Impact on Bangladesh’s SME Landscape

Amidst this novel crisis, the economic growth engine is slowing down, but we can prevent it from halting
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>BBS</td>
<td>Bangladesh Bureau of Statistics</td>
</tr>
<tr>
<td>BDT</td>
<td>Bangladeshi Taka</td>
</tr>
<tr>
<td>Bn</td>
<td>Billion</td>
</tr>
<tr>
<td>CMSMEs</td>
<td>Cottage, Micro Small and Medium Enterprises</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoB</td>
<td>Government of Bangladesh</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>JDP</td>
<td>Jute Diversified Product</td>
</tr>
<tr>
<td>MFI</td>
<td>Micro Finance Institution</td>
</tr>
<tr>
<td>MFS</td>
<td>Mobile Financial Services</td>
</tr>
<tr>
<td>Misc</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>Mn</td>
<td>Million</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro Small and Medium Enterprises</td>
</tr>
<tr>
<td>NPLs</td>
<td>Non-Performing Loans</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PCBs</td>
<td>Private Commercial Banks</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small Medium Enterprises</td>
</tr>
<tr>
<td>USD</td>
<td>US Dollar</td>
</tr>
</tbody>
</table>
Executive Summary

LightCastle Partners & Sheba.xyz collaborated in commissioning an independent study about the “Covid-19 Impact on the SMEs of Bangladesh”. SMEs contribute 1/4th to the GDP of Bangladesh as of 2018 it stands at 79 BN USD and accounts for 40% of the manufacturing output (ADB, 2015). Every 2 out of 3 jobs in the private sector get employed in SMEs which amounts to 7.8 MN individuals (SME Foundation, 2018) and 31.2 MN peoples livelihood depending on SMEs (BBS, 2016). The surveys were conducted all over Bangladesh covering industries involving Trading & Production (48.4%) which included Perishable & Grains, Poultry, Dairy, Fisheries, Jute Diversified Products, Retail Store; and Services industry (51.6%) which included food catering, electrician services, laundry, beauty salon, MFS agent, & restaurants,

The status-quo of the SMEs and their current hurdles

- 52% of SMEs have locks hung over their businesses — generating "0" revenue, 28% of SMEs have seen revenues drop by at least 50%
- 2/3rd of the SMEs have a window of less than 4 months to survive in current conditions before they exhaust all their cash reserves
- 40% SMEs from Service industry took a heavy hit of substantial revenue loss by 50% or more

Measures taken by SMEs to tackle the Pandemic

- Enterprises are cutting corners heavily by optimizing costs - 46% of SMEs are projecting to layoff over 50% of their Staff within 4 months if situation does not improve
- 42% of enterprises have cut their marketing expense down to “0”
- 14% of the SMEs have already laid off all their employees

Implementation of stimulus package to uplift the economy

- The need of the hour is refinancing and providing capital at minimum cost to these marginalised SMEs
- The SMEs have mentioned their needs by the following percentages, soft loans(52%), existing loans to be rescheduled without fines(15%) and moratoriums(6%)
- Government guarantees, transparent loan disbursement and tie ups with Microfinance institutions — will make the stimulus packages more effective

Probable steps as a way forward to be more adaptable and sustainable

- **Concessional Loans**: There is a need to bring the MFIs into the equation to have a wider reach in providing credit
- **Government Tax Exemption**: These measures will remove any additional financial burdens on SMEs
- **Digital Transformation**: SMEs and micro-merchants would need a holistic solution to survive in the long run during this scenario. One of the ways would be to Initiate a SMART Digital Transformation engagement with MSMEs in specific regions. This would include: Integration with Digital Supply Chain, Digital Financial Solution and Access to Digital Credit
<table>
<thead>
<tr>
<th></th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Background of the Study</td>
<td>5-7</td>
</tr>
<tr>
<td>2</td>
<td>SMEs: Bloodline of Bangladesh’s Economy</td>
<td>8-9</td>
</tr>
<tr>
<td>3</td>
<td>Hardest Punch Received by the SMEs</td>
<td>10-17</td>
</tr>
<tr>
<td>4</td>
<td>GoB Response to the Crisis Compared to other Nations</td>
<td>18-23</td>
</tr>
<tr>
<td>5</td>
<td>Way Forward: Concessional Loans, Government Support &amp; Digital Transformation</td>
<td>24-26</td>
</tr>
</tbody>
</table>
1. Study Background
To gauge the gravity of the crisis, LightCastle Partners and Sheba.xyz joined hands to conduct a study of the SME sector. Primary research spanning 230 respondents was conducted across all the eight divisions.

About the respondents
A wide array of respondents were reached out to for conducting the survey, both small and medium enterprises were included in the sample size:

1. SMEs already in business operations for over 1 year
2. SMEs which are Cash Positive
3. Related to Production or Trading or Services
4. Located in Urban, Peri-Urban, Semi-Urban and Rural areas

About the Survey
To get a holistic view of the SME landscape we included respondents from across the country spanning multiple industries for finding answers to:

1. Impact of COVID-19 on SMEs
2. Current measures to tackle the situation
3. Future aid to recover from the crisis
4. Way forward and future suggestions
SME Study Landscape; Respondent Snippet

Industries Covered

- Services* ........................................... 51.6%
- Vegetable & Grains ................................ 25.4%
- Retail Store ........................................... 13.5%
- Fisheries ........................................... 3.0%
- Jute Diversified Products ......................... 3.0%
- Poultry ............................................... 2.0%
- Dairy ................................................... 1.5%

Divisions Covered

- Dhaka ................................................. 28%
- Sylhet ................................................... 2%
- Khulna .................................................. 18%
- Barisal ................................................. 21%
- Rajshahi ............................................... 7%
- Rangpur ................................................. 5%
- Chattogram .......................................... 19%

Source: LightCastle Partners & Sheba.xyz Primary Survey, April 6-8, 2020; n = 230.

* Food Catering, Electrician Services, Laundry, Beauty Salon, MFS Agent & restaurants
SMEs: Bloodline of Bangladesh’s Economy
SMEs contribute to employment for 7.8 million people directly and provide livelihood for 31.2 million.

Globally, SMEs are considered as the growth engine that accelerates the economy and creates jobs. They have come to the forefront of the sustainable development agenda due to the recognition of their contribution to fostering economic growth, sustaining global economic recovery, generating employment, and reducing poverty. (OECD, 2017)

**SME Contribution in Bangladesh’s GDP (USD)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value (BN)</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>127BN</td>
<td>39.7%</td>
</tr>
<tr>
<td>Commercial Agri</td>
<td>68BN</td>
<td>21.4%</td>
</tr>
<tr>
<td>Heavy Industries</td>
<td>31BN</td>
<td>25%</td>
</tr>
<tr>
<td>Misc.</td>
<td>12BN</td>
<td>9.8%</td>
</tr>
<tr>
<td>SME</td>
<td>79BN</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total</td>
<td>317BN</td>
<td></td>
</tr>
</tbody>
</table>

**Key Stats on SME Contribution**

- 70-80% of Non-Agricultural job creation
- Accounts for 40% of the Manufacturing Output
- 56% of the SMEs are Service based
- Every 2 out of 3 jobs in the private sector get employed in SMEs
- More than 6 MN SME & Micro Enterprises exist

3.

Hardest Punch Received by SMEs
SMEs contribute to 25% of our GDP but have the potential to contribute more. In our peer economies - Vietnam, Sri Lanka and Cambodia, the SME contribution to the GDP is 40%, 52% & 58% respectively. Even our neighbouring India surpasses us by 4%.

The SME sector already being on a back foot, the COVID-19 pandemic compounded as an additional crisis.

SMEs are dependent from one cash cycle of sales to another for continuing business operations. The current pandemic has disrupted both the value chain in terms of sourcing raw materials and distributing finished goods.
### Existing Hurdles

<table>
<thead>
<tr>
<th>Access to Finance</th>
<th>Poor Market Linkage</th>
<th>Absence of Skilled Labour</th>
<th>Lack of Export Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficult to get loans without past credit footprint and personal liaison with the banks</td>
<td>Absence of proper network in the backward market for sourcing and the forward market for distribution</td>
<td>Do not have a strong vocational and technical training infrastructure to meet the market demands of creating a competent workforce</td>
<td>Inferior quality products and bureaucratic red tape hinder the prospects of exporting. This hurdle is also linked to not having quality labour force.</td>
</tr>
</tbody>
</table>

### 52% SMEs have shutdown and 42% have brought their marketing expenses down to “0”

**52% SMEs completely shut down its operation**

<table>
<thead>
<tr>
<th>(-100%) Business had to be shutdown completely</th>
<th>(-50%) Significant decrease in business</th>
<th>(-20%) Small Decrease in business</th>
<th>(+20%) Small Increase in business</th>
<th>(+50%) Significant Increase in business</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>15%</td>
<td>7%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>27%</td>
<td>13%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>52%</td>
<td>28%</td>
<td>11%</td>
<td>6%</td>
<td>3%</td>
</tr>
</tbody>
</table>

- Half of the respondents had to completely halt their business operations — meaning no sort of business activity was taking place
- This meant zero output due to the unavailability of raw materials and lack of scope to sell their outputs
- 28% of the respondents have seen a drastic decrease in their revenue by over 50%
- As a result cash reserves are running dry or are with their debtors
- Services industry took a heavy hit as they are unable to provide their services and generate revenue for sustaining

*Source: LightCastle Partners & Sheba.xyz Primary Survey, April, 6-8, 2020; n = 230.*
Marketing, Distribution and Rent are the first fields to go under significant cost cutting

- 42% of enterprises have brought their marketing expense down to "0" zero. Making it an obvious choice to optimize costs as no sales are currently occurring
- 14% of the SMEs have cut down their salary expense to "0" zero. It could be inferred that these enterprises have already started laying off employees
- Operational expenditure has come down to absolute "0" for 19% of the enterprises - this implies their dire conditions of not being able to keep their business facilities functioning
- 16% of enterprises have brought down their production expenses to zero "0" indicating the stagnation in product roll out

Source: LightCastle Partners & Sheba.xyz Primary Survey, April, 6-8, 2020; n = 230.

From an Economic Analyst’s view:
The "shock absorbing capacity" of the SMEs is very thin, and they are not in a position to bear the losses of one month. If this lockdown prevails for more than a month, they will be in tremendous trouble and the outcome will be devastating. Many SMEs will be forced to shut down, triggering higher rates of unemployment in the country, as many people will lose their jobs. Others will lose their capacity of paying rent, utility bills, and salaries.

(Hossain, S. "Covid-19: The unprecedented shock on SMEs", TBS, 06/05/2020)
68% SMEs have runway of less than 4 months and 46% SMEs are expecting to layoff about half of their staff

68% SMEs will not survive lockdown for more than 4 months

- 68% SMEs will exhaust their cash reserves and permanently shut down their businesses — if the lockdown persists for more than 4 months
- Apart from the essential items — all other industries are having a tough time to keep their head above water and staying operational
- SMEs related to essential items like staple food and emergency medicine have some leeway and can survive lock down for at least 8-12 months (6%) and more than 12 months (7%)

Source: LightCastle Partners & Sheba.xyz Primary Survey, April, 6-8, 2020; n = 230.

46% employers are anticipating to layoff over 50% Staff

- About half of the SMEs (46%) will lay off more than 50% of their staff within 4 months in a bid to cut costs
- In other contexts too we see that at an aggregate 31% of the enterprises will go for some sort of layoff (1-50% of staff) to minimize costs and keep their businesses afloat
- On a positive note, we also see that 23% of enterprises will not go for any type of layoff — indicating these enterprises have enough cash reserves to tackle rainy days

Source: LightCastle Partners & Sheba.xyz Primary Survey, April, 6-8, 2020; n = 230.
**Need of the hour: Refinancing Schemes & Loan Rescheduling**

70% SMEs are seeking Concessional/Working Capital loan to tackle the crisis

- More than **52%** of the respondents asked for **soft loans** to survive this crisis as a means of operational capital
- **2nd & 3rd** priority from the SMEs were **working capital (18%)** and **flexible installment packages (15%)**, to extend the loan duration and provide installment flexibility
- **9%** of the respondents expressed need of support in the form of **Government grant** — to pay salaries and dues.
- **6%** asked for loan rescheduling without **any fines** by granting them a **moratorium** of at least **6 months**

**Immediate Effects of Concessional Financing**

- Replenish the immediate liquidity crisis
- Inject funds to spring back operational activities
- Pay the dues and buy new inventory for starting production
- Prevention of layoffs in enterprises
- New cashflow into enterprises will have a multiplier effect and benefit everyone in the SME ecosystem

**Case In Point:**

A female entrepreneur from Rangpur manufacturing export oriented JDP has her orders at halt thus putting her in acute liquidity crisis. Having salaries due for over 50 employees including both full time and part time, in addition to not having raw materials at hand for further production. A soft loan will help her to payoff her salaries and buy new raw materials.

---

Source: LightCastle Partners & Sheba.xyz Primary Survey, April, 6-8, 2020; n = 230.
Let us hear from the Entrepreneurs

**Respondent A**  
*Agro Output Producer & Retailer*  
Gender: Male  
Location: Rangpur

**Enterprise Description:** Produces seedling on earthless trays in nursery bed along with trading fresh vegetables and renting out agri-machines. Average monthly revenue of BDT 2 lacs and has 2 employees.

**Medium Term Response:** Diversify into vegetable production using seedling & machinery, and uptake training on advance cultivation to ensure higher yield.

"All of my seedlings are dying in the nursery and there isn't a single buyer."

— Need immediate soft loan to restart production

**Respondent B**  
*Floriculture Output Producer & Retailer*  
Gender: Female  
Location: Savar

**Enterprise Description:** Produces a wide variety of flower including foreign strands along with flower pods. Average monthly revenue of BDT 5 lacs and has 30+ employees.

**Medium Term Response:** Diversify into producing flower oils and other flower based products like beauty care items, uptake training on flower preservation and processing.

"I couldn't sell a single flower pod or stem in the past 3 weeks, don't know how I will repay my outstanding loans"

— Need loan extension and flexible installment terms.
Respondent C — Jute Diversified Product Producer | Gender: Female | Location: Kurigram

Enterprise Description: Manufactures and sells JDP of over 35+ varieties in the export oriented market. Average monthly revenue of BDT 7 lacs and has over 50+ employees.

Medium Term Response: Diversify into essential JDP like ropes, bags and sacks than home decor items, uptake training on penetrating the domestic market.

“**All of my export orders have been cancelled, without means to additional funds I cannot sustain**

— Need working capital loan to resume operations.
Government of Bangladesh’s Response to the Crisis Compared to Other Economies
Stimulus Package Comparison: Southeast Asia

Thailand has the largest stimulus package which is over USD $45 Bn

<table>
<thead>
<tr>
<th>Country</th>
<th>SME Package in $ Bn</th>
<th>SME Package % of Total Stimulus</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>13</td>
<td>37%</td>
<td>Concessional Loan</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2.35</td>
<td>20%*</td>
<td>Refinancing Loan</td>
</tr>
<tr>
<td>Thailand</td>
<td>15.4</td>
<td>33%</td>
<td>Tax Relief</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.31</td>
<td>24%</td>
<td>*</td>
</tr>
</tbody>
</table>

*Bangladesh has announced multiple financial stimulus package and refinance schemes for its businesses and population up to BDT 100,000 crore

Source: Bangladesh Bank & IMF
# Global & Domestic Stimulus Package Comparison for SMEs

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Stimulus Package (USD)</th>
<th>Startups and/or SMEs (USD)</th>
<th>Package Type and Mechanism</th>
<th>Package Details</th>
</tr>
</thead>
</table>
| Bangladesh | 10.9                         | 2.35 BN                     | • Concessional Loan  
• Refinancing Loan  
• Working Capital Finance                                     | The stimulus package caters to CMSMEs, Low-Income People, Farmers and Micro/Marginal business by varied type of schemes and financing.                                                                                                                                         |
| India      | 34                           | 13 BN (Proposed)            | • Refinancing Loan  
• 3-month moratorium of loan repayments                          | The primary focus has been to back workers in the informal sectors who have experienced a steep decline in income or have lost jobs.                                                                                                                                         |
| Malaysia   | 9.47                         | 2.31 BN                     | • Working Capital Loan  
• Refinancing Loan                                                    | The declared amount will be available for early stage and growth stage Malaysian companies.                                                                                                                                                                              |
| Indonesia  | 8.7                          | Included in the main package | • Tax Relief  
• Soft Loans  
• 2-month moratorium on loan repayments                            | The package provides a range of fiscal and non-fiscal incentives in addition to a special stimulus for startups and small and medium-sized (SMEs) businesses.                                                                                                               |
| Thailand   | 46.3                         | 15.4 BN (SMEs)              | • Soft Loans @ 2% with initial 6 months interest payment deferred  
• 6 months loan payment holiday for SMEs & Tax Reliefs               | Package to support SMEs, specially tourism-related businesses, allowances worth USD 305 million is approved.                                                                                                                                                              |

*Source: Bangladesh Bank, Media Room Circulars & IMF, Policy Responses to Covid-19; Retrieved on April 28, 2020*
GoB has allocated a total of 93,000 crore BDT as stimulus package to restart the economy

<table>
<thead>
<tr>
<th>Financial Stimulus Package for Industry &amp; Services</th>
<th>Financial Stimulus Package for CMSMEs</th>
<th>Working Capital Finance for large industry &amp; services</th>
<th>Refinance Scheme for Working Capital Finance in CMSMEs</th>
<th>Pre Shipment Credit Refinance</th>
<th>Financial Stimulus Package for RMG</th>
<th>Special Incentive Refinance scheme for Agriculture Sector</th>
<th>Farmers &amp; Micro/Marginal Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>30,000</td>
<td>20,000</td>
<td>15,000</td>
<td>10,000</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Source: Bangladesh Bank, Media Room Circulars, Retrieved on April 28, 2020

- The government has ramped up its efforts via stimulus packages to prevent a possible disruption of production and employment — protecting the labor market under the scope of the ongoing fight against the recent coronavirus outbreak.

- The GoB of Bangladesh has allocated a total of 93,000 crore taka as stimulus package to revamp the economy.

- As part of these steps, small businesses in rural areas will get subsidized loans of Tk3,000 crore under the Tk20,000 crore stimulus package announced by the government to support small and medium enterprises (SMEs). Moreover, on 12th April a new stimulus package was unveiled of Tk 5,000 crores to provide financial assistance to small and medium farmers in rural areas for boosting agricultural production facing the fallout of COVID-19. The GoB has decreed to issue the agro loans at 4% from the previous 5% interest rate.

- To further help the daily wage earners GoB has allocated Tk 760 crore (Tk 2,000 in cash to each of about 40 lakh families whose breadwinners have lost jobs because of lockdown) for this group of people, which includes day laborers, rickshaw or van-pullers, mechanics, construction workers, newspaper hawkers, hotel workers, said Prime Minister Sheikh Hasina in her latest address to the nation.

Point to Ponder: “One of the important features of Bangladesh’s stimulus package is that the lion’s share of the package—Tk 67,750 crore—is repayable loan. In other words, this is a liquidity support. Except for the support under EDF (Export Development Fund) of the central bank, the commercial banks will be responsible for the selection of their customers, and thus for absorbing all types of risks attached to the loan, such as management risk, sectoral risk and market risk. The banks will also have to ensure that the loan is paid back to them in due course.” (Khatun, F., 2020. How Will The Covid-19 Stimulus Package Be Implemented? - Dr Fahmida Khatun | CPD. [online] Centre for Policy Dialogue (CPD).
BDT 38,000 Crore Stimulus package for CMSMEs, Agriculture Sector and Farmer & Micro/Marginal Businesses

Government has allocated 20% out of the total fiscal stimulus package for the SMEs

Source: Bangladesh Bank, Media Room Circulars, Retrieved on April 28, 2020

*This fund consists of stimulus package for CMSMEs, Agriculture Sector and Farmer & Micro/Marginal Businesses
Breakdown of Stimulus for CMSMEs, Agri & Marginalized Businesses

- The GoB has allocated 20% for SMEs out of the total COVID-19 stimulus package. SMEs will receive the Tk 20,000 cr from commercial banks as loans against 9% designated rate, from which the Government will pay 5% as the subsidy to the banks while the borrower will pay 4% to the bank.

- CMSMEs will also be entitled to a refinance scheme of Tk 10,000 cr fund at 9% interest from Bangladesh Bank. This will be a refinance scheme as working capital of CMSMEs in Industry & Service sector for the next three years.

- Farmers who are suffering due to the lockdown will be provided loans at 4% interest from a Tk 5,000 cr agricultural stimulus package. Micro and marginalized businesses will also be applicable for refinancing schemes of Tk 3,000 cr through MFIs.

- The current stimulus package seems to have a bias towards enterprises who are small to medium and have financial footprint with banks to avail these schemes. But the large majority of small enterprises have not been catered to in the current package.

Another package has been issued by the GoB in the form of a credit scheme — therefore, it does not have a fixed fund size. It will be an Agriculture Credit Scheme at 4% subsidized interest rate for crops and grains, for a period of 1.25 years.

Way forward to ensure proper implementation of the stimulus package

- Injecting more liquidity to provide cheaper working capital
  Bangladesh Bank should be on the forefront as an guarantor to encourage PCBs in implementing the stimulus package and issue provisions for moratoriums of existing loans.

- Increasing accountability by leveraging mobile financial services for transparency and traceability
  Since, the country's mobile financial services are highly sophisticated — a combined effort between the GoB, NGOs, and informal sector organizations can highly assist in implementing this social assistance program.

- Collaborate with MFIs to extend reach out to SMEs all over the country
  The large number of small and medium industries operating across the country will create a paramount challenge for the Government or the banks to monitor and control this operation efficiently. MFIs have a higher penetration both in rural and remote areas to disburse these credit schemes.

- Specific guidelines to maintain Transparency and Accountability
  Executive guidelines by Bangladesh Bank for ensuring transparency in loan disbursements for preventing favouritism and provisions of punishment if stimulus loans are mishandled.
Concessional Loan, Government Support and Digital Transformation will Help SMEs’ Survival
## Providing support where it is needed the most is a priority

<table>
<thead>
<tr>
<th>Type</th>
<th>Hurdles</th>
<th>Priorities</th>
<th>Impact</th>
</tr>
</thead>
</table>
| **Concessional Financing** | ● Getting loans depend on existing relationship of SMEs with Banks — which many of the smaller players don’t have  
● Banking sector is going through a liquidity crisis with many of them having stretched NPLs | ● Need a more ecosystem focused approach where MFIs whose current portfolio consists of 37% SME loan and has wider reach — should be bought into the equation — to channel the stimulus package funds | ● Funds will reach those who need it the most  
● Inject fresh cash to resuscitate business operations  
● Paying back dues and buy raw materials to start production |
| **Tax reductions and Grants** | ● As a result of pervasive tax evading practices, GoB is already struggling with low tax revenue | ● Give tax reductions/grants to CMSMEs to decrease financial burden | ● By lowering/exempting tax and providing grants — the impact of plunging aggregate demand as a result of the recession could be minimized |
| **Digital Transformation** | ● Medium term approach  
● Initially capital intensive  
● Most enterprises lack basic level technological expertise | ● **Digital Financial Services:** Cashless transactions could transform the way SMEs conduct business.  
● **Digital Supply Chain Management:** Supply chains having web enabled capabilities give enterprises the ability to source and sell on digital platforms and maintain inventory  
● **Digital Credit:** By leveraging data, digital credit rating system can disburse loans quicker — at a lower cost. Currently, platforms like Sheba.xyz & Shopup in addition to online e-commerce platforms are also providing digital credit to SMEs and smaller enterprises which are underserved by traditional banks | ● Contributes to disintermediation and adding value to original producers and end consumers  
● Increases the potential market by folds but also ensures seamless transaction and tracking of goods  
● Easier access to loan and faster credit assessment |
Probable Economic Trajectories & Wayout for SMEs

SMEs will face different trajectories based on their industry, but planning and adapting is the way out.

- **Stabilize**
  - Mitigate short term risk and stabilize operations

- **Reopen**
  - Plan & orchestrate to resume operations

- **Grow**
  - Accelerate change to grow in the post Covid world

**U-shaped recovery** is the most likely trajectory

- **U-shaped**
  - Recovery Based on a longer crisis, driven by a more modest response to the pandemic. This appears increasingly likely.

- **V-shaped**
  - Recovery with a possible short lived boom, driven by a more modest response to the pandemic. This would be a surprise scenario.

- **L-shaped**
  - Non-recovery of a decay into depressions, driven by failed responses to the pandemic and economic crisis. This would represent a deep and long global depression due to the interconnectedness of world economies.

- **Y-shaped**
  - Recovery is a combination of U- and L-shaped recoveries in (likely) case. The economy divides into two tracks: fast and slow sectors that represents fast and slow recoveries.

*Courtesy: Salesforce “Covid-19 Response Playbook”*
COVID-19 Disclaimer

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although we have taken great care prior to producing this presentation, it represents LightCastle Partners view at a particular point in time. This presentation is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.
Acknowledgement

This study would not have been possible without our collaborating partner Sheba.xyz. Special thanks to the wonderful people from Sheba.xyz, Adnan Halim Imtiaz, CEO; Md. Samiul Kabir, Chief Strategy Officer; &, Md. Abdur Rahman Tanmoy, AVP, Head of Micro Small Medium Enterprise (MSME). Thanks to our colleagues from LightCastle Partners, Bijon Islam, CEO; Mehad Haque, Project Manager & Sr. Business Consultant and Silvia Rozario, Project Manager & Sr. Business Consultant.
Lead Author | Omar Farhan Khan, Business Consultant
Specialized in financial modelling, business planning & modelling, project management, & impact investments. Currently leading projects on SME acceleration, incubation and impact investments. His project clientele includes World Fish, GAIN, WFP, BFP-B, ACDI/VOCA, Truvalu. He is a business graduate with a dual major in Finance & Marketing from North South University.
LinkedIn: www.linkedin.com/in/omar-farhan-khan/

Lead Author | Asif Newaz, Business Analyst
Has a keen interest in data and technology. Exhibit a can-do attitude to get things done. He loves to code in R and aspires to become a Data Scientist. Asif completed BBA with a dual major in Finance and Marketing from North South University.
LinkedIn: www.linkedin.com/in/asif-newaz/

Support Author | Mehad ul Haque, Project Manager & Sr. Business Consultant
A business strategy consultant, with 5+ years of startup related experience; 3+ years of full-time experience in grants, investment strategy, business modelling, go-to-market strategy and project management. Currently working on projects with Root of Impact, IIX, GAIN, UN Women, Global Entrepreneurship Network and Invest 2 Innovate.
LinkedIn: www.linkedin.com/in/mehad-haque/

Support Author | Silvia Rozario, Project Manager & Sr. Business Consultant
A marketing graduate fascinated with data analytics, Silvia illustrates economic realities with facts, figures, and financial models. Her keen observation and technical expertise help her dive deep into any topic and come up with holistic solutions to real-life problems. Healthcare analytics, retail automation, financial inclusion and millennials’ contribution to the economy are some of her key interest areas.
LinkedIn: www.linkedin.com/in/silvia-rozario/

Advisor | Bijon Islam, Chief Executive Officer
Bijon is the co-founder and CEO of LightCastle Partners, an organization that focuses on creating data-driven opportunities for growth and impact for development partners, corporates, SMEs and Startups. Over the last seven years, Bijon has led the company in engagements across 100+ businesses/development partners, 300+ SMEs/Startups and 20+ accelerator programs in multiple industries including Technology, Agriculture, Health, Energy and Manufacturing. Recently, LightCastle has also partnered to launch a Smart Capital Investment Program which facilitates growth capital for SMEs/Startups.
LinkedIn: www.linkedin.com/in/bijonislam/
All information contained herein is obtained by LightCastle from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein “As IS“ without warranty of any kind.

LightCastle adopts all necessary measures so that the information it uses is of sufficient quality and from sources LightCastle considers to be reliable including, when appropriate, independent third-party sources. However, LightCastle is not an auditor and cannot in every instance independently verify or validate information received in preparing publications.