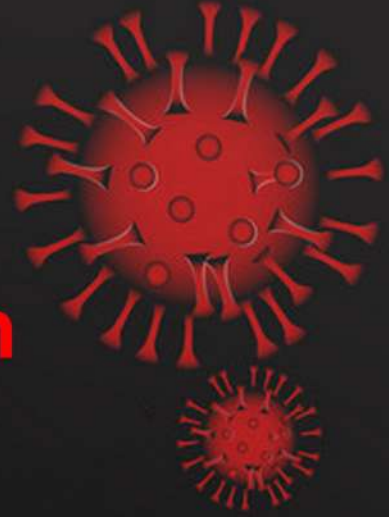


COVID-19 and Business Confidence in Bangladesh



Findings from the 6th Round of
Nationwide Firm-level Survey in October 2021



Selim Raihan
Mahtab Uddin
Md. Tuhin Ahmed

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December 2021

Authors

Selim Raihan

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

Mahtab Uddin

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

Md. Tuhin Ahmed

Senior Research Associate, SANEM

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Flat K-5, House 1/B, Road 35, Gulshan 2

Dhaka 1212, Bangladesh

Phone: +88-02-58813075

Email: sanemnet@yahoo.com

<http://www.sanemnet.org>

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Acronym and Abbreviations

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

Executive Summary

COVID-19 has been a massive shock to the global economy, the effects of which have yet to completely diminish due to the rise in multiple variants. Nonetheless, with most of the economies in the world on the path toward economic recovery and achieving normalcy – Bangladesh is no different. While there have been hiccups due to an unexpected increase in cases and consequent lockdowns in recent past times, substantial progress has been made in terms of the distribution of the COVID-19 vaccine. As a result, businesses are getting back to normal operations. Of course, one of the most significant target measures throughout the implementation of the stimulus packages is disbursement, which is still at a very low level. To determine how effective the pandemic-related measures that have been put in place so far have been, it is necessary to track business confidence throughout the recovery process.

Against this backdrop, this study surveyed 500 firms across the country (255 manufacturing firms and 245 services sector firms). Based on Bangladesh's most recent available National Accounts Statistics, seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified. In the manufacturing sector, the study covers RMG, Textile, Pharmaceutical and Chemical, Leather & Tannery, Light Engineering, Food Processing, and so on. Wholesale, Retail, Restaurant, Transportation, ICT and Telecommunication, Financial Sector, Real Estate, and other services are covered from the services sector. The number of firms to be surveyed for each sub-sector was determined by the contribution of the sub-sectors to GDP.

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

Besides such indices measures, this study includes a section on the economic recovery that includes the opinions of the business insiders regarding the economic recovery that Bangladesh might have and the recovery the businesses observed. There is a section on stimulus packages that details business thoughts on the availability of the stimulus packages, and barriers to access to the incentive packages. The study covers the issues regarding loan financing by firms. It also includes a section on the vaccination programme that incorporates vaccination coverage for both employer and employee sides.

Major findings

Over the last one and half years, there have been some visible recoveries of business activities. The improvement is visible in most of the sub-indicators of PBSI (year). For the very first time, the overall PBSI (year) has crossed the 50 mark, indicating business activities are improving. Likewise, PBSI (quarter) has shown an improvement in business activities in the July-September 2021 quarter compared to the April-June 2021 quarter. However, the overall PBSI (quarter) score is still low. Faster recovery has been observed in Restaurant, RMG, Textile, and Light Engineering sectors, while a year-on-year comparison is made.

The overall business confidence in October-December 2021 has improved compared to the July-September 2021 quarter. The improvement is visible for all sub-components of BCI. Sectors like Transport, Light Engineering, Tourism, Textile, RMG, and ICT have expressed greater confidence in the

upcoming quarter, reflecting their optimism for better business prospects in the near future. However, over the last one and half years, the business status and confidence were worse for micro, small and medium firms compared to large firms, non-exporter firms as opposed to exporter firms, firms from the services sector than manufacturing firms, and firms located outside Dhaka.

21% of respondents in the sixth round of the survey (Jul-Sep 2021) observed that Bangladesh was on a strong recovery path. However, it was only 9% in the fifth round, which was in the second quarter of 2021. Similarly, their views on moderate recovery in the sixth round increased to 52% from 27% in the previous round. Like the previous round, the highest percentage of strong recovery anticipating firms are the large ones, standing at 33%. However, in this round, the micro and small firms have the highest percentage of firms expecting moderate recovery at 53%.

Businesses are steadily gaining momentum. Due to the second wave of the COVID-19, the business recovery rate went down to 34.9% in July 2021 (compared to March 2020) from 57.4% observed in April 2021 (compared to March 2020). However, the recovery rate increased to 56.8% in September 2021 (compared to March 2020) as the economy reopens fully in the middle of the July-September 2021 quarter.

The overall EBI stagnated over the last two quarters. However, the EBIs of transport and government support improved during this period. It is also observed that more than half of the sectors are below the overall score, although they are mostly above 50 or very close to it. The highest EBI score in this round belongs to Food Processing (56.32), despite a decrease from the previous round. In contrast, the lowest EBI score is held by the Restaurant sector, falling from 53.61 to 49.86.

46.2% of firms availed of any loan in the last 12 months. Amongst them, 77.5% availed from the formal sector (like banks) and 22.5% benefited from informal sectors (like friends and relatives, co-operate society etc.) Complex paperwork, collateral problems, lengthy procedures, bank-client relationships etc. are the major problems for the firms to avail of any loan from the banks.

During July-September 2021, the major coping strategies of the firms involved using their own savings (71%). The other major strategies were borrowing (41%), stimulus package (18%), and employee lay-off (14%). Most notably, only 18% of firms coped using government-distributed stimulus packages - this is concerning as a low percentage might mean that the packages were not effectively distributed or were not adequate.

The coverage of vaccination for both employers and employees increased in July-September 2021 compared to April-June 2021 quarter. The survey shows that 87% of the respondent (employers) got at least one dose of the vaccine while the rate was 60% in the earlier round. In the case of employee vaccination, this figure was 55.07% in July-September 2021 quarter compared to 25.53% in the previous quarter.

Policy implications

Mitigating emerging challenges affecting economic recovery: The emerging challenges such as rise in fuel price, declining remittances, inflationary pressures, new COVID-19 wave in Europe and North America, and the need a wider coverage of COVID-19 vaccine might slow down productivity growth and impact the production structure overall which in turn, can affect the country's overall economic recovery. The government can therefore increase its incentive percentage on the remittances received through the formal channels. The government should take into account recent price hikes as well as inflationary pressures in its policy-making process. Bangladesh should prepare to combat the third wave of COVID-19 as new COVID cases are rising rapidly in Europe and other countries including

India. In this regard, the effort should be continued for the procurement of vaccines and mass inoculation programmes across the country.

Expanding immunization coverage and implementing booster shots: It can be observed that there is a high rate of vaccine hesitancy and refusal in rural and slum dwellers in the country. This is a result of a low illiteracy rate, a lack of commitment toward health safety regulation, and low confidence in the health care system. Hence, more centres in rural and semi-rural areas can be established to ensure vaccination available to a wider range of the population. Moreover, in rural areas, health workers and valued community leaders can motivate and educate people about the urgency and importance of vaccination. Vaccination should be given out to the population free of cost in the future too.

Easing the process of availing of any loan from the bank or non-bank financial institution: One of the main indicators of “ease in business” is the availability of getting credit. As Bangladesh is a country that needs investment from the private sector to have sustainable growth, hence, easing the process of getting a loan is a major key to further development.

Making financing easier for the micro and small firms: The micro, small and medium enterprises (MSMEs) are the backbone of non-farm job creation in the country. Hence, improving the MSMEs access to finance their business is a challenge at the heart of the country’s economic and financial development. Given that there is market imperfection, the state policy is critical for promoting an environment with more market interventions.

Ensuring incentive packages to the services sector firms as well: The services sector is responsible for more than half of the country's GDP. However, in comparison to firms in the services sector, manufacturing firms received the majority of the incentive packages. During the pandemic, the services sector takes the brunt of the damage since individuals are unable to relocate, whereas manufacturing enterprises like RMG continue to operate by utilizing protocol safeguards, as well as direct government policies and supports. The government should, therefore, create an enabling environment where all firms irrespective of sector and size can equally benefit from government assistance.

Ensuring no corruption while providing incentives or loans to firms: Since Bangladesh's economy is largely reliant on cash, there are possibilities of the existence of the use of underground financial systems and black-market money exchange. Moreover, the economy needs to take safeguard measures against money laundering. Furthermore, the country recorded incidences where the banking sector prevented and caused hindrance to small businesses from securing the loan. The corruption in the banking sector needs to be investigated as it might slow down the country’s economic growth.

Minimizing supply chain disruption to facilitate businesses: Multiple nationwide lockdowns have impacted the supply chain by slowing down or temporarily stopping the flow of raw materials and finished goods. Thus, it disrupted both the manufacturing and services industries in the country. To minimize the impact of the disruption in the supply chain, there must be greater efficiency and proper management in every step of it, as well as reskilling of the supply chain labour force.

Fostering a much more welcoming business environment: To foster a business-friendly climate in the economy, the country must simplify the investment procedure, which will help in attracting foreign direct investment. Hence, the country must develop an image of having a favourable investment climate. Furthermore, policy reform is required to make business easier, which will benefit small and medium-sized businesses

Section I: Introduction

Context

COVID-19 has been a massive shock to the global economy, the effects of which have yet to completely diminish due to the rise in multiple variants. Nonetheless, with most of the economies in the world on the path toward economic recovery and achieving normalcy – Bangladesh is no different. While there have been hiccups due to an unexpected increase in cases and consequent lockdowns in recent past times, substantial progress has been made in terms of the distribution of the COVID-19 vaccine. As a result, businesses are getting back to normal operations. Despite such progress, Bangladesh is now confronted with a number of emerging challenges, including a declining trend in remittances, an increasing trend in inflation, a new COVID-19 outbreak in Europe and North America, and the need for expanded vaccine coverage, all of which are threatening the country's economic recovery. Moreover, one of the most significant target measures throughout the implementation of stimulus packages by the Government of Bangladesh (GoB) is disbursement, which is still at a very low level.

To determine how effective the pandemic-related measures that have been put in place so far have been, it is necessary to track business confidence throughout the recovery process, which can be done using the business confidence surveys. The data collected from such surveys can also facilitate discussions and negotiations between policymakers and businesses, to further benefit both parties.

In developed economies, such business confidence monitoring instruments are commonly available. The OECD countries maintain a Business Confidence Index (BCI) with a similar goal that is updated on a regular basis. Since the Asian Crisis in the late 1990s, East Asian countries have been monitoring and updating data on 'business sentiment' on a regular basis. The majority of these countries collect this information on a monthly or quarterly basis. As previously said, such monitoring is much more important during a crisis. However, no such regular monitoring data on 'business confidence' is available in Bangladesh.

It's worth noting that the private sector accounts for more than 75% of Bangladesh's overall investment. This suggests that the private sector, through constructive initiatives, can contribute significantly to the economic recovery process. In this regard, private sector enterprises must have more confidence in future returns in order to encourage such investment. In order to make successful policy decisions during such uncertain times, it is consequently critical to monitor the confidence of business insiders.

Against this backdrop, the South Asian Network on Economic Modeling (SANEM) initiated the Business Confidence Index (BCI) survey, a nationwide quarterly survey aimed at monitoring business status and confidence by collecting primary data from representatives of the manufacturing and service sector across the country. The results of the first round of the survey highlighted the country's poor business situation. The second round (held in October 2020) and the third round (held in January 2021) both showed signs of economic revival. The fourth round (held in April 2021) demonstrated a drop in business confidence, which was followed by COVID-19's second wave. The fifth round of the survey (taken in July 2021) provided insight into the economy's pulse as it moved into the pandemic's second wave. The survey's sixth round (conducted in October 2021) reflects both the effects of the third wave on economic recovery and increased vaccination rates. This round delves into the firms' current business situation from July to September 2021. The findings from the sixth round of the BCI survey are summarized in this report.

Objectives of the survey

The Business Confidence Index (BCI) survey aims to examine private sector business expectations on indicators such as investment, employment, wages, stimulus packages, performance related to business costs, sales, or exports, and the status of potential economic recovery during the COVID-19 pandemic.

The survey's objectives could be stated in more detail as follows:

- Profit, business expenditure, prices, employment, wages, and new investment opportunities in the industry, total production, export demand, domestic output demand & supply, and so on
- Thoughts on incentive packages from the business world (adequate/inadequate; efficacy; etc.)
- Difficulties in obtaining incentive packages
- Economic recovery perceptions
- Coping strategies of businesses
- Loan financing and its challenges
- Vaccination programme (from the perspective of both the employer and the employees)

Overview of the report

The rest of this report is organized as follows: The survey methodology, sampling strategy, and indices methods are all detailed in Section II. Section III delves more into the characteristics of the businesses that were surveyed. The insights from the assessment of the current business status indices and business confidence indicators are detailed in Section IV. Using the Enabling Business-environment Index, this study elaborates on the country's business environment in section V. Section VI examines the firm's perspective on economic recovery as well as business recovery since the pre-pandemic scenario. The study incorporates the data and analysis linked to the stimulus packages, as well as the problems in obtaining them, in section VII. Section VIII delves into the issues of business loan financing. The study details the immunization programmes and their implementation in Section IX. Section X comes to an end with a set of policy suggestions.

Section II: Methodology

SANEM has been conducting a study called the Business Confidence Index (BCI) survey since July 2020. Since then, the survey has been done on a quarterly basis. The first round of the survey took place in July 2020, and the results were revealed in an August 2020 report. The second round was held in October 2020, with the results announced in November 2020. The third phase of the survey was performed in January 2021, and the results were released in February 2021. The survey's fourth round took place in April 2021, and the findings were disclosed in May 2021. The fifth phase of the survey was done in July 2021, and the results were released in August 2021. The survey's most recent round (sixth round) was conducted in October 2021, and the findings were disseminated in November 2021. To enable efficient assessment, it is critical to assess expectations and reality in a consistent manner every quarter; thus, this study used a technique identical to the prior round assessments.

Survey methodology

Based on the primary data collected from private sector businesses in October 2021 (sixth round), this study has made a comparison to the earlier rounds of the survey. This section details the survey methodology.

Survey coverage

All six rounds of the BCI survey have covered firms from the manufacturing and services sectors. The firms are categorized into micro, small, medium, and large firms 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)
<i>Micro Firms</i>	Less than 30	Less than 15
<i>Small Firms</i>	Between 31 and 120	Between 16 and 50
<i>Medium Firms</i>	Between 121 and 300	Between 51 and 120
<i>Large Firms</i>	More than 300	More than 120

Source: National Industrial Policy, 2016

Survey technique and sampling framework

All six rounds of the survey have been convened with the top managers of the firms over the phone. To construct panel data, the survey has been conducted quarterly on the same sample over the last six quarters.

Sampling framework

The sample size of the first-round survey was specified to be 300 firms (150 manufacturing firms and 150 services sector firms). The study distributed around 50% of total firms surveyed into the services sector as the services sector contributes half of the country's GDP.

However, taking into consideration of suggestions from the stakeholders, the sample size of the second-round survey was increased to 502 firms (252 manufacturing firms and 250 services firms). In the following rounds, the study team attempted to reach all firms (500 firms) surveyed in the earlier rounds.

A systematic approach for all six rounds has been followed in selecting the intra-industry sample sizes. It is noteworthy that Bangladesh is heavily concentrated only in a few industrial sectors. For instance, the RMG alone contributes most of the value-added in the GDP from the manufacturing sector.

Therefore, if we choose our samples only based on the relative shares of the sectors in the Gross Value Addition (GVA), the sample will be highly biased to only a few sectors. For ensuring appropriate representation of the major subsectors (both from the manufacturing and the services sectors), the sample selection in this study has been made in two steps. In the first step, we blocked a minimum of firms (9 firms in the first round, and 15 firms for the succeeding rounds) to be surveyed from each of these sub-sectors for each round of the survey. After the first stage allocation of firms in the total sampling framework, the rest of the firms were selected based on each sub-sectors' contribution to these sectors' total Gross Value Addition (GVA) in the economy. Finally, we got the total number of firms to be surveyed for this exercise summing up the first-step and second-step totals. We followed this sampling distribution in our initial round and after the first round, we attempted to reach all firms surveyed in the earlier rounds.

In the sixth round of the survey, a total of 255 firms have been surveyed from the manufacturing sectors. In this round, the highest proportion (34%) of firms surveyed in the manufacturing sector has been RMG firms (Table 2). Followed by RMG firms are Textile firms, which make up 17.65% of the total number of manufacturing firms (45 out of 255 firms). Food Processing firms account for 14.90% of the total; Pharmaceuticals and Chemicals make up 10.20%. Electronics and Light Engineering, and Leather and Tannery make up 9.02% and 7.84% respectively. The rest 6.27% is made up of Other Manufacturing firms.

Table 2: Surveyed firms in the manufacturing sectors in the sixth round

Manufacturing sector	Number of Firms	Per cent
RMG	87	34.12
Textile	45	17.65
Leather and Tannery	20	7.84
Pharmaceutical and Chemical	26	10.20
Food Processing	38	14.90
Electronics & Light Engineering	23	9.02
Other Manufacturing	16	6.27
Total	255	100.00

Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

In the services sector, Retails account for the highest proportion of the 246 firms (17.96% or 44 firms) in the sixth round (Table 3). Retails are followed by Real Estate firms with the latter making up 17.55% of the total. Following closely are Transportation firms at 15.51% and Wholesale at 14.69%. ICT and Financial sectors account for 10.2% and 9.39% respectively. The lowest number of firms come from Restaurant and Other Services sub-sectors, accounting for 7.35% each.

Table 3: Surveyed firms in the services sector in the sixth round

Service sector	Number of Firms	Per cent
Wholesale	36	14.69
Retail	44	17.96
Restaurant	18	7.35
Transport	38	15.51
ICT	25	10.20
Financial Sector	23	9.39
Real Estate	43	17.55
Other Services	18	7.35
Total	245	100.00

Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

27 firms from the fifth round (out of 500 firms) dropped in the sixth round taking the overall attrition rate to 5.4% (Table 4). Out of the 27, 2 firms went out of business due to the COVID-19 crisis (both

from RMG); 9 declined, and 16 firms could not be reached. The highest attrition is found in the Real Estate (14%), followed by RMG (10.3%), Leather (10%), Retail (6.8%), and Other Manufacturing (6.3%) amongst others. These firms were replaced from the same industry following systematic random sampling.

Table 4: Attrition rate from the survey (considered from the fifth round to the sixth round)

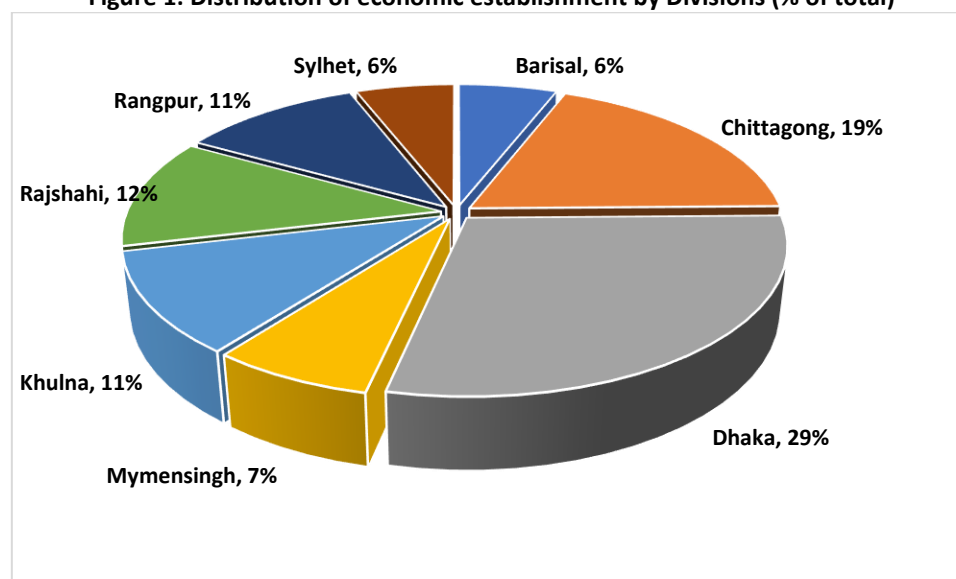
Sector	No. of firms (fifth round)	Completed firms in the sixth round	Attrition	Attrition rate
RMG	87	78	9	10.3%
Textile	45	45	0	0.0%
Leather & Tannery	20	18	2	10.0%
Pharmaceutical & Chemical	26	25	1	3.8%
Food Processing	38	38	0	0.0%
Light Engineering	23	22	1	4.3%
Other Manufacturing	16	15	1	6.3%
Wholesale	36	36	0	0.0%
Retail	44	41	3	6.8%
Restaurant	18	17	1	5.6%
Transport	38	36	2	5.3%
ICT	25	25	0	0.0%
Financial	23	23	0	0.0%
Real Estate	43	37	6	14.0%
Other Services	18	17	1	5.6%
Total	500	473	27	5.4%

Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Sampling distribution across divisions

As mentioned earlier we have followed a similar methodology in line with the preceding rounds' analysis, the divisional weights remain the same over the quarters. For ensuring proper representation of the firms across the country, all the subsectors were distributed across the divisions based on 'divisional weights'.

Figure 1: Distribution of economic establishment by Divisions (% of total)



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

These 'divisional weights' had been generated based on total industrial concentration. From the BBS Economic Census of 2013, we estimated the relative share of each of the divisions in terms of

economic establishments. For instance, based on the Economic Census 2013, it was observed that almost 29% of the total economic establishments of Bangladesh were concentrated in Dhaka. This rate was 19% for Chittagong, 12% for Rajshahi, 11% for Khulna, seven% for Mymensingh, and six% for Barisal and Sylhet respectively (Figure 1).

We had consumed this divisional weight as the basis for our sampling distribution across divisions. It is noteworthy that not all the industries were available in all divisions. For instance, there were no Leather and Tannery firms in Barisal. In that case, we incorporated another firm (such as agro-processing, food processing, etc.) from other sub-categories to maintain a total divisional balance. The omitted subcategory was covered from the districts where it was more available. For instance, in this case, the tannery was most available in Dhaka. Hence, we incorporated it from Dhaka and provide one agro-processing firm to Barisal taking that from the Dhaka Division. However, the actual sample in the fifth round of the survey is presented in Table 5.

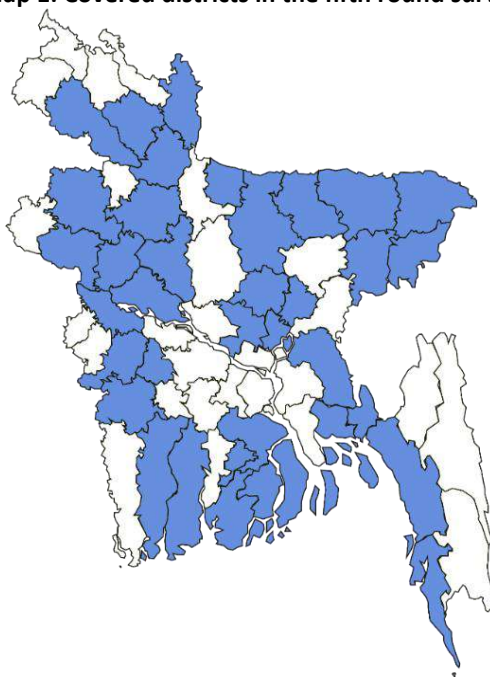
Table 5: Actual sample by divisions in the sixth round survey

<i>Division Name</i>	<i>Number of Firms</i>	<i>Per cent</i>
<i>Dhaka</i>	201	40.2
<i>Chattogram</i>	83	16.6
<i>Barishal</i>	31	6.2
<i>Khulna</i>	38	7.6
<i>Mymensingh</i>	38	7.6
<i>Rajshahi</i>	44	8.8
<i>Rangpur</i>	30	6.0
<i>Sylhet</i>	35	7.0
<i>Total</i>	500	100

Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

In the sixth round of the survey, the randomly drawn samples (500 firms) cover 37 districts of Bangladesh (Map 1).

Map 1: Covered districts in the fifth round survey



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Selection of firms

Each of the firms (including new firms) from each division is picked at random. To do so, SANEM has compiled a list of all enterprises from the websites of the relevant business associations (such as the BGMEA, BKEMA, Bangladesh Textile Mills Association (BTMA), and so on). 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.

Business Confidence Index (BCI) Methodology

Indicators for the assessment

On the basis of six indicators, business confidence and status were evaluated. The indicators were selected to reflect both the economic situation and business prospects. The six broad indicators include: (i) profitability, (ii) investment, (iii) employment, (iv) wages, (v) business cost, and (vi) sales/exports.

Aside from the six indicators, the study included a number of other important concepts, including the stimulus package, difficulty faced by businesses in obtaining the stimulus package, current business concerns, and the overall business environment, among others. To understand business firms' views and outlooks on these characteristics, a questionnaire was designed (Annexe 1).

The questionnaire was designed to be used for estimating business confidence for the coming quarter and commenting on the current quarter in comparison to the previous quarter as well as the corresponding quarter of the previous year. For example, in the sixth round of the BCI survey, respondents were asked three questions for each indicator:

- (i) *What was the condition of his/her business on the indicator 'i' in July-September 2021 compared to April-June 2021;*
- (ii) *What was the condition of his/her business on the indicator 'i' in July-September 2021 compared to July-September 2020;*
- (iii) *And what is the expectation on the condition of his business on the indicator 'i' in October-December 2021 compared to July-September 2021*

For example, a sample question for the sixth-round survey on business confidence in profitability was "compared to the last quarter (July-September 2021), what is your opinion on profitability in your business in the following quarter (October-December 2021)?" Respondents would have to choose from five options: (i) much worse, (ii) worse, (iii) same as before, (iv) better, and (v) much better (Figure 2).

Figure 2: Likert options for answering the questions



Source: Authors' specification for SANEM BCI (quarterly) survey, 2020-21

The option 'much worse' refers to a situation in which respondents believe the situation on the selected indicator is extremely terrible or will get much worse soon. The option choice 'much better,'

on the other hand, indicates that the participant believes his business is doing very well in comparison to the reference quarter or that he expects his business condition to improve significantly from the previous quarter to the next quarter.

SANEM has so far completed the six rounds of the survey. The survey's sixth-round took place from October 2 to October 22, 2021. Two indices have been calculated from each round of the survey: (i) the Present Business Status Index (PBSI), which is based on current quarter data, and (ii) the Business Confidence Index, which is based on the assessment of the sample firms based on their expectations of business conditions in the next quarter (BCI). There are two versions of PBSI: (1) PBSI-last quarter, where the current quarter's business status is compared to that of the previous quarter; and (2) PBSI-last year, where the current quarter's business status is compared to that of the corresponding quarter of the previous year.

The methodology of the indices

The BCI/PBSI has been prepared based on the qualitative answers to the questions in the survey. The responses have been converted into quantitative data by assigning weights to them (Table 6). The lowest weight zero (0) is assigned to the worst confidence, i.e. for the response “much worse”. The corresponding points 25, 50, 75, or 100 are assigned to the options of “worse”, “same as before”, “better”, and “much better” respectively.

Table 6: Weights assigned to five Likert response options

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

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

Steps to calculating the indices

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

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

Here,

j is the sub-sector (such as RMG under manufacturing),

k is the sub-indicator (such as profitability)

x_i is the score of the firm in that indicator (such as the score of a firm in the RMG on profitability)

and n is the total number of firms surveyed in that sector (RMG).

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

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

Where,

- I_j is the index value of subsector j

- m is the number of sub-indicators (which is six in this case)

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

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

Where,

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

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

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

Where,

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

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

Calculation of the combined BCI/PBSI scores:

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

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

Where,

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

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

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

Enabling Business-Environment Index (EBI) Methodology

To have a better understanding of the firms' overall business performance and how favourable the overall business environment was for them during this unusual period. This index, however, will aid in a better understanding of business costs and the reasons for the frequent increases in business costs over time. The study considered ten important indicators when creating the index. The components are electricity (connection & quality), availability of skilled workers, transport quality, business or

property registration, access to finance, overall tax system, government support for the industry, management of the COVID-19 crisis, trade logistics (port and customs) and corruption.

Construction of EBI

To gain insight into the EBI, respondents were asked: "On a scale of 0 to 100, how favourable are the following indications for your overall business performance at the moment?" Here 0 represents an extremely unfavourable situation, whereas 100 represents an extremely favourable situation. The choice 'extremely unfavourable' is construed as the situation where the respondents consider that the condition on the selected indicator is extremely poor or the situation is much worse. On the other hand, the option choice 'extremely favourable' indicates the situation where the respondents think the condition on the selected indicator for his/her business is much better or the situation is extremely favourable. The option choice 'indifferent' indicates that the respondents have found no changes in the overall business environment in the present quarter compared to the past quarter (Figure 3).

Figure 3: Seven Likert response options



Source: Authors' assessment for SANEM BCI (quarterly) survey, 2020-21

The study then sorted these seven indicators into five broad categories: extremely unfavourable, unfavourable, neither unfavourable nor favourable, favourable, and extremely favourable. The responses have been converted into quantitative data by assigning weights to them (Table 7). The lowest weight zero (0) is assigned to the worst confidence, i.e. for the response "extremely unfavourable". The corresponding points 25, 50, 75, or 100 are assigned to the options of "unfavourable", "neither unfavourable nor favourable", "favourable", and "extremely favourable" respectively.

Table 7: Weights assigned to seven Likert response options

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

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

Procedures for calculating the index

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

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

Here,

j is the sub-sector (such as RMG),

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

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

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

Where,

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

Finally, we calculate the overall EBI as follows:

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

Where,

- N is the number of sample firms (which is 500 in this case)

Reliability of the Survey

The Cronbach α coefficient is widely used in surveys where the questionnaire is designed on the Likert scale (Heo et al., 2015; Bland & Altman, 1997). As all rounds of the survey were set based on a Likert questionnaire, it was very relevant to calculate the α coefficient for the survey. The α coefficient is therefore calculated using the following formula:

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

Where,

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

Based on 18 questions of the BCI survey, the α coefficient for the first, second, third, fourth, fifth and sixth rounds of the BCI survey are calculated as 0.81, 0.83, 0.88, 0.88, 0.86 and 0.84 respectively. The coefficient is used to measure the accuracy and reliability of the survey (Ercan et al., 2007; Quansah, 2017; Becker, 2000; Kocak et al., 2014). When the coefficient is between 0 to 0.40, 0.40 to 0.60, 0.60 to 0.80, and 0.80 to 1, the survey is considered as not reliable, less reliable, quite reliable, and highly reliable respectively (OECD, 2005). According to this, all six rounds of the BCI survey are highly reliable.

Section III: Basic Features of Surveyed Firms

This section goes through the basic features of the firms that were surveyed. Surveyed firm sizes, the export status of firms, location of firms, ownership type of firms, the female proportion of ownerships, respondent profile, respondent's years of experience, and operation years of firms among the important features have been analyzed (Figure 4).

Surveyed firm size: Out of the 501 firms surveyed, 43% are micro firms, 9.20% are medium, 29.20% are large and the rest of the firms are small, almost 18.50%.

Export status of surveyed firms: 37.20% of the firms are engaged in exporting (partially or fully), while 62.80% do not export at all, they supply only to the domestic market.

Location of firms: 82% of the firms surveyed are located outside of the Export Processing Zones (EPZs) or Special Economic Zones (SEZs), or industrial parks and areas. 17% of the firms are from the industrial areas/industrial parks, while only 1% is from the EPZs or SEZs.

The ownership type of firms: The majority of the firms in the survey are domestic private companies (97.60%). 1% of firms in the survey have public-private joint ownership, and 0.40% of surveyed firms consist of government ownership. To sum up, 1% of firms are surveyed from both domestic foreign joint ventures and foreign ventures, the survey covers 0.20% of firms from the domestic-foreign joint ventures and the remaining 0.80% from foreign ownership.

Female share of ownerships: In the case of female ownership of firms, 27.60% of the surveyed firms are partially owned by a female while only 1% of the firms are fully owned by a female. Around 71% of firms have no female share of ownership.

Profile of the respondents: The survey tries to engage with the relevant top executives of the firms. The top executives in both the manufacturing and service sector are male-dominated. Among the respondents, only 2% are females, and the remaining large number of respondents are male (98%).

Respondent's years of experience: The average experience of the surveyed respondents is 12.4 years. In the manufacturing sector, the respondent has 13.4 years of experience, while in the services sector, the respondent has 11.5 years of experience.

Years in operation: The average number of years in business for the surveyed firms is 17.8. In the manufacturing sector, the mean year of operation is on average 19.9 years while it is on average 15.5 years in the services sector.

Figure 4: Basic features of surveyed firms

Indicators	Overall (%)
Firm size	
<i>Micro</i>	43.00
<i>Small</i>	18.60
<i>Medium</i>	9.20
<i>Large</i>	29.20
Export status	
<i>Non-exporter</i>	62.80
<i>Exporter</i>	37.20
Location of firms	
<i>EPZ/SEZ</i>	1.00
<i>Industrial Area</i>	17.00
<i>Outside of EPZ/SEZ/Industrial Area</i>	82.00
Ownership of firms	
<i>Government ownership</i>	0.40
<i>Domestic Private company</i>	97.60
<i>Public-Private joint ownership</i>	1.00
<i>Domestic Foreign joint venture</i>	0.20
<i>Foreign ownership</i>	0.80
Female ownership of firms	
<i>Fully owned by a female</i>	1.40
<i>Partially owned by a female</i>	27.60
<i>No female shares in the ownership</i>	71.00
Respondent gender	
<i>Female</i>	1.60
<i>Male</i>	98.40
Respondent's years of experience	Average year
<i>Overall</i>	12.4
<i>Manufacturing</i>	13.4
<i>Services</i>	11.5
Operation years of firms	Average year
<i>Overall</i>	17.8
<i>Manufacturing</i>	19.9
<i>Services</i>	15.5

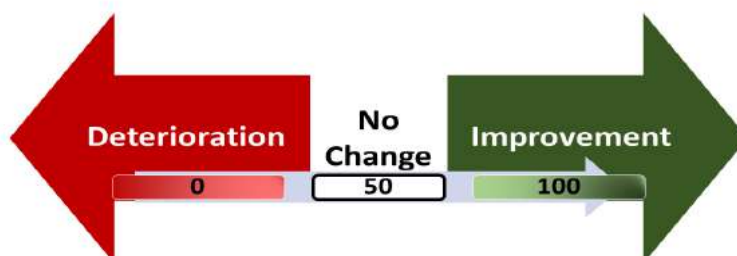
Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Section IV: Business Status and Business Confidence

The Present Business Status Index (PBSI) is an indicator of business sentiment regarding present business conditions. And the Business Confidence Index (BCI) shows business expectations in the economy. This study constructs two sets of Present Business Status Index (PBSI) for each round of the BCI survey. For the first round of the BCI survey, the PBSIs were PBSI in April-June 2020 compared to the previous quarter (January to March 2020) and PBSI in April to June 2020 compared to last year (April-June 2019). For the second round of the survey, the PBSIs were PBSI in July-September 2020 compared to the previous quarter (April-June 2020), and PBSI in July-September 2020 compared to the previous year (July-September 2019). For the fourth round, the PBSI in January-March 2021 compared to the previous quarter (October-December 2020), and the PBSI in January-March 2021 compared to the previous year (January-March 2020) were calculated. In the fifth round, the PBSIs were PBSI in April-June 2021 compared to the previous quarter (January-March 2021), and PBSI in April-June 2021 compared to the previous year (April-June 2020). Similarly, for the sixth round of the survey, the study has constructed two sets of PBSI: (i) PBSI in July-September 2021 compared to the previous quarter (April-June 2021), and (ii) PBSI in July-September 2021 compared to the previous year (July-September 2020).

The calculated index value ranges from 0 to 100. The closer the score to 100, the better the business confidence or the present business status of the businesses in the country and vice versa (Figure 5). An index value of 50 would indicate 'no change' in the business confidence or business status compared to the reference period. A score higher than 50 would indicate improvement in business confidence or business status, while a score of less than 50 would indicate an erosion of business confidence or business status.

Figure 5: Interpretation of BCI/PBSI Indices

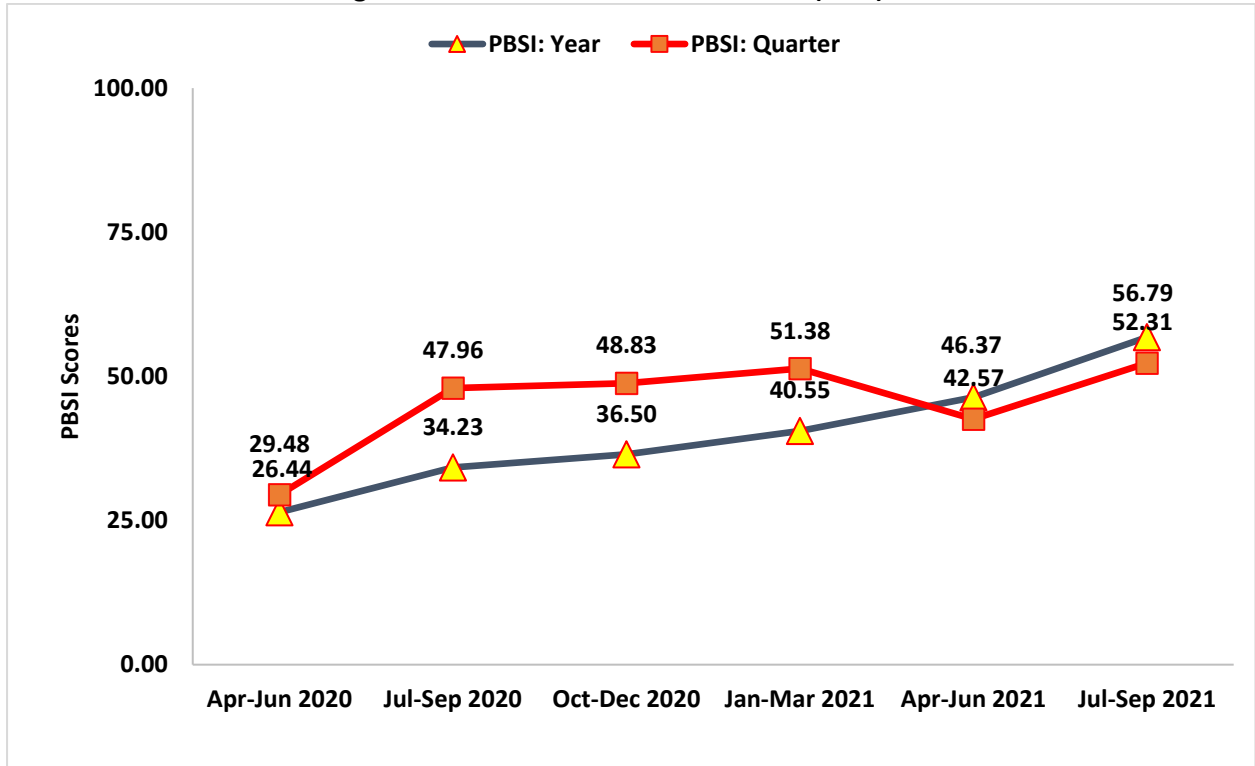


Source: SANEM BCI (quarterly) survey, 2020-21

Present Business Status Index (PBSI)

The overall PBSIs for the six rounds compared to the corresponding quarters of the previous years (2019 and 2020) stand at 26.44, 34.23, 36.50, 40.55, 42.57 and 56.79 respectively (Figure 6). It is evident that there has been a gradual improvement in this measure, with the score crossing 50 for the first time in the sixth round – this implies that businesses are in a better position in July-September 2021 than July-September 2020. In terms of the previous quarter for each round, the PBSIs are 29.48, 47.96, 48.83, 51.38, 46.37 and 52.39 respectively. While there was a decrease in the PBSI (quarter) in the fifth round, it has recovered in this round – again at a score greater than 50.

Figure 6: Present Business Status Index (PBSI)



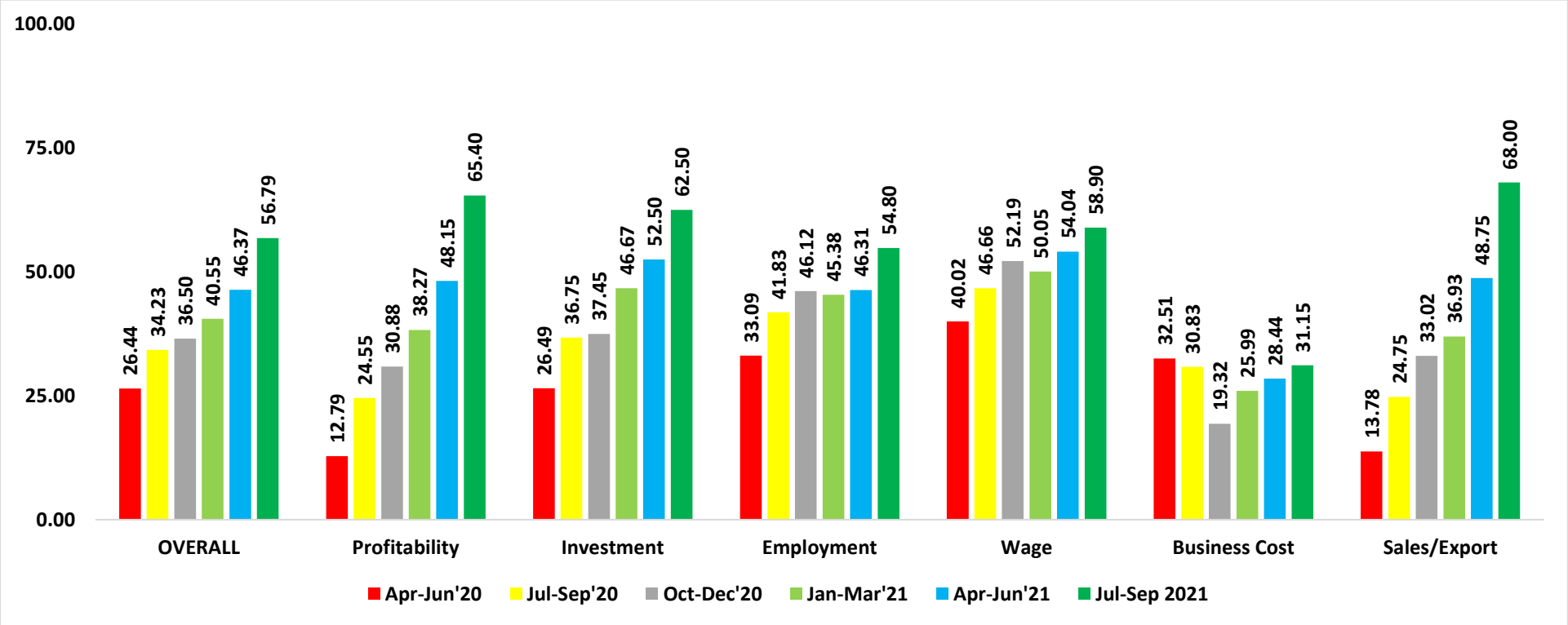
Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Present Business Status Index (PBSI) by indicator

In the sixth round, sales/export is the indicator with the highest PBSI - rising from 48.75 in April-June 2021 to 68.00 in July-September 2021 (Figure 7). Investment falls slightly behind in this round with a PBSI score of 62.50. Profitability has also made good progress, increasing from 48.15 to 65.40 and going above investment. The wage has not increased by much, standing at 58.90 from 54.04. Besides business cost, all the PBSI scores are now above 50 - this implies that in terms of these indicators the business status is better this year than the previous. The PBSI of business cost continues its trend of increase at 31.15, getting closer to its score in the first round.

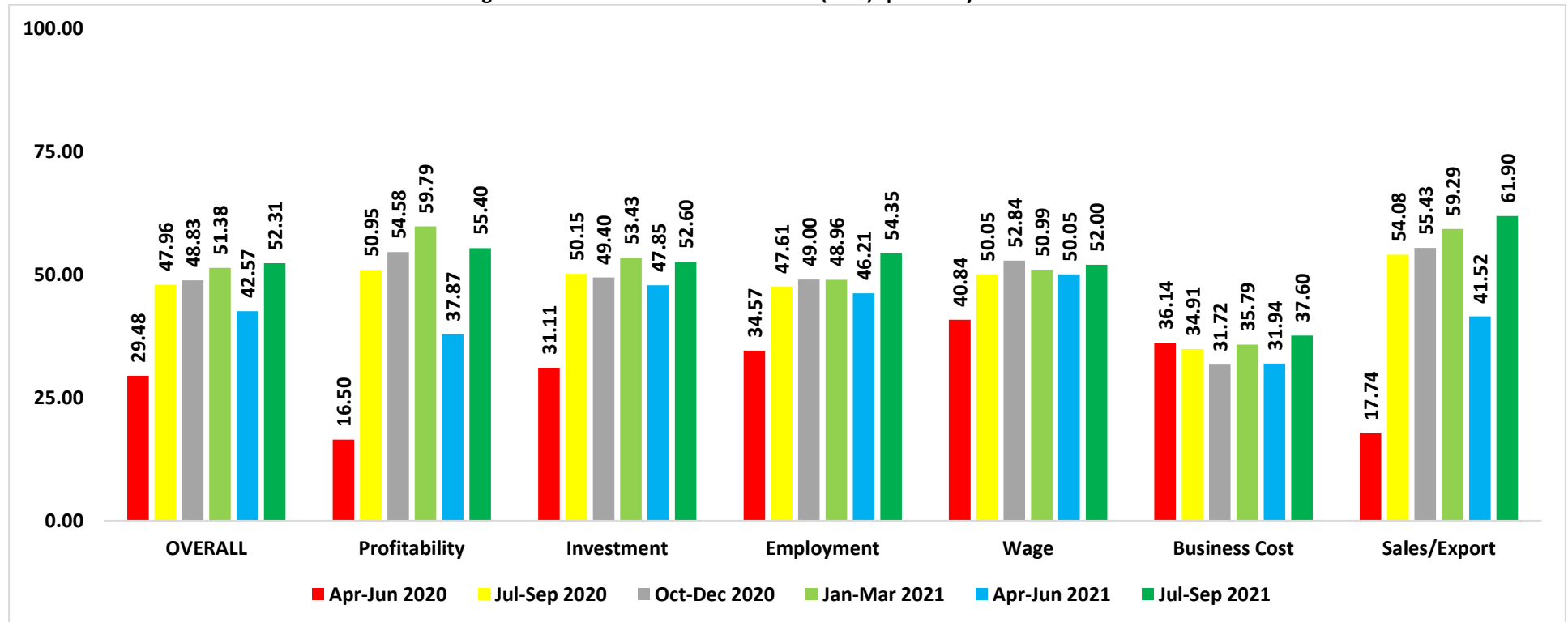
There has been an increase in the PBSI (quarter) across all sub-indicators (Figure 8). Like the PBSI (year), sales/export is the indicator with the highest score at 61.90. Followed by sales/export is the score for profitability - standing at 55.40 after a jump from 37.87. While wage had been the indicator with the highest score in the fifth round, it has only increased by 2 points in this round, falling behind all indicators besides business cost. The business cost has improved somewhat, increasing from 31.94 to 37.60 - it is still the only indicator with a score below 50, however.

Figure 7: Present Business Status Index (PBSI)-year by indicator



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

Figure 8: Present Business Status Index (PBSI)-quarter by indicator

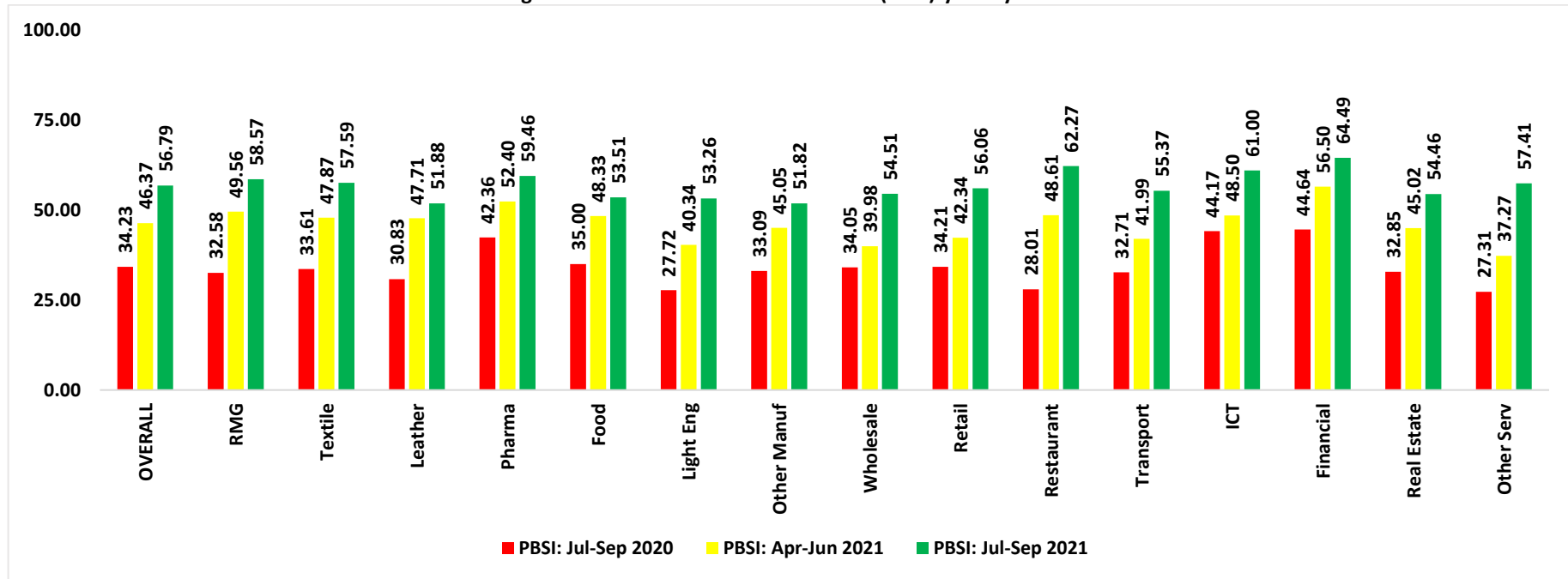


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

Present Business Status Index (PBSI) by sector

All sub-sectors have experienced an increase in the PBSI (year) scores in the April-June 2021 quarter (Figure 9). Like all other rounds of the survey, the Financial sub-sector remains the one with the highest PBSI score, standing at 64.49. Notably, the second-highest PBSI score is for the Restaurant sector at 62.27, which is a much improvement from its previous round score of 48.61. All sub-sectors now have a score above 50, which implies that their business situation is better in July-September 2021 in contrast to the same quarter last year.

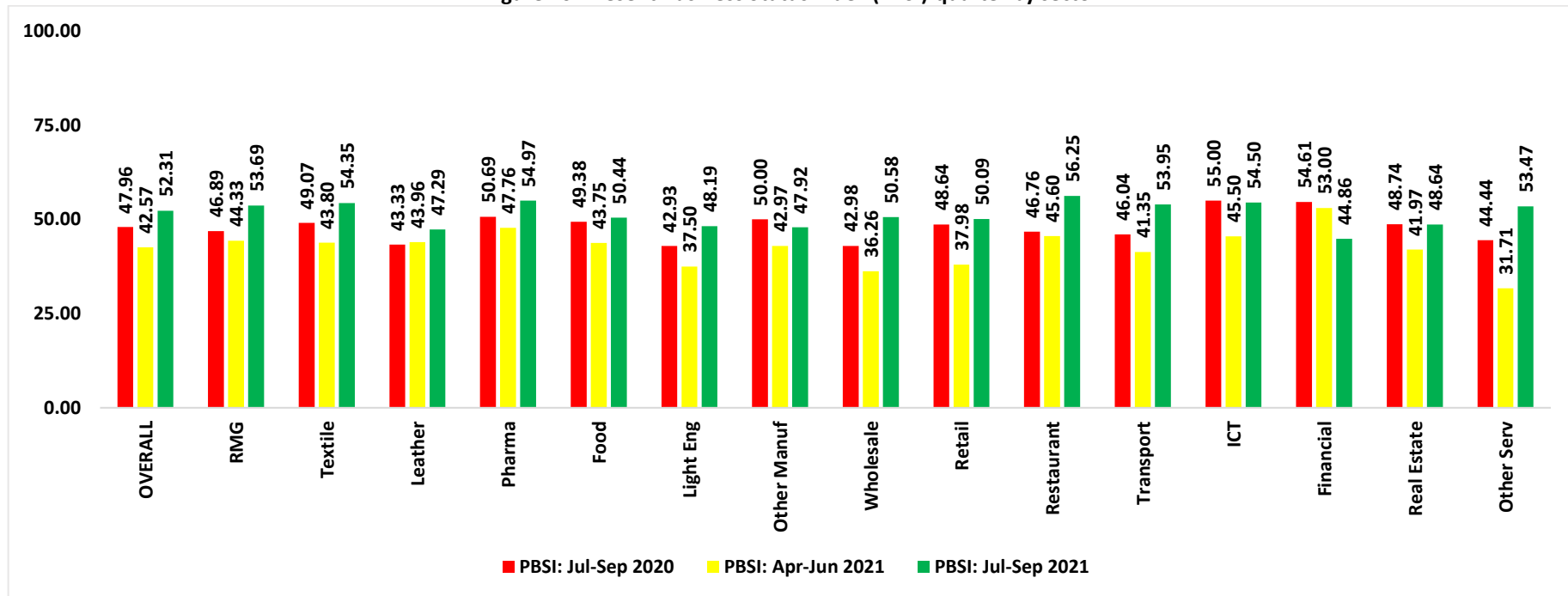
Figure 9: Present Business Status Index (PBSI)-year by sector



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

The sectoral PBSI scores have increased for most sectors in July-September 2021, in comparison to the previous quarter (Figure 10). Like the sectoral PBSI (year), the Restaurant sector has the highest score at 56.25, followed by Pharmaceuticals & Chemicals (54.97) and Textiles (54.35). Unlike previous rounds where it had the highest score, the Financial sector has had a decrease, falling to 44.86 and becoming the sector with the lowest quarter score.

Figure 10: Present Business Status Index (PBSI)-quarter by sector

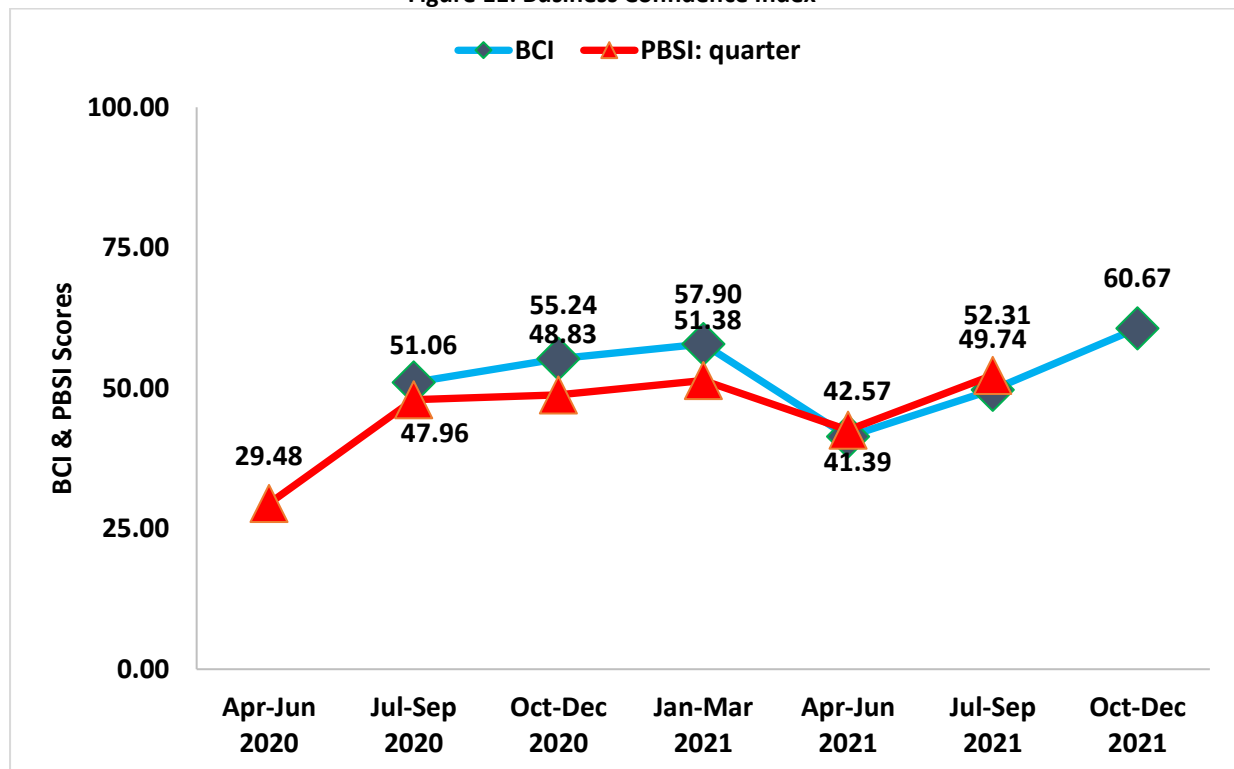


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

Business Confidence Index

In addition to the PBSIs, this study also measures the business confidence of the business executives. The Business Confidence Index (BCI) shows the expectations of the business personnel on the selected indicators in the next quarter (such as October-December 2021) compared to the previous quarter (July-September 2021). The BCI for October-December 2021 (compared to July-September 2021) stands at 60.79 (Figure 11). This is an improvement from the BCI score in the previous round and means that firms are more optimistic about their performance in this quarter, compared to the previous.

Figure 11: Business Confidence Index

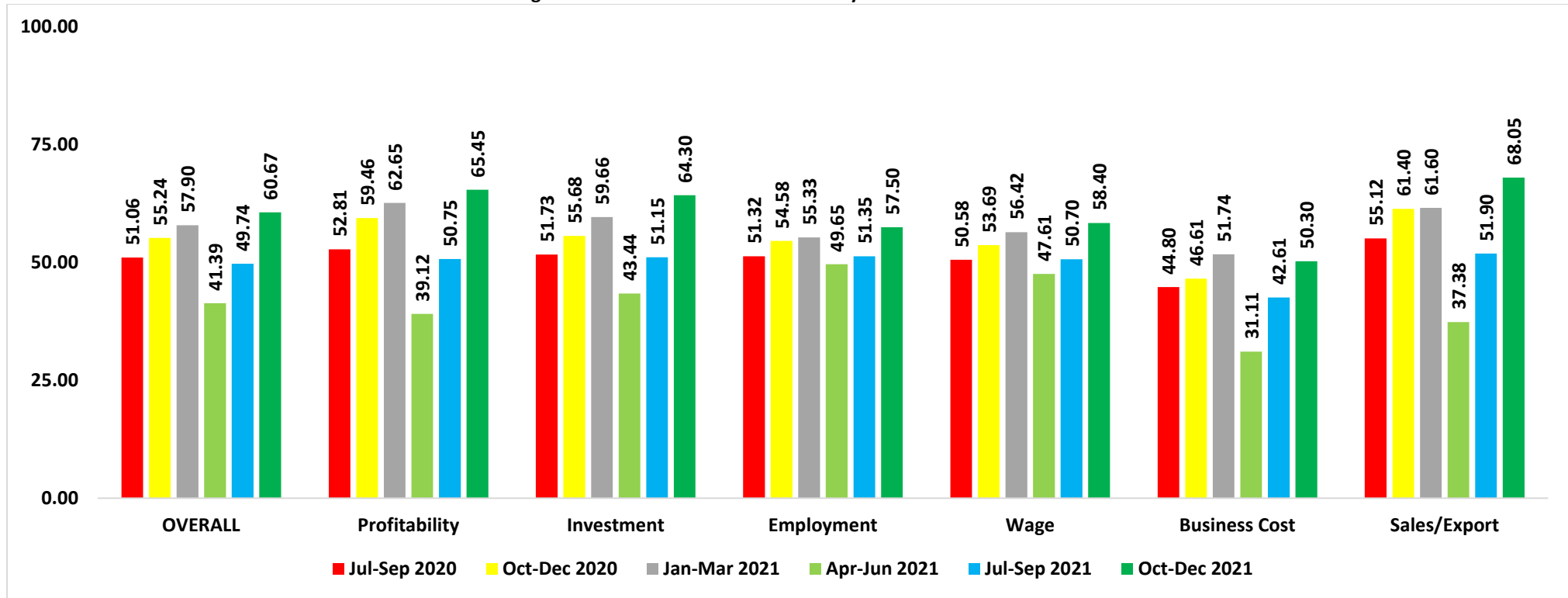


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

Business Confidence Index by indicator

The BCIs of all sub-indicators have risen significantly for the October-December 2021 quarter (Figure 12). Like the previous quarter, sales/export holds the highest score (68.05), closely followed by profitability (65.45) and investment (64.30). Similar to previous quarters, the business cost has the lowest BCI (50.30). It seems that businesses are slowly regaining the confidence they had for the January-March 2021 quarter, as scores have reached and/or exceeded similar levels. It is also the first time since the January-March 2021 quarter that all indicators have a score above 50.

Figure 12: Business Confidence Index by indicator

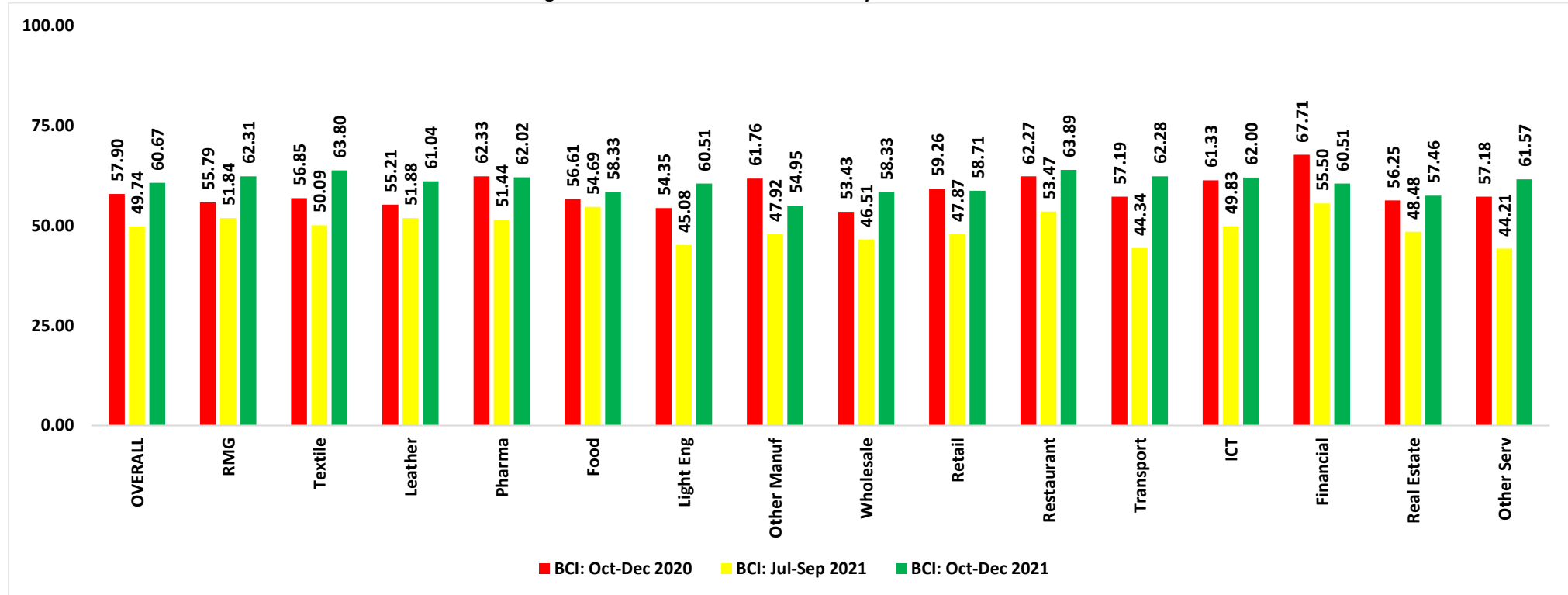


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

Business Confidence Index by sector

BCI scores have increased for all sectors in the October-December 2021 quarter (Figure 13). The highest scores are in the Restaurant (63.89) and Textile (63.80) sectors, and all sectors have scores above 50, unlike the previous quarter. This is a very good sign and implies that these sectors are more confident regarding their future. However, among the sectors, Other Manufacturing (54.95) and Real Estate (57.46) hold the lowest scores.

Figure 13: Business Confidence Index by sector

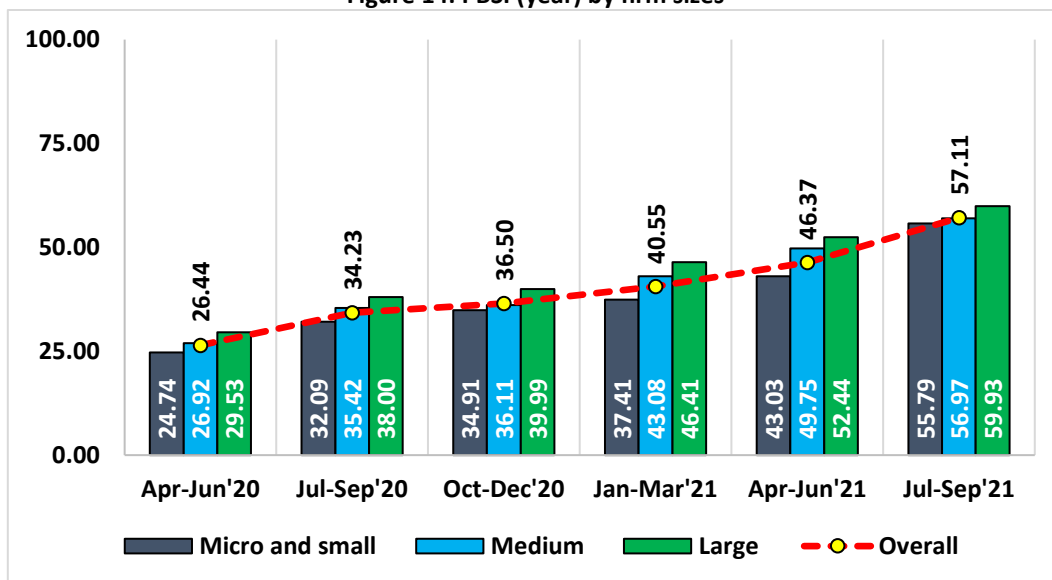


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

PBSI and BCI by firm size

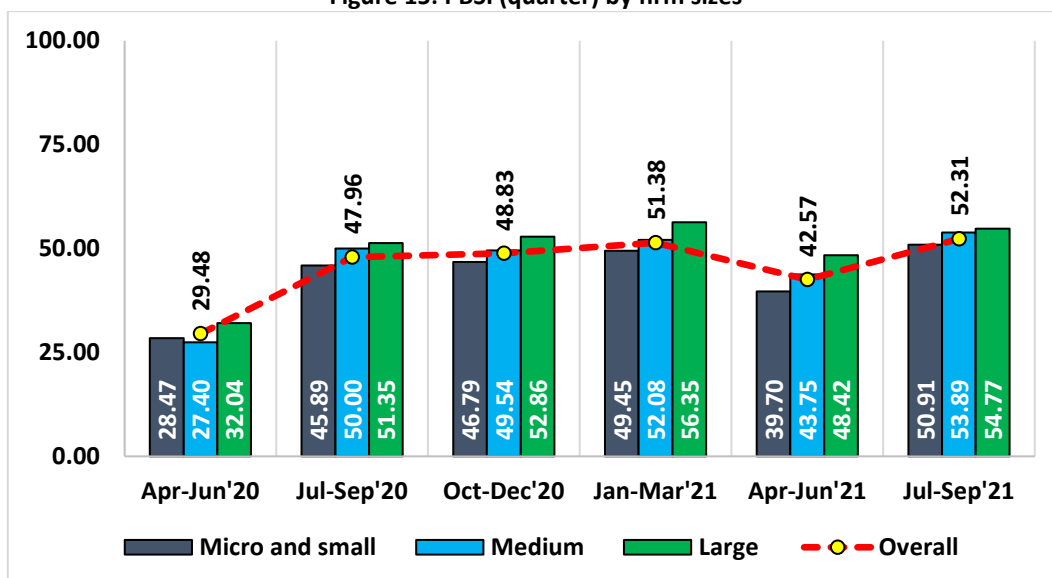
In both PBSI (year) and PBSI (quarter) measures, large firms continue to hold the highest scores. (Figure 14 and Figure 15). In the sixth round, the PBSI (year) for large firms stands at 59.63, increasing from 52.44. This is closely followed by medium (56.97) and micro and small firms (55.79). This is the first time in which they also have scores above 50. In terms of the PBSI (quarter) scores, all firm sizes have improved from the fall in the fifth round. The score for large firms is 54.77, 53.89 for medium firms and 50.91 for micro and small firms - all greater than 50.

Figure 14: PBSI (year) by firm sizes



Source: Authors' estimation based on SANEM BCI survey

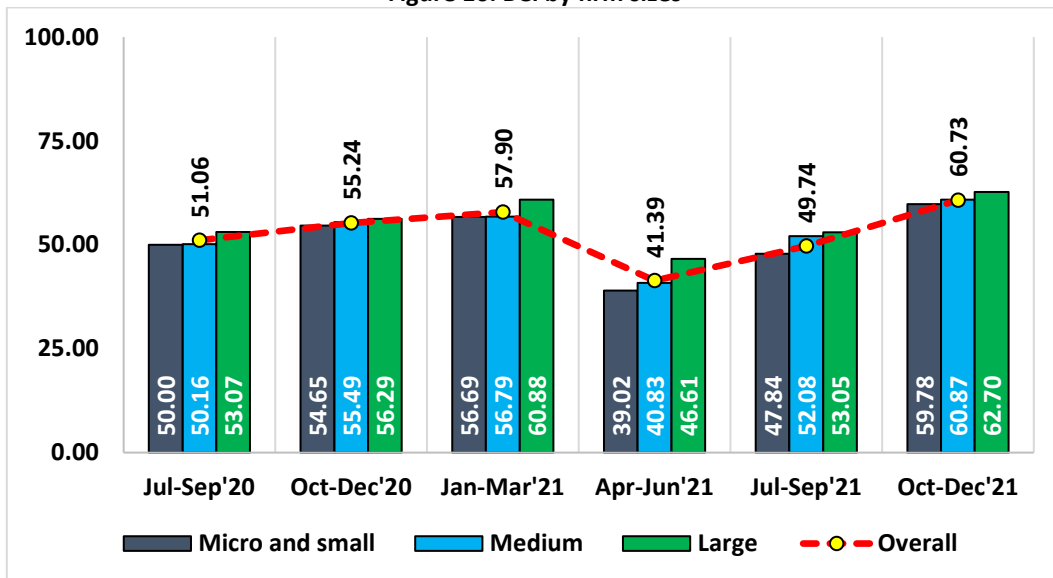
Figure 15: PBSI (quarter) by firm sizes



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

Like previous rounds, large firms hold higher business confidence in the sixth round as well, as evidenced by their BCI score (Figure 16). It has increased from 53.05 to 62.70. Medium firms have a score of 60.87 in this round, slightly behind large firms. Micro and small firms have a BCI score of 59.78, which is the first time their score is above 50 since the large decrease in April-June 2021. Overall, businesses seem more optimistic about the last quarter of 2021.

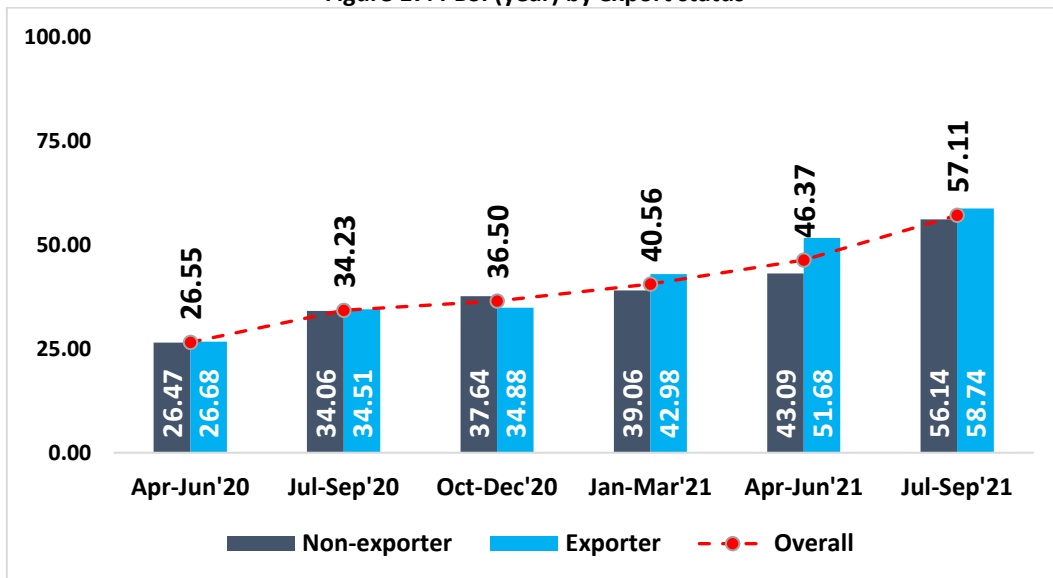
Figure 16: BCI by firm sizes



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

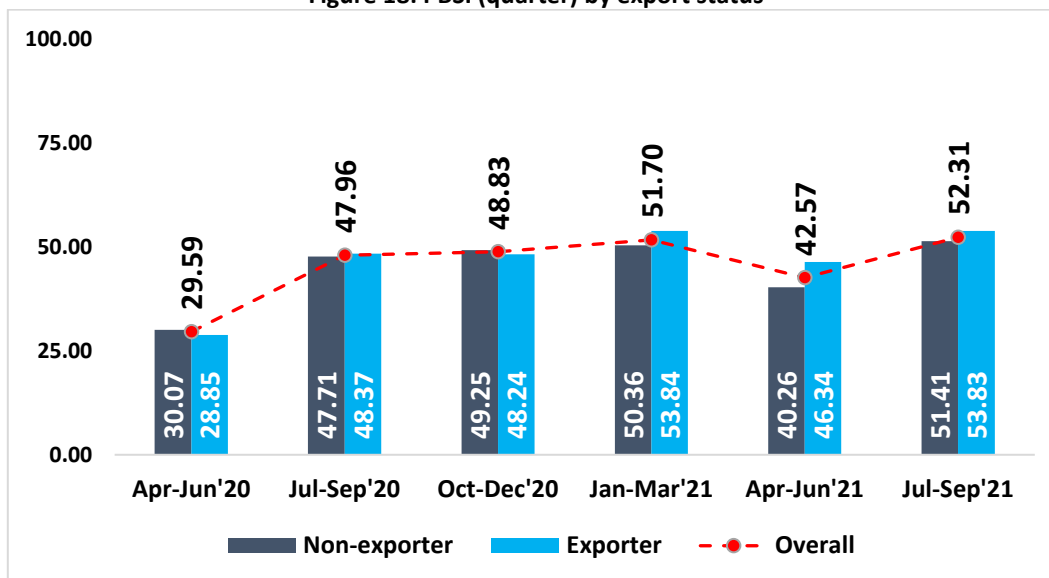
Besides October-December 2020, the PBSI (year) and PBSI (quarter) scores by export status are higher for exporter firms across all rounds - this round is no different (Figure 17 and Figure 18). For the July-September 2021 quarter, the PBSI (year) for exporter firms is 58.74, while it is 56.14 for non-exporter firms - finally scoring above 50. The PBSI (quarter) for exporter firms is 53.83, and 51.41 for non-exporter firms - a large jump from their respective scores in April-June 2021.

Figure 17: PBSI (year) by export status



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

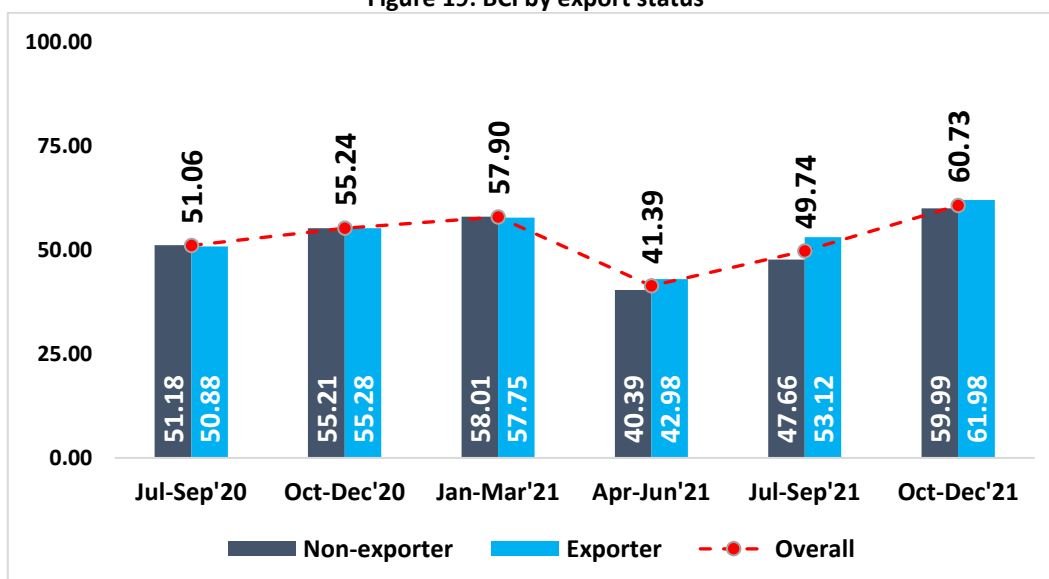
Figure 18: PBSI (quarter) by export status



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

Exporter firms seem to have higher confidence in the future, as seen by their BCI scores (Figure 19). For October-December 2021, they stand at 61.98 - the highest score thus far. It should also be noted that non-exporter firms have caught up, with a very close score of 59.99.

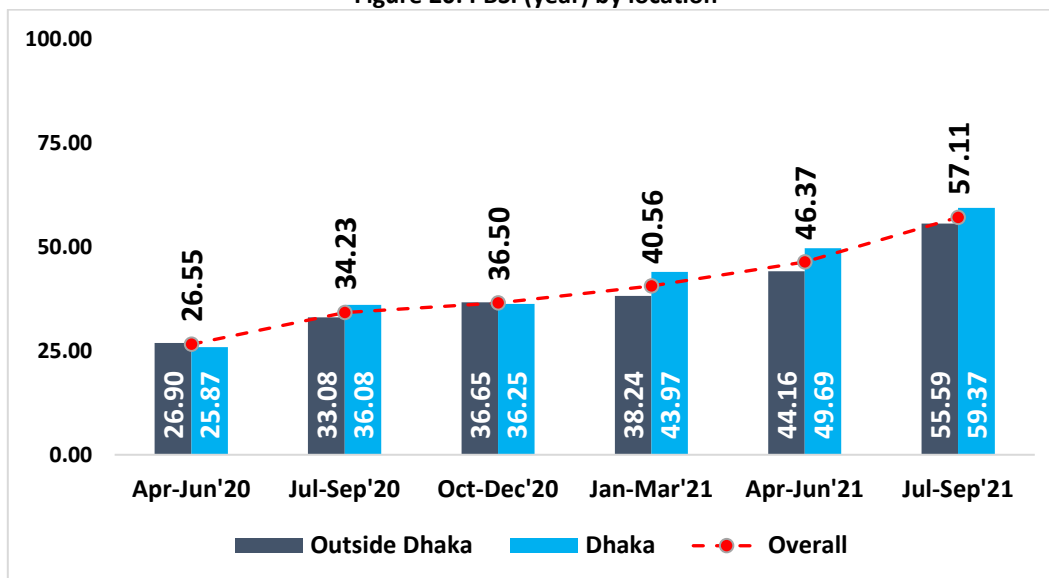
Figure 19: BCI by export status



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

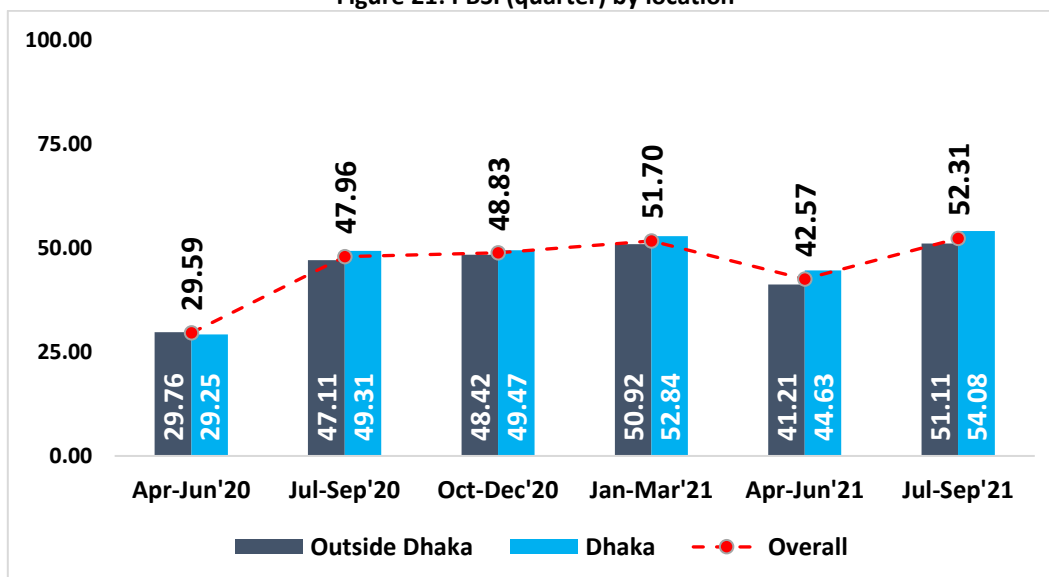
The PBSI (year) and PBSI (quarter) scores by location are higher for Dhaka firms across all rounds, implying that they have been doing better than non-Dhaka firms during the pandemic (Figure 20 and Figure 21). In this round, the PBSI (year) for Dhaka firms is 59.37, while it is 55.59 for outside Dhaka firms. The PBSI (quarter) for Dhaka firms is 54.08, and 51.11 for outside Dhaka firms. This means that they are in a much better position in this quarter compared to the previous.

Figure 20: PBSI (year) by location



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

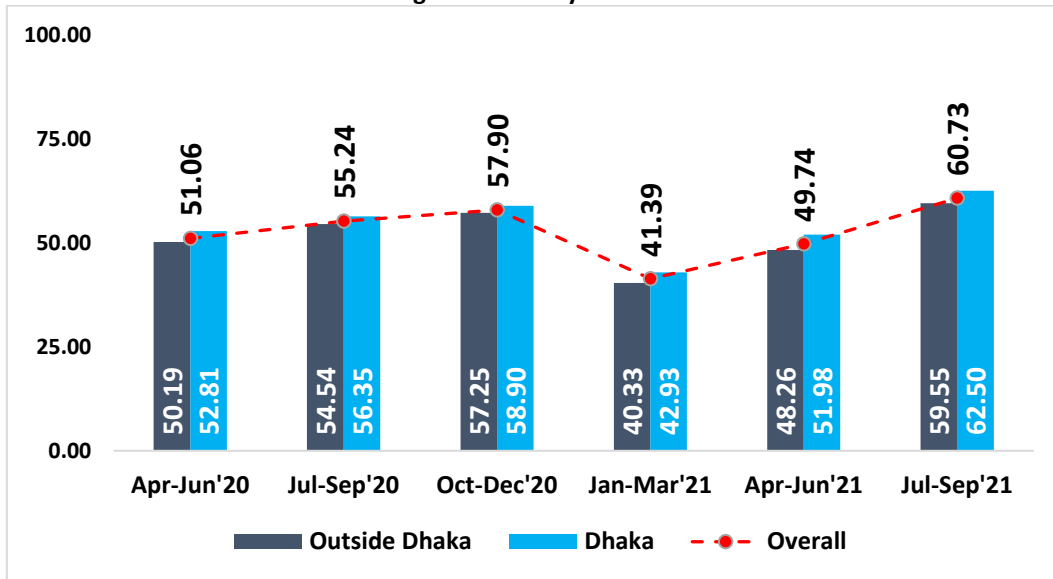
Figure 21: PBSI (quarter) by location



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

Like the PBSI scores, Dhaka firms also hold higher BCI scores across all rounds (Figure 22). This is likely due to the higher amount of resources and support available for firms in this location. For the sixth round, Dhaka firms have a BCI score of 62.50, increasing from 51.98. Non-Dhaka firms are slightly behind with a score of 59.55.

Figure 22: BCI by location

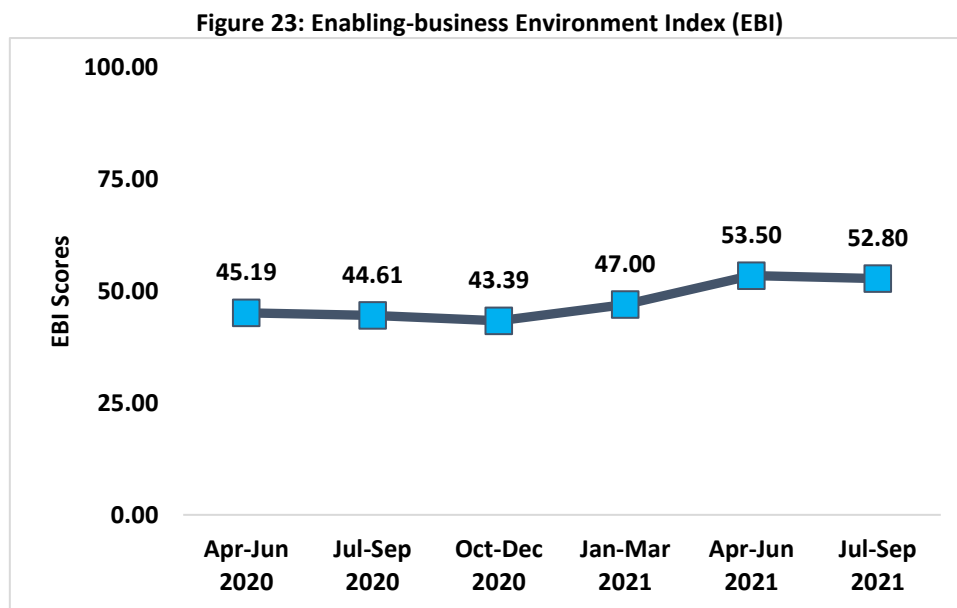


Source: Authors' estimation based on SANEM BCI (quarterly) survey, 2020-21

Section V: Business Environment

The surveyed firms were asked to respond based on each of the 10 indicators (such as electricity, corruption, and so on) provided in the methodology part section to acquire a better understanding of the pandemic's influence on the overall business climate. "On a scale of 0 to 100, how favourable are the following indications for your overall company success at the moment?" the organizations were asked. Highly unfavourable, slightly unfavourable, moderately unfavourable, neither unfavourable nor favourable, slightly favourable, moderately favourable, and extremely favourable were the seven possibilities available. In this case, zero denotes a highly unfavourable scenario, whereas 100 denotes a very favourable situation. Following that, the study divided the seven options into five groups: extremely unfavourable, unfavourable, neither unfavourable nor favourable, favourable, and extremely favourable.

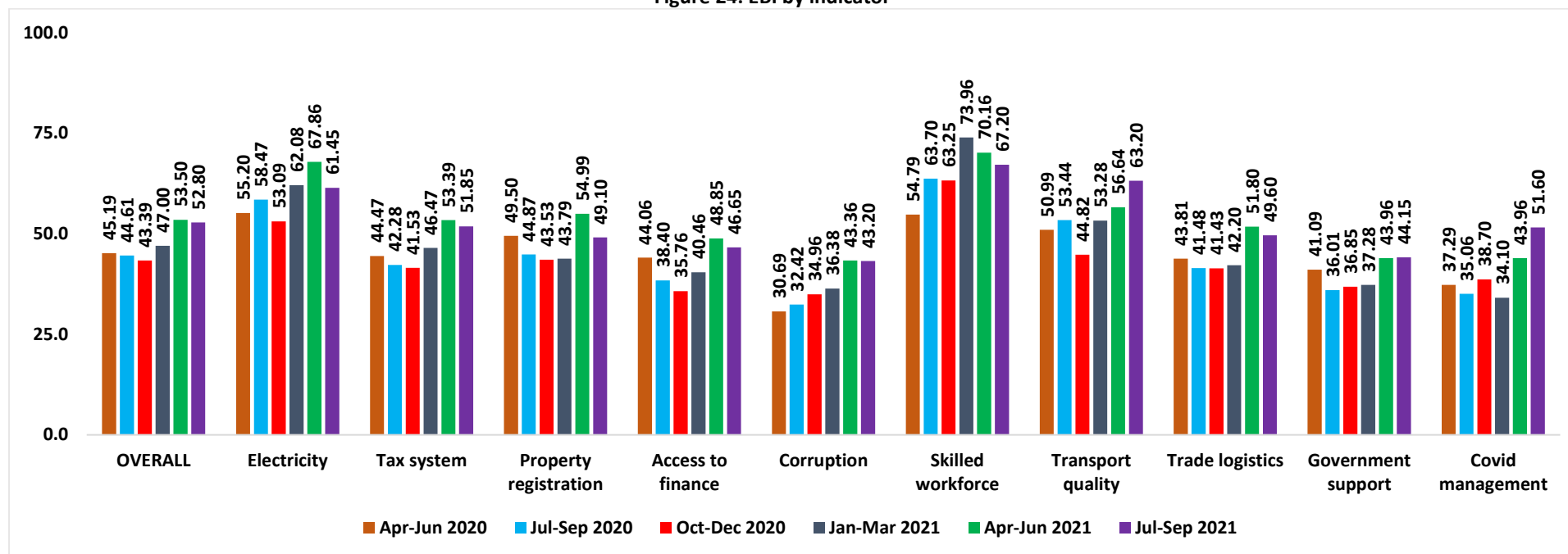
The overall EBI scores in all six rounds stand at 45.19, 44.61, 43.39, 47.00, 53.50 and 52.80 respectively (Figure 23). While the score had decreased from 44.61 in the July-September 2020 quarter to 43.49 in the October-December 2020 quarter, it had increased to 47.00 in the January-March 2021 quarter, which indicates an improved business environment. In the April-June 2021 quarter, it made further improvement, increasing to 53.50. However, in this round, there has been a slight decrease to 52.80. The scores in the last two rounds are above 50, indicating that the overall business environment is gradually improving for the firms.



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

The EBI scores of most of the components have decreased in the July-September 2021 quarter (Figure 24). The only components that have had increases in EBI scores are Transport Quality (63.20), Government Support (44.15) and Covid Management (51.60). Despite a small decrease in this round, the Skilled Workforce has the highest EBI score at 67.20. On the other hand, the score for Corruption has decreased to 43.20 and is the lowest EBI score in the July-September 2021 quarter.

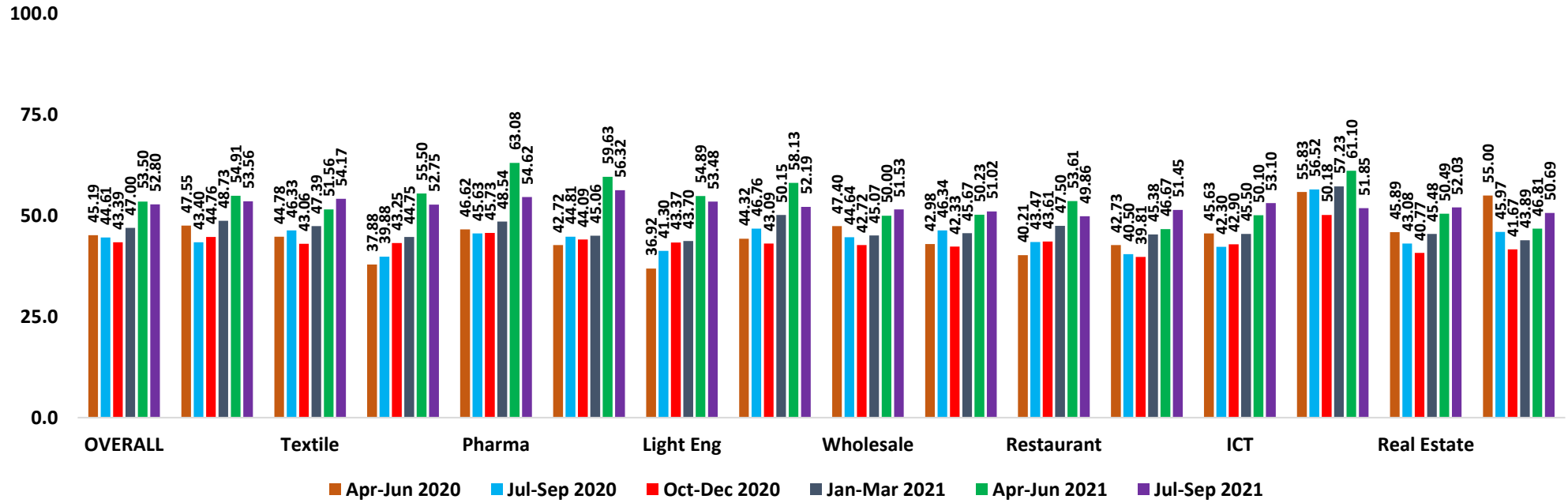
Figure 24: EBI by indicator



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

The sectors whose EBI scores are above the overall EBI score of 52.80 have a relatively better business environment among the sectors and vice-versa. It is observed that more than half of the sectors are below the overall score, although they are mostly above 50 or very close to it (Figure 25). The highest EBI score in this round belongs to Food Processing (56.32), despite a decrease from the previous round. In contrast, the lowest EBI score is held by the Restaurant sector, falling from 53.61 to 49.86.

Figure 25: EBI by sector



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

Section VI: Path Toward Economic Recovery

Bangladesh, which was hit hard by the COVID-19 pandemic, will experience a ‘moderate economic rebound’ in FY2021-22. Its Gross Domestic Product (GDP) is expected to expand by 6.4% this fiscal year. And, the growth for the coming fiscal year is expected to be 6.9% (World Bank, 2021). This growth, however, is interlinked to the country’s private sector expansion (ADB, 2009). For instance, the stimulus packages commenced by the GoB gave businesses access to working capital and low-interest loans to help them stay afloat and keep their staff (BB, 2021), albeit financing to small businesses and the informal sector was limited (Raihan et al., 2021). Moreover, the increased supply of vaccines has given the recovery path a new layer of resiliency (Raihan et al., 2021). This section details businesses’ thinking regarding Bangladesh’s overall economic recovery as well as their own recovery following the pandemic.

Firms’ perception toward overall economic recovery

The firms that participated in the sixth round of the survey were asked about their expectation of economic recovery based on the current situation. The respondents were given three options to choose from: strong, moderate and weak recovery. In comparison to the previous quarter’s survey response, it is observed that firms are now more optimistic – in contrast to the majority expecting a weak recovery in the fifth round, most firms now expect moderate recovery (Figure 26 and Figure 27). The proportion of firms that expect a strong recovery has also risen to 21%. The percentage of firms that expect a weak recovery has decreased by more than half.

Figure 26: Firms’ perception regarding economic recovery in July 2021

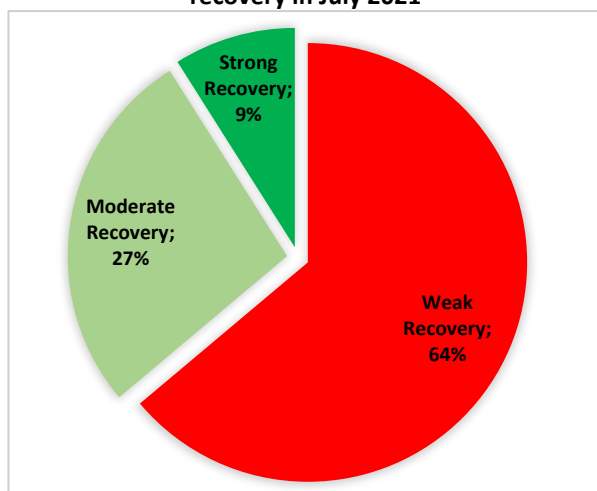
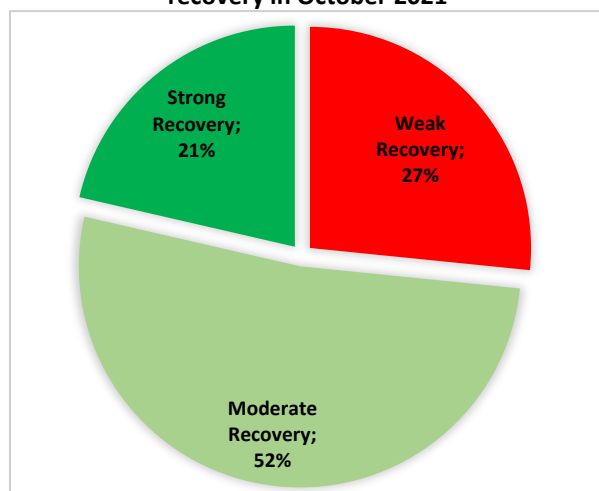


Figure 27: Firms’ perception regarding economic recovery in October 2021

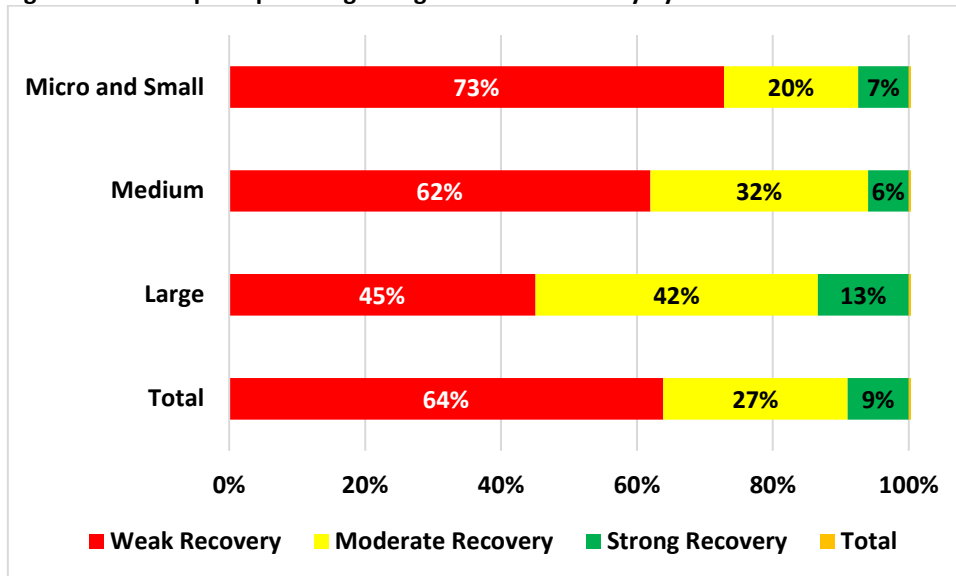


Source: Authors’ estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Firms’ perception toward overall economic recovery by firm size

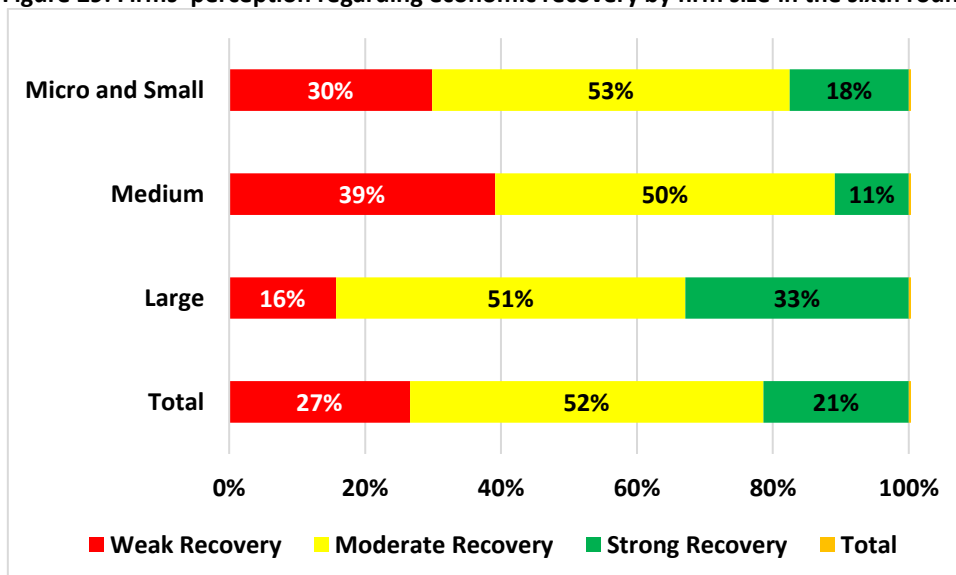
The aforementioned optimism of firms is observed even when looking at their responses in terms of firm size (Figure 28 and Figure 29). Across all firm sizes, most firms now anticipate moderate to a strong recovery. Like the previous round, the highest percentage of strong recovery anticipating firms are the large ones, standing at 33%. However, in this round, the micro and small firms have the highest percentage of firms expecting moderate recovery at 53%.

Figure 28: Firms' perception regarding economic recovery by firm size in the fifth round



Source: Authors' estimation based on SANEM BCI (fifth round) survey, 2021

Figure 29: Firms' perception regarding economic recovery by firm size in the sixth round

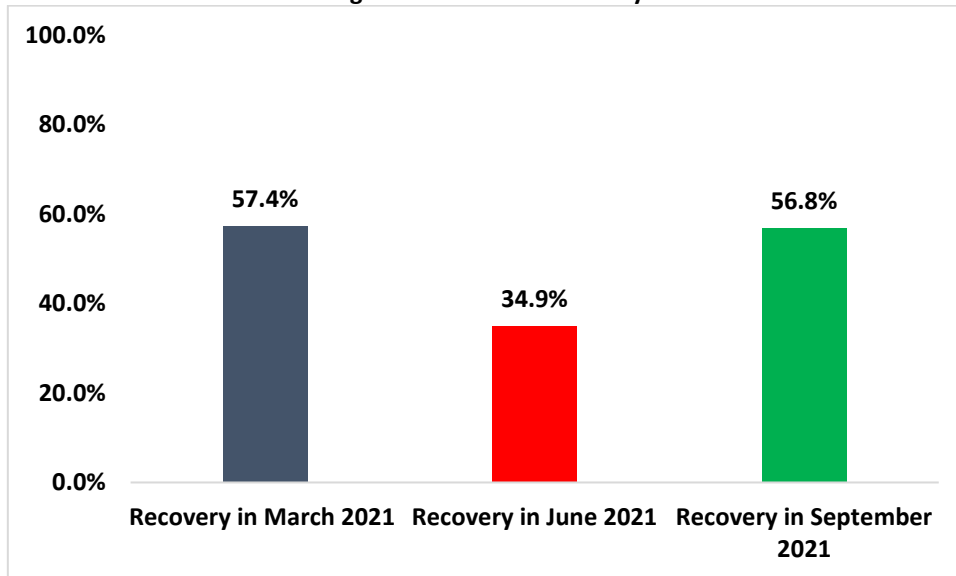


Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Business recovery

The sixth round continues to make observations regarding the percentage of self-recovery of firms to their pre-pandemic state (Figure 30). After a significant drop in the level of recovery in June 2021, from 57.4% to 34.9%, this round shows much improvement – the rate is now at 56.8%, which implies that firms were able to return to a little over half of their pre-pandemic state in September 2021, likely due to the effective vaccination campaign and the subsequent fall in cases and lockdown restrictions.

Figure 30: Business recovery

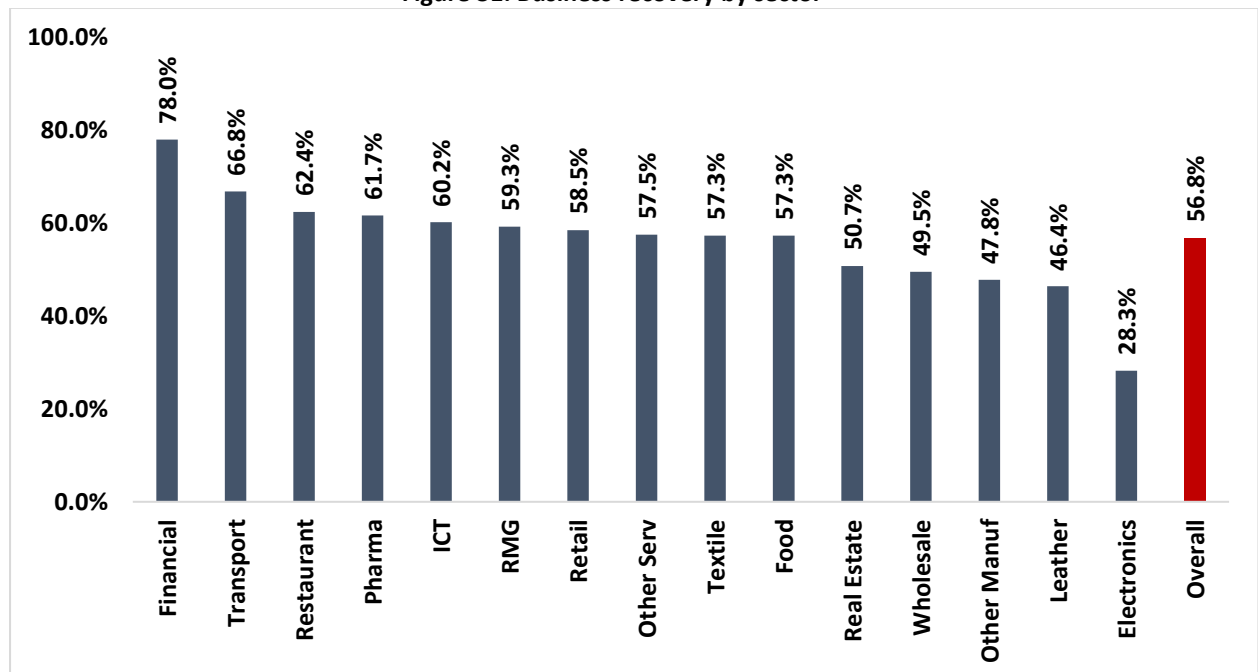


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Business recovery by sectors

Most sectors are now above the overall rate of recovery, which is a very positive sign (Figure 31). The highest proportion of internal recovery was observed in the Financial sector (78%), followed by Transportation (66.8%). A large number of sectors are within 57-62% recovery, which implies that they have mostly recovered what was lost due to the pandemic. However, there are still some sectors that are lagging – Wholesale (49.5%), Other Manufacturing (47.8%), Leather & Tannery (46.4%) and Electronics and Light Engineering (28.3%) have recovered by less than half.

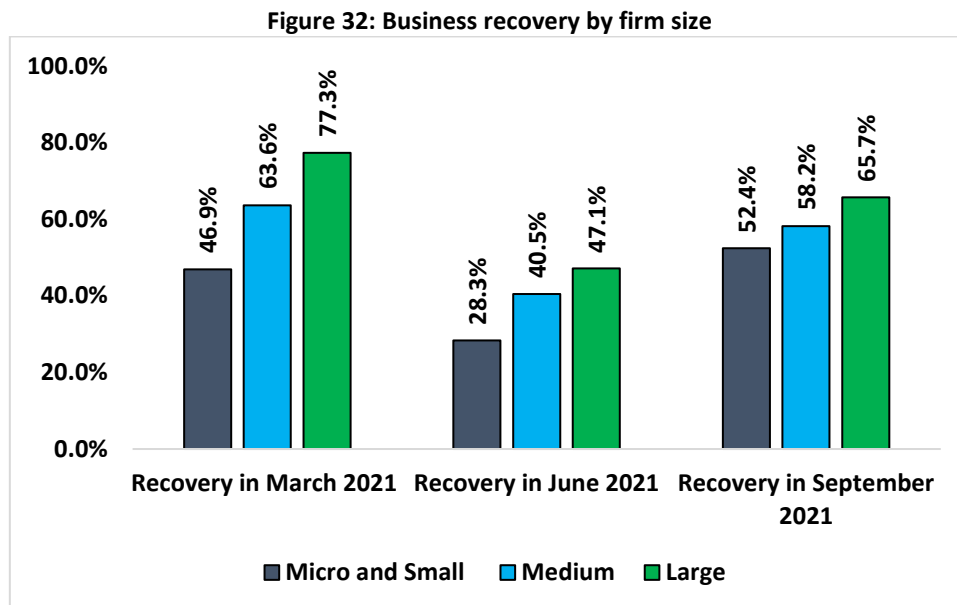
Figure 31: Business recovery by sector



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Business recovery by firm size

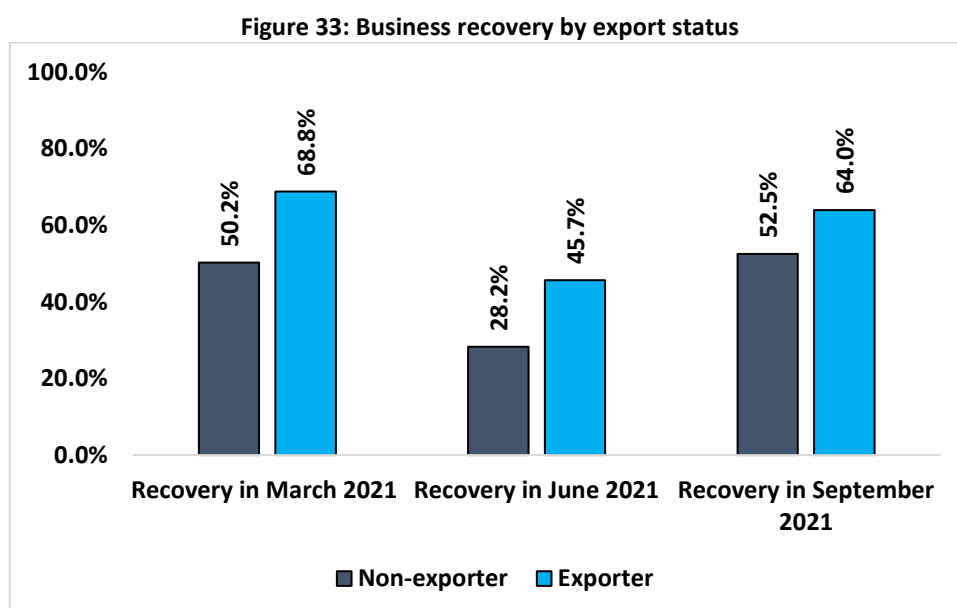
Further observations can be made when comparing the recovery made in terms of the firm sizes (Figure 32). Like the overall business recovery, all firm sizes have had increases in their recovery level in September 2021 from the previous decrease. Large firms are still leading, with a 65.7% recovery, followed by medium and micro and small firms. Interestingly, micro and small firms have had the greatest jump in recovery across the two rounds.



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Business recovery by export status

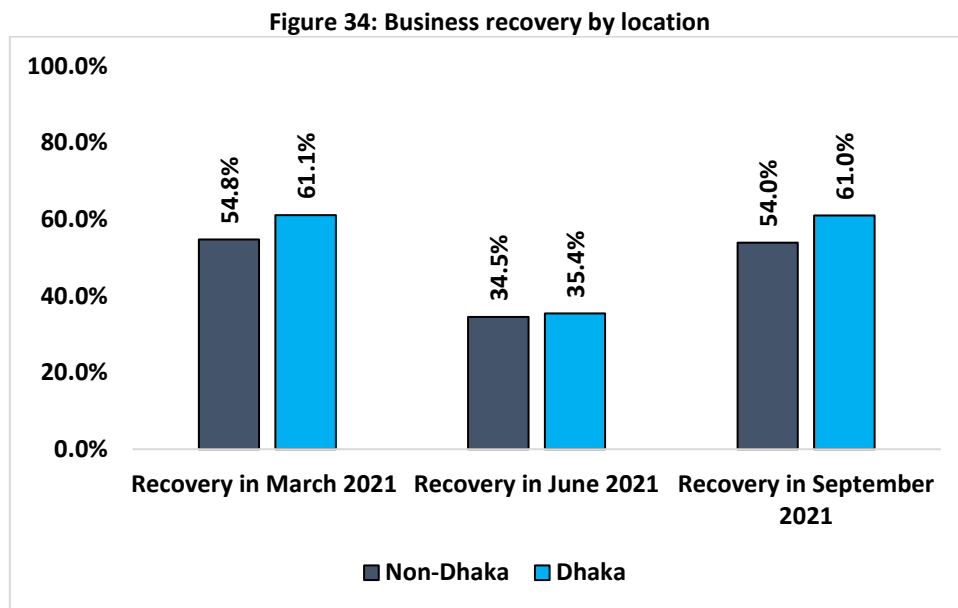
When looking at export status, it is evident that exporter firms are ahead in terms of business recovery (Figure 33). In this round, the level of recovery for exporters stands at 64%, an increase from 45.7% in June 2021. Non-exporter firms have also made strides in recovery, now standing at 52.5% from a very low percentage of 28.2%.



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Business recovery by location

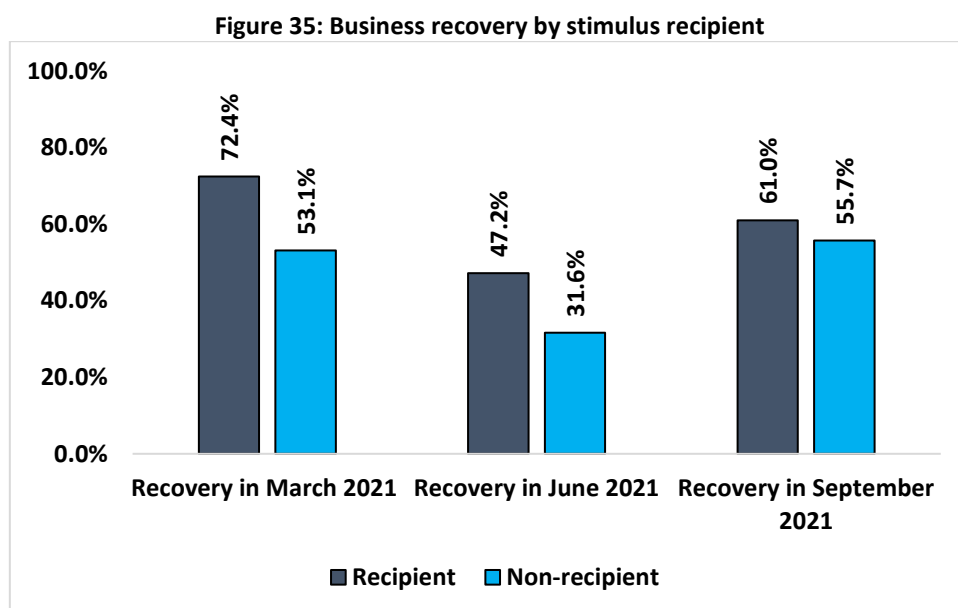
Although closely followed by non-Dhaka firms, Dhaka firms seem to be doing slightly better in terms of internal recovery (Figure 34). Dhaka firms now stand at 61% recovery, while non-Dhaka firms stand at 54% - very close to the numbers observed in March 2020.



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Business recovery by stimulus recipient

The stimulus packages distributed by the government have positively affected the recovery process of firms (Figure 35). Across the last three rounds, recipient firms are ahead of non-recipient firms in terms of recovery. While non-recipient firms had a larger gap in percentage in March and June 2021, it has caught up with recipient firms in September 2021 – the former is at 55.7%, while the latter is at 61%.

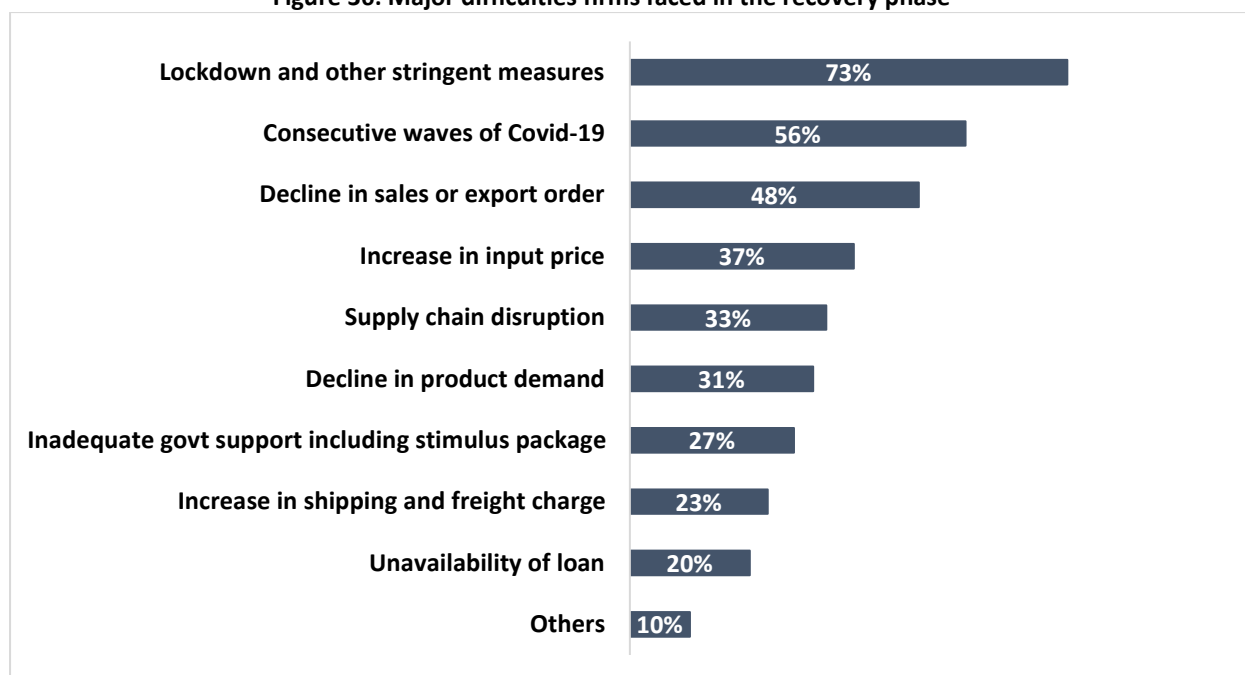


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Major difficulties firms faced in the recovery phase

The recovery process for any firm is extensive, and is likely to have its share of difficulties that the firm had to overcome – the respondents were asked what they had faced (Figure 36). The majority mentioned lockdown and other stringent measures as a difficulty (73%). This was followed by issues such as consecutive waves of COVID-19 (56%) and a decline in sales or export orders (48%). A small percentage of firms mentioned the lack of government support and loans as difficulties, which may be an indication that financial support had been effective in the process.

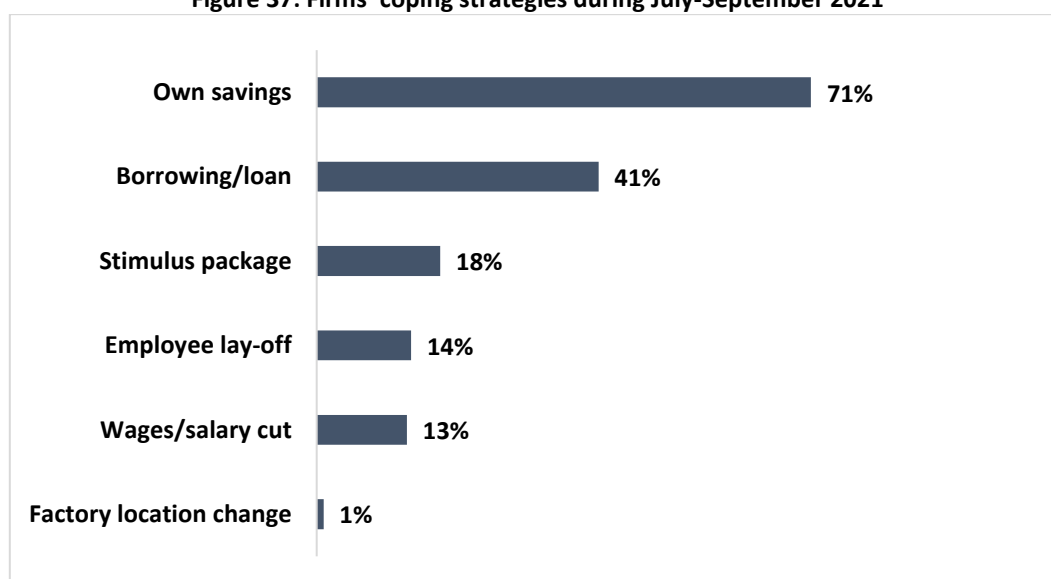
Figure 36: Major difficulties firms faced in the recovery phase



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Firms' coping strategies

Figure 37: Firms' coping strategies during July-September 2021



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Similar to the fifth round, the sixth round of the survey also looks into the measures taken by firms to cope with the pandemic and its effects during their recovery process (Figure 37). The most common strategy was to use the firms' own savings to finance the firms' costs (71%), followed by borrowing or taking out loans (41%). Only a small proportion of firms decreased employee wages or changed the location of their factories. Most notably, only 18% of firms coped using government-distributed stimulus packages-this is concerning as a low percentage might mean that the packages were not effectively distributed or were not adequate.

Emerging challenges affecting economic recovery

As observed, firms have been able to recover 56% of their businesses in September 2021 since the pre-pandemic situation (March 2020), and on average 55% of their employees have got at least one dose of vaccine as of September 2021. Despite such progress, Bangladesh faces several emerging challenges including fuel price hikes, inflationary pressure, falling remittances, the new COVID-19 wave, and the need for wider coverage of vaccines that might affect the country's overall economic recovery.

Fuel price hikes: An increase in fuel price will cause major disruptions in all stages of the supply chain (Gurtu et al., 2015), which in turn affect the overall economic recovery in the country.

Inflationary pressure: Higher food prices and the lingering effects of increased oil prices might keep pricing pressures in place for some time (Baumeister et al., 2014).

Falling remittances: Remittances, one of the drivers of the economy, are falling in recent months. World Bank also projects a slower remittance growth of 4.54% this year which is lower compared to that of India and Pakistan (World Bank, 2020). The slower pace of outmigration, new migration policies in Malaysia and Gulf countries, and new restrictions to contain the spread of the virus in some European countries are the major reasons behind the declining trend of remittances (Daily Star, 2021).

The new COVID-19 wave: The new wave of COVID-19 in Europe and North America (BBC, 2021) is warned by the public health expert as they indicated the current trend of falling COVID-19 cases in Bangladesh could well be the calm before a devastating storm.

Need for wider coverage of vaccination: More than 50% of people who are still waiting to get at least one dose of vaccine (Daily Star, 2022), are in a vulnerable position.

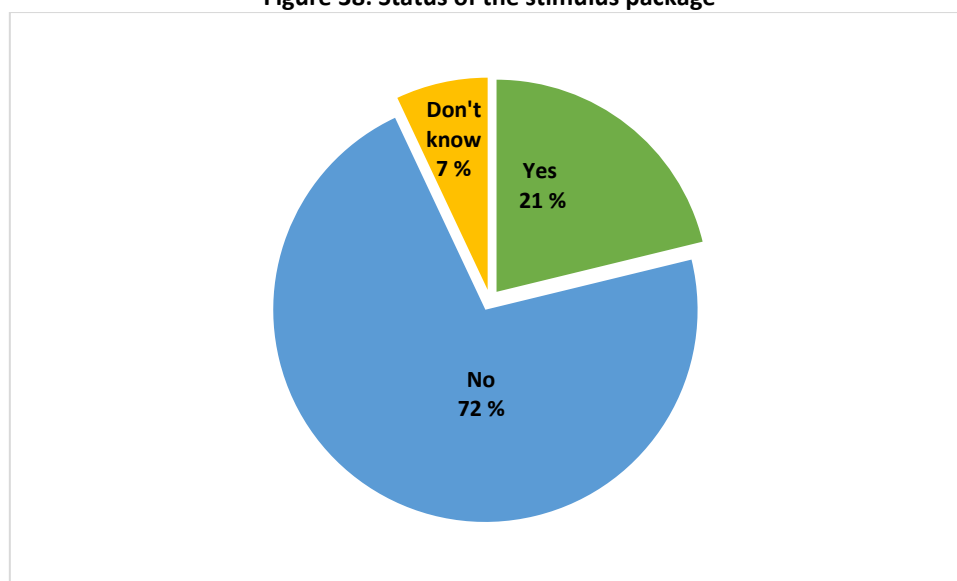
Section VII: Status on Stimulus Packages

Bangladesh, like the rest of the world, has been severely damaged by the COVID-19 pandemic, which has resulted in economic contractions and a slowdown in economic activity. The population's lives and livelihoods have been impacted by the ongoing public health catastrophe. In light of this, the Government of Bangladesh (GoB) launched its first stimulus package in March 2020. To combat the pandemic's effects, the GoB has so far announced a total of 28 support measures consisting of both liquidity support and fiscal stimulus. These programmes had a total value of roughly Tk. 1.25 trillion accounts for 4.58% of the country's GDP. Fiscal stimulus in the form of cash transfers and tax cuts creates demand by changing the behaviour of households and businesses. On the other hand, monetary stimulus in terms of liquidity support could directly promote more business investment. This section, however, focuses on firm-level perceptions of the availability and effectiveness of incentives, as well as challenges in obtaining stimulus packages and reasons for not obtaining so.

Status on stimulus packages

Respondents in the study were questioned whether their firms received the stimulus package or not, in order to determine what percentage of surveyed firms obtained the incentive packages. Only 21% of surveyed firms availed of the announced stimulus packages (Figure 38). 72% of respondents stated they didn't receive any form of the stimulus package at all, and 7% replied they didn't have any knowledge about it.

Figure 38: Status of the stimulus package

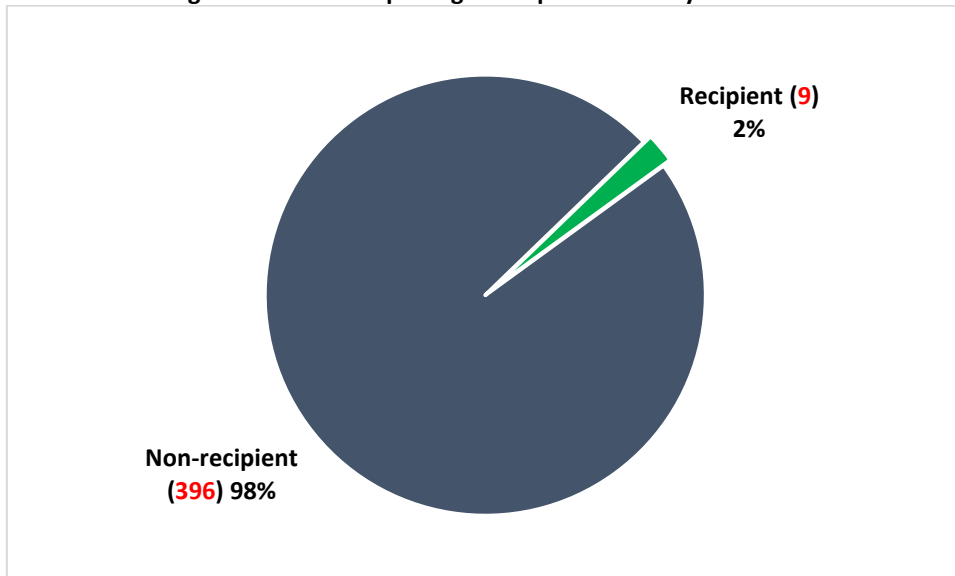


Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

The study looked into how many businesses that received stimulus packages in the sixth round did not obtain them in the previous round. (Figure 39). There were around 405 firms that did not avail any of stimulus packages in the fifth round of the survey. Among them, only 2% got the incentive in this round.

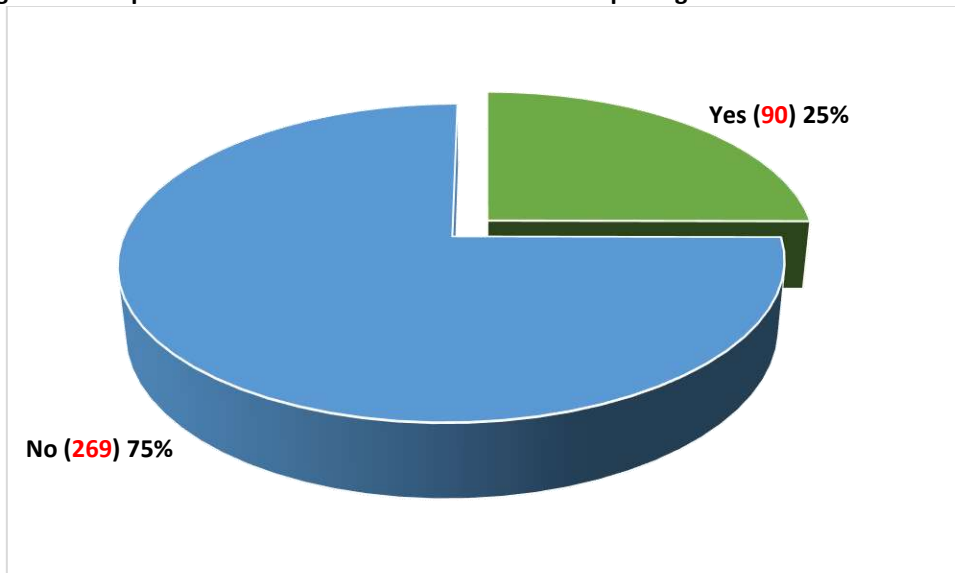
In the sixth round of the survey, the respondents were additionally asked if they attempted to take advantage of the stimulus packages but were unable to do so. There were 359 businesses that did not receive any of the stimulus packages in this round. Around a quarter of them (90 out of 359 enterprises) attempted to obtain any of the packages (Figure 40).

Figure 39: Stimulus package receipt for the very first time



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

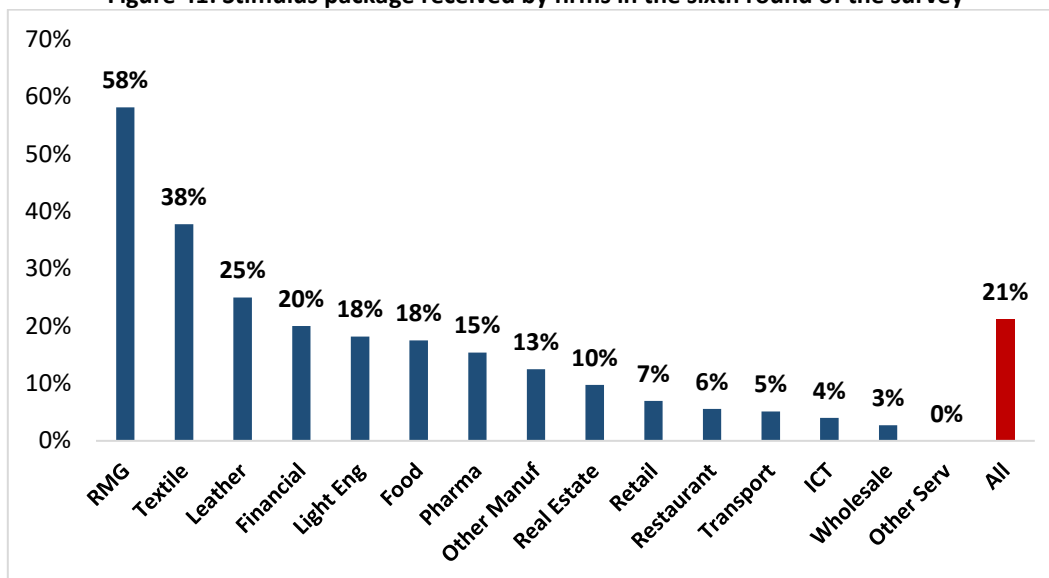
Figure 40: Respondents who did not receive the stimulus packages but tried to avail of them



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

The sub-sectorial analysis of the firms' receipt of stimulus packages shows that the RMG and textile sectors have a higher percentage of recipients (58% and 38% respectively) than any other sub-sector (Figure 41). A considerable percentage of recipients were from the leather (25%) and financial (20%) sectors. Light engineering, food processing, and pharmaceutical sectors account for 18%, 18%, and 15% of recipient firms, respectively. In comparison to the service sector, we observe that the manufacturing sector received the majority of the incentives.

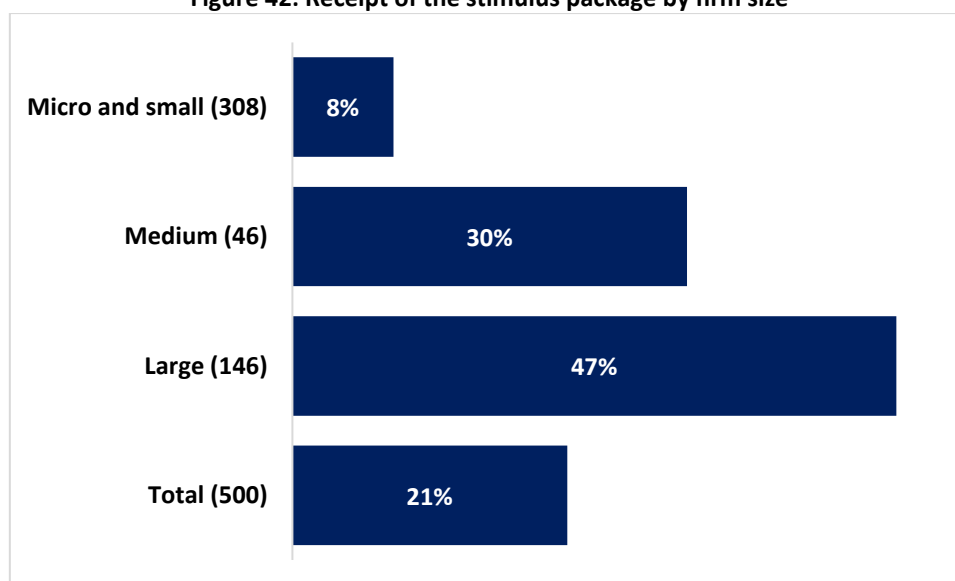
Figure 41: Stimulus package received by firms in the sixth round of the survey



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

There is a clear pattern between firm size and the status in availing of the stimulus packages (Figure 42). In the case of the micro and small firms, only 8% of the firms received the stimulus package. In contrast, 47% of the surveyed large firms and 30% of the medium firms received the benefits of the incentive packages.

Figure 42: Receipt of the stimulus package by firm size



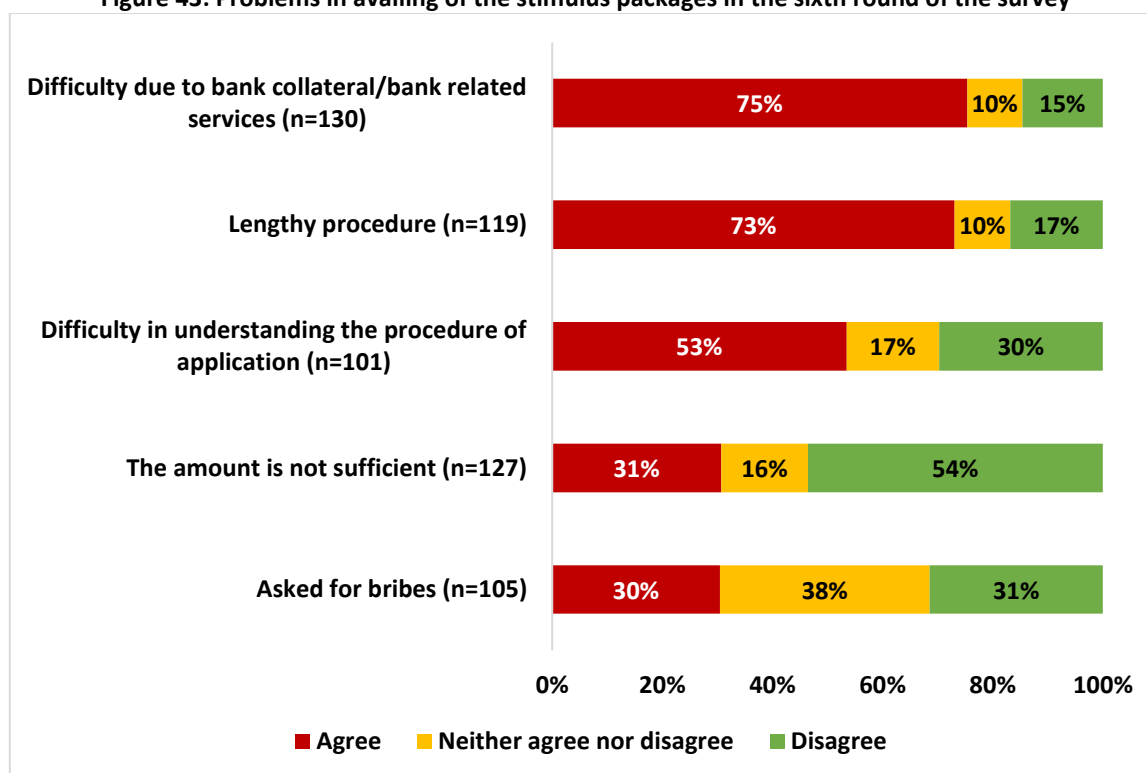
Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Problems in availing of the stimulus package

The firms that received or tried to receive the packages were asked to identify the problems they faced in acquiring them (Figure 43). Respondents were given five options: strongly disagree, disagree, disagree, neither disagree nor agree, agree and strongly agree. The responses were later clustered into three categories: disagree, neither agree nor disagree, and agree.

Many of the respondents (75% out of 130 firms) who responded to the ‘difficulty due to bank-related services’ said it was a serious issue in getting the packages. ‘lengthy procedure’ was identified as a major problem by 73% of the respondents (out of 119 firms). 53% of respondents (out of 101 firms) replied that difficulty in collecting the information or understanding the procedure for obtaining the packages was one of the major problems. A shortage of loanable money was not a major cause for stimulus packages not being received, according to 54% of respondents (out of 127 firms). The question of bribery being used to secure a stimulus package provided an ambiguous picture, with no clear conclusion to be drawn.

Figure 43: Problems in availing of the stimulus packages in the sixth round of the survey



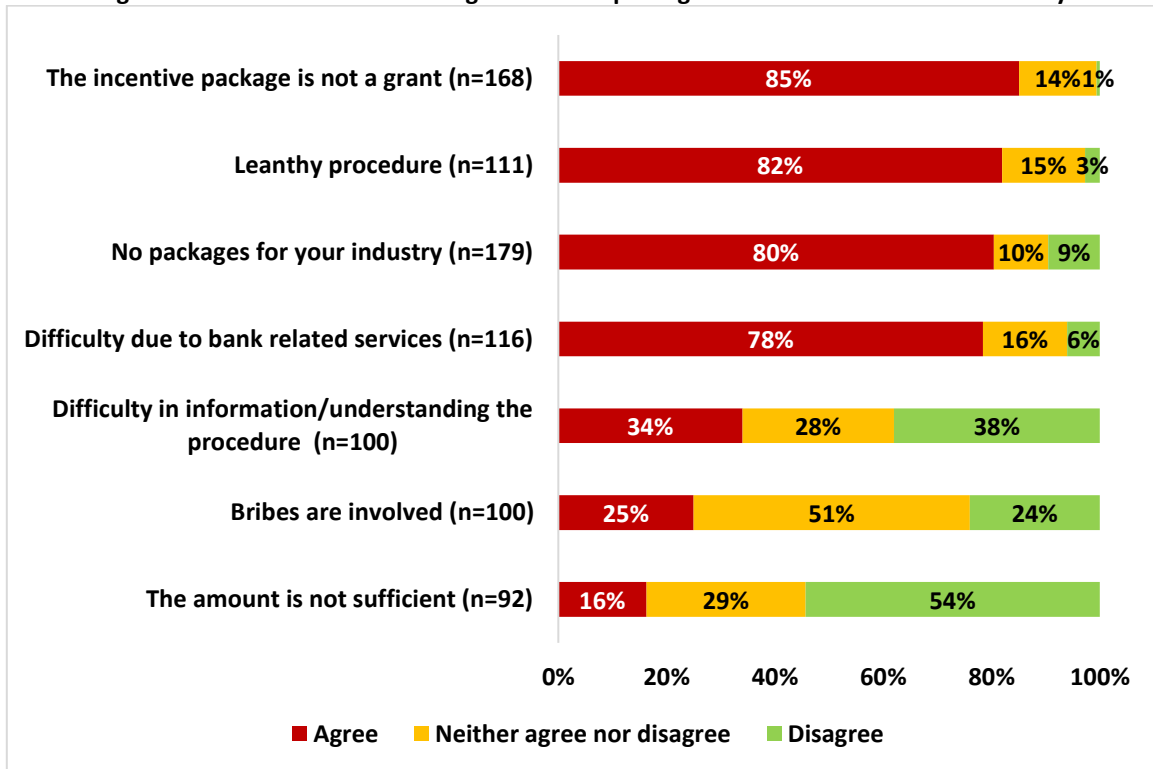
Source: Authors’ estimation based on SANEM BCI (sixth round) survey, 2021

Reasons for not availing of stimulus packages

Firms that did not receive the stimulus package were requested to explain why they did not receive it. Highly disagree, disagree, neither agree nor disagree, agree and strongly agree were the options provided to the responders. After that, the five options were divided into three groups: agree, neither agree nor disagree, and disagree.

Out of 168 respondents surveyed, 85% thought the stimulus package was a loan rather than a grant. A lot of firms (79% of 136 respondents) did not obtain the package as they considered the process to be lengthy (Figure 44). Difficulty with bank-related services was the reason for not obtaining the package for 78% of 131 respondents. 80% of 179 firms replied that there were no stimulus packages for their industry. 34% of 100 respondents have not applied due to the difficulty in collecting information and understanding the procedure. Bribes have not been identified as a hindering factor to obtaining the stimulus package, 25% of 100 replied bribe is not a problem, and almost half of the firms expressed their answer as “neither agree nor disagree”. Around 54% of respondents (out of 92) disagreed that a lack of finances hampered getting a stimulus package, while only 16% said funds were insufficient and 29% were undecided.

Figure 44: Reasons for not availing of stimulus packages in the sixth round of the survey



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

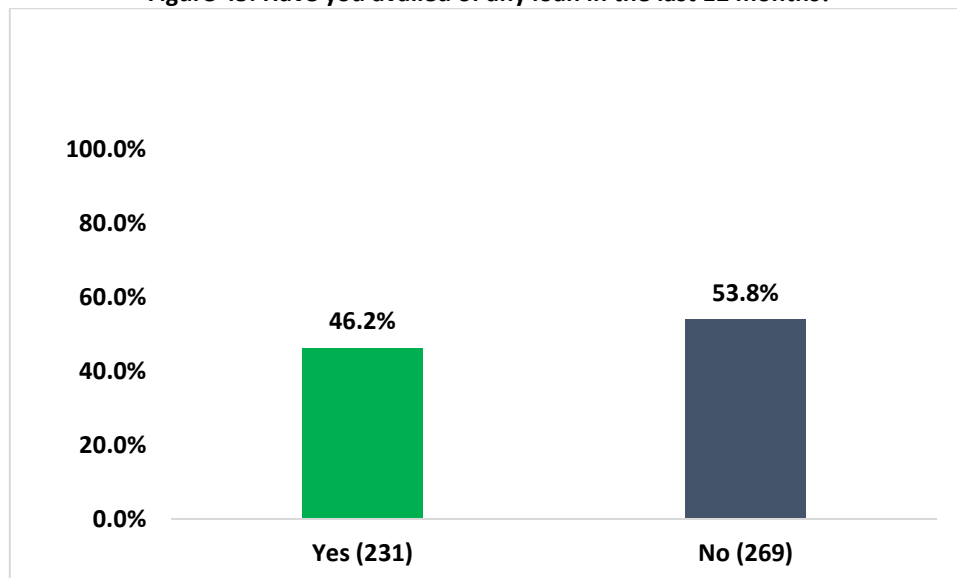
Section VIII: Financing

Governments and corporations across the world expanded their debt levels as the COVID-19 crisis unfolded in order to deal with the extraordinary external shock of the global pandemic. Businesses had to rely on debt and loans to survive the pandemic, while governments created various support programmes to keep the economy alive (OECD, 2021). During the COVID-19 pandemic, the GoB also devised a number of funding options for all the businesses in the economy. The financing strategies undertaken by GoB are being implemented through private and public banks and other government and non-government agencies. Apart from the government support measures, banks and other non-bank financial institutions are providing loans to the businesses as per their own rules and policies. This section describes the current state of loans and the major challenges that businesses have had in obtaining loans from both government support measures and other sources.

Availed of any loan

When asked if they had taken any loans in the last year, little over half of the respondents have stated that they have not (269 firms out of 500) (Figure 45). However, around 46.2% of firms (231 firms out of 500) have taken loans.

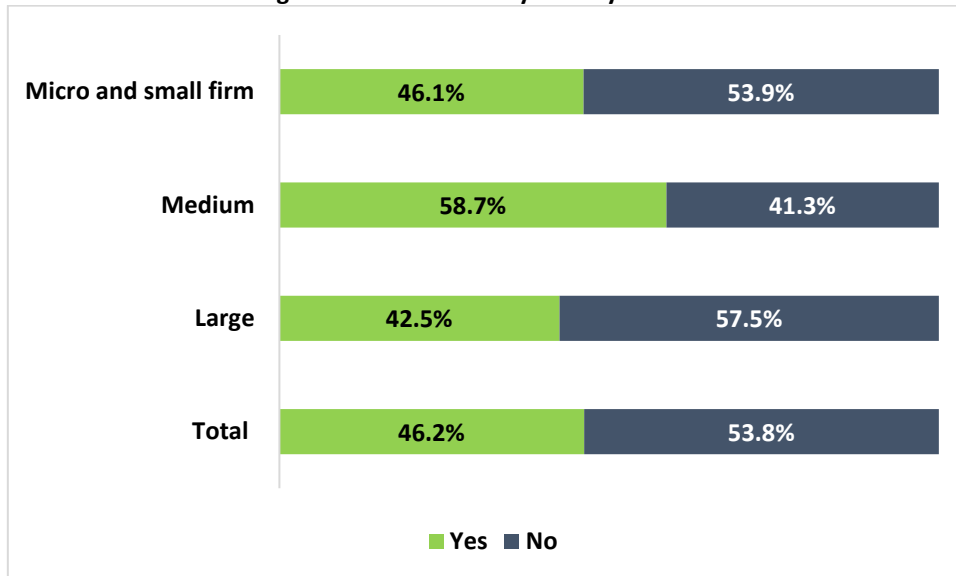
Figure 45: Have you availed of any loan in the last 12 months?



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

In regards to firm size, in both micro & small and large firms the proportion of firms that have opted to take out loans is lower than those that have (Figure 46). Interestingly, the opposite is the case for medium-sized firms. A total of 59% of medium-sized businesses have taken out loans, while the remaining 41% do not.

Figure 46: Availed of any loan by firm size

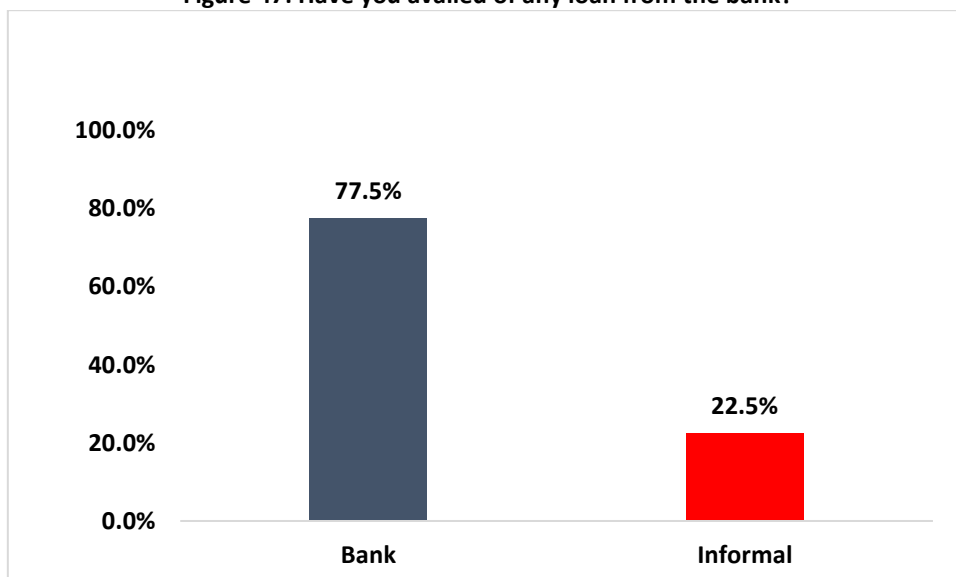


Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Sources of loan

Among those who have availed of loans, the majority took out loans from banks (77.5%), while 22.5% took loans from informal sources – friends and relatives, cooperative society, Mahajan, NGOs and others (Figure 47).

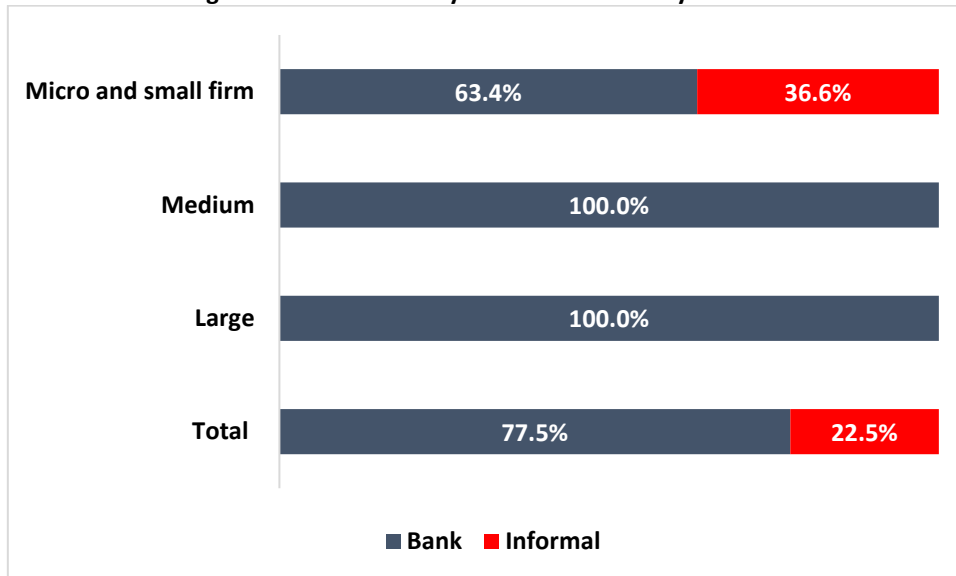
Figure 47: Have you availed of any loan from the bank?



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

All of the medium and large firms that availed loans took it from banks (Figure 48). In contrast, while the majority of micro and small firms availed of loans from banks (63.4%), some did opt for informal sources – likely due to their firm size and the restrictions in terms of bank loan eligibility.

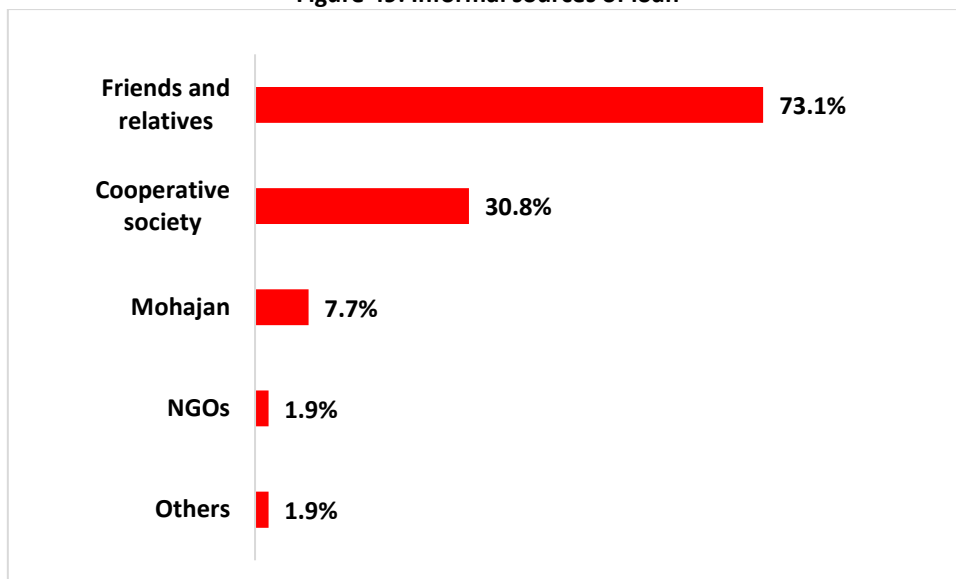
Figure 48: Availed of any loan from a bank by firm size



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Most of the informal loans availed were from friends and family (73.1%) (Figure 49), followed by cooperative society (30.8%) and Mahajan (7.7%). Only a very small proportion of firms got loans from NGOs and other sources (1.9% each).

Figure 49: Informal sources of loan

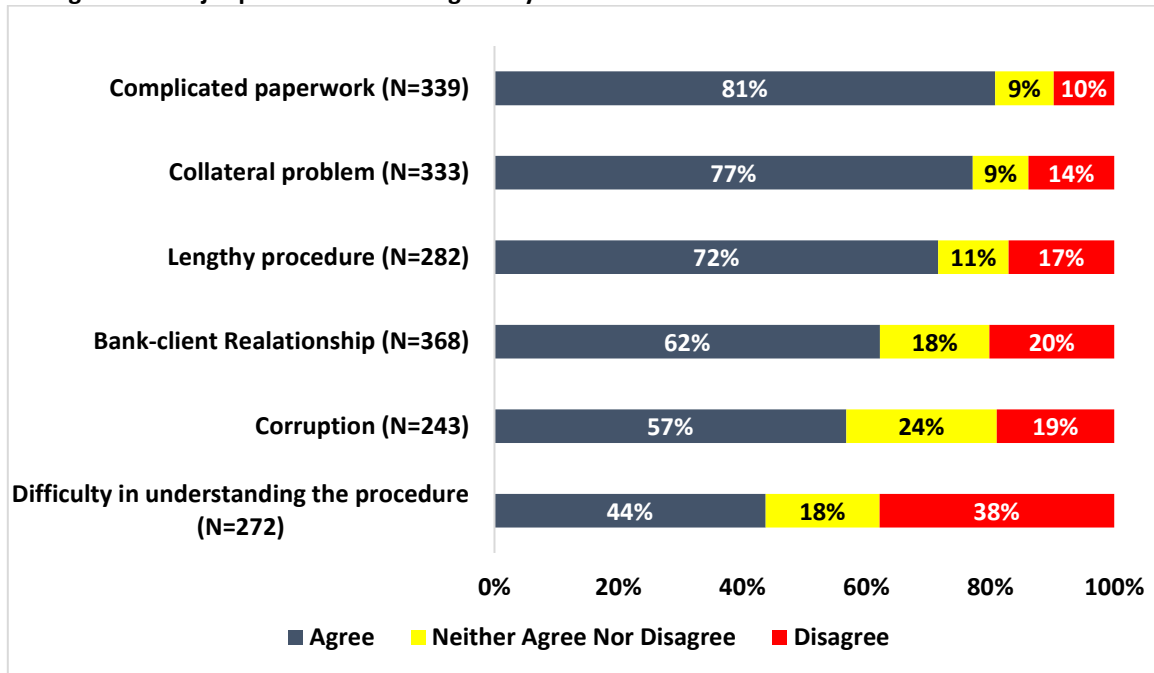


Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Major problems in availing of any loan from the bank or non-bank financial institution

Respondents who availed of loans were asked what problems they had faced during the process (Figure 50). The most pressing concerns were complicated paperwork (81% of 339 firms), collateral problems (77% of 333 firms) and lengthy procedures (72% of 282 firms). Other problems included the relationship between the bank and their clients (62% of 368 firms), corruption (57% of 243 firms) and difficulties in understanding the procedure itself (44% of 272 firms).

Figure 50: Major problems in availing of any loan from the bank or non-bank financial institution



Source: Authors' estimation based on SANEM BCI (sixth round) survey, 2021

Section IX: Vaccination Programme

Despite the multiple challenges Bangladesh had to overcome in purchasing vaccines, ensuring the cold chain, confirming a smooth supply, and operating a digital system via which people must register for vaccines, the government's success in vaccinating the public has been fairly good so far. The country has a strong Expanded Programme on Immunization, which is one of the key reasons for its progress in immunization (Sarkar et al., 2015; Jamil et al., 1999). Bangladesh began immunization pilots on January 28, 2021, and mass vaccination on February 7, 2021. As of January 01, 2022, the country has inoculated half of its total population with one dose of vaccine and five crores with a second dose of vaccine (Daily Star, 2022). On a limited scale, it has already begun vaccinating children over the age of 12 as well as a booster dosage campaign. Furthermore, the government's proposal to build a vaccine plant this year to create our own vaccinations appears to be highly promising.

This section examines the coverage of the GoB's immunisation programmes from the standpoint of businesses. By sector, firm size, geography, and export status, the inoculation coverage of both employers and employees has been investigated.

Employers' vaccination

In the fifth phase of the study, 60% of employers (302 out of 501) replied 'yes' when asked if the respondent or the employer had received at least one dosage of the vaccine (Figure 51). In the sixth round, this number has climbed to 87% (435 out of 500). This demonstrates the overall effectiveness of vaccine distribution (Figure 52).

Figure 51: Whether the respondent (employers) took at least one dose of vaccine in July 2021

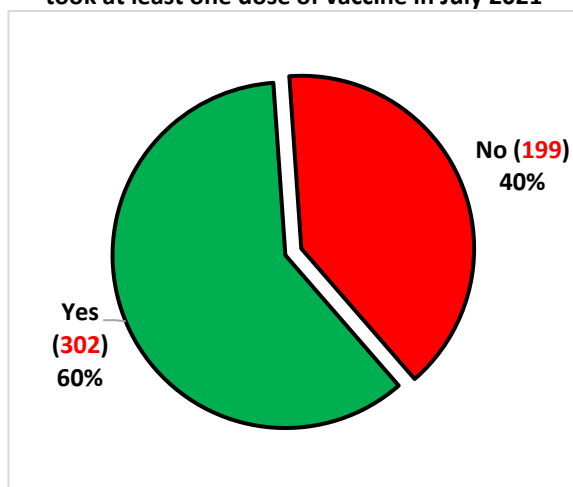
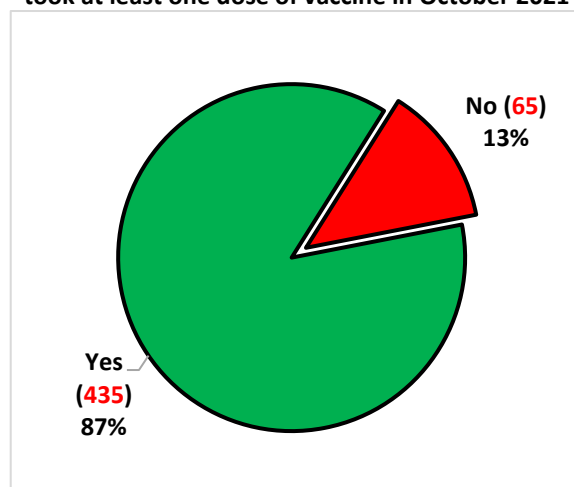


Figure 52: Whether the respondent (employers) took at least one dose of vaccine in October 2021

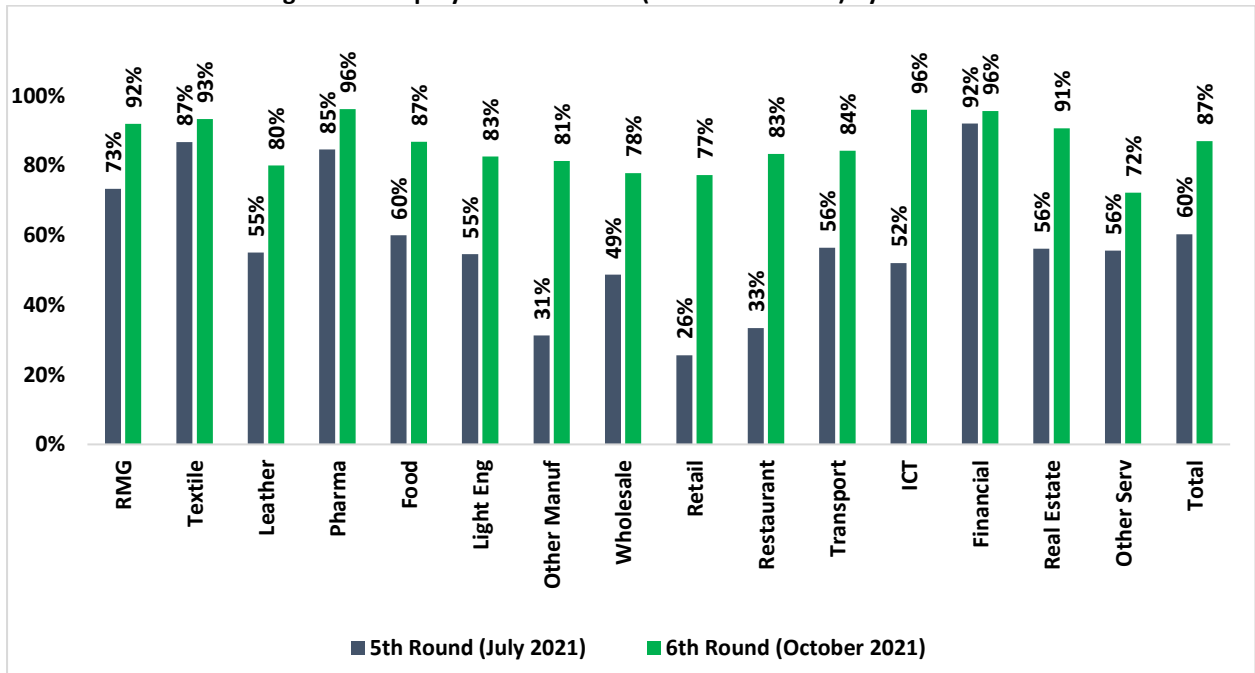


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employers' vaccination by sector

All sectors in the sixth round have shown considerable improvements in the percentage of immunized employers as compared to the fifth round. The Financial Sector, like the previous round, has the highest vaccination rate of 96%, albeit this round is tied with Pharmaceuticals & Chemicals and ICT (Figure 53). Retail, which had the lowest rate in the fifth round, has improved significantly, now standing at 77%. Other Services had the lowest rate in the sixth round (72%).

Figure 53: Employers' vaccination (at least one dose) by sector

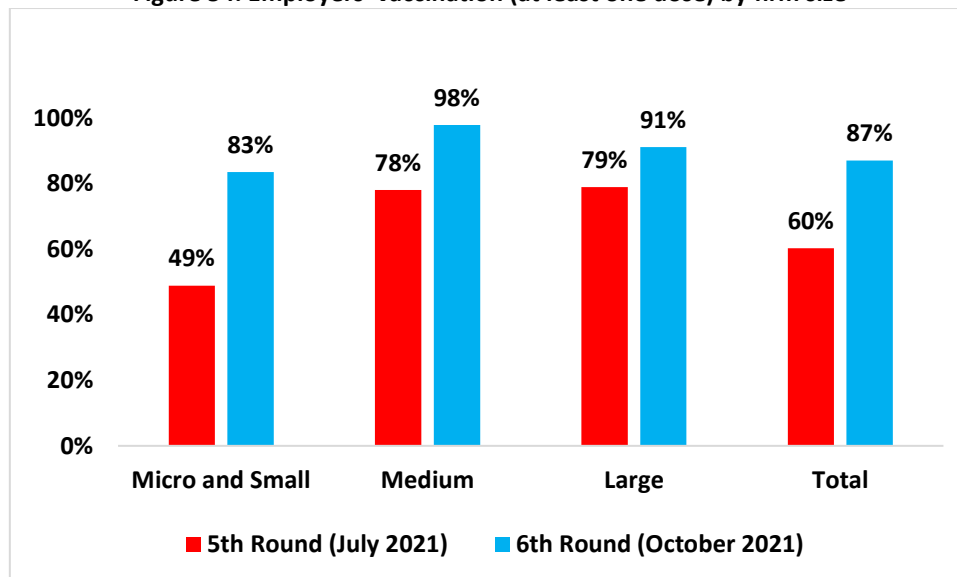


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employers' vaccination by firm size

When comparing vaccination rates by firm size, there has been an improvement in terms of percentages regardless of firm size. Unlike the previous round, medium businesses now have the highest immunization rate at 98%, followed by large businesses at 91%. Micro and small businesses are still trailing at 83%, despite a significant improvement from the fifth round (Figure 54).

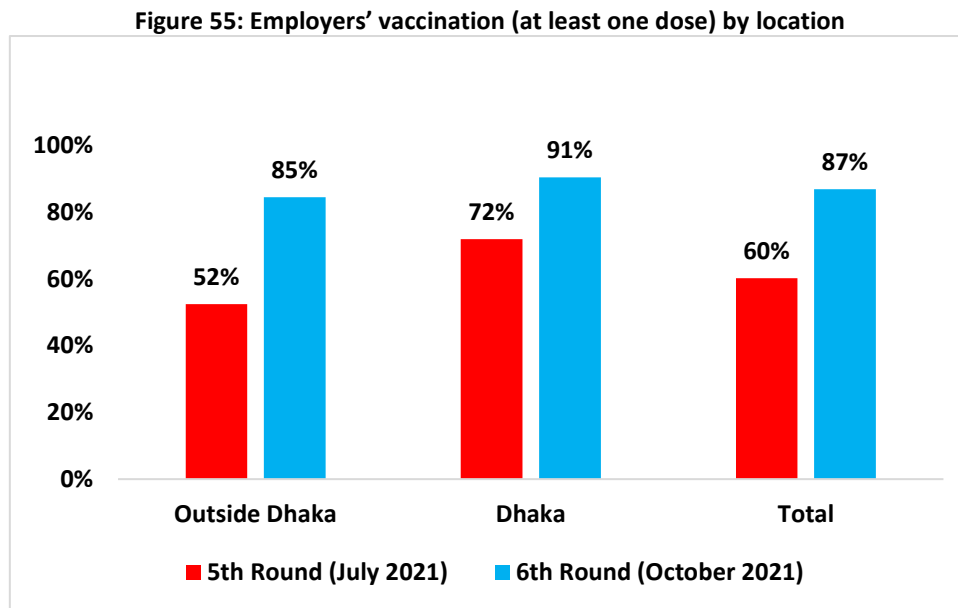
Figure 54: Employers' vaccination (at least one dose) by firm size



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employers' vaccination by location

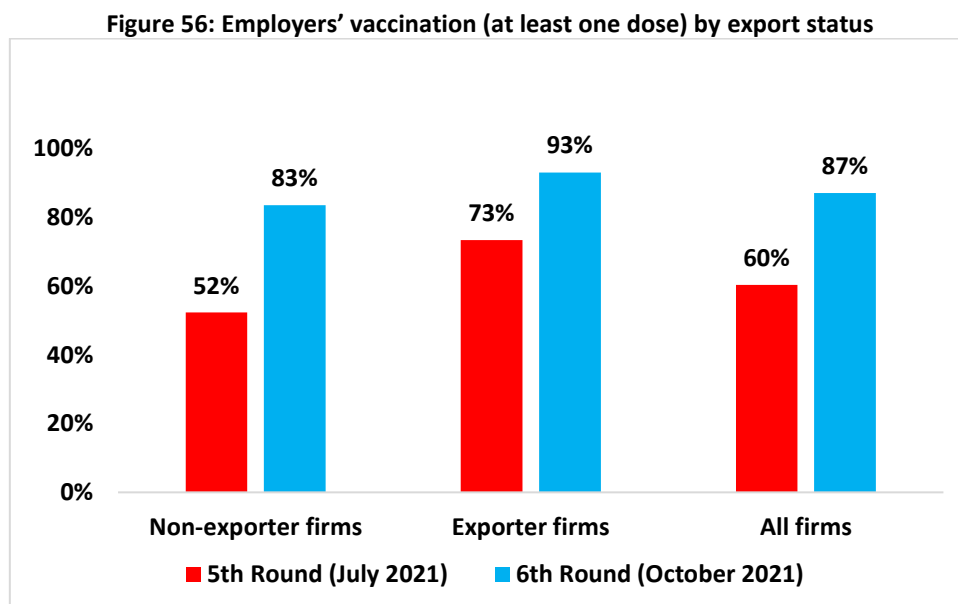
In terms of location, Dhaka-based firms have greater immunization rates among their employers in the sixth round (91%) (Figure 55). Firms outside of Dhaka, on the other hand, have witnessed a bigger increase in their rate, which is an encouraging indicator.



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employers' vaccination by export status

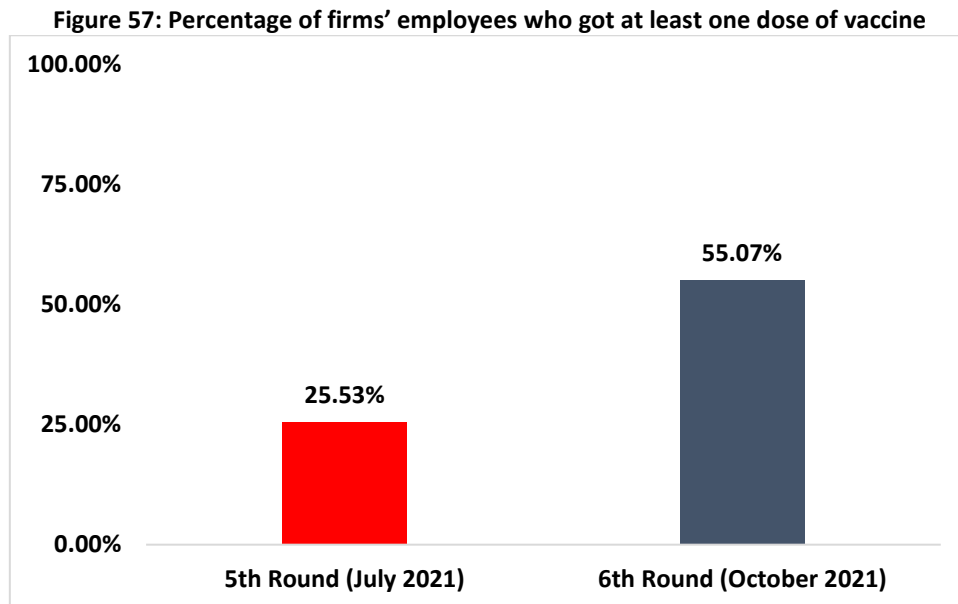
Employer vaccination rates in terms of export status are presented in Figure 56. Exporter enterprises had higher vaccination rates (93%) than non-exporter firms (83%), however, the latter has improved significantly since the last round.



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employees' vaccination

Respondents were also asked how many employees at their companies had been got at least one dose of vaccine, from which the rate was observed (Figure 57). Between the fifth and sixth rounds, there has been significant progress, with the rate rising from 25.53% to 55.07%.

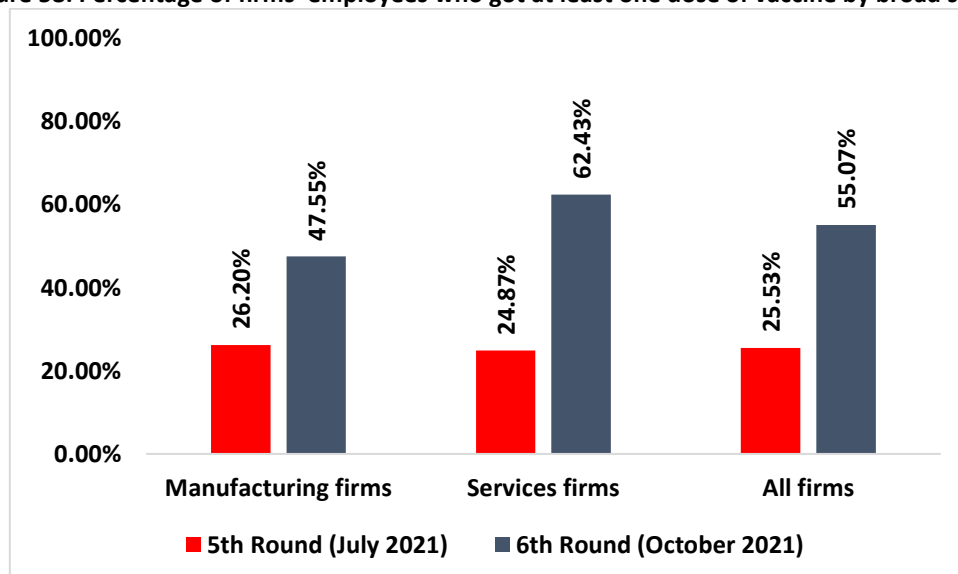


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employees' vaccination by sector

While services firms were behind in the fifth round, this has reversed in the sixth round (Figure 58). The percentage of vaccinated employees stands at 62.43% for services firms and 47.55% for manufacturing firms.

Figure 58: Percentage of firms' employees who got at least one dose of vaccine by broad sector

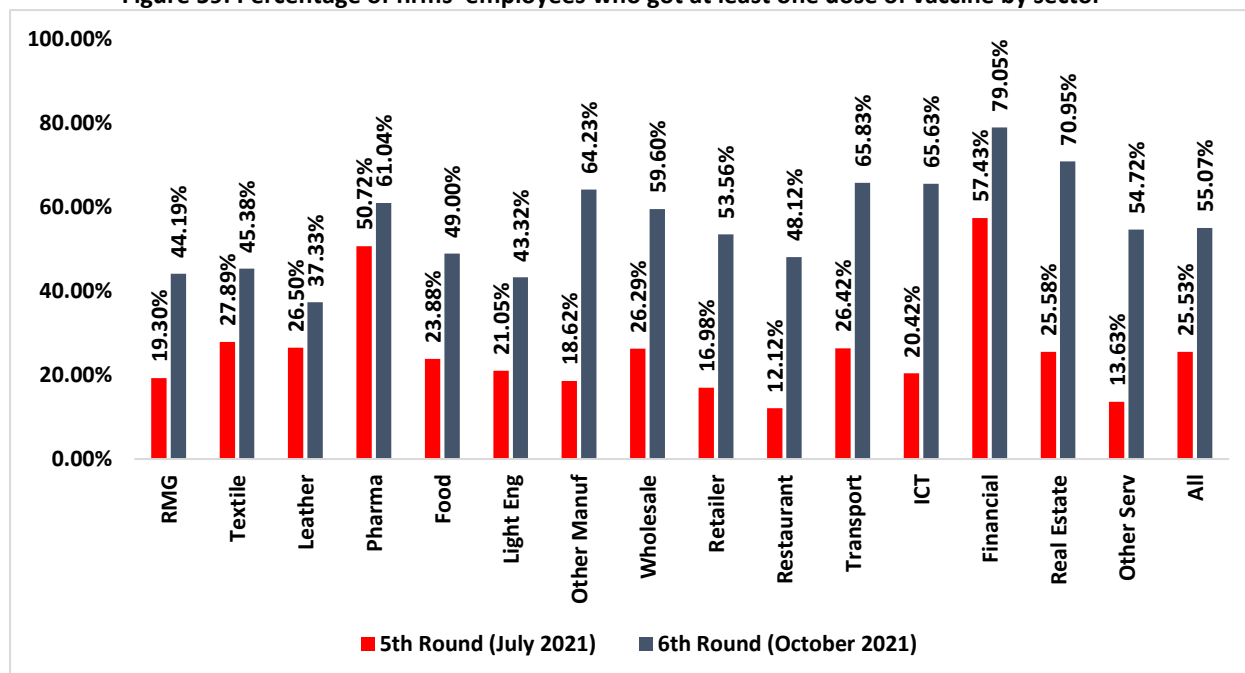


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

In terms of sectors, the Financial Sector has the greatest rate of vaccination at 79.05%, similar to the 5th round (Figure 59). Surprisingly, the Real Estate sector comes in second at 70.95%, despite having

a fairly low rate in the fifth round. Between the two rounds, the Leather sector did not improve much and now has the lowest rate (37.33%).

Figure 59: Percentage of firms' employees who got at least one dose of vaccine by sector

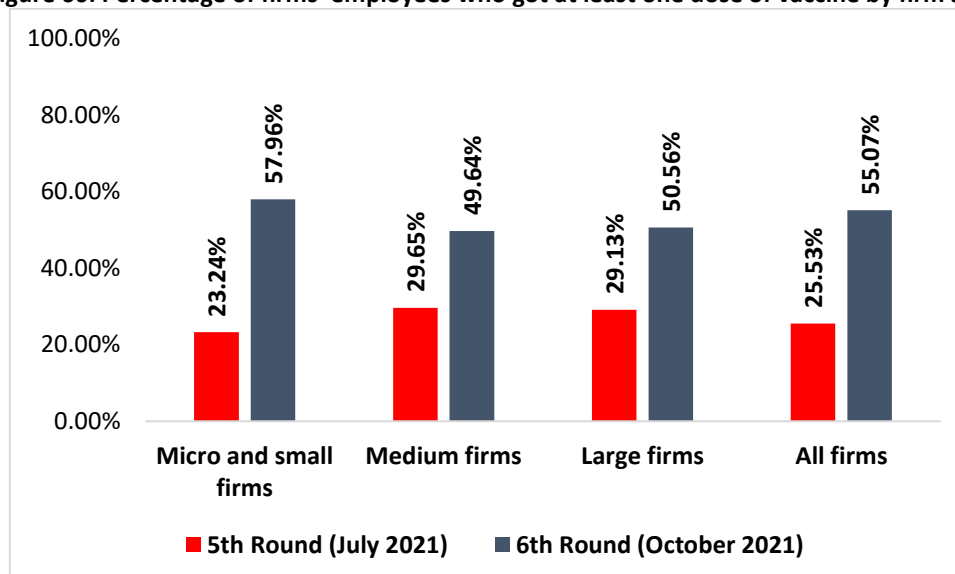


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employees' vaccination by firm size

Micro and small businesses presently have the highest employee immunization rate, at 57.96%. Large enterprises come in second at 50.56%, followed by medium firms at 49.64%, with the latter having the lowest rate in the fifth round (Figure 60).

Figure 60: Percentage of firms' employees who got at least one dose of vaccine by firm size

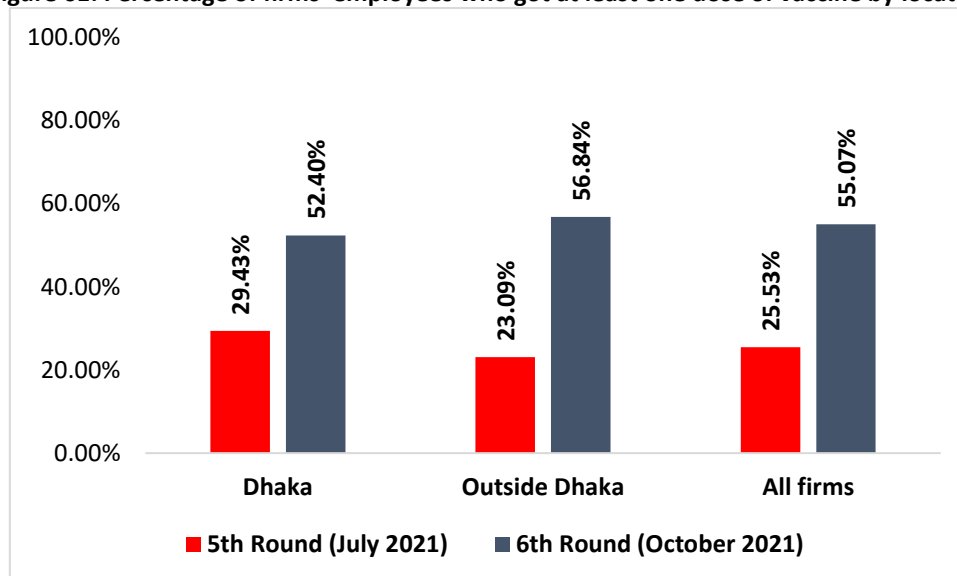


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employees' vaccination by location

Unlike the employers' vaccination rates, employee vaccination rates in non-Dhaka enterprises (56.84%) are higher than in Dhaka firms (52.40%), (Figure 61). The rate for Dhaka enterprises, on the other hand, was higher in the previous round.

Figure 61: Percentage of firms' employees who got at least one dose of vaccine by location

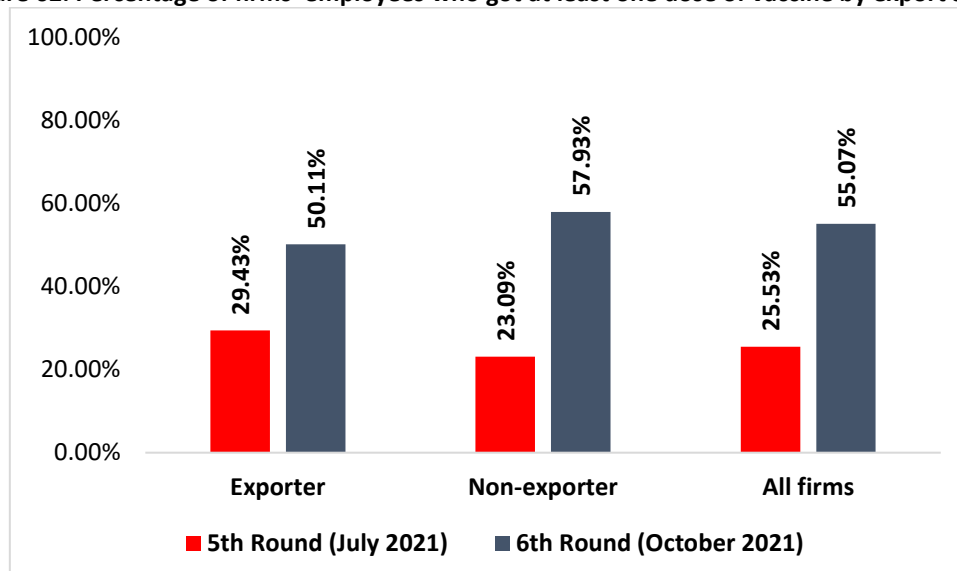


Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Employees' vaccination by export status

An increasing pattern has also been observed while the vaccination rate is considered in terms of export status (Figure 62). Non-exporter firms are now ahead of exporter firms, at 57.93% compared to 50.11%. Unlike the previous round, non-exporter firms are now above the overall rate.

Figure 62: Percentage of firms' employees who got at least one dose of vaccine by export status



Source: Authors' estimation based on SANEM BCI (fifth & sixth round) survey, 2021

Section X: Conclusion and Policy Recommendations

COVID-19 had a tremendous economic impact on Bangladesh, especially in 2020, with massive business losses and closures, as well as an increase in unemployment and poverty. However, the effects of effective pandemic-related measures (lockdowns, social distancing, etc.) as well as government financial assistance contributed to reducing the number of cases and kicking-starting business recovery. Bangladesh is also handling things far better in terms of COVID-19 immunization, with a much higher percentage of citizens obtaining at least the first dose - a major contributor to the country's rapid economic recovery. The government has already launched and disbursed stimulus packages to local businesses to support the recovery process. Furthermore, while vaccination progress was slow prior to the second wave, the government has lately been successful in negotiating with other countries for more vaccine doses, which is the first step toward the socio-economic situation returning to normal. The efficacy of government measures is dependent on close monitoring of the private sector - its issues and challenges - in order to update and implement better policies and financial assistance that are relevant to the business sector and the macroeconomy.

Against this backdrop, this study surveyed 500 firms across the country (255 manufacturing firms and 245 services sector firms). Based on Bangladesh's most recent available National Accounts Statistics, seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified. In the manufacturing sector, the study covers RMG, Textile, Pharmaceutical and Chemical, Leather & Tannery, Light Engineering, Food Processing, and so on. Wholesale, Retail, Restaurant, Transportation, ICT and Telecommunication, Financial Sector, Real Estate, and other services are covered from the services sector. The number of firms to be surveyed for each sub-sector was determined by the contribution of the sub-sectors to GDP.

This study develops four indices based on survey responses: (i) Present Business Status Index in July-September 2021 compared to April-June 2021, (ii) Present Business Status Index in July-September 2021 compared to July-September 2020, (iii) Business Confidence Index for October-December 2021 compared to July-September 2021, and (iv) Enabling Business-Environment Index for October-December 2021 compared to July-September 2021. (EBI). The indexes are created at the firm level initially and then aggregated at the sub-sectoral and sectoral levels with appropriate weights.

Over the last one and half years, there have been some visible recoveries of business activities. The improvement is visible in most of the sub-indicators of PBSI (year). For the very first time, the overall PBSI (year) has crossed the 50 mark, indicating business activities are improving. Faster recovery has been observed in Restaurant, RMG, Textile, and Light Engineering sectors amongst others while a year-on-year comparison is made.

Likewise, PBSI (quarter) has shown an improvement in business activities in the July-September 2021 quarter compared to April-June 2021 quarter. However, the overall PBSI (quarter) score is still low. The Restaurant sector, like the sectoral PBSI (year), has the highest score of 56.25, followed by Pharmaceutical & Chemical (54.97) and Textile (54.35).

The overall business confidence in October-December 2021 has improved compared to the July-September 2021 quarter. The improvement is visible for all sub-components of BCI. Sectors like Transport, Light Engineering, Tourism, Textile, RMG, and ICT amongst others have expressed greater confidence in the upcoming quarter, reflecting their optimism for better business prospects in near future.

Most of the time over the last one and half years, the business status and confidence were worse for micro, small and medium firms compared to large firms, non-exporter firms as opposed to exporter firms, firms from the services sector than manufacturing firms, and firms located outside Dhaka.

The overall EBI stagnated over the last two quarters. However, the EBIs of transport and government support improved during this period. It is observed that more than half of the sectors are below the overall score, although they are mostly above 50 or very close to it. The highest EBI score in this round belongs to Food Processing (56.32), despite a decrease from the previous round. In contrast, the lowest EBI score is held by the Restaurant sector, falling from 53.61 to 49.86.

46.2% of firms availed of any loan in the last 12 months. Amongst them, 77.5% availed from the formal sector (like banks) and 22.5% availed from informal sectors (like friends and relatives, cooperative society etc.). Completed paperwork, collateral problems, lengthy procedures, bank-client relationships etc. are the major problems for the firms to avail of any loan from the banks.

21% of respondents in the sixth round of the survey (July-September 2021) think that Bangladesh was on a path of strong recovery, while it was only 9% in the earlier round. Similarly, their views on moderate recovery increased to 52% in this round from 27% in the previous round.

Due to the second wave of the COVID-19, the business recovery rate went down to 34.9% in July 2021 (compared to March 2020) from 57.4% observed in April 2021 (compared to March 2020). However, the recovery rate increased to 56.8% in September 2021 (compared to March 2020) as the economy reopens at a full phase in the middle of the July-September 2021 quarter.

During July-September 2021, the major coping strategies of the firms involved using their own savings (71%). The other major strategies were borrowing (41%), stimulus package (18%), and employee lay-off (14%).

The coverage of vaccination for both employer and employee increased in July-September 2021 quarter compared to April-June 2021 quarter. The survey shows that 87% of respondents (employers) got at least one dose of the vaccine while the rate was 60% in the earlier round. In the case of employees' vaccination, this figure was 55.07% in July-September 2021 quarter compared to 25.53% in the previous quarter.

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

Mitigating emerging challenges affecting economic recovery: The emerging challenges such as rise in fuel price, declining remittances, inflationary pressures, new COVID-19 wave in Europe and North America, and the need a wider coverage of COVID-19 vaccine might slow down productivity growth and impact the production structure overall which in turn, can affect the country's overall economic recovery. There is no doubt that proper utilization of remittances is of paramount importance to strengthen the path of economic recovery. The government can therefore increase its incentive percentage on the remittances received through the formal channels. The recent hikes in prices of commodities are mainly because of the fuel price hikes as it is interlinked to the commodities' production and transportation processes. As the economy is struggling to recover from the unprecedented crisis, such a policy change was not timely at all, however, new policies need to formulate to lessen the inflationary pressures. Bangladesh should prepare to combat the third wave of COVID-19 as new COVID cases are rising rapidly in Europe and other countries including India. In this regard, the effort should be continued for the procurement of vaccines and mass inoculation programmes across the country.

Expanding immunization coverage and implementing booster shots: It can be observed that there is a high rate of vaccine hesitancy and refusal in rural and slum dwellers in the country. This is a result of a low illiteracy rate, a lack of commitment toward health safety regulation, and low confidence in the health care system. Hence, more centres in rural and semi-rural areas can be established to ensure vaccination available to a wider range of the population. Moreover, in rural areas, health workers and valued community leaders can motivate and educate people about the urgency and importance of vaccination. Vaccination should be given out to the population free of cost in the future too.

Easing the process of availing of any loan from the bank or non-bank financial institution: One of the main indicators of “ease in business” is the availability of getting credit. As Bangladesh is a country that needs investment from the private sector to have sustainable growth, hence, easing the process of getting a loan is a major key to further development.

Making financing easier for the micro and small firms: The micro, small and medium enterprises (MSME) are the backbone of non-farm job creation in the country. Hence, improving the MSME access to finance their business is a challenge at the heart of the country’s economic and financial development. Given that there is market imperfection, the state policy is critical for promoting an environment with more market interventions.

Ensuring incentive packages to the services sector firms as well: The services sector is responsible for more than half of the country's GDP. However, in comparison to firms in the services sector, manufacturing firms received the majority of the incentive packages. During the pandemic, the services sector takes the brunt of the damage since individuals are unable to relocate, whereas manufacturing enterprises like RMG continue to operate by utilizing protocol safeguards, as well as direct government policies and supports. The government should, therefore, create an enabling environment where all firms irrespective of sector and size can equally benefit from government assistance.

Ensuring no corruption while providing incentives or loans to firms: Since Bangladesh's economy is largely reliant on cash, there are possibilities of the existence of the use of underground financial systems and black-market money exchange. Moreover, the economy needs to take safeguard measures against money laundering. Furthermore, the country recorded incidences where the banking sector prevented and caused hindrance to small businesses from securing the loan. The corruption in the banking sector needs to be investigated as it might slow down the country’s economic growth.

Minimizing supply chain disruption to facilitate businesses: Multiple nationwide lockdowns have impacted the supply chain by slowing down or temporarily stopping the flow of raw materials and finished goods. Thus, it disrupted both the manufacturing and services industries in the country. To minimize the impact of the disruption in the supply chain, there must be greater efficiency and proper management in every step of it, as well as reskilling of the supply chain labour force.

Fostering a much more welcoming business environment: To foster a business-friendly climate in the economy, the country must simplify the investment procedure, which will help in attracting foreign direct investment. Hence, the country must develop an image of having a favourable investment climate. Furthermore, policy reform is required to make business easier, which will benefit small and medium-sized businesses.

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Annexe 1: 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 has 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. Meanwhile, SANEM has successfully conducted five rounds of the business confidence survey in July 2020, October 2020, January 2021, April 2021 and July 2021 respectively. Based on the survey responses, five consecutive workshops were arranged on August 2020, November 2020, February 2021, May 2021 & August 2021 and findings of the surveys were communicated to renowned economists and policymakers in the country. We will now conduct the sixth round of the survey, which will begin on 10 October 2021, and will be completed by 25 October 2021. This round is very crucial to compare the opinions of the business community with the previous rounds and to have their expectations in the next round.

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

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

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

Section 1: General Information about the Firm

Q.1.1 Firm Information

Firm Name
Firm ID
Division Name
District Name

1.2 Type of Firm

Q.1.2 what is the type of this Firm?

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

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

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

Please specify "Others" for question 1.3]

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

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

Please specify "Others" for question 1.4

1.5(a) Firm Contact Information

Mailing Address
Phone Number

Do you agree to start the interview now?

1. Yes (>> Respondent's Contact Details; Start the Interview)
2. No (>> 10; Thank the contact person and conclude the interview)
- 3.

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. Export Processing Zone/Special Economic Zone
2. Industrial Park/ Industrial Area
3. Outside of the above-mentioned locations

1.7 Firm Ownership

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

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

1.8 [Female ownership in the Firm]

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

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

1.9 Year of Establishment

Q.1.9 In which year was the Firm established?

Section-2: Financial Condition or Profitability

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

Q.2.1 How was your profit in July to September (2021) compared to April to June (2021)

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

Q.2.2 How was your profit in July to September (2021) compared to July to September (2020)?

Much worse [0]

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

Q.2.3 Compared to July to September (2021), what is your expectation about profit in October to December (2021)?

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

Section-3: Investment Situation

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

Q.3.1 How was your investment scenario in July to September (2021) compared to April to June (2021)? Much worse [0]

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

Q.3.2 How was your investment scenario in July to September (2021) compared to July to September (2020)?

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

Q.3.3 Compared to July to September (2021), what is your expectation about investment scenario in October to December (2021)

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

Section-4: Employment Situation

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

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

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

Q.4.3 How was your overall employment scenario in your organization in July to September (2021) compared to April to June (2021)?

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

Q.4.4 How was your overall employment scenario in your organization in July to September (2021) compared to July to September (2020)?

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

Q.4.5 Compared to July to September (2021), what is your expectation about the overall employment scenario in your organization in October to December (2021)? [

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

Section-5: Wages Situation

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

Q.5.1 How was the salary/wages of the workers/employees in your organization in July to September (2021) compared to April to June (2021

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

Q.5.2 How was the salary/wages of the workers/employees in your organization in July to September (2021) compared to July to September (2020)?

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

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

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

Section-6: Business Costs

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

Q.6.1 How was your overall business cost in July to September (2021) compared to April to June (2021)

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

Q.6.2 How was your overall business cost in July to September (2021) compared to July to September (2020)?

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

Q.6.3 Compared to July to September (2021), what do you expect regarding your overall business cost in October to December (2021)?

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

Section-7: Sales or Exports

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

Q.7.1. What is the share of export in your total sales?

Q.7.2 How was your sales/export order in July to September (2021) compared to April to June (2021)

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

Q.7.3 How was your sales/export order in July to September (2021) compared to July to September (2020)

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

Q.7.4 Compared to July to September (2021), what is your expectation about sales/export orders in October to December (2021)?

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

Section 8: Stimulus Packages

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

1. Yes (>>Q.8.3>>Q.8.4)
2. No (>>Q.8.2)
3. I do not know whether my company availed stimulus package or not (next section)

Q.8.2 Have you tried to avail any of the announced stimulus packages?

1. Yes (>>Q.8.3)
2. No (>>Q.8.5)

Q.8.3 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 not sufficient					
b. Asked for bribes					
c. Lengthy procedure					
d. Difficulty in understanding the procedure of application					
e. Difficulty due to Bank collateral/Bank related services					
f. Others [Specify]					

Please specify "Others" for question 8.4

Q.8.4 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?

- Very ineffective
- Ineffective
- Neither effective nor ineffective
- Slightly effective
- Extremely effective

Q.8.5 what are the reasons for you not to avail the incentive package/try to avail the incentive package (Multiple selections).

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

Please specify "Others" for question 8.6

Section 9: Business Environment

Q.9.1 On a scale of 1 to 6, at present how much favourable are the following indicators for your overall business performance (here, 1 represents extremely unfavourable to business, and 6 represents extremely favourable to business)

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

Q.9.2 Have you availed of a loan in the last 12 months?

1. Yes (>>Q.9.3)
2. No (>>Q.9.5)

Q.9.3 Have you availed it from a bank/non-bank financial institution?

1. Yes (>>Q.9.5)
2. No (>>Q.9.4>>Q.9.5)

Q.9.4 Specify from which sources if it is not from the bank/non-bank financial sector. [Multiple choices]

1. Friends and relatives
2. NGOs (
3. Mohajon
4. Cooperative Society
5. Others (Please specify)

Q.9.5 what are the major problems in availing of a loan from a bank or non-bank financial institution?

Option	Strongly Disagree	Disagree	Neither Agree Nor disagree	Agree	Strongly Agree
Collateral problem					
Bank-client relationship					
Difficulty in understanding the procedure					
Lengthy procedure					
Complicated paperwork					
Corruption					
Others (Please specify)					

Section 10: Path to Economic Recovery

Q.10.1 Do you think Bangladesh is on the path to economic recovery?

1. Yes (>>Q.9.2)
2. No

Q.10.2 what kind of economic recovery are you observing?

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

Q.10.3 Overall, compared to the pre-pandemic situation (March 2020), to what extent you have been able to recover your business in September 2021?

[Write in percentage %: 0% to any positive %]. If the business expands, it can be more than 100.

Q.10.4 what are the major difficulties for the recovery of your business? [Multiple choices]

1. Inadequate govt support including the stimulus package
2. Unavailability of loan
3. Consecutive waves of Covid-19
4. Lockdown and other stringent measures
5. Decline in sales or export order
6. Decline in product demand
7. Supply chain disruption
8. Increase in shipping and freight charge
9. Increase in input price
10. Others (Please specify))

Section-11: Coping Strategies and Health Measures

Q.11.1 what steps were taken in your factory to cope with the economic impact of COVID-19 in the last three months?

1. Employee lay-off
2. Wages/salary cut
3. Factory location change
4. Borrowing
5. Stimulus package
6. Own savings
7. Others (please specify)

Q.11.2 Have you been vaccinated (at least one dose)?

1. Yes
2. No

Q.11.3 what is the percentage (%) of employees including you have been vaccinated (at least one dose) in your factory?

Section-12: Interviewer details

- 12.1 Enumerator Name
- 12.2 Enumerator's ID number]
- 12.3 Enumerator's Comment

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252/3, North Goran, Khilgaon
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