



Bangladesh Youth Enterprise Advice & Helpcentre

Welcome to

Zoom Live session on

SME and safeguarding measures Amid Corona Crisis

under Rapid Recovery & Response Programme

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Small and medium enterprises (SMEs)

- Small and Medium enterprises (MSMEs) are the backbone of the economy of Bangladesh.
- SMEs contribute 25% to Bangladesh GDP
- But in other economies its contribution to GDP is **Vietnam-40%, Srilanka -52% and Cambodia-58%.**

Small and medium enterprises (SMEs)

According to a 2019 **World Bank Report** 99% of the **non-farm enterprises** in Bangladesh are MSMEs.

- Most of them are informal micro and small enterprises,
- The majority of these informal enterprises provide service to the domestic markets and involved in trading activities.

Small and medium enterprises (SMEs)

- As per Asian Development Bank (ADB), the SMEs in Bangladesh account for:

70 to 80% of the non-agricultural sector employment and 40% of the manufacturing output.

SMEs amid Corona Crisis

- Micro and small enterprises in general, and particularly those producing and selling generic items or non-essential products such as jute, handicrafts and light engineering etc. and services for the domestic markets,
- **Small and Medium Enterprises (SMEs) are the most vulnerable group in this Corona crisis situation because they have low shock-absorbing capacity.**

SMEs amid Corona Crisis

- Running out of cash may cause the demise of many of these enterprises in this corona crisis.
- Even in places like the UK, it is predicted that because of the cash crisis during the shutdown, many small businesses may collapse because of the COVID-19 crisis.
- According to a survey, 68% SMEs reported that they will have to permanently shut down their business if the lockdown persists for more than 4 months in Bangladesh.

SMEs amid Corona Crisis

- Majority of these enterprises usually do not possess adequate liquid assets, nor do they enjoy necessary access to credit, even in normal times. Running out of cash may cause the demise of many of these enterprises
- The economic distress has added to existing problems such as lack of access to finance because of their short cash cycle nature of funding.

Stimulus Package amid Corona Crisis

- Small businesses in rural areas will get subsidized loans of Tk 3,000 crore under the Tk 20,000 crore stimulus package announced by the government to support SMEs.
- April 12, new stimulus package was unveiled worth Tk 5,000 crore to provide financial assistance to small and medium farmers in rural areas for boosting agricultural production facing the fallout of COVID-19. To this end, **agro loans** were reduced to 4% from the previous 5% interest rate.
- Banks and financial institutions may sanction up to BDT 25 lacs to **women entrepreneurs** against the personal guarantee. Entrepreneurs' credit limit may be ranged from BDT 50,000 to BDT 50 lacs.

Stimulus Package amid Corona Crisis

- In the new package, Small and medium enterprises (SMEs), including the cottage industries, will receive Tk 20,000 crore as working capital loan at 9 % interest rate, and the government will give 5 % interest subsidy.

Current Budget (2020-2021)of Bangladesh

- Prime Minister has declared Light Engineering as the 'Product of the Year' for 2020.
- Current duty rate on importing honey in bulk to 25 % from 15 % ,has changed to protect the indigenous honey farmers.

Asia-Pacific MSME Tarde Coalition Survey, April 2020

- Almost 50% of SMEs have less than a month or just a month of cash reserves.
- Nearly 30% of SMEs expect that they may have to lay-off 50% or more of their workers.
- Only 35% are confident that they will not have to lay-off any staff.

Asia-Pacific MSME Tarde Coalition Survey, April 2020: Challenges

- Lack of Operational Cash Flow
- Drop in Demand for products and Services
- Business in Closed
- Reduction of Opportunities to meet new clients
- Issues with changing business strategies and alternative goods and services

Safeguard Measures

- **Cash lifeline**
- **Be close to your customer by communication**
- **Credit - short term lending(Banks),overdraft, Spread payables**
- **Talk with support staff (Safety measures) - to manage expectations, fears and work flexibility**
- **Import substitution options**
- **Quick pay by govt**
- **In order to address the emerging situation, the country's SMEs should adopt new technologies**
- **Online selling platforms and door step delivery services**

Challenges and Safeguarding Measures

- Liquidity challenges of SMEs in covid regime
- Financing challenges of SMEs
- Required policy and financing approach
- Cluster financing & cluster development might be effective future strategy