**Press Release**

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Attn: News Editor/ Chief Reporter/ Assignment Editor /Business Page-in-Charge:

**CMSMEs Require Continuation of Stimulus Package & Loan Classification Relaxations Amid 2nd Wave of COVID-19: BUILD**

Cottage, micro, small and medium enterprises (CMSMEs) are the most affected segments in the private sector because of the emergence of COVID-19. In order to minimize the economic impact, the government of Bangladesh announced financial support for various sectors through stimulus packages worth Tk 1.21 million since the end of March 2020. Along with providing loans at low interest rates, the government also took several steps to ensure breathing space for the private sector. Among these steps, halting loan classification is one of those measures.

Since 19 March 2020 Bangladesh Bank in different phases issued circulars on halting loan classification for all kinds of outstanding loans in order to reduce pressure on the private sector, sustain employment in the country and so on. Bangladesh Bank via BRPD circular no. 3 on January 31, 2021 said that the bank borrowers would no longer get the moratorium facility against their outstanding loans from the beginning of current year. But due to the arrival of the second wave of COVID-19, Bangladesh Bank extended again the policy relaxation involving loan repayments to the country's scheduled banks by their borrowers. According to the new circular, borrowers can clear their installments on loans by 30 June, 2021. For the loans whose term has been expired, the unpaid interest has to be cleared in six quarterly installments from March 2021 to June 2022. For the demand loans, borrowers are allowed to repay loans within eight installments from March 2021 to December 2022.

However, these guidelines will not be applicable for the borrowers of the COVID-19 stimulus packages. A major working capital loan of BDT 20,000 crore was sanctioned for the CMSMEs on April 13, 2020. So far 72 percent or BDT 14,360 crore of this loan has been disbursed till March 11, 2021. The deadline for implementing BDT 20,000 crore stimulus package for the cottage, micro, small and medium enterprises (CMSME) sector will not be extended. The time for its implementation will expire on 31 March, 2021. There is a possibility that 28% of the fund or BDT 5,640 crore of this fund will not be utilized.

CMSMEs in the country are badly in need of financial assistance amid 2nd round spike of COVID-19. Since the tenure of the package is three years, the lending will start anew in April this year. In this case, those who received loans for the first time will not get loans again at the subsidized interest rate of 4%. According to the package policy, a borrower will get this opportunity only once. Those who once received a loan at the subsidized interest rate will have to pay full interest of 9% if they want a new loan from April.

Furthermore, there is no halt in loan classification for working capital loans under stimulus package. Therefore, the situation will be difficult for the CMSMEs affected by COVID-19. It is a fact that businesses have not grown very much during COVID-19 and CMSMEs have not reached a stable situation so far.

As CMSMEs are the heart and soul of the economy of the country, their financial capacity and business growth situation amid COVID-19 economic crisis need to be considered. Therefore, similar loan classification relaxation like that of the term loan can be extended towards the CMSMEs for working capital loans so that CMSMEs will have more breathing space, expedite fast recovery and sustain their business properly. At the same time, the deadline of the CMSME stimulus package disbursement for the first year of 31 March, 2021 needs to be extended further to fully utilize the whole fund.

Sincerely

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