



# Post-Pandemic Status of CMSMEs and Effectiveness of Stimulus Packages

Prepared by  
**Business Initiative Leading Development (BUILD)**

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Citizen's Platform for SDGs, Bangladesh  
এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ



# CMSME DASHBOARD

**7.76 million CMSMEs**  
**99.84%** of private sector

Contribution to GDP

**25%**

Industrial OUTPUT

**90%**

Manufacturing Value

**45%**

Industrial  
EMPLOYMENT

**80%**

Total EMPLOYMENT  
Contribution

**35.5%-50%**

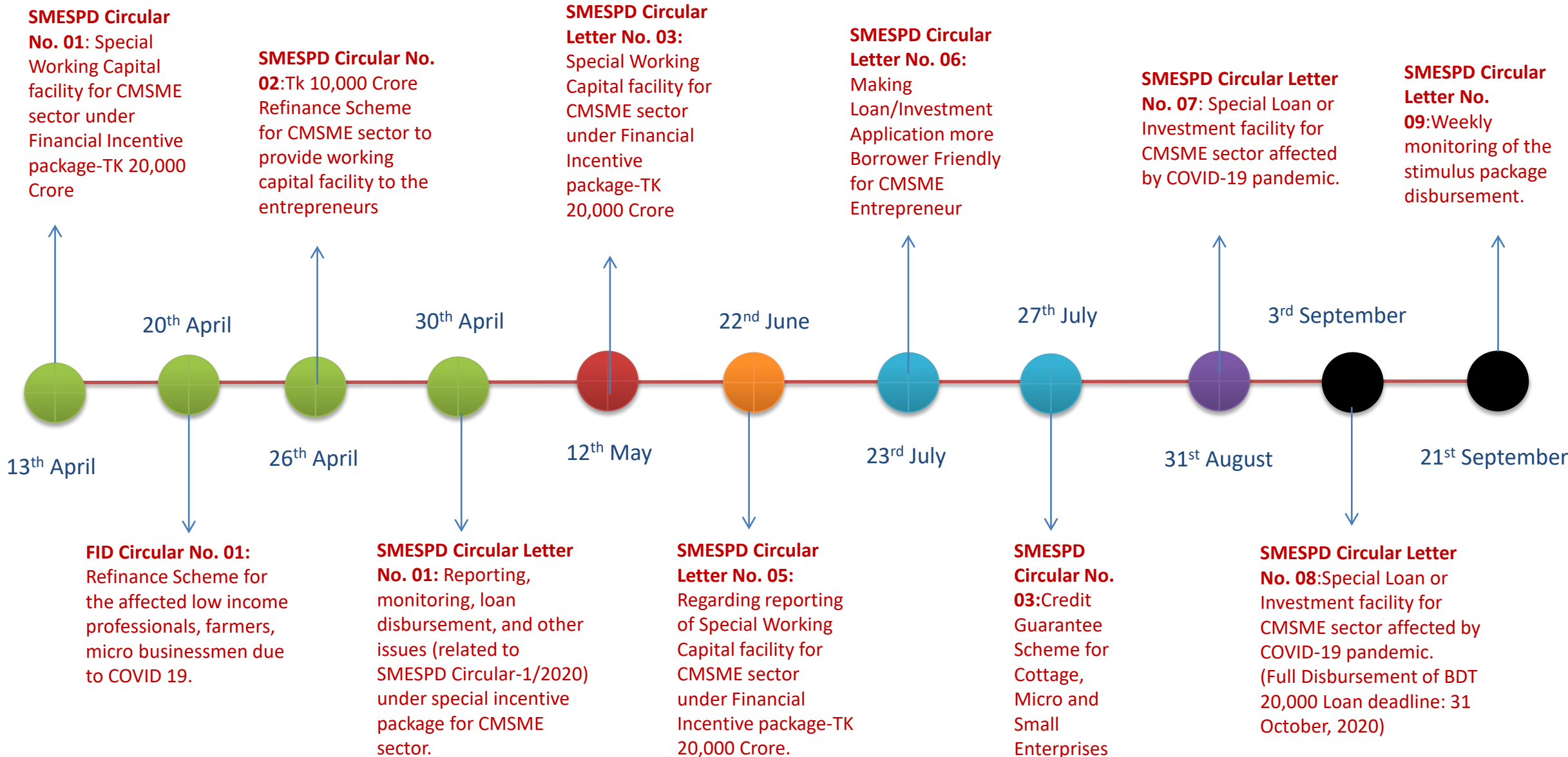
Export Contribution

**75%**

CMSME will play a **Critical** role in achieving

- Vision **2021**
- LDC graduation by **2024**,
- SDG **2030** and
- Vision **2041**

# SUPPORT TO CMSMEs ANNOUNCED



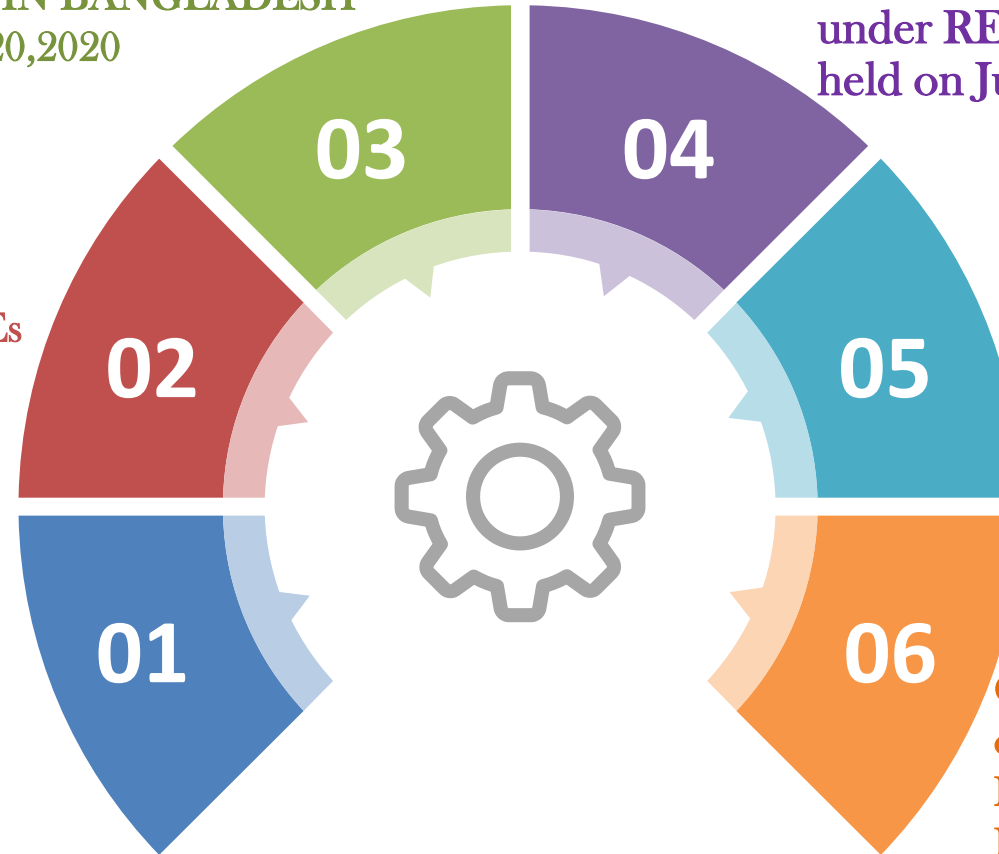
Objectives to support businesses	
Available Loans for CMSME, Farmers and Low Income Group	Amount (in BDT Crore)
COVID-19 SP Scheme for Working Capital for CMSMEs	20,000
Covid-19 SP Scheme for Low Income Group (including Ultra-Small Businesses)	3,000
COVID-19 SP of Working Capital for Agriculture Industries	5,000
Small Enterprise Refinance Scheme	1,500
Refinance Scheme for Setting up Agro Based Product Processing Industries in Rural Areas	1,400
Refinance Scheme for New Entrepreneurs in Cottage, Micro and Small Enterprise Sector	100
Agriculture & Rural Credit for FY 2020-21	26,292
Micro Credit to Entrepreneurs through three state-owned specialised banks and a foundation (allocated from Govt. Revenue)	2,000
Total Amount	BDT 59,292 Crore

# BUILD Activities

Organized a dialogue on “ACCESS TO  
STIMULUS PACKAGE FOR COVID-19  
AFFECTED CMSMEs IN BANGLADESH”  
on May 20,2020

BUILD UNIDO  
SURVEY ON CMSMEs

A policy paper on  
Stimulus Package to  
concerned Ministries



COVID-19 ECONOMIC CRISIS  
& SMES OF BANGLADESH”  
under RESURGENT Bangladesh  
held on June 24,2020

8<sup>th</sup> FSDWC meeting on  
“Stimulus Packages for Large &  
CMSME -Reforms for Better  
Utilization for Recovery from  
COVID-19” on August 18,2020

Organized a dialogue on “Access  
of MSMEs and Women  
Entrepreneurs to Stimulus  
Package” on September 22,2020  
under a project in collaboration  
with ITC, Geneva

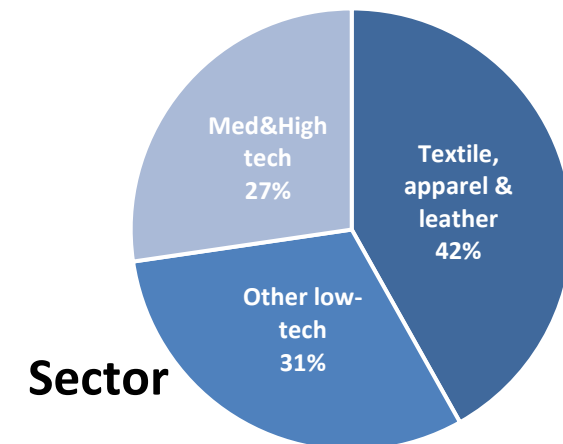
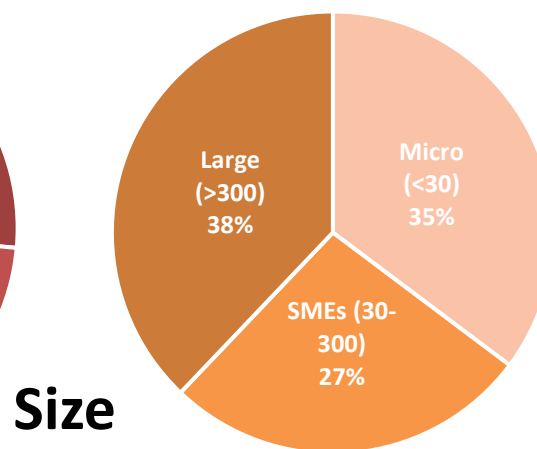
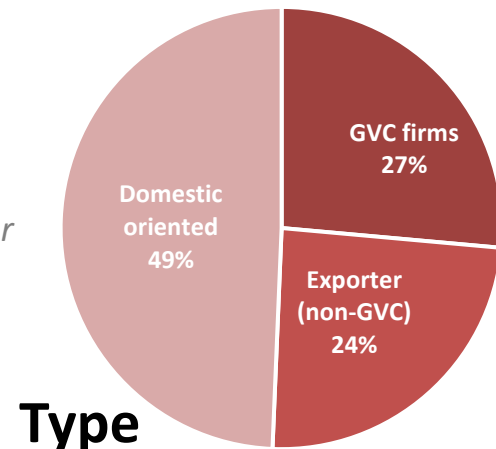
# BUILD & UNIDO COVID19 Survey

**Firm-level survey on the impact of COVID-19** by UNIDO & BUILD on 227 firms in June-July, 2020 found the following-

Firms facing risk of shutdown of business or part of operation within 3 months	<b>CM</b> <b>75%</b>	<b>SME</b> <b>58%</b>	<b>Large</b> <b>44%</b>
Firms expect to face fall of revenue above 50% from past FY	<b>CM</b> <b>48%</b>	<b>SME</b> <b>30%</b>	<b>Large</b> <b>23%</b>
Firms think it will take more than 6 months to get back to normal	<b>CM</b> <b>64%</b>	<b>SME</b> <b>38%</b>	<b>Large</b> <b>33%</b>

**Total Sample:**  
**227 firms**

*Distribution by type, size and sector*



# CASH FLOW Problem

❖ Income loss due to COVID19 caused **major cash flow CRISIS** across all sectors

**UNIDO- BUILD on 227 firms REFLECTS.....**

Firms Relying on  
Loans to Combat  
Cash Flow  
Shortages

Cottage- Micro	SME	Large
41%- CBs 50%- MFIs	66%- CBs 32%- MFIs	86% relying on loans from commercial banks

Loans from commercial banks (CB) is the mainly for Large firms

CMSMEs rely on both Micro Finance Institutions & CBs loans

# SOME CHANGES..... ON CMSME Guideline

(SMESPD Circular 1 on April 13, 2020)

CMSME (SP) Guidelines	Changes in CMSME (SP) Guidelines
Disbursement of total fund within <b><u>31<sup>st</sup> August, 2020</u></b>	<b><u>Extended by 31<sup>st</sup> October, 2020</u></b>
<b><u>Fortnightly monitoring</u></b> by Bangladesh Bank	<b><u>Weekly monitoring</u></b> by Bangladesh Bank
<b>50%</b> for manufacturing, <b>30%</b> for service	<b><u>80% allocated</u></b> for manufacturing & service
15% for rural CMSMEs	<b>Withdrawn</b>
EMI was not in place	CMS can repay their <b><u>loan through EMI</u></b>
Govt. to provide 5% interest subsidy	NO CHANGES
Banks & FIs are allowed to provide maximum 10% of existing loan fixed for CMSMEs	NO CHANGES
Loan tenure is 3 years, for an individual firm it is 1 year	NO CHANGES
Minimum 5% for women entrepreneurs from BDT 20,000 SP meaning BDT 100 crore	NO CHANGES



# Credit Guarantee Scheme (CGS) for CMSMEs

(SMESPD Circular 3 on 27 July 2020)

## Major Features

- CGS on **maximum 30% of the previously fixed CMSME loan portfolio.**
- Up to **80% guarantee** will be provided against loan. Banks will get guarantee on loan **BDT 2lac-50lac**
- Guarantee will be given for **1 year**
- **1% charge** as registration fee
- Banks, whose default loans are **more than 10% NOT ELIGIBLE**

## Important Considerations

- CGS can **help expedite the implementation of the BDT 20,000** crore working capital loans for CMSMEs
- A **strong awareness** raising campaign needs to be **designed**
- Global experiences on CGS can be considered **to formulate guideline for CGS.**

**Many CMSMEs in Bangladesh are informal, NOT registered under any systems and do not maintain any financial records. These CMSMEs are highly unlikely to benefit from the newly implemented CGS. WE NEED TO DEVISE STRATEGY TO BRING THEM INTO THIS SYSTEMS**

# Utilization of Stimulus Packages (SPs) so far

Criteria	BDT 200 Billion SP Scheme for Working Capital for CMSMEs	BDT 3,000 Crore SP Scheme for Low Income Group (Farmers, Ultra-Small Businesses, Poor/Deprived Communities)
Total Disbursed (in BDT)	<b>BDT 4,120 crore</b>	<b>BDT 1,060 Crore</b>
Total Disbursed (in %)	<b>20.5%</b>	<b>35.33%</b>
Beneficiaries	<b>11,183 Firms</b> (Number of women entrepreneurs 170, till June)	<b>2 lakh clients</b>

\*Data till August, 2020

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**Loan disbursement towards CMSMEs is slower. To ensure full disbursement of the remaining fund about 80% fund by October 31, 2020, aggressive implementation strategy needs to be ensured.**

# Major Challenges

1

CMSME sector is hard hit due to COVID-19 outbreak as export, import, and manufacturing slumped. Due to pandemic CMSME sales came down to 35%.

2

CMSMEs have become unable to pay salary, Tax & VAT because of COVID-19 outbreak.

3

Most CMSMEs are unable to fulfill all requirements of banks. SANEM survey finds 80% say that due to lengthy process they did not avail facilities functioning.

4

DCCI Survey finds 59% CMSMEs find the loan disbursement process from stimulus package is complex and 18% of them lacks relationship with Banks DCCI Survey finds out that 49.5% are facing interruptions in goods transportation and 35.5% are in difficulties to source raw materials.

5

Fund amount is not sufficient as per requirement of the sectors. Unable to fulfill the documentation requirements. Information sources are difficult for them

# Recommendations

1

Speedy disbursement of stimulus packages at the shortest possible time. BSCIC, SME Foundation & PKSf to extend more support to CMS both in urban & rural entrepreneurs in marginal areas. Alternate avenues.

2

Need to bring the unbanked entrepreneurs in the banking channel. Banks may give loans to those MSMEs who do not have any bank account upon recommendation from respective Trade Bodies. No one is left behind

3

Allowing CMSMEs to pay VAT, Tax and all utility bills through equal installments in next 6/12 months for sustaining their businesses. Stop tax/vat pressure.

4

Govt. needs to source the alternative financing rather than Banks and should focus on lessening cost of doing business. Access to finance

5

New MSMEs with operations of maximum 2 years in Service, industry and agriculture sector should be waived bank interest, business license renewal fee for two years. Sustainability will lead to jobs

# Recommendations

6

Trade license is one of the primary requirements to get financing from the banks. Cottage & Micro (CM) entrepreneurs cannot manage trade license because of stringent requirements & high charges. A different type of trade license is required for them. Ease of doing Business.

7

Enhancement of trading sector finance. 20% of the loan is allocated for trading of BDT 20,000 crore SP. Majority of cottage industries deal in wholesale and retail businesses which are mainly cottage industries. This distribution for the trading businesses (20%) can be increased. Maximizing impact.

8

Flexible credit guarantee scheme. More flexible and supportive Credit Guarantee Scheme (CGS) provisions can be made/declared for Cottage and Micro entrepreneurs compared to Small ones. Reaching out.

9

A database of informal SMEs: Since many of the CMSMEs are currently outside the banking network & being informal, a comprehensive list of these enterprises can be prepared through the co-operation of BBS, SMEF, BSCIC, BB & business associations/chambers. Mobile App can be created for easy access for all CMSMEs to Access. Creating opportunities.



Thank You