannery	7	6	13	53.8%	46.2%	100.0%
Pharmaceuticals and Chemicals	13	4	17	76.5%	23.5%	100.0%
Food Processing	13	10	23	56.5%	43.5%	100.0%
Light engineering	9	4	13	69.2%	30.8%	100.0%
Other Manufacturing	9	2	11	81.8%	18.2%	100.0%
Total	71	82	153	46.4%	53.6%	100.0%

Source: Authors' estimation based on SANEM BCI Survey, 2020

Amongst the firms who received the stimulus packages (102 firms out of 303 surveyed firms), 80 per cent are from the manufacturing sector. In total, out of the 153 firms surveyed in the manufacturing sector, 53.6 per cent of the firms replied that they received the GoB announced stimulus packages. Among the manufacturing sub-sectors, highest proportions of firms who received the package are seen for the RMG and Textiles: 77.4 per cent of the surveyed RMGs replied that they had availed the stimulus package whereas in the case of Textiles this rate is 65.2 per cent. In Leather and Tannery, 46.2 per cent of the firms received the package whereas, in the case of food processing and Light engineering, these rates are 43.2 per cent and 30.8 per cent respectively. The least proportion of firms with stimulus

packages in the manufacturing sector is observed in the Pharmaceuticals and Chemicals: only 23.5 per cent of the firms availed the package.

In the case of the services sector, only 13.3 per cent of the surveyed firms received the stimulus package (Table 19). Most of the recipients of the packages in this sector are from the Real Estate, Financial sectors, and Retails.

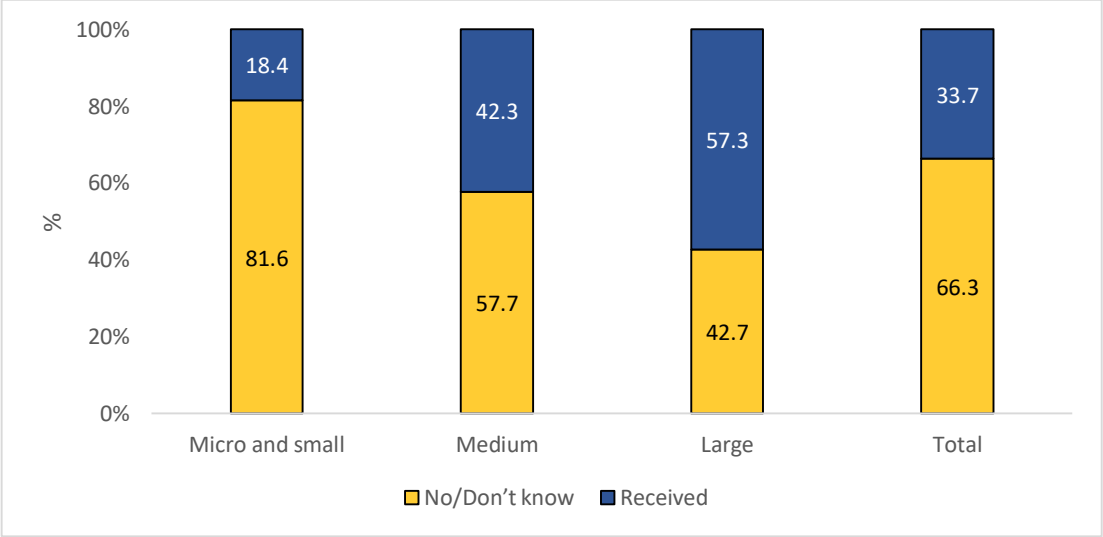
Table 19: Firms receiving stimulus packages in the services sector

Sector	Firms receiving stimulus packages (number)			Firms receiving stimulus packages (%)		
	No/Don't know	Yes	Total	No/Don't know	Yes	Total
Wholesales	23	2	25	92.0%	8.0%	100.0%
Retailers	22	4	26	84.6%	15.4%	100.0%
Restaurants	12	0	12	100.0%	0.0%	100.0%
Transport	20	2	22	90.9%	9.1%	100.0%
ICT and Telecommunications	14	2	16	87.5%	12.5%	100.0%
Financial Sector	12	3	15	80.0%	20.0%	100.0%
Real Estate	22	6	28	78.6%	21.4%	100.0%
Other services	5	1	6	83.3%	16.7%	100.0%
Total	130	20	150	86.7%	13.3%	100.0%

Source: Authors' estimation based on SANEM BCI Survey, 2020

There is a clear pattern between firm size and the status in availing the stimulus packages (Figure 38). In the case of the micro and small firms, only 18.4 per cent of the firms received the package. In contrast, 57.3 per cent of the surveyed large firms availed the benefits.

Figure 38: Stimulus package receipt by firm sizes (%)



Source: Authors' estimation based on SANEM BCI Survey, 2020

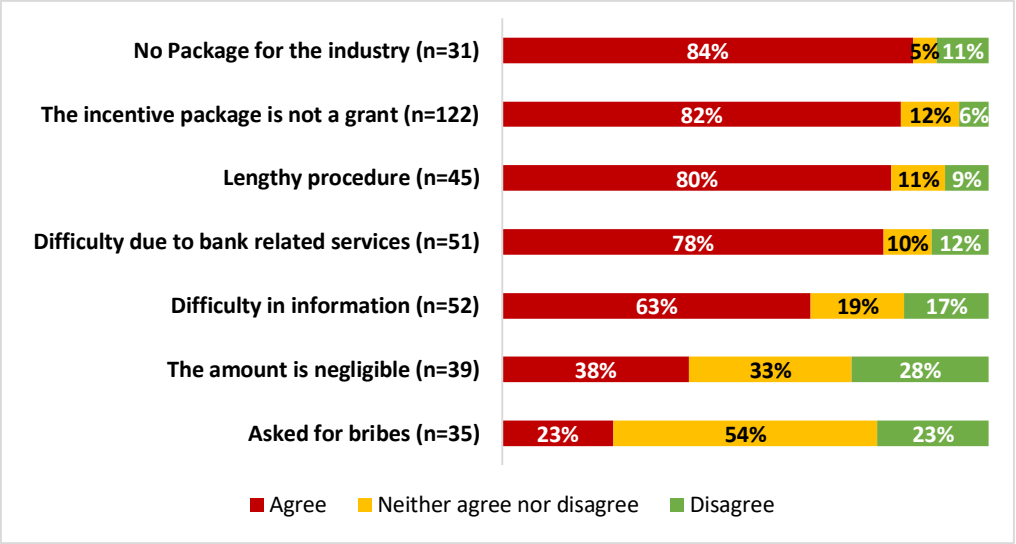
Reasons behind not availing the stimulus packages

Firms who did not avail 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 disagree nor agree, agree, and strongly agree. Afterwards, the five

alternatives are further clustered into three: agree, neither agree nor disagree, and disagree (Figure 39).

Many of the respondents opined that the reason for not availing the stimulus package is it is not a grant rather a loan with soft terms. Several firms identified that there were no packages for their industries. Around 34 firms responded that the lengthy procedure in availing the stimulus package barred them from opting it. Around 39 firms responded 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 35 firms who responded on the question of bribes as a hindering factor – only 23 per cent agreed that it was one of the deterring reasons. Noteworthy to mention that, another 54 per cents of the respondents replied 'neither agree not to disagree' as their option when asked on the bribes. The response rate on this indicator could be downward biased as the respondents might not feel comfortable in answering questions on bribes/corruptions.

Figure 39: Reasons for not availing the stimulus packages



Source: Authors' estimation based on SANEM BCI 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

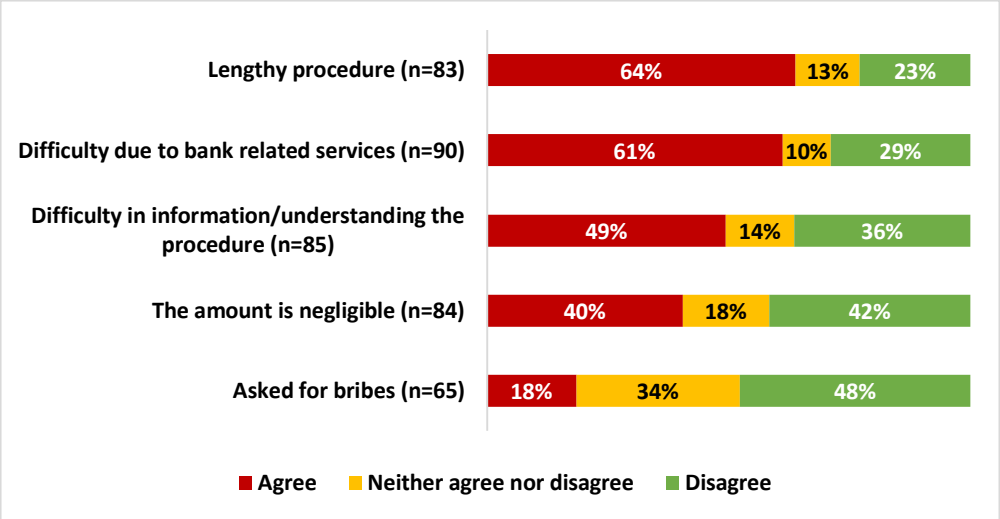
Problems faced by the recipients of the stimulus packages

The 102 firms who received the stimulus packages were asked to identify the problems faced in obtaining the benefit (Figure 40). 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.

Out of the 83 respondents who replied on the question on 'lengthy procedure', 64 per cent marked it as a major problem. 'Difficulty in the bank related services' was identified as a major problem by 61 per cent of the respondents (out of 90). Around half of the respondents (out of 85) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems. Forty per cent of the respondents (out

of 84) thinks that the amount of the announced stimulus package is not adequate. Only 18 per cent of the respondents (out of 65) identified bribe as a problem.

Figure 40: problems in availing the stimulus packages



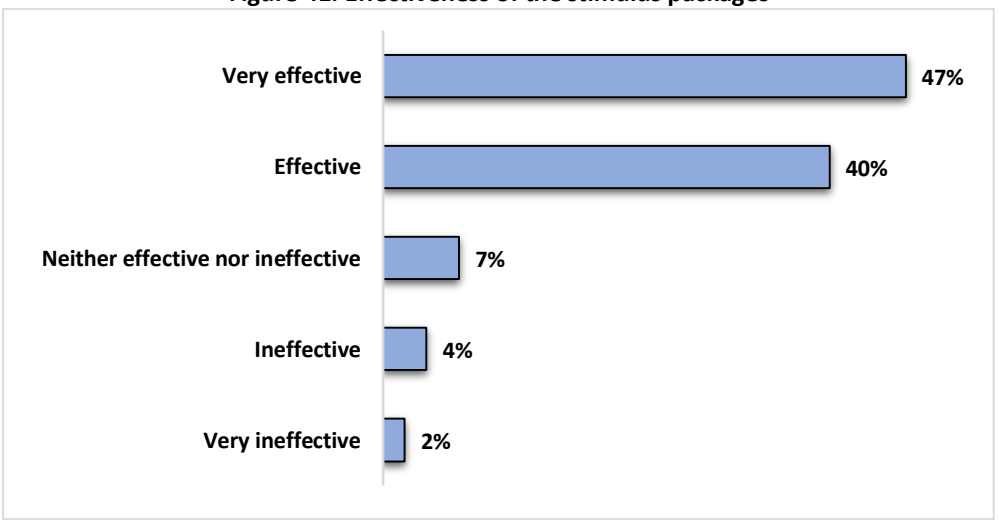
Source: Authors' estimation based on SANEM BCI Survey, 2020
Note: n is the number of firms responded on that indicator; the respondents were allowed to choose from one or more options listed in the figure

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 102 stimulus package recipients, 47 per cent viewed the packages as very effective, and another 40 per cent opined it as effective (Figure 41). Only 6 per cent of the recipients said the stimulus package was not effective at all.

Figure 41: Effectiveness of the stimulus packages



Source: Author's estimation based on SANEM BCI 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 lower business performance in terms of profitability during April-June 2020 compared to January-March 2020 (Table 20). However, these firms had a significantly better situation on the 'wage' indicator (by almost 4.6 percentage points higher than the non-recipients). It must be noted that a large portion of the announced stimulus packages was designated for employees' wages. That might have significantly contributed to the recipient firms' overall performance on the workers' wage indicator. To some extent, it shows the effectiveness of the stimulus packages in helping the business industries from worsening the wage indicator.

Table 20: t-test on the PBSI score (compared to last quarter) by the status of stimulus package receipt

PBSI indicators	Obs (Non-recipient)	Obs (Recipient)	Mean (Non-recipient	Mean (Recipient)	diff	Standard Error	t-value	p-value
PBSI Firm	201	102	29.49	29.78	-.28	1.22	-.25	.818
PBSI Profit***	201	102	17.91	13.73	4.18	2.122	1.95	.05
PBSI Investment	201	102	30.97	31.37	-.40	2.348	-.15	.864
PBSI Employment	201	102	34.20	35.29	-1.09	2.162	-.5	.615
PBSI Wages***	201	102	39.30	43.87	-4.57	1.888	-2.4	.017
PBSI Business Costs	201	102	36.19	37.99	-1.79	2.836	-.65	.527
PBSI Sales/Exports	201	102	18.41	16.42	1.98	2.231	.9	.374

Source: SANEM BCI Survey
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

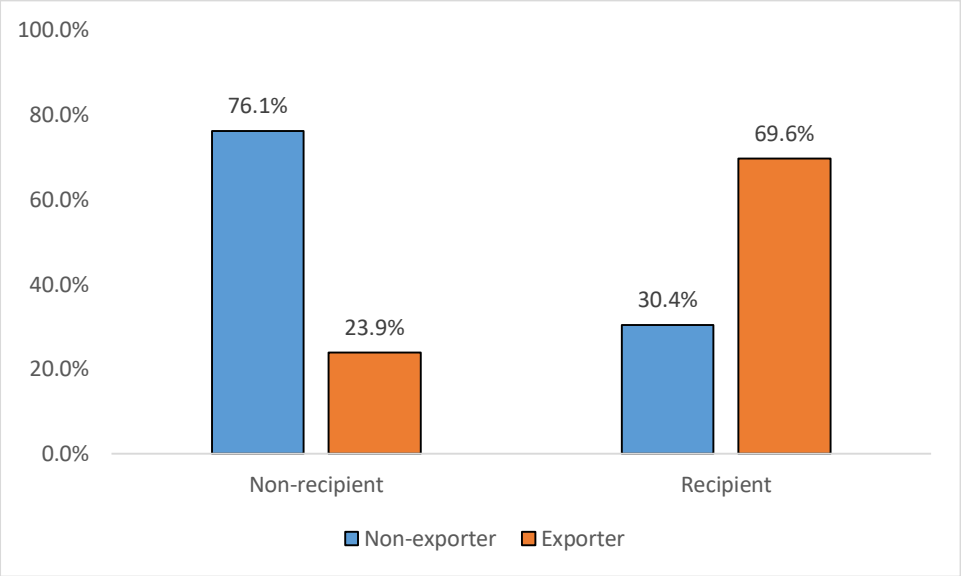
Table 21: t-test on the BCI score by the status of stimulus package receipt

BCI Indicators	Obs (Non-recipient)	Obs (Recipient)	Mean (Non-recipient	Mean (Recipient)	diff	Standard Error	t-value	p-value
BCI Firm	201	102	50.89	51.39	-.49	1.81	-.25	.783
BCI Profit***	201	102	53.66	51.12	2.54	.71	3.6	.001
BCI Investment***	201	102	52.68	49.86	2.83	.717	3.95	0
BCI Employment	201	102	51.35	51.26	.091	.551	.15	.869
BCI Wages	201	102	50.54	50.65	-.12	.387	-.3	.767
BCI Business Costs	201	102	45.09	44.23	.86	.577	1.5	.138
BCI Sales/Exports	201	102	55.15	55.05	.09	.478	.2	.844

Source: SANEM BCI Survey
*Note: *,**,*** represents 10 per cent, 5 per cent, and 1 per cent level of significance*

In the case of the BCI indicators (Table 21), the stimulus package recipient firms' expectations regarding profitability and investment scenarios are significantly lower than that of the non-recipients. Although seemingly paradoxical, this finding can be analysed with the aid of the export status of the firms (Figure 42). Most of the recipients of the stimulus packages are exporters (almost 70 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. Therefore, even with the stimulus packages, the firms are less confident regarding the profits and investment in the July-September quarter primarily due to external shocks.

Figure 42: Stimulus package received by Exporters and Non-exporters



Source: Authors' estimation based on SANEM BCI Survey, 2020

Moreover, the highly significant difference between the stimulus package recipients and non-recipients on the PBSI wage indicator is absent in the case of BCI wage indicators. One potential reason could be the non-continuation of many of the stimulus packages since July 2020. Therefore, although the stimulus packages contributed to improving the overall wage indicator for the recipient firms in the April-June 2020, the benefits could be argued as only temporary.

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. According to the World Bank's doing business indicators, Bangladesh ranked 168 out of 190 countries in 2019. During a pandemic like COVID-19, it is important to regularly monitor the overall business environment as well as challenges for doing businesses.[6]

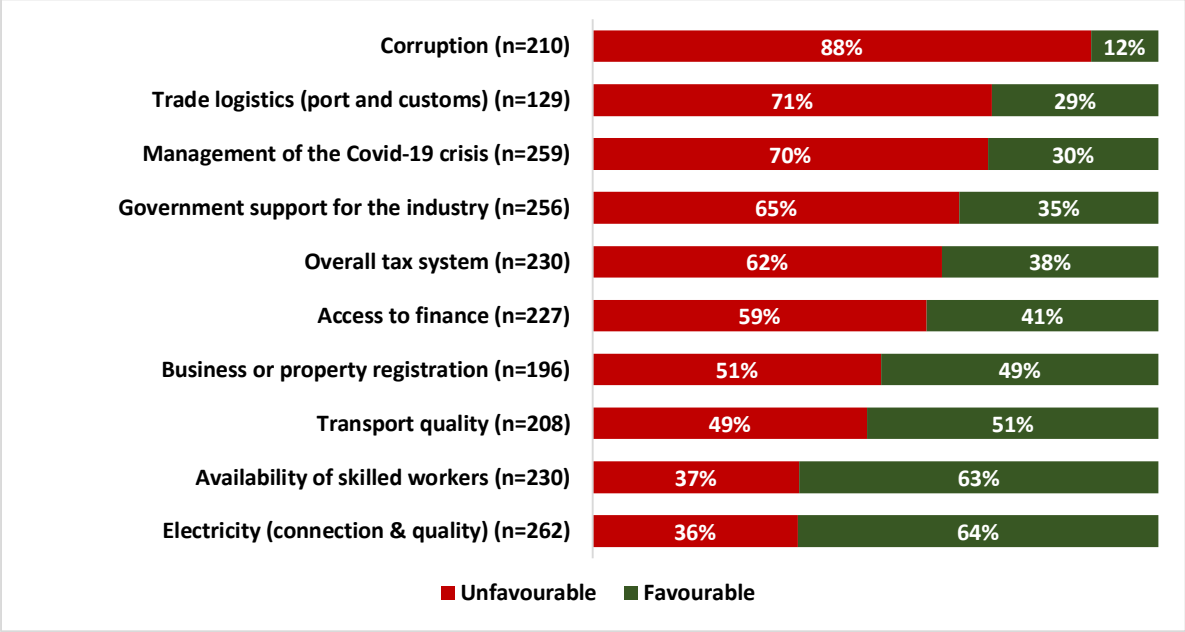
For a clear understanding of the overall business environment in the country during the pandemic, this survey provided some relevant key indicators to the respondents. For instance, the respondents were asked: "On a scale of 1 to 6, at present, how much favourable are the following indicators for your 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 43).

Out of the 210 respondents who replied to the query on corruption, 88 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 71% of the respondents (out of 129). 70 per cent of the 259 respondents identified that Bangladesh's

[6] 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.

approach to 'managing the COVID-19 crisis' as unfavourable to the businesses. More than 60 per cent out of 230 respondents thinks that the present structure of the tax system is not favourable for doing businesses. In the case of access to finances, 59 per cent of the respondents (out of 227) finds it unfavourable. With regard to business or property registration, 51 per cent of the firms (out of 196) considered it as unfavourable.

Figure 43: Major challenges in doing business



Source: Authors' estimation based on SANEM BCI Survey, 2020
Note: n is the number of firms responded on that indicator; the respondents were allowed to respond to one or more indicators listed in the figure

There are a couple of indicators where the majority of the respondents think the overall condition is favourable to the businesses. For instance, in the case of transport quality, 51 per cent of the respondents (out of 208) think it is favourable to their businesses. Sixty-three per cent of the respondents (out of 230) thinks that the present status of the availability of skilled worker is favourable to their businesses. In the case of the electricity connection and quality, 64 per cent (out of 267) opined that the present state of electricity is favourable to doing businesses.

When catered the major challenges faced by the businesses by industries (i.e. Manufacturing and Services), a couple of interesting patterns are evident (Figure 44 and Figure 45). For both industries, corruption tops the list in terms of percentage of respondents thinks it as unfavourable. For the manufacturing sector, the other top five challenges faced by the businesses are trade logistics related to port and customs facilities (74%), the overall structure of the tax system (69%), management of the covid-19 crisis (66%), access to finance (62%), and overall government support for the industry (55%).

In the case of the services sector, apart from corruptions, the other top five challenges faced by the businesses are (Figure 45): lack of overall government support for the industry (75%), management of the covid-19 crisis (64%), trade logistics (64%), access to finances (56%), and overall tax structure system (54%).

Figure 44: Major challenges faced by the Manufacturing sector firms

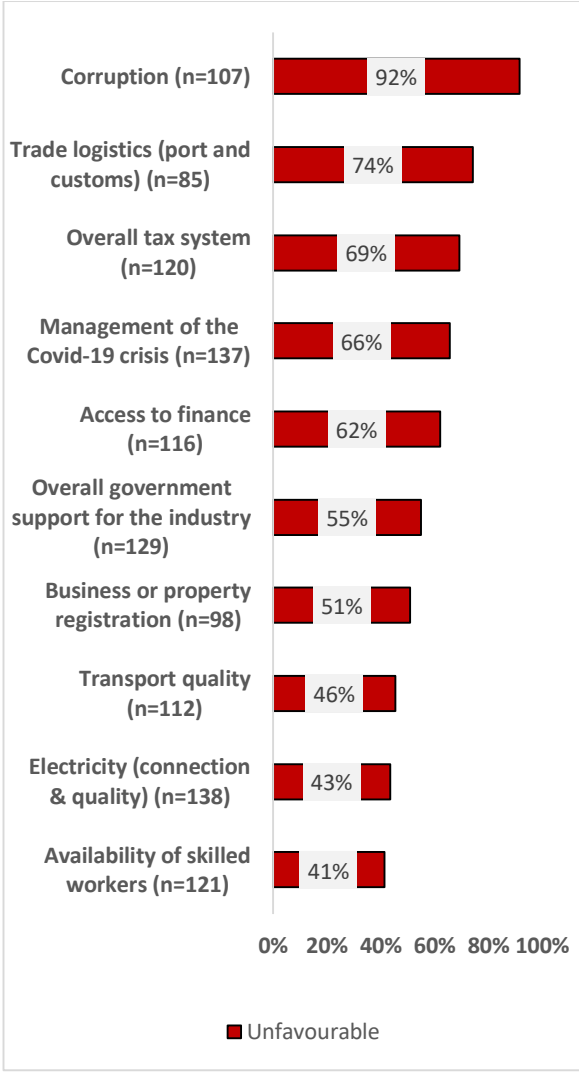
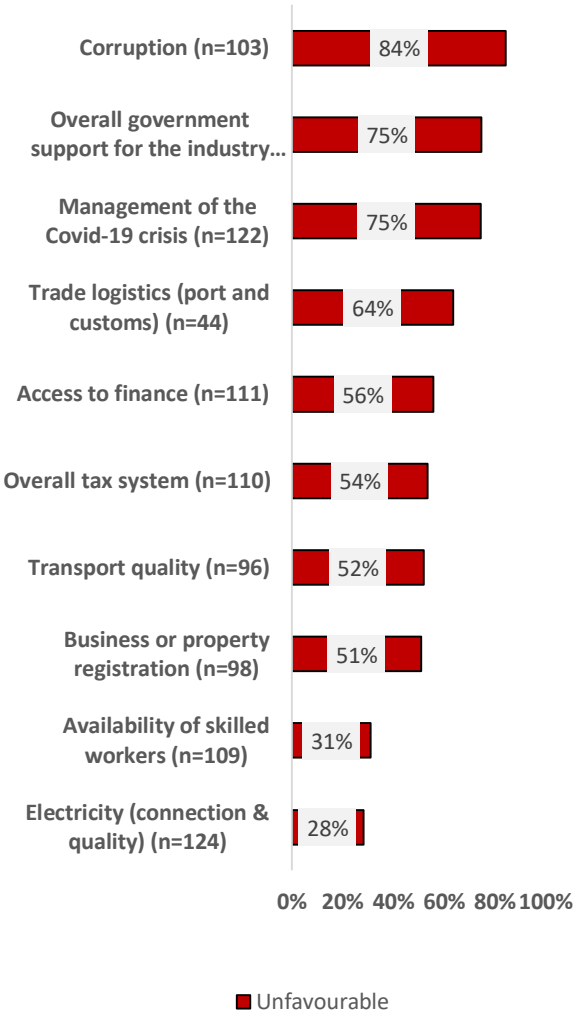


Figure 45: Major challenges faced by the Services sector firms



Source: Authors' estimation based on SANEM BCI 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 (Table 22).

In the case of the manufacturing industry, the most important priority areas could be identified as (i) ease of finances, (ii) further increase in the inventive packages for the industries to combat the COVID-19 pandemic, (iii) improvement of the access as well as the quality of the utility services, (iv) improved trade logistics, and (v) providing export incentives such as duty drawback or cash incentives or bonded warehouse facilities to all exporting firms, etc.

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

Table 22: Three most important areas where the government should prioritize its policies (summary responses of the firms)

Sector	Indicators	First Priority Area (%)	Second Priority Area (%)	Third Priority Area (%)
Manufacturing sector	Ease access to finance (n=72)	59.7	25.0	15.3
	Provide/increase incentive packages to combat COVID-19 (n=46)	43.5	41.3	15.2
	Ease the access to Utility services (n=32)	40.6	28.1	31.3
	Provide/increase duty drawback or direct cash incentive/subsidies for exporters of your sector (n=30)	40.0	36.7	23.3
	Improve the quality of utility services (n=36)	30.6	44.4	25.0
	Improve customs management at ports (n=31)	29.0	29.0	41.9
	Ensure skilled manpower (n=25)	28.0	36.0	36.0
	Improve the quality of road transport/transport logistics (n=32)	25.0	37.5	37.5
	Ease the property registration procedure (n=8)	25.0	25.0	50.0
	Provide bonded warehouse facility to your sector (n=5)	20.0	80.0	0.0
	Reduce export & import procedural delays (n=22)	18.2	50.0	31.8
	Reduce import tariffs for raw materials (n=29)	17.2	27.6	55.2
	Increase port-handling capacity for export and import (n=9)	11.1	33.3	55.6
	Others (n=33)	63.6	21.2	15.2
Services Sector	Ease the access to Utility services (n=20)	60.0	25.0	15.0
	Ease access to finance (n=91)	57.1	23.1	19.8
	Increase port-handling capacity for export and import (n=4)	50.0	25.0	25.0
	Others (n= 37)	48.6	13.5	37.8
	Provide/increase incentive packages to combat COVID-19 (n=80)	43.8	38.8	17.5
	Reduce import tariffs for raw materials (n=7)	42.9	28.6	28.6
	Ensure skilled manpower (n=19)	36.8	26.3	36.8
	Improve the quality of road transport/transport logistics (n=42)	33.3	47.6	19.0
	Provide bonded warehouse facility to your sector (n=9)	33.3	33.3	33.3
	Improve customs management at ports (n=9)	33.3	33.3	33.3
	Improve the quality of utility services (n=18)	27.8	44.4	27.8
	Ease the property registration procedure (n=30)	26.7	50.0	23.3
	Reduce export & import procedural delays (n=14)	14.3	64.3	21.4
	Provide/increase duty drawback or direct cash incentive/subsidies for exporters of your sector (n=15)	13.3	60.0	26.7

Source: SANEM BCI Survey, 2020

Section VI: Conclusion and Policy Recommendations

Bangladesh, like the rest of the world, is experiencing an economic contraction during this unprecedented crisis of COVID-19. According to the provisional estimates of BBS (2020), the Gross Domestic Product (GDP) growth of Bangladesh fell to 5.24 per cent in FY 2019-20 from 8.15 per cent in FY 2018-19. The country aims to achieve more than 8 per cent GDP growth rate in the next fiscal year (FY2020-21). Attaining such high economic growth would require rejuvenated confidence from the private sectors. Close monitoring of the businesses is required to assess the gaps in policies and expectations from the business communities. On this backdrop, this survey attempts to explore the outlooks and expectations of business communities on investment, employment, wages, stimulus packages, firm-specific financial performances, business costs, sales or exports, amongst others.

In this respect, this study convened a survey of 303 firms across the country (153 manufacturing; 150 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 were 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 April-June 2020 compared to April-June 2019, (ii) (i) Present Business Status Index in April-June 2020 compared to January-March 2019, and (iii) Business Confidence Index for July-September 2020 compared to April-June 2020. The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights.

The study shows that the overall business status in April-June 2020 was extremely poor for almost all industries. The worst performers were the RMG, leather, light engineering, wholesale and restaurant, while relatively better performers were pharmaceuticals and chemicals, and the financial sector. The business confidence for July-September 2020 shows some improvement over business status in April-June 2020. The improvement is visible in all sub-components of BCI, but still, the overall BCI remains slightly above the cut-off mark 50, meaning the confidence is improving but not much.

At the sectoral level, despite the improvement, RMG, leather, light engineering, and other manufacturing demonstrate BCI less than 50. These sectors are pessimistic regarding the improvement in the overall business scenario in Jul-September 2020 over April-June 2020. The major improvement on the BCI index is seen for Textile, Pharmaceuticals and Chemicals, Wholesale, Restaurant, ICT and Telecommunications, and Financial Sector.

The study also observes that on an average, the large firms performed better compared to the Micro, Small, and Medium Enterprises (MSMEs) in both PBSI and BCI indicators. However,

it is observed that the BCI and PBSI scores of the exporting firms are significantly lower than the non-exporting firms on several indicators.

The study finds that only around one-third of the surveyed firms acquired the stimulus packages announced by the GoB. The firms who acquired the packages identified problems such as lengthy procedure, difficulty related to bank services, lack of information or difficulty in understanding the procedure, etc. as major problems faced. On the other hand, 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.

Firms who availed the stimulus packages remarked the packages as effective in improving their business situation. It is observed that the firms who received the stimulus packages have a significantly better situation with respect to workers' wages indicator on the PBSI score.

This study identifies several major challenges being faced by the industries during this crisis period. Corruption has been identified as a major problem by more than 90 per cent of the respondents. Amongst others, management of COVID-19 health crisis, poor trade logistics, unfavourable tax system, lack of access to finances, etc. were identified as major impeding barriers. Reforms in all these critical areas have remained long overdue.

Based on the survey and the analyses, this study proposes the following sets of policy actions for rejuvenating the business morale of the private sector during the is COVID-19 crisis:

- **Planned management of the COVID-19 induced health crisis**: A centralized approach to managing the crisis, especially the effect of the pandemic on national health status is required. If not properly managed it will have chain effects on consumption expenditures, investment expenditures as well as output and GDP growth.

- **Adopting a sustainable recovery plan for the economy to come out of the COVID-19 pandemic induced crisis**: Bangladesh should undertake a remedial policy plan over the medium to long term. The plan should specify the areas where the Government should commit to further policy deepening. A reference point for such specific policy deepening can be taken from the priority areas identified in this study.

- **Adopting policies for attracting FDIs in the country:** Relying on the domestic private investment will not be sufficient enough for Bangladesh in attaining as well as sustaining a higher growth trajectory. Many foreign investments are now diverting from China to other destinations due to the recent development in the global trade situation. Bangladesh needs to upscale its logistics and other institutions as well as infrastructural supports. In this regard, two studies are seemingly essential: (i) a diagnostic study on the existing trade logistics in Bangladesh. This study should find out the status of the trade logistics in the country, compare the status with other leading exporting countries, and suggest policies for upscaling the logistics. And (ii) an FDI diagnostic study which will focus on necessary policy gaps needs to be addressed to attract more FDIs.

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

- **Easing the business environment**: Bangladesh needs to improve the overall business environment in the country. The property registration system needs to be eased. There are a couple of essential utility services where further improvement is essential. Over the years, the problem of access to electricity has largely been resolved. However, the quality of the supplied electricity is still a concern. Other utility services (such as water and gas) need improvement in quality as well. With regard to trade and other logistics, Bangladesh needs a revamped action for eradicating the trade logistics barriers (such as procedural delays, time to export/import, etc.). Above all, corruption in the country needs a stronghold for sustainable development in the future.

- **Devising a monitoring and evaluation (M&E) framework for keeping a tab on the stimulus packages**: Although the Government of Bangladesh announced the incentive packages, there is no widely available information on how many firms availed those packages, what problems they faced, or what is the update on the stimulus packages. The GoB needs to devise a MnE framework in monitoring the progress in disbursing the stimulus packages. The framework should encapsulate possible barriers as well as challenges being faced by the firms.

- **Easing the disbursement of the stimulus packages from the banking sector:** It has been reported 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 existing customers. The Bangladesh Bank needs to provide a guideline to the Banks in disbursing the loans to the small and medium enterprises. Moreover, a large number of business entities in Bangladesh remains outside of the formal banking system. The central bank of the country can undertake necessary measures in collaboration with the NBR in devising a policy so that all business enterprises come under the financial sector network. As has been reported in this study, many of the respondents faced difficulties in bank-related services while availing the stimulus packages. Careful observation is required in identifying where the customers are facing problems and how to overcome those challenges.

- **Effective implementation of the stimulus package**: As has been identified in the report, a large number of the respondents from the survey remarked that the information regarding the stimulus packages was not appropriately available. The unavailability of proper instruction on how to avail the packages was one of the major constraints. Therefore, information on how to avail the stimulus packages needs to be well disseminated in all relevant business forums.

References

BBS (2020). Bangladesh Bureau of Statistics.

Białowolski, P. (2012). "Applicability of the Multi-Group Confirmatory Factor Analysis to Construction of Business Sentiment Indicators".

BUILD (2019). Report on the 4th Bangladesh Business Confidence Survey, Business Initiative Leading Development (BUILD).

Candemýr, H. B., & Karabudak, H. B. (1994). "The Search for Business and/or Investment Confidence Index in Turkey".

Ece, D., Hamsici, T., & Oral, E. (2005). "Building up a real sector business confidence index for Turkey", *Central Bank of the Republic of Turkey, Research and Monetary Policy Department*.

Esterhuizen, D., & Van Rooyen, C. J. (2003). "Measuring the agribusiness decision environment: Constructing an agribusiness confidence index for South Africa", *Agrekon*, *42*(4), 379-388.

Kellstedt, P. M., Linn, S., & Hannah, A. L. (2015). "The usefulness of consumer sentiment: Assessing construct and measurement", *Public Opinion Quarterly*, *79*(1), 181-203.

Khan, H., & Upadhayaya, S. (2019). "Does business confidence matter for investment?", *Empirical Economics*, 1-33.

LightCastle Partners (2019). LightCastle Business Confidence Index 2019-20, LightCastle Partners.

Los, V., & Ocheretin, D. (May, 2019). "Prediction of Business Confidence Index Based on a System of Economic Indicators", In *Proceedings of the Selected Papers of the 8th International Conference on Monitoring, Modeling & Management of Emergent Economy (M3E2-EEMLPEED 2019) Odessa, Ukraine* (pp. 237-248).

Nilsson, R. (November, 1999). "Business Tendency Surveys and Cyclical Analysis", *Business Tendency Surveys, Proceedings of the First Joint OECD-ADB Workshop,* Manila.

OECD (2005). "Building up a real Sector Business Confidence Index for Turkey", Brussels: OECD.

OECD (2020). "Business Confidence Index (BCI)" Retrieved from https://data.oecd.org/leadind/business-confidence-index-bci.htm

Raihan, S., & Haque, A. K. I. (2007). "Business Confidence Index: A Reflection of Business Sentiment in Bangladesh", *A Working Draft.*

Sakaji, H., Kuramoto, R., Matsushima, H., Izumi, K., Shimada, T., & Sunakawa, K. (2019). "Financial text data analytics framework for business confidence indices and inter-industry relations", In *Proceedings of the First Workshop on Financial Technology and Natural Language Processing* (pp. 40-46).

World Bank (2020). Doing Business, 2020, The World Bank 1818 H Street N W, Washington, DC 20433, The World Bank.

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 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 organization working for improving lives across developing Asia.

As a business insider, your opinions are 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. Furniture
11. 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
9. Other

Please specify "Others" for question 1.4

1.5(a) Firm Contact Information:

Mailing Address
Phone Number

Do you agree to start the interview now?

1. Yes (>> Respondent's Contact Details; Start the Interview)
2. No (>> 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 in the Firm]

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

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

1.9. Year of Establishment

Q.1.9. In which year was the Firm established?

Section-2: Financial Condition or Profitability

Respondents should choose the option that suits 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 April to June (2020) compared to January to March (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

Q.2.2 How was your profit in April to June 2020 compared to April to June 2019?

- Much worse
- Worse
- Same as before
- Better
- Much better

Q.2.3 Compared to April-June (2020), what is your expectation about profit in July-Sept (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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 April to June (2020) compared to January to March (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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

- Much worse
- Worse
- Same as before
- Better
- Much better

Q.3.3 Compared to April-June (2020), what is your expectation about investment scenario in July-Sept (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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 (July 2020)? (Record in number)

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

Q.4.3 How was your overall employment scenario in your organization in April to June (2020) compared to January to March (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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

- Much worse
- Worse
- Same as before
- Better
- Much better

Q.4.5 Compared April-June (2020), what is your expectation about overall employment scenario in your organization in July-Sept (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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 April to June (2020) compared to January to March (2020)?

- Much worse
- Worse
- Same as before
- Better
- Much better

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

- Much worse
- Worse
- Same as before
- Better
- Much better

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

- Much worse
- Worse
- Same as before
- Better
- Much better

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 April to June (2020) compared to January to March (2020)?

- Increased a lot
- Increased
- Same as before
- Decreased
- Decreased a lot

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

- Increased a lot
- Increased
- Same as before
- Decreased
- Decreased a lot

Q.6.3 Compared to April-June (2020), what do you expect regarding your overall business cost in July-Sept (2020)?

- Increase a lot
- Increase
- Same as before
- Decrease
- Decrease a lot

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? (Write in Percentage, %: 0% to 100%)

Q.7.2 How was your sales/export order in April to June (2020) compared to January to March (2020)?

- Decreased a lot
- Decreased
- Same as before
- Increased
- Increased a lot

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

- Decreased a lot
- Decreased
- Same as before
- Increased
- Increased a lot

Q.7.4 Compared to April-June (2020), what is your expectation about sales/export order in July-Sept (2020)?

- Decrease a lot
- Decrease
- Same as before
- Increase
- Increase a lot

Section 8: Stimulus Packages and Business Environment

Q.8.1 Have you availed/tried to avail any of the announced incentive packages?

1. Yes (>>Q.8.2)
2. No (>>Q.8.4)
3. I do not know whether my company availed stimulus package or not (>> Q.8.5)

Q.8.2 What problems did you face in availing/pursuing the incentive package

Options	Strongly Disagree (1)	Disagree (2)	Neither agree nor disagree (3)	Agree (4)	Strongly Agree (5)
a. The amount is negligible					
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 8.2

Q.8.3 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.8.4 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 negligible					
d. Asked for bribes					
e. Lengthy procedure					
f. Difficulty in understanding the procedure of application					
g. Difficulty due to Bank collateral/Bank related services					
h. Others [Specify]					

Please specify "Others" for question 8.4

Q.8.5 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)

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

1. Ease access to finance
2. Ensure skilled manpower
3. Ease 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]*

9. Interviewer details

9.1. Enumerator Name

9.2. Enumerator's ID number

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

SANEM
RESEARCH | KNOWLEDGE | DEVELOPMENT

The Asia Foundation

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

ISBN 978-984-34-9379-8

South Asian Network on Economic Modeling (SANEM)