



Did Research Get Attention in the COVID-19 Induced Public Policy Responses? *Case of MCSMEs and Women-led Enterprises*

**Khondaker Golam Moazzem
A S M Shamim Alam Shibly**

CPD-TAF Study on

**DID RESEARCH GET ATTENTION IN THE COVID-19
INDUCED PUBLIC POLICY RESPONSES?**

Case of MCSMEs and Women-led Enterprises

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The Asia Foundation



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Abstract

This study focuses on the relationship between public policies and research during the Covid pandemic period in addressing the challenges of the marginalised businesses, particularly for SMEs and women-led enterprises, in getting access to financial support (i.e., stimulus loan packages). Theoretically, a knowledge-based policy formulation process generates a policy space where actors and institutions, politics and interests, narratives and evidence intersect altogether. Incorporating these three factors in the context of a developing country is challenging, particularly for the marginalised businesses, since their participation in the policy space is minimal. The study postulates that the large scale actors and institutions (i.e., business associations and chamber of commerce at the national level) can influence the policy space related to the packages of financial support due to their proactiveness and involvement in the decision making process. On the other hand, opportunities for SMEs and women-led enterprises to avail subsidised stimulus loan packages are rather bleak. Lack of effective role of the above mentioned three factors in addressing challenges of the SMEs and women led enterprises, such as inadequate attention from the policymakers, unequal scope for participation in the policy space, and inability of researchers in addressing specific difficulties of the marginalised businesses, has impeded their access to the stimulus loan packages during the pandemic period.

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Acronyms

AIT	Advance Income Tax
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
CGS	Credit guarantee scheme
COD	Cash on Delivery
CSO	Civil Society Organisation
EDF	Export Development Fund
EMI	Equated Monthly Instalment
FGD	Focused Group Discussion
FI	Financial Institution
GoB	Government of Bangladesh
KII	Key Informant Interview
MCS	Micro, cottage, small
MCSME	Micro, Cottage, Small and Medium Enterprise
MoF	Ministry of Finance
NBR	National Board of Revenue
NGO	Non Government Organisation
OMS	Open Market Sales
OSH	Occupational Safety and Health
PGL	Portfolio Guarantee Limit
PPE	Personal Protective Equipment
RMG	Ready Made Garment
SME	Small and Medium Enterprise
SMEF	SME Foundation
SMESPD	SME and Special Programmes Department
SSNP	Social Safety Net Programme
T&C	Terms and Conditions
VAT	Value Added Tax
WEE	Women Economic Empowerment

1. INTRODUCTION

The COVID-19 pandemic challenges all areas of research and public policies. Traditional areas of research, evidence and policy recommendations have been replaced by real-time issues and concerns with a new perspective, demanding contemporary evidence and requiring immediate-short-medium term solutions (El-Jardali, *et al.* 2020; Mourad, *et al.* 2020). Public policies and actions based on the traditional framework have confronted a limited level of effectiveness given the dynamic nature of pandemic worldwide and consequent challenges across all spheres of the economy (El-Jardali, *et al.* 2020). Despite that, the research and policy world have been actively pursuing their works to explore more evidence-based and target-oriented solutions to ensure sustainable recovery. It is evident that the marginalised groups are the most adverse victims of any systemic crisis like the COVID-19 pandemic (OECD, 2020). The women, youth and physically challenged people, and micro, cottage, small and medium scale enterprises are often found to be the largest victims in the ongoing pandemic. Researchers and policy makers struggle across the world to identify implementable solutions ensuring immediate resilience and recovery and have medium to long term effects (UN, 2020).

The adversities of the pandemic on Micro, Cottage, Small and Medium Enterprises (MCSMEs) and women-led enterprises of Bangladesh are depicted in different studies, research reports and media reports published by public and private agencies. Closure or partial opening of businesses and consequent losses of income and jobs are amongst the major impacts of the COVID-19. The highest amount of job loss is expected in the Small and Medium Enterprises (SME) and informal sector. SMEs are estimated to lose their revenue by 66 per cent during the COVID-19 pandemic compared to that of the pre-COVID period (BIDS, 2020). It was projected that about forty per cent of SMEs would be out of business due to a lack of business operations during the shutdown period (Access to Information, 2020). According to the Asia Foundation (2021), women-led enterprises were more vulnerable during the crisis period, which forced them to lay off more workers- about fifty per cent of enterprises have reported laying off 76-100 per cent of their workers. Female entrepreneurs were one of the most severely affected categories due to the COVID -19. The study portrayed that about seventeen per cent of female-run enterprises were completely closed during the pandemic. To address the challenges confronted by the SMEs and women-led enterprises, various policy suggestions have been put forward.

Public policies to address the above-mentioned challenges are noticeable. At the same time, there are debates regarding those policy measures. The government has announced twenty stimulus packages of BDT 1.35 trillion targeting different vulnerable groups including SMEs and women-led enterprises. Of these, BDT 40,000 crore for both FY2021 and FY2022 has been distributed for SMEs. Both SMEs and women-led enterprises have been covered under other policy support measures including deferment of VAT and utility bills and monthly instalment of credit. Those public policy responses have been discussed and debated by academia, think tanks and policymakers through different perspectives over time. Some of the important dimensions of policy debates include the appropriateness of policy instruments, targeting of right beneficiary groups, adequacy of policy responses, timeliness of the responses and level of effectiveness of the instruments used etc. Moreover, the debates could be further extended to finding justification on whether the policy responses are proper under the pandemic situation in the country and the world. Overall, there are debates over public policy responses against the demand of the marginalised categories including SMEs and women-led enterprises.

Against this backdrop, the study aims to examine the relationship between public policies and research during the period of the pandemic in case of addressing the challenges of the marginalised businesses— SMEs and women-led enterprises. More specifically, the study addresses the following objectives:

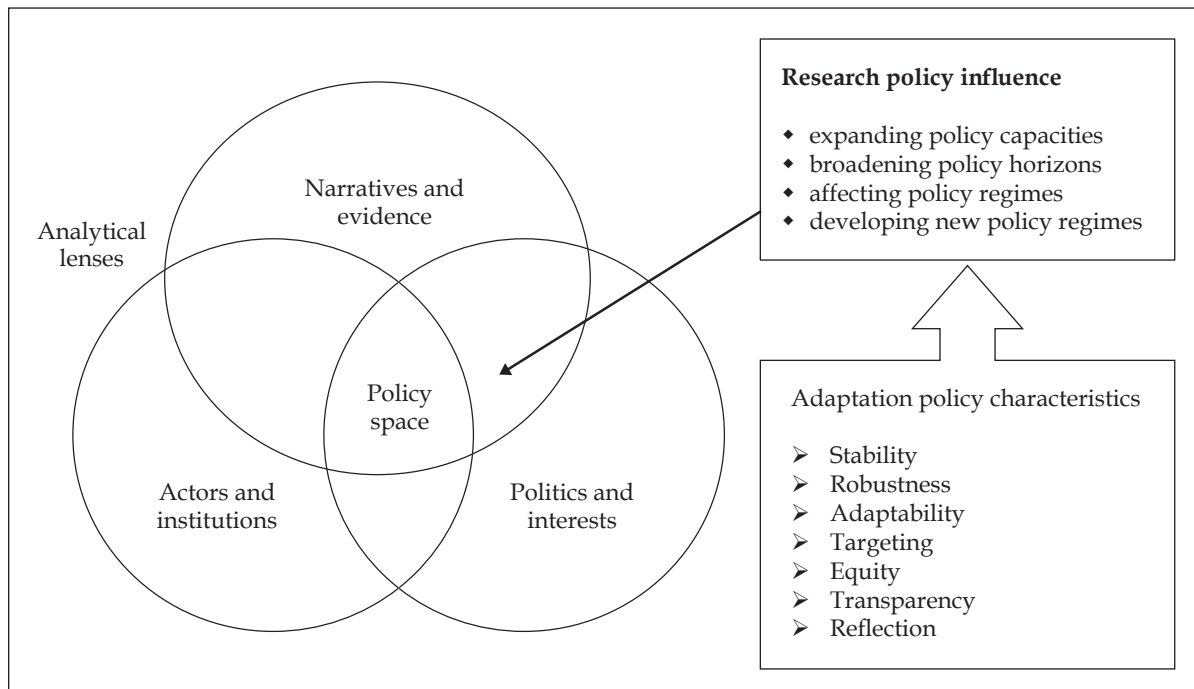
- a. To review the research studies that have been carried out on SMEs and women-led enterprises during the COVID19 pandemic period to identify methodological rigour, their coverage, issues addressed, main findings and suggested policy recommendations;
- b. To review the public policy responses targeting SMEs and women-led enterprises during the pandemic period to appreciate their target, coverage, adequacy, timeliness and effectiveness, etc.;
- c. To analyse research-policy linkages on SMEs and women-led enterprise issues through three different perspectives— (a) reflections of research-recommendations in public policy responses; (b) responses of research on public policy initiatives; (c) identifying gaps between research and policy responses; and
- d. To put forward a set of recommendations to strengthen the research-policy linkages in the context of pandemic particularly targeting the SMEs and women-led enterprises.

2. ANALYTICAL FRAMEWORK

The idea of public policy informed by research though seems attractive but less so in evidence. Usually, public policy analysis is considered as ‘science of action’ where research contribute to the government decision making process by supplying relevant and useful suggestions for public action (Almeida and Bascoclo, 2006). Public policy analysis is often guided by the public policy theories which are usually less flexible and less innovative in nature because of deep-rooted political philosophy and economic thinking (Almeida and Bascoclo, 2006); hence, these theories tend to struggle when new theories appear or change in assumptions.

It is important to note that the fields of knowledge generation, policy formulation paradigm and policy implementation are three different issues, and they are guided by three different sets of factors. Hence, the interlinkages have been explored through different means and approaches in the research. Most important in this case is how the generated knowledge has been transmitted for policy making and policy influencing activities. In an idealistic scenario, it is assumed that stakeholders involved in three segments –research, policy making and policy influencing, are logical and follow a rationale process. In other words, policymaking is determined by the availability of policy space (Figure 1). In reality, stakeholders are influenced by various internal and external factors which make the transmission process difficult to ensure. Most importantly, policymaking and policy implementation are mostly political decisions.

The use of research findings is a political process that follows rationalities that are not always those of academics (Duke, 2001; de Leeuw and Stagnitti, 2008). Similarly, research-policy linkage from academia often gets barred due to different incentive structures for researchers (i.e., publication in a peer-reviewed journals). However, the level of research knowledge used in policy making and the associated policy influencing are determined by several independent factors. Knott and Wildavsky, (1980) have developed a self-reported index on the usability of research in policymaking. The index includes six different aspects- (a) *reception*: received research pertinent to one’s work; (b) *cognition*: read and understood it; (c) *discussion*: discussed the research in meetings; (d) *references*: cited the research in reports/presentations; (e) *effort*: made an effort in favour the use of research; and (f) *influence*: the research influenced decisions.

Figure 1: A Conceptual Model to Identify Policy space from Research Findings

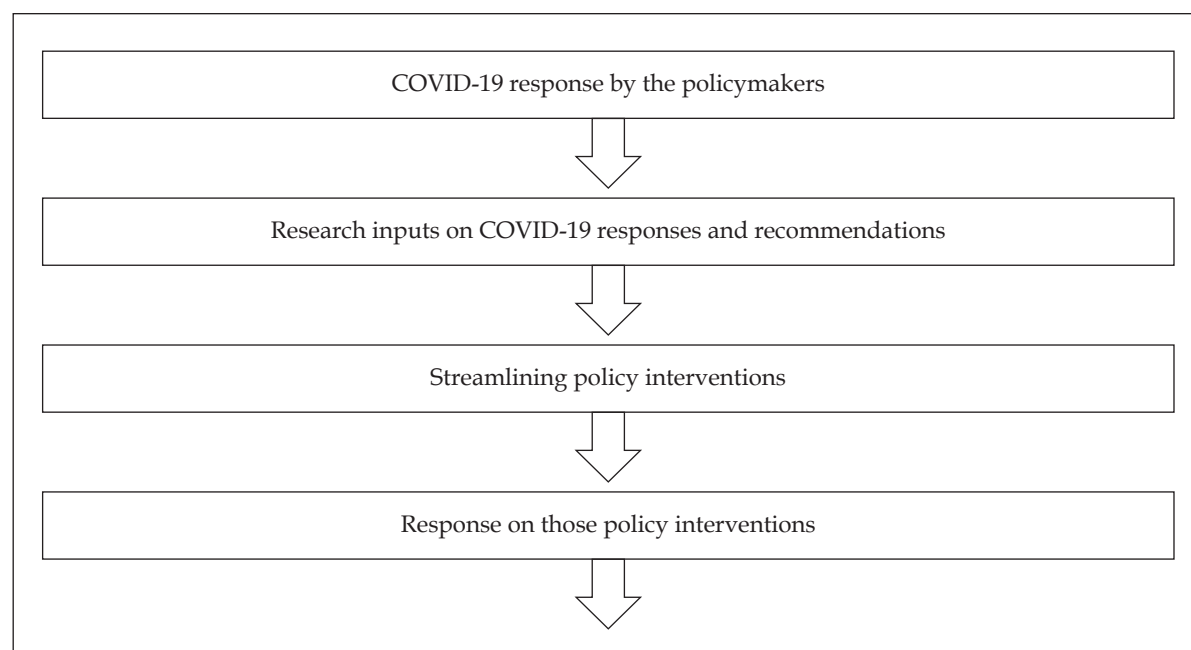
Source: UNESCO, 2011 and IDS, 2006.

Moreover, the rate of receiving the knowledge as per the need does not always match and often varies within and across the areas and fields of that particular research programme (de Haas and van der Kwaak, 2017).

Policy space denotes the opportunity, paradigm, and means through which the citizens can exercise policies, discussions, decisions, and factors that affect their livings and concerns. Figure 1 represents a knowledge-based policy process and the figure illustrates the influence on three different factors with different determinants. The factors are namely actors and institutions, politics and interests, narratives and discourses. These factors are a combination of the interest of stakeholders, different political agendas of political parties including their motives, and theoretical as well as inferential knowledge based on evidence. Interlinkage of these factors generate policy space which affects the decision of policymakers. The contribution of narrative in terms of policy formulation is limited that reduces the policy space of the policymakers due to its lack of alternative approaches, meanwhile research or knowledge-based policy process is convenient to them with suggestions and approaches made in the process.

An ideal policy process incorporates the interest of all parties irrespective of their background, motives and agenda through policy space. It assesses the stability of a policy like how effective the policy can be both in the short and long-run programmes. Besides, the robustness of a policy is highly important to ensure the sustainability of that particular policy. Long-term performance and durability of a policy have been assessed by robustness (Dryzek, 1983, pp. 369-361; Walker, Rahman, & Cave, 2001, p. 289) which is an important adaptation characteristic of the policy space. In addition, adaptability of the policy during the crisis time, targeting policies for the right beneficiaries, policy inclusiveness in terms of equity, transparent indication through the policy measures, and reflection of the policy in the real world are equally important for an ideal policy formulation process. These characteristics are inherently embedded with evidence which

Figure 2: Influence of Research Input on COVID-19 Response



Source: Authors' Analysis.

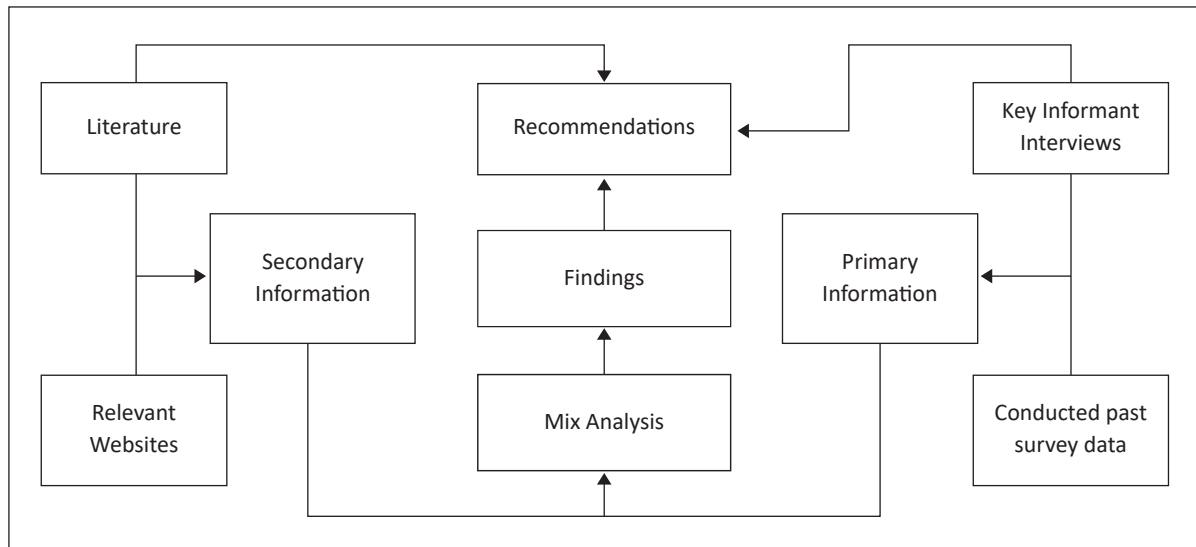
leads to the research-based policy influence in the policy space. These characteristics expand the capacities of policymakers, broaden the policy horizons with ample options, influence the policy regime and even develop a new policy regime beyond the existing one. Besides, these characteristics, directly or indirectly, influence the policymakers to take decisions based on the existing research studies targeting the particular interest of various actors.

More specifically, a policy decision may be a response to a research outcome; or research may be undertaken to respond to the policymakers' decisions, and the process or cycle may go on. In the context of COVID-19, researchers are expected to respond to the COVID-19 induced interventions of the government. And as follow-up, policymakers may respond to the research activities to streamline the COVID19 related policy interventions (Figure 2).

3. METHODOLOGY

The study has been carried out based on primary and secondary data and information from different sources (Figure 3). A detailed literature review has been carried out. These include reviewing the majority of research reports/articles published which are available on the websites on SMEs/women-led enterprises of Bangladesh during the pandemic period (March 2020-July 2021) and various policy and operational decisions taken by the different ministries, departments and central banks and other public agencies concerning SMEs and women-led enterprises during this pandemic period which are relevant to the crisis.

Based on the literature review, Key Informant Interviews (KIIs) have been undertaken using a structured set of questions. The KIIs have been carried out in four categories of respondents- (a) policy makers (b) policy implementers (c) government officials and (d) beneficiaries (SMEs and women-led enterprises). A total of 11 KIIs were conducted over telephone calls.

Figure 3: Methodology of the Study

Source: Authors' Illustration.

The key issues that have been discussed in the KIIs include perception about research reflections in the policy, broad research-policy interlinkages, the shortcomings of the research-policy interlinkages, and perception of beneficiary groups (SMEs and women-led enterprises) regarding the policy support.

4. PUBLIC POLICY RESPONSES DURING THE COVID-19 PANDEMIC PERIOD

4.1 Overall public policy responses

The Government of Bangladesh (GoB) has taken diversified policy measures targeting various sectors to address the COVID-19 induced challenges. Most of these policy responses were made for addressing the economic challenges of people and businesses. The policy responses towards the economic challenges are mostly due to the livelihood crisis of the people during the COVID-19, closure of businesses due to financial crisis and loss of jobs. In this regard, the government has undertaken work plans to fight the COVID-19 induced challenges. One of the work plans states that the government aimed to disburse low-interest rate loan facilities to the business entities through banking channels to revive the economic growth. Referring to the work plan of the government, on March 31 2020, the Ministry of Finance (MoF) has first declared BDT 50 billion as a subsidised credit facility in favour of export-oriented industries to pay their workers' wages for three months. Successively, most of the notable policy intervention has been made to the business entity in terms of a subsidised loan facility from the government declared stimulus packages on easy terms (i.e., subsidised interest rate). Additionally, subsidising interest payments on working capital loans is being provided by MoF. The Hon'ble Prime Minister of Bangladesh has also declared a handful amounts of packages like funds for housing scheme for homeless people, poor who faced job losses, providing health insurance for government employees at risk, bonus payments for public health workers treating the COVID-19 patients, interest payments package on behalf of loan recipients, a fund for procurement, preservation, and distribution of vaccines, a fund for old age and widow allowance expansion. The budgetary allocation of FY22 has also been increased for the social safety net programme (SSNP), agriculture and health sectors. Besides, as a policy response,

NBR has also withheld duties and taxes on imports of medical supplies, PPE, and test kits. Despite the efforts, effective targeting of these packages remains a challenge (IMF, 2021).

The Bangladesh Bank, being the main authority to regulate the financial sector and monetary policy authority of the country, has issued a total of 564 circulars related to different stimulus packages. These circular letters were issued through its 27 departments from 1 March 2020 to 30 September 2021 (Table 1). These circulars reflect how the government has formulated its pandemic period policy measures. These circulars covered various issues such as easing terms and conditions (T&C), an extension of loan amount and repayment facilities, delaying non-performing loan classification, relaxation of loan rescheduling policies, giving waiver on credit card fees and interests, suspension of loan interest payments, relaxation of credit risk rating rules for banks, extending tenures of trade instruments, lowering farm loan interest rate and allowing short-term farm loan rescheduling, and ensuring access to financial services, etc.

During the pandemic period, a total of twenty-seven (27) stimulus packages have been announced with a combined fiscal and financial support of BDT 1.29 trillion till June 2021.¹ Of these packages, Bangladesh Bank has handled 10 packages.² According to the KII with a senior BB official, out of the ten packages, 8 packages have been disbursed completely. Till May 2021, BDT 390.7 billion of fiscal stimulus has been announced; of these, BDT186 billion has been disbursed as of end-April 2021 which is 47.6 per cent of the total allocated loan (MoF, 2021; IMF, 2021). Overall stimulus packages include a diverse range of intervention, but the supports for SMEs and women entrepreneurs are rather insignificant. Especially, coverage for women entrepreneurs remains limited.

Table 1: Stimulus Packages declared by the Government during the COVID-19

Serial No.	Name of the Package	Creore (Tk)
1	Special fund for salary support to export-oriented manufacturing including RMG industry workers	5,000
2	Working capital loans provided to affected industries and service sector	40,000
3	Working capital loans provided to SMEs, cottage industries	20,000
4	Expansion of facility provided through export development fund (EDF) by Bangladesh Bank	12,750
5	Pre-shipment credit refinance scheme	5,000
6	Special honorarium for doctors, nurses, medical workers	100
7	Compensation in case infection/ death	750
8	Free food distribution	2,503
9	OMS of rice at BDT 10 /kg	2,500
10	Cash transfer to targeted poor people	1,258
11	Expansion of cash allowance programmes	815
12	Construction of home for homeless people	2,130

(Table 1 contd.)

¹According to the Financial Express (31 October 2021), a total of BDT 1.35 trillion worth of stimulus packages has been announced by the government so far under 28 packages. For detail please see: <https://thefinancialexpress.com.bd/economy/bangladesh/adb-to-provide-another-150m-for-bangladeshs-cmsmes-1635648780>

²A total of 23 packages have been declared last year where 70 per cent have been implemented as of April 2021. This year, initially two new packages on cash transfer have been declared and in July 2021 the PM has declared five new package worth BDT 3,200 crore for poor.

(Table 1 contd.)

Serial No.	Name of the Package	Creore (Tk)
13	Additional procurement of paddy/ rice (2.0 lac ton)	860
14	Support for farm mechanisation	3220
15	Subsidy for agriculture	9,500
16	Agriculture refinance scheme	5,000
17	Refinance scheme for the professional farmer and small traders	3,000
18	Low-interest loans to poor rural farmers, expatriate migrant workers and trained and unemployed youth for business and self-employment in rural areas	3,200
19	Social protection programme for jobless and poor workers in export-oriented RMG, leather and shoe sectors	1,500
20	Subsidy for commercial bank's suspended interest of April-May, 2020	2,000
21	Credit guarantee scheme (CGS) for SMEs	2,000
22	Export assistance for the cottage, small and medium enterprises	1,500
23	Develop the living standards of people (disadvantaged elderly people, widows and female divorcees in the country's 150 <i>Upazillas</i>) at the grassroots level	1,200
24	For 1724,740 people of day labour, transport workers. Small business people, shipping workers	450
25	OMS at urban areas	150
26	Food assistance by district commissioners to the poor people who will make a call over 333	100
27	Working capital loan as salary & allowance to the tourism industry	1,000
	Total	128,986

Source: Bangladesh Bank, MoF, 2020, Dhaka Tribune, Financial Express (as of December 2020, 13 July 2021 and 31 October 2021).

4.2 SMEs and women entrepreneurs related public policy responses

The public policy support for SMEs and women entrepreneurs during the pandemic period has taken place in different phases. The nationwide lockdown for almost two months during April-June 2020 led the businesses to shut down, disruption in sales and output and subsequent losses of jobs and income. Considering the fallout, the Ministry of Finance and Bangladesh Bank under the directives of the Hon'ble Prime Minister responded with several policy interventions including a stimulus package of BDT 200 billion having the facility of refinancing, Credit Guarantee Scheme (CGS) facility at a subsidised interest rate (4 per cent) to the borrowers' end. Added to that, start-up-fund apart from conventional fiscal packages have also been formed to mitigate the distress of CMSME. Besides, banks/financial institutions need to maintain 10 per cent of their total MCSMEs loan portfolio for financing women entrepreneurs and the percentage of credit support will have to be raised at least 15 per cent by the year 2024 (SMESPD Master Circular No.-02, Date-05/09/2019). Besides, banks and financial institutions are allowed to avail refinance facility at three per cent interest rate (previously which was five per cent) from Bangladesh Bank against their disbursed MCSMEs loan so that the customer can avail the same at seven per cent interest rate (previously which was nine per cent).³

³(Bangladesh Bank. SMESPD Circular Letter No.-02, Date-07/05/2020).

Under the BDT 20,000 crore refinance package for SMEs, till September 24 2020, loans of BDT 5,500 crore have been sanctioned by banks in favour of 21,000 customers. A total of BDT 3,600 crore has been disbursed out of the sanctioned loan. Till May 2021, about 74 per cent fund has been disbursed to 96,000 SME entrepreneurs from the SME stimulus package (Bangladesh Bank 2021). Banks have been provided working capital support to the MCSMEs sector at a nine per cent p.a. interest rate, of which the entrepreneurs need to pay four per cent p.a. and the rest five per cent will be reimbursed by the government to the banks and financial institutions as subsidy. Banks/financial institutions should disburse at least five per cent of their total allocation of the package annually to the women entrepreneurs (SMESPD Circular No.-01, Date-13/04/2020). Bangladesh Bank also introduced BDT10,000 crore refinance scheme (revolving) to supply working capital facilities for the MCSMEs under this stimulus package. Banks and financial institutions can avail of this refinance facility up to 50 per cent of their disbursed amount against stimulus packages at a four per cent interest rate (Bangladesh Bank SMESPD Circular No.-02, Date-26/04/2020). Women entrepreneurs can also avail these facilities.

The stimulus packages became official through official notices/official circulars. Usually, one single official notice/circular covers necessary instructions related to official orders on operational issues. During the time of the pandemic, multiple circulars need to be issued by concerned authorities in order to make the official decisions clearer considering diverge situations/contexts during the time of the pandemic. A total of 49 circulars/office orders have been issued by the Central Bank of which 38 circulars are related to stimulus packages for SMEs and the remaining 11 circulars are related to women enterprises (Table 2). These circulars and circular letters targeted MCSMEs involved in one or multiple sectors related to agriculture, manufacturing, service, and trading activities.

Table 2: Total number of Circulars issued as Policy Intervention during Crisis time Targeting SME and Women Entrepreneurs by SMESPD of Bangladesh Bank

Category	Total number of official orders related to a stimulus package
Agriculture, manufacturing, service, trade	6
MCSE	12
MCSMEs	2
Manufacturing	4
Manufacturing & service, trade	17
RMG	5
Start up	3
Total	49

Source: Authors' analyses based on circulars downloaded from Bangladesh Bank website.

On the other hand, the size of Bangladesh Bank's own fund for SMEs titled 'Small Enterprise Refinance Scheme' has been increased from BDT 850 crore to BDT.1,500 crore to include more entrepreneurs especially women entrepreneurs from remote areas in the financial activities (SMESPD Circular Letter No.-02, Date-07/05/2020). Also, the eligibility criteria to select entrepreneurs have been relaxed by state-owned commercial banks in order to hasten the process. These circulars have been issued with a view to expediting the loan disbursement process as well as to ease terms and conditions for borrowers and banks/financial institutions. A 'help desk' has been set up in every branch of the banks/financial institutions to ease the loan disbursement

process. Instructions have been given to banks to display the package related information in a visible place of bank branches; loan application forms have been made customer friendly and a 'special monitoring cell' has been set up in every bank/financial institution.

Bangladesh Bank has created several refinancing schemes totalling BDT 415 billion, with a one-year special repo facility, and a credit guarantee scheme for exporters, farmers, and SMEs to facilitate the implementation of the government's stimulus packages. Out of these, BDT 200 billion has been announced for SMEs as refinance facility. Additionally, BDT 15 billion package has been announced for the micro credit and marginal people's lifestyle development programme. Some refinance facilities of Bangladesh Bank are ongoing to increase the access to finance of MCSMEs (Table 3).

Table 3: Refinance Schemes of Bangladesh Bank for the MCSMEs

<i>(in billion BDT)</i>	
Name of Fund	Size of Fund
Refinance scheme for new entrepreneur in MCSE sector	0.5
Refinance scheme for setting up agro-based product processing industries in rural area	7
Small enterprise refinance scheme	8.5
Refinance scheme for <i>Shariah</i> based financing in agro-based industry, small entrepreneurs and new entrepreneurs in MCS sector	Initially 3.75 billion At present 1.25 billion

Source: Bangladesh Bank 2021.

The policy responses were made against the demands from banks/financial institutions and borrowers' end. However, the challenges of borrowers were less heard by the central bank due to the information gap with the SME borrowers. Despite that, the central bank has made several changes to their master circulars to expedite the loan disbursement processes. Loan disbursement to the women entrepreneurs was made women-friendly through changes in the circulars. Interestingly, the loan amount ratio to the female entrepreneurs is higher than that of male entrepreneurs (Table 4). On average, a female entrepreneur received more than BDT 14 lac loan while a male entrepreneur received only BDT 70,000 to 82,000. This has happened because of the meagre number of beneficiary women entrepreneurs (only six per cent of total beneficiaries) compared to their male counterparts.

Table 4: Disbursement Status of BDT 20 Billion MCSMEs Stimulus Package

As on	Total Disbursed (Billion)	Total Disbursed to Women (Billion)	Total Beneficiary	Total Women Beneficiary	Per loanee amount		
					Total	Male	Female
Up to March 2021	12.51	7.05	82,815	4,969	151,060	70,138	1418,797
May-21	14.74	7.44	93,919	5,252	156,965	82,353	1416,603

Source: Author's analysis from SMESPD, Bangladesh Bank.

As with the poor loan disbursement to the female entrepreneurs, policy responses targeting vulnerable groups were also insufficient. Most importantly, the geographical location was not specified in the loan disbursement process. Especially, the marginal entrepreneurs based

on climate-vulnerable areas remained far from the policy intervention. Though initially (Bangladesh Bank circular issued on April 13 2020) there was an imposition on the minimum allocation of the MCSMEs stimulus funds to the rural areas, the loan disbursement condition was withdrawn through a SMESPD circular letter issued on September 3 2020, for accomplishing speedy loan disbursement target to the sector. This urban-biased policy intervention does not seem appropriate during the crisis period. However, female entrepreneurs at least got the attention in the policy document through gender-responsive measures (Table 5).

Table 5: Features of the Policy Response Targeting SME and Women Entrepreneurs by the SMESPD Department of Bangladesh Bank by Location, Occupation, and Gender

Category	Location	Occupation	Gender Responses/Allocation
Agriculture, manufacturing, service, trade	Not specified	Agro-processing enterprise establishment	
MCSE	Not specified	Not specified	Reserve at least 10% Portfolio Guarantee Limit (PGL); previously was 5%; Collateral free
MCSMEs	Not specified	Not specified	
Manufacturing	Not specified	Not specified	Min. 15% women will receive net loan & 1% incentive as cashback upon repayment
Manufacturing & service, trade	Uran-village proportion: 15% to village target postponed by 3 September 2020 circular	Not specified	8% women entrepreneur
RMG	RMG factories		
RMG	Dhaka, Gazipur, Narayanganj, Chattogram district		
Startup	Not specified		At least 10% to women entrepreneur

Source: Authors' analyses based on circulars downloaded from BB

During the pre-COVID period, SME sector received on average BDT 169,000 crore credit every year. Of these, only four per cent had been disbursed to the women borrowers. To address the situation, Bangladesh Bank declared cash incentives for loan packages targeting to improve the loan disbursement ratio among women borrowers up to 15 per cent by the end of 2024. Under this loan package, women borrowers receive a one per cent cash incentive upon their repayment amount. The cash incentive is provided to the bank with a one per cent rate as well. A women borrower can avail of the loan package at any given interest rate subject to her loan packages whether it is under stimulus package or not.

The loan disbursement scenario across the different sub-sectors of MCSMEs are different (Table 6). To encourage new entrepreneurs, Bangladesh Bank has suggested commercial banks/financial institutions for forming start-up funds where training certificates of the borrowers will be used as collateral. The interest rate has also been reduced with a view to quick disbursement of the loan which would help cover the operational expenses of the banks/financial institutions. Unlike others, the borrower has to be trained or educated in the technology sector to avail of the loan, where the vocational/technical experience related certificates can be used to avail the loan.

Table 6: Policy Responses Targeting SME and Women Entrepreneurs (Subsidy, Interest rate, Women related intervention, Other conditions)

Category	Subsidy	Interest rate	Women related intervention	Other conditions	Fund
Agriculture, manufacturing, service, trade		4% on a quarterly basis 3% at the bank end 7% at customer end as per 7 May 2020 circular	No		
MCSE			Yes		
MCSMEs					
Manufacturing		Bank end =0.5% Borrower end = 5% Previously, 3% & 7%	Yes		
Manufacturing & service, trade	5% by govt up to 1 year	4%	Yes	Help desk establishment for making loan process borrower-friendly	BDT 20,000 crore
RMG				Pre-finance credit facility to upgrade work environment on improving safety/health hygiene facility of RMG worker	
RMG				Urban building safety project	
Startup		0.5% to bank end 4% to customer end	Yes	Training certificate can be used as collateral	BDT 500 crore

The discrimination among different categories of enterprises in the case of disbursement of loan packages is visible in terms of amount and disbursement, level of coverage and number of beneficiaries. It has also been found that the businessmen from large enterprises were proactive and sent the written demand to the Bangladesh Bank. Also, the businessmen hold meetings and inform Bangladesh Bank about their challenges. These types of intervention from the SMEs and women entrepreneurs were absent. Their challenges have been addressed by the Bangladesh Bank based on the opinion of bank officials related to SME financing. The question is still at large whether the central bank can effectively address the challenges of SME borrowers based on the opinion of bank officials. On the other hand, the banks/financial institutions are reluctant to finance SMEs due to the monitoring cost and difficulties to comply with which is rather bleak to

finance medium and large enterprises. The bank-client relationship is also stronger among the large entrepreneurs than with the SMEs. For banks and financing institutions, disbursement to large corporate borrowers is easier rather reaching out to small businesses.

5. KEY ATTRIBUTES OF PUBLIC POLICY MAKING TARGETING SMES AND WOMEN-LED ENTERPRISES

5.1 Issue identification

Initially, Bangladesh Bank had to declare the stimulus packages during early 2020 without any major consultation with the stakeholders. Later, a district-level committee has been formed headed by District Commissioner where their demands from the association are recorded. Challenges of the borrowers to avail the stimulus package loan and their opinion to mitigate the challenges are being provided to Bangladesh Bank. During the initial period of 2020, Bangladesh Bank had lower scope to consider the research input due to the paucity of research materials addressing the COVID-19. Besides, adequate research materials were not available for identifying the challenges of the borrowers. National level survey-based research was unavailable due to the limitation of time as the policy responses had to be made promptly to address the immediate need. Likewise, the packages were formulated based on the applications and demands from the associations. Leaders of the associations met with Bangladesh Bank to materialise their demand during the formulation of these packages. The issue identification process was done by the demands from associations. During mid-2020, Bangladesh Bank had made some research studies addressing the stimulus packages. Based on the findings of these studies, BB had considered the research inputs for amending/changing the earlier packages and formulating new packages. Overall, research inputs were better utilised in the later part of the pandemic period (during 2021) (Table 7).

Table 7: Process of Stimulus Package Formulation during the COVID-19 by the Bangladesh bank

Process of package formulation in 2020	Process of package formulation in 2021
Based on the instant decision of the government	Based on associations' needs and applications
Based on association needs and application	Based on Bangladesh Bank's research findings from bank-level data (stakeholder data and individual-level data). Based on its research findings, some changes were made. (E.g., extra loan provision facility was provided based on this)
No research input was considered due to the paucity of research materials addressing COVID-19	Think tanks' recommendations influenced Bangladesh Bank's policy formulation process indirectly; Some of the recommendations were referred by BB to its higher authority for further evaluation
	A few policies were adopted based on the experience of other developing countries (such as India, Sri Lanka and Malaysia) except for SMEs

Source: Prepared by authors based on the KII on Bangladesh Bank officials.

5.2 Target setting

Availability of relevant data is a major requirement in setting targets and formulating stimulus packages. The data of prospective borrowers is not available to the banks. Banks' organisational capacity to maintain such a database is usually found to be difficult due to a lack of human

resources. Considering the setbacks, the government had decided the targeted amount of allocation based on the previous year's disbursement. The Bangladesh Bank/government had the authority to amend the official order on loan disbursement to the target groups at any time.

SME Foundation (SMEF) - a public-private partnership initiative- formulated stimulus package or other supportive tools for loan disbursement based on the government's decision. SMEF has arranged online seminars, capacity building workshops, stress management workshops, counselling, focusing, and organising programmes for the entrepreneurs without training fees, registration fee based on the demands and needs of the borrowers. Stakeholder meetings have been organised to identify the challenges of the entrepreneurs. SME foundation formed a loan package of BDT 300 crore of which BDT 100 crore has already been disbursed.⁴ Of these about 30 per cent are allocated to disburse among women and the trading sector.

5.3 Terms and conditions setting

The terms and conditions have been set under the existing policies of the Bangladesh Bank. The conditions have been applied over the years to disburse loans among the borrowers. Considering the crisis and financial distress, the interest rate has been reduced.⁵ Other than that, all the eligibility criteria to avail loans are like the pre-pandemic level. Over time, some changes have been made with regard to targeting the SME sector. Considering the targets of government and commitments made under different public policies with a view to encouraging women entrepreneurs, the central bank has made some changes/amendments in its loan disbursement policy.

A loan deferral facility was provided by Bangladesh Bank where the conditions were amended and made easier over time. Amendments to the circulars were made considering the COVID impact upon the targeted people's ability to utilise the loan as well as demand for the loan product. The focus of the policies of Bangladesh Bank were to make the loan facilities inclusive and to ensure equal rights for all the borrowers. Marginalised borrowers may avail of the stimulus package loan subject to the provision made in the respective circulars. Circular issued on 12 April 2020 mentioned loan package to be availed as working capital that had to be replaced later with both working capital and term loans facilities for SMEs based on the demand of the industry. The interest rate has also been reduced to seven per cent from nine per cent.

6. RESEARCH ON MCSMEs AND WOMEN-LED ENTERPRISES DURING THE PANDEMIC

6.1 Overall focus of the researches/studies

A number of studies have been conducted related to MCSMEs and women-led enterprises in the context of the COVID-19. A total number of 52 studies have been identified which have been undertaken from March 2020 to July 2021. These studies are related to the COVID-19 pandemic and its association with SMEs and women entrepreneur related concerns. Based on the key contents, the studies may be categorised as follows (Table-8).

⁴Initially the package was BDT. 100 crore which had been increased in the following months.

⁵This has been done under the directives of the Prime Minister.

Table 8: Distribution of the Types of Studies Conducted Linking the COVID and SMEs & Women Entrepreneurs

Sector	Frequency	Per cent
Business confidence survey	4	7.69
MSE, SME & MSME	28	53.85
All aspects of SMEs and women	6	11.54
Trade union	2	3.85
Women Issues	12	23.08
Total	52	100.00

Source: Prepared by authors, 2021.

Studies are largely related to the impact of the pandemic on ultra-poor in rural areas, assessment of the governance to strengthen responses to future crises, focusing on the health sector for policy responses, lockdown management and relief programmes, community-level governance of the pandemic, the economic stimulus programme, and the situation of the RMG sector. Women-centric issues like exploring the experiences of women in seeking justice against domestic violence at different levels during the COVID-19 and the types of remedies have drawn attention. Besides, researchers have focused on capturing the effects of the pandemic on the lives of young people with regards to their employment and income, mental well-being, learning, perceptions of the future, and willingness to vaccinate. Furthermore, research objectives have been highlighted on the impact of the COVID-19 on areas like livelihoods and crisis coping mechanisms of the economically vulnerable population, to shed light on the COVID-19 vaccination programme, methodological innovations for generation of rapid and insightful data on the impacts of the COVID-19, roles of different actors including trade unions and workers' rights activists, while dealing with international buyers, RMG owners, and the government.

6.2 Methodological issues

About 88 per cent of the research studies undertaken from March 2020 to July 2021 have adopted various methodological intervention tools targeting SMEs and women entrepreneurs. Of which, 41.7 per cent studies are field survey-based and the rest (58.3 per cent) are interview-based (KIIs and FGDs). Different private and public research organisations and think tanks including CSOs have pursued field survey-based studies.

6.3 Sources of funds for conducting the studies

These studies have been carried out with the support of different national and international organisations including local and international NGOs (Table 9). A part of the studies has been carried out by the research organisations with their own funds. The ratio of both externally funded and self-funded studies is almost similar. Among the executed research studies, intervention from international organisations is the highest (38.6 per cent). Private organisations/CSOs (34.1 per cent) and individual (18.2 per cent) level of interventions are also commendable except the studies executed by public organisations (9.1 per cent). The limited level of research studies undertaken by public sector organisations during the time of pandemic is unexpected particularly considering that these organisations have better access to resources for pursuing required studies in support of policy making.

Table 9: Frequency distribution of Research Studies Conducted and Published from March 2020 to June 2021 by Types of Supports

Clusters	Parameters	Per cent
Types of support	Funded	54.6
	Own	45.5
	Total	100
Published by	Individual	18.2
	International	38.6
	Private/CSOs	34.1
	Public	9.1
	Total	100.0

Source: Prepared by authors, 2021.

6.4 Prioritisation of research topics

Private organisations or CSOs in cooperation with the international organisations and development partners have contributed to research studies targeting SMEs and women entrepreneurs (Table 10). Self-funded research studies are usually less in number. It is worthy to note that, all the studies executed by the researchers in their personal capacity are largely self-funded. Given the limited financial capacity, individual-level research is not so many in number. Survey-based research studies have been conducted based on the funds of international organisations including development partners. SME related issues have been mostly addressed by individual researchers with their self-interest targeting publications in the peer-review journals.

Table 10: Cross Tabulation of Types of Support and Publication Bodies

Published by	Types of support		Total
	Funded	Own	
Individual	0.0	40	18.2
International	37.5	40	38.6
Private/CSOs	50.0	15	34.1
Public	12.5	5	9.1
Total	100.0	100	100.0

Source: Prepared by authors, 2021.

Overall, impact of the COVID-19 pandemic on SMEs and women enterprises got more focus in the research studies undertaken during the pandemic period. Researches are relatively small in number in the case of non-traditional issues such as the process of recovery in businesses and the means and instruments used in this process. Often research undertaken with the support of international organisations/development partners have been carried out with mutual interest. However, some localised and domestically important issues missed the priority which has policy concerns for the country. Moreover, research could broaden the scope of work if the fund is available to accommodate those issues.

6.5 Summary observations and recommendations of the research studies

The studies related to MCSMEs, and women-led enterprises largely focus on the level of vulnerability, coping mechanism, level of access to stimulus packages, weaknesses in pursuing SME related research (such as due to data availability), payment burden of the small businesses, orientation with a digital market place, exploring the medium-term impact, resilience and recovery etc. Female labour-intensive enterprises have been hit the hardest which have caused a growing number of job loss and a widening gender gap (Islam, Rahman, & Nisat, 2021). Tables 11 and 12 presents the findings of these studies.

These studies have put forward a set of recommendations on different issues. In case of SMEs the recommendations include demand-oriented business and OSH related training for SMEs, OSH training at free of cost, extending support in a digital platform, a digital dashboard for real-time tracking, supportive financing for cluster-based backward and forward linkage SMEs, increased allocation for SMEs, distributing loan through SMEF, introducing CGS, increasing grace period for loan repayment, diversifying supply chains, create a digital market, promoting remote working practices and disbursement of credit at subsidised rates.

Table 11: Summary Observations/Findings and Recommendations/Suggestive Measures in the MCSMEs related Research Studies

Observations/Findings	Recommendations/Suggestive Measures	Studies
<ul style="list-style-type: none"> • Vulnerable sections having lower endowments leads to poor access to government stimulus packages, and other financial supports during the lockdown. • SMEs having OSH training led to higher revenue compared to those who do not have. 	<ul style="list-style-type: none"> • Small capacity firms having no support should be made resilient by intensive demand-oriented business and OSH related training. • National initiatives on OSH should be arranged at low/free cost. • Address the enterprises vulnerabilities and support them in delivery platforms. 	Islam, Rahman, & Nisat, 2021 ILO, 2020
<ul style="list-style-type: none"> • Poor implementation of stimulus packages. • Lack of data on borrower. • Lacks in identifying challenges of cluster-based small enterprises. • Demand drops and the burden of fixed costs increases. • Drastic fall in profit. • Job loss and widening gender gap. 	<ul style="list-style-type: none"> • Developing a digital dashboard to ensure real time tracking of MCSMEs loan disbursement and recovery. • Supportive financing for cluster-based backwards and forward linked SMEs. • Increasing allocation of Fund for SMEs. • Raising liquidity flow to commercial banks. • Negotiating with international development banks to provide low-cost credit support. • Distributing loans through SME Foundation to MCE who are not eligible for traditional bank loans. • Introducing Credit Guarantee Scheme (CGS). • Increasing grace period of loan repayment. 	CPD, 2021; Rahman, 2020; Khalily, Uddin, Ullah, & Tareq, 2020; Hassan, Khurshed, Sahoo, 2020; Islam, et al., 2020; Khatun, et. al, 2020
<ul style="list-style-type: none"> • Negative effect on businesses results lower revenue, liquidity crisis/small cash reserve. 	<ul style="list-style-type: none"> • Policies to bring informal businesses under the umbrella of formal post-disaster response and recovery support are at the heart of the government’s contingency plan. 	Qamruzzaman, 2020; Hossain, 2020a; SANEM, 2020; Chowdhury, M., Sarkar, A., Paul,

(Table 11 contd.)

(Table 11 contd.)

Observations/Findings	Recommendations/Suggestive Measures	Studies
<ul style="list-style-type: none"> • There are efforts to innovate coping mechanisms like temporary close-down, maintain social media visibility, adding products that are now in demand. 	<ul style="list-style-type: none"> • Supports are needed from the government to enterprises that have no formal registration or trade license. • It is crucial to work on diversifying supply chains, policy interventions to save MSME, and support to improve connections with global supply chains. 	S.K., & Muktadir, M. A., 2020; Lalon, 2020-
<ul style="list-style-type: none"> • There is complete information, risk-averse attitudes of the MSEs. • There are scopes to improve productivity through digitalisation, improving internal capabilities digital skills, and flexible management. • MSE's size, degree of formalisation, export orientation and the information intensity, the local digital ecosystem, MSE's business network, and broader social and policy environment are crucial determinants for survival and business recovery. • Digital wage payments to result in increased savings and market externalities, avoiding charges by mobile money agents. 	<ul style="list-style-type: none"> • Measures to bridge digital divides- to work on digitally-enabled formalisation programmes; to improve supply chains; and to create platform markets. 	-Khalily, Uddin, Ullah, & Tareq, 2020; Rahman, 2020; ILO, 2021; ILO, 2021; Garz, Garz, Kipchumba, & Sulaiman, 2020; CPD, 2021-
<ul style="list-style-type: none"> • Severe challenges of SMEs that include financial constraints, bureaucracy, lack of knowledge and interest, communication problem, high employee turnover and difficulty to find trustworthy employees implementing remote working practices. 	<ul style="list-style-type: none"> • Convincing the benefits of remote working practices. • Implementing remote working practices in the SMEs not only during the COVID-19 pandemic but also for the long-term. 	Islam, Igwe, Rahman, & Saif, 2020
<ul style="list-style-type: none"> • An adjustable integration of various ranges of cash-flow management initiatives. • Cash flow targets, clear payment terms, use of technology, revisiting variable costs, extend payables, and government schemes can help SMEs to endure throughout this turbulent time. 	<ul style="list-style-type: none"> • Government should invest in mobilisation and efficient reallocation of resources through the collaboration of both Banks and FIs. • SMEs need to build strong financial control and management skills for their success and survival. • Need to develop better strategies and policies to enhance SMEs development. 	-Islam, Mansoor, Rahman, Wahab, 2020-
<ul style="list-style-type: none"> • Short-term impacts of this pandemic, such as product expiry, shortage of working capital, and limited operations of distributors, are severe. • The medium-to-long-term impacts promise to be complex and uncertain. • In the longer term, various performance metrics, such as return on investment by the firms, the contribution of the firms to the gross domestic product (GDP), and employee size, are all expected to decrease. 	<ul style="list-style-type: none"> • Firms may be supported to restructure their supply chain and build relationships with new distributors and trade partners. 	-Chowdhury, <i>et al.</i> , 2020; SANEM, 2020-
<ul style="list-style-type: none"> • Of the MSMEs, 21 per cent of firms have temporarily shut their businesses due to the pandemic. 	<ul style="list-style-type: none"> • Rates of interest could be subsidised to 5 per cent; 	-IFC, 2020; UNIDO, 2021-

(Table 11 contd.)

(Table 11 contd.)

Observations/Findings	Recommendations/Suggestive Measures	Studies
<ul style="list-style-type: none"> • 94 per cent of firms reported declining sales figures. <ul style="list-style-type: none"> ◦ The same figure for women-owned MSMEs stood at 95 per cent. • 70 per cent of workers were in a vulnerable position as they were employed in businesses that were either temporarily closed or were partially open. • 24 per cent of firms reported that they would be able to continue to pay out their EMIs on a regular basis. • 83 per cent firms made losses. 	<ul style="list-style-type: none"> • Financial inclusion is an area that can be looked at; • The government should continue providing credit to MSMEs through MFIs; • Continue providing tax reductions for at least the next 3 to 5 years; • Continue supporting financing costs for at least the next 3 to 5 years; • Expanding the possibility of subsidising the cost of electricity and other utilities for an extended period. 	

Source: Prepared by authors, 2021.

In the case of women-led enterprises, the suggestions include ensuring stimulus package for women enterprises, adopting a multi-stakeholder approach to identify gender-specific needs, strengthening technical education and apprenticeship on digital literacy, awareness-raising campaign on CGS, special incentives for commercial banks to extend credit to women enterprises, reduce the pressure of unpaid care work, developing loan policy considering gender-specific issues, ratifying ILO conventions related gender issues include convention 190, and encouraging women to join trade unions and workers organisations.

It is important to review how these policy recommendations have been reflected in the policy documents related to the covid pandemic.

Table 12: Summary Observations/Findings and Recommendations/Suggestive Measures in the Women related Research Studies

Observations/Findings	Recommendations/Suggestive Measures	Studies
<ul style="list-style-type: none"> • Laying off employees. • Giving discounts, and cancelling orders. • Stopping cash on delivery service (COD). • Temporarily closed firms that are smaller in size and operate as a secondary income source. • No access to formal financial support. • Mostly rely on personal savings and loans from friends and family. 	<ul style="list-style-type: none"> • Ensure the fiscal stimulus package reaches the target set for loans to women entrepreneurs. • Adopt a multi-stakeholder approach and work with the Women’s Chamber of Commerce, business associations, large businesses, multilateral organisations, and civil society organisations at national and local levels to work with women MSMEs to identify gender-specific needs. 	-CPD, 2021; Rabbani, Zahan, & Matin, 2020; Khalily, Uddin, Ullah, & Tareq, 2020; Hossain, 2020b-
<ul style="list-style-type: none"> • Pre-existing gender gaps influence direction and size of DFS effects on WEE, digital literacy. • The investment return on digital literacy can be delayed. • Digital wage payments have increased savings and positive market externalities. • Female labour-intensive work (i.e., beauty parlour, tailoring) was affected harder. 	<ul style="list-style-type: none"> • Strengthening technical education and apprenticeship system to reduce digital literacy. • Long-term investment in digital literacy, innovation, management, mindset etc.. • Awareness-raising campaign of the recently introduced CGS. • Provide incentives to commercial banks on special services for women entrepreneurs. 	Khalily, Uddin, Ullah, & Tareq, 2020; Rahman, 2020; ILO, 2021; ILO, 2021; Garz, Garz, Kipchumba, & Sulaiman, 2020; CPD, 2021

(Table 12 contd.)

(Table 12 contd.)

Observations/Findings	Recommendations/Suggestive Measures	Studies
	<ul style="list-style-type: none"> • A new stimulus package for women entrepreneurs should be declared with increased quota for other packages. 	
<ul style="list-style-type: none"> • The absence of workforce impeded initiating online ventures. • Manipulation of raw material prices to the women entrepreneur. • Wholesalers' attitude results in high cost of business operation. • High delivery charge. • Absence of driver for restricted interaction. • Delivery problem. • Absence of production workers at home. • No sale of products. • Financial constraints of young women (particularly divorced) due to business loss. • Possibility of sexual harassment in the public sphere; • Delivery problem by a woman for gender-stereotypical attitude. 	<ul style="list-style-type: none"> • Reduce the pressure of unpaid care and domestic work on women entrepreneurs. • To develop the loans policy by considering the gender-specific problems of women business owners. • By paying attention to the gendered problems, policymakers need to address the issue of women in delivery service by taking measures. • It requires developing suitable policies to support women business owners in the preparation for online commerce. 	Jaim, 2020-
<ul style="list-style-type: none"> • Female leaders used social media for campaigns and protests and were more vocal. • Plant-level women leaders were not highlighted. • Lack of information, communication, and unity among TUs. • Limited publicity of success stories. • Minimal representation at media and meetings. 	<ul style="list-style-type: none"> • Engaging in social media to increase their visibility. • Highlighting the contribution of female plant-level leaders. • Motivating more female workers to join trade unions. • More participation in tripartite committees and meetings. • Ratifying ILO Convention No. 190. 	Antara, 2020.

Source: Prepared by authors, 2021.

6.6 Period-wise changes in challenges in research observations related to SMEs and women entrepreneurs

Research studies have identified several challenges experienced by SMEs and women-led enterprises. However, the pattern of these challenges is different in terms of their nature and types with the evolving nature of the pandemic (Table 13). Likewise, the recommendations made in these studies are different considering the evolving character of the challenges. During the first wave of pandemic (April-May 2020), most of the challenges confronted by these enterprises are related to challenges of survival and difficulty in getting access to the packages. After the first wave, the nature of challenges has changed – most of these are related to limited access of the stimulus packages, size of the stimulus packages, coverage and effectiveness of those packages to the targeted beneficiaries. In the second wave of the pandemic, the challenges have evolved particularly related to the difficulty in recovery such as the limited capacity of digital marketing, lack of ability to use digital technologies by women entrepreneurs, the introduction of a new package for female entrepreneurs and effectiveness of credit programmes undertaken during the pandemic period.

Table 13: Period wise Challenges of SMEs and Women Entrepreneurs

<p>Period 1 (During 1st wave of the COVID-19)</p>	<p>Period 2 (After 1st wave of the COVID-19)</p>	<p>Period 3 (During 2nd wave of the COVID-19)</p>
<ul style="list-style-type: none"> Informal businesses remain untapped by the formal policy interventions of the government to address their challenges. 	<ul style="list-style-type: none"> SMEs and women enterprises are vulnerable to lockdown having a lower endowment, poor access to government stimulus packages, and other financial supports. SMEs and women enterprises having OSH training led to higher revenue. Small capacity firms having no types of support should be made resilient by intensive demand-oriented business and OSH related training. Policy response on OSH can be addressed by arranging at low/free cost. 	<ul style="list-style-type: none"> Lack of digital literacy among women entrepreneurs aggravated their business activities. Policy interventions such as awareness-raising and training to women entrepreneurs on the use of technology could have been contributed otherwise.
<ul style="list-style-type: none"> Businesses were burdened with their previous debt which further aggravated their financial duress during COVID-19. Debt relief measures for businesses and individuals are absent which could have been addressed by the policymakers. 	<ul style="list-style-type: none"> Policy responses are needed to address the enterprises vulnerabilities and support delivery platforms. 	<ul style="list-style-type: none"> The government response should highlight how entrepreneurs can purchase innovative new technologies, with the explosion of digital capabilities, AI, IoT and interconnectivity and cloud-based resources.
<ul style="list-style-type: none"> For SMEs, tax payment is burdensome during COVID-19. Tax-exemption facility could be introduced on yearly turnover limit. Considering 'carry back loses' against taxable profits for previous two years, and deferred payment of quarterly AITs could also be provided as policy intervention. 	<ul style="list-style-type: none"> Firms may need to restructure their supply chain and build relationships with new distributors and trade partners. 	<ul style="list-style-type: none"> Lack of knowledge about the stimulus packages among SMEs and women entrepreneurs could have been reduced by the policy intervention through awareness-raising programme at the rural level engagement of local government.
<ul style="list-style-type: none"> Lack of coordination of policymakers with business associations, chambers, local business associations and specialised commercial banks for identification and selection of the affected SMEs. 	<ul style="list-style-type: none"> Measures to bridge digital divides, digitally-enabled formalisation programmes, supply chains, platform markets. 	<ul style="list-style-type: none"> Challenges of women entrepreneurs to access formal financing supports have been well noted by the researchers. They have suggested a new package for women entrepreneurs which has not been introduced yet except reserving quota for women entrepreneurs in various stimulus packages. In addition, quotas for women entrepreneurs are less considering the number of total women entrepreneurs in the whole MCSMEs sector.

(Table 13 contd.)

(Table 13 contd.)

Period 1 (During 1st wave of the COVID-19)	Period 2 (After 1st wave of the COVID-19)	Period 3 (During 2nd wave of the COVID-19)
<ul style="list-style-type: none"> Lack of a digital database for credit rating system which could have stimulated the loan disbursement process quicker at a lower cost. 	<ul style="list-style-type: none"> Supportive financing for cluster-based backwards and forward linked SMEs with increased allocation of Fund and raising liquidity flow to commercial banks. 	<ul style="list-style-type: none"> Loan disbursement through commercial banks are not effective in terms of providing to the informal businesses and those are not in the line of formal financing supports. Hence, researchers have suggested government-NGO collaboration for providing loans at rural and remote areas to the informal and those who are away from formal financial supports.
<ul style="list-style-type: none"> Lack of financial support for MSMEs especially for working capital schemes considering their financial weakness during the COVID-19 and inability to pay wages for their workers. Besides, lack of other monetary supports like waiving rent of the government-owned spaces, and utility bills for MSMEs are absent. 	<ul style="list-style-type: none"> Rates of interest could be subsidised to 5 per cent. Financial inclusion is an area that can be looked at. 	<ul style="list-style-type: none"> More than per cent of women entrepreneurs have a lack of financing to adapt their businesses to the Covid-19 restrictions. Besides, women entrepreneurs have shouldered additional household responsibilities as well as taking time away from their businesses due to the absence of domestic help.
	<ul style="list-style-type: none"> Lack of digital dashboard on loan information, policymakers could not easily monitor progress and revise/augment strategies as and when necessary. 	<ul style="list-style-type: none"> Women entrepreneurs had to change their business platform as a coping mechanism, Concessional loans in this regard were not targeted or provided.

Source: Prepared by authors, 2021.

7. RESEARCH-POLICY LINKAGES

Sections 5 and 6 discussed about different aspects related to policy responses and research initiatives undertaken during the pandemic period. Following analyses reveal how the research have been reflected in the policy recommendations through a gap analysis. A total of four gaps have been identified and have been analysed below – (a) selection process gap; (b) implementation gap; (c) issue related gap; (d) operational modality gap.

7.1 Selection process gap

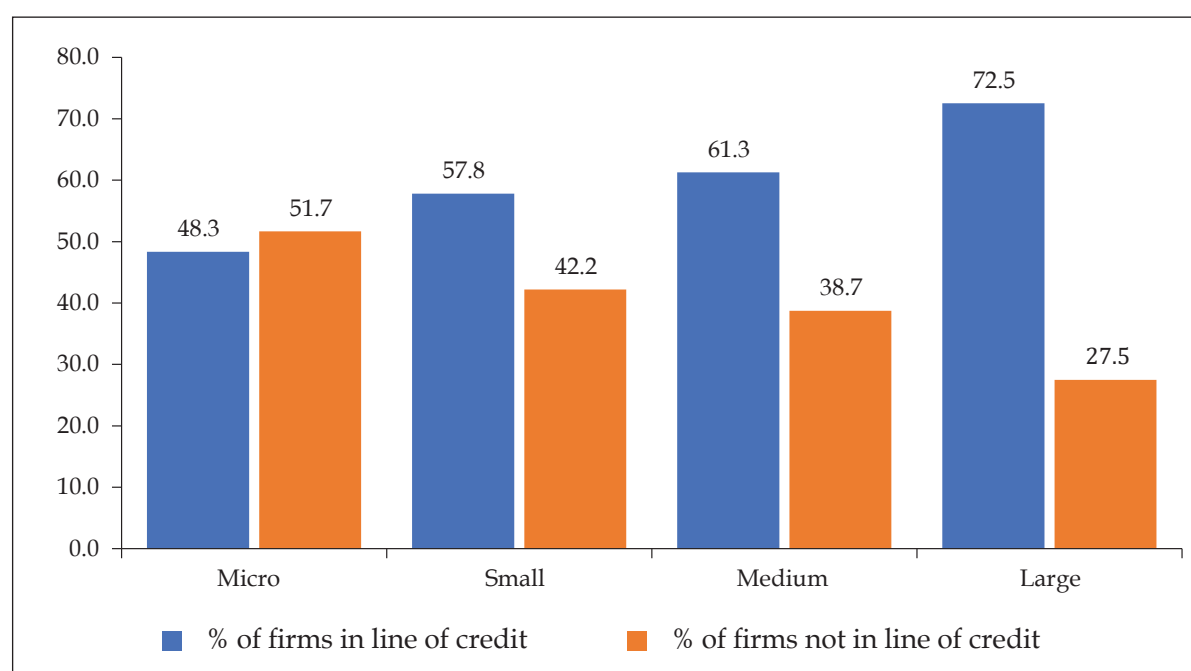
In terms of figuring out policy tools, not only the conventional challenges but the emerging challenges have also been influencing the selection of policy tools. According to the stakeholder consultation with the government officials, a number of challenges were dominant during the initial period of the pandemic which include paucity of research, limited time to conduct survey-based studies, lack of innovative ideas to adapt during the crisis period. The policy-making was influenced by the urgent need for the assistance of businesses which was raised by business associations and pressure from large borrowers. The policy-makers have considered

the concerns of other stakeholders including the SMEs and women-led enterprises in the later phases and thereby assistance has been provided to almost all other sectors.

Due to the lack of sufficient guidance from the policy-makers in selecting borrowers, the packages have been made broad-based covering all the SMEs. Hence, a number of challenges emerged in the selection process such as lack in the specification of area, gender and racial issues. Due to the specification gaps, challenges like – stringent regulatory challenges (e.g., requirement of a valid trade license for accessing stimulus package loans), lack of coordination between the government agencies, misinformation from the supply-side actors and lack of awareness among the demand-side actors, lack in-market support and linkages – have influenced the borrowers’ reluctance and curtailed their possibility to access the packages. Besides, the CGS scheme, one of the supportive measures, is beset with stringent rules like higher fees.⁶

MCSEs do not have sufficient access to the financial support related packages. From the pre-pandemic period, these enterprises are on the backfoot to avail of government declared support packages. Medium and large enterprises are mostly involved with the banking channel even before the pre-pandemic period (Figure 4). In fact, the process of selection was faulty even before the pre-pandemic period. The support for MCSEs were even availed by medium and large enterprises by doing unethical business practices.

Figure 4: Line of Credit Status in Manufacturing Industries by the Size



Source: SMI, BBS, 2019.

The number of MCSE enterprises in manufacturing sectors has been found 46,110 by a recent survey of Bangladesh Bureau of Statistics (BBS). Meanwhile, the Bangladesh Bank regularly publishes loan data to MCSMEs based on their size, and the male-female ratio of loan distribution. The data of Bangladesh Bank reveals that so far, the bank has distributed loans to 83,758 enterprises in the manufacturing sector (Table 14). Almost two times higher than the

⁶Also, the defaulters need to wait three years for filing an application for getting loans under the system.

actual number of enterprises exists as per BBS data. This could be possible only when the loan is revolving in nature and the same firms have taken a loan more than once. Otherwise, there may have a selection gap between the two organisations.

Table 14: Differences in number of Enterprises between Reported by the BBS and Bangladesh Bank

Sectors	Number of Enterprises received a loan (Cumulative)	SMI Survey 2019 suggest actual enterprises exist
Cottage	16,662	
Micro	20,710	16,770
Small	34,174	23,306
Medium	12,212	3,178
Large		2,856

Source: Author's analysis based on SMESPD and BBS.

7.2 Implementation gap

During the initial time of the COVID-19 impact upon the business activities, it was difficult to apprehend the challenges in implementing the declared stimulus packages in full. Hence, the official circulars needed to be amended considering the challenges. Thereby, amended circulars have been issued considering the challenges and the demand of the borrowers. Overall, conventional policy tools which were applied during the pre-pandemic period have been found to be of limited effectiveness during the crisis time.

In terms of implementing the stimulus packages, structural and institutional challenges/gaps have been identified in different studies. A major observation is that the government has avoided providing loans on a cluster-based approach (for example in rural SMEs) perhaps with a view to quick implementation of the package. According to the stakeholder consultations, actions against the reluctance of banks/financial institutions to finance women entrepreneurs especially in rural areas and their unwelcoming attitude towards new female borrowers have not been addressed. In the absence of such actions and lack of documentation of such measures, banks/financial institutions did not get any signal for non-compliances from the regulators.

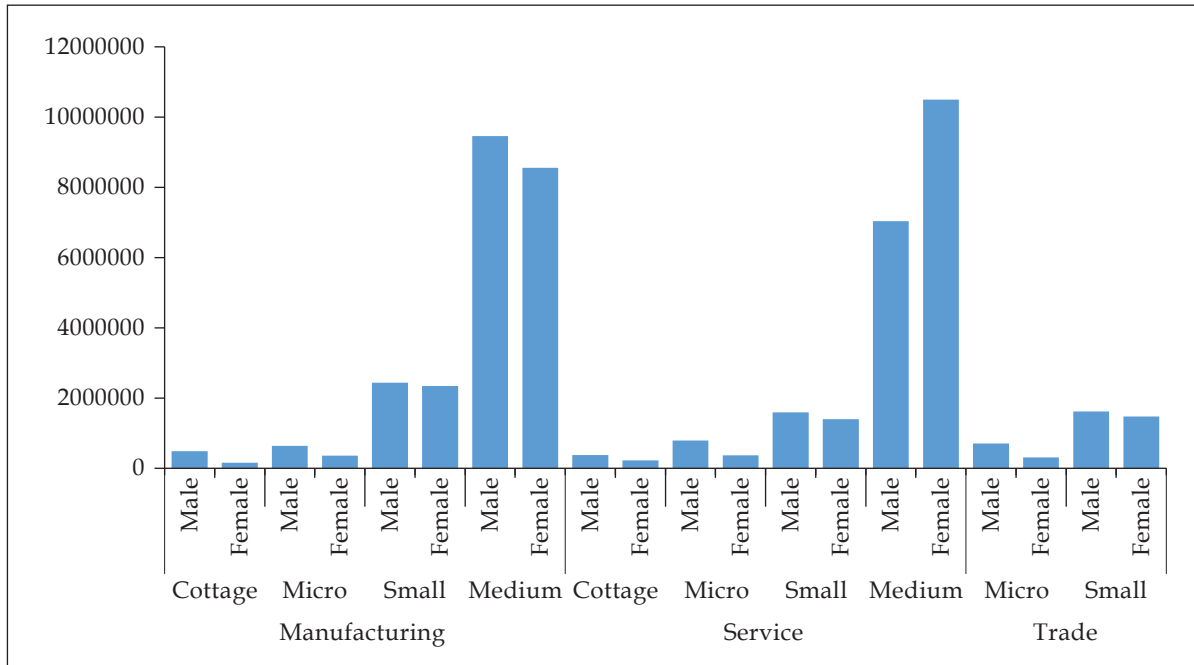
Besides, the lack of sector-specific need assessment has affected the design and implementation of the SME packages. The rural-urban difference in the disbursement of stimulus loans has created a disparity during the crisis time.

According to the stakeholders, the loss caused by the COVID-19 to the SMEs and women entrepreneurs could not be recovered overnight. The short duration (e.g one year subsidised) of the stimulus package loan is least beneficial to the SME and women entrepreneurs as they need long- term support to revive from their losses. Also, entrepreneurs are applying for a loan to expand their business while the loan is available for working capital.

Alike to the condition of other packages, loan distribution based on the “banker-client relationship” has been benefitting existing borrowers and leaving new borrowers behind. Also, SMEs and women entrepreneurs because of their weak financial condition stated in their bank statements could not support them to get the necessary fund. The differences in accessing financial supports among different categories of enterprises are evident in Figure 5.

Figure 5: Average Loan Amount Enterprises Received in Rural Areas

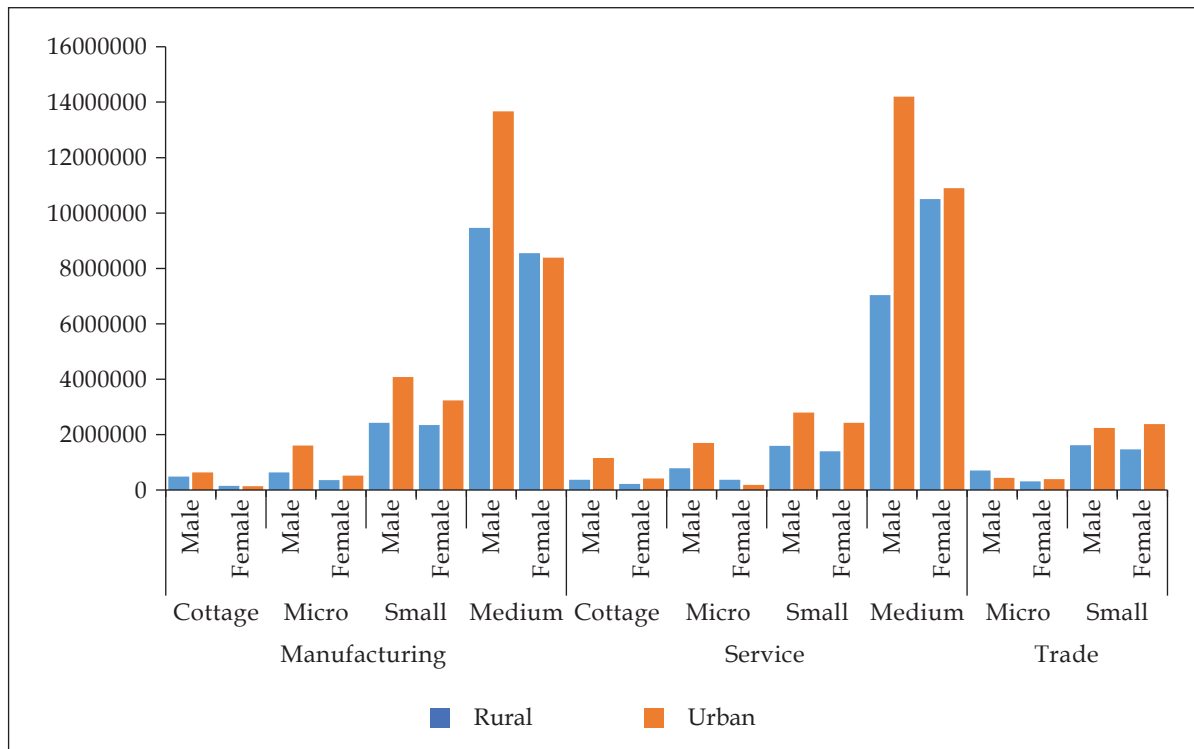
(in crore BDT and data as of 30 June 2021)



Source: SMESPD, Bangladesh Bank, 2021

Figure 6: Average Loan Amount Enterprises received by Rural-urban Areas

(in crore BDT and data as of 30 June, 2021)



Source: Prepared by authors, 2021.

The disparity in distribution persists both in size and gender point of view. Bigger firms and male-dominated firms are advantageous in getting fund from banks.

Male-female loan distribution shows a dismal picture of gender-sensitive policy interventions. Women entrepreneurs in MCSMEs sectors are behind in terms of access to finance. It is interesting that the women entrepreneurs in the cottage from urban areas have received less amount of loans compared to those of rural areas. In general, the loan distribution in rural areas is lower than that of urban areas (Figure 6). Medium and large enterprises are the major beneficiary of these supportive financial packages.

7.3 Issue related gap

The stakeholders of the government have identified a number of issues where gaps persist between policy-researches. These include lack of research materials addressing the COVID-19 related challenges for SMEs and women entrepreneurs, lack of voices and representation of SMEs and women-led enterprises at national policy level meetings etc.

The supportive measures addressing linkages with the market over online platforms and related supports like improving digital literacy on virtual market platforms among women entrepreneurs were missing. Since organising SME fair was difficult considering the health risk during the pandemic period, the policymakers could have supported it either by organising virtually or financially due to their losses caused by halting the event. It is important to note that, export opportunities are less for SMEs, so are the supportive measures related to export-oriented products. It has been found that the products of women entrepreneurs are not standard in terms of innovation and uniqueness compared to the others. Hence, research and development related support for product development targeting women entrepreneurs is needed.

7.4 Operational modality gap

It is to be noted that, the loan disbursement under the stimulus package has caught the attention due to the subsidised interest rate. The package is accessible to the formal sector SMEs who have the financial records as well as documents on compliance-related issues. Besides, these types of SMEs have a satisfactory level of bank-client relationship which is a criterion to avail the stimulus package loan. However, this particular condition is more like a barrier to the new and marginal entrepreneurs to access the stimulus package loan as these entities do not have any prior banking records. Table 15 presents category wise loan disbursement to MCSMEs. The

Table 15: Category Wise Loan Disbursement of MCSMEs by Share of Loan Received Out of Total Disbursement and Average Amount of Loan Received Per Establishment

Year	Indicators	Cottage	Micro	Small	Medium
2019	Share of loan received	0.8	9.8	60.5	28.9
	Loan received per establishment	508,211	582,092	2393,540	11839,624
2020	Share of loan received	0.8	12.4	57.7	29.1
	Loan received per establishment	287,080	627,477	2204,260	11724,509

Source: Author's analysis based on SMESPD, Bangladesh Bank.

share of loan disbursement is almost similar during the pre, and post COVID-19 period. It is likely that the banks/financial institutions have disbursed the loan based on their bank-client relationship, thus the access to the new entrepreneurs was minimal. It can be concluded that the bank-client relationship basis loan disbursement process has been decided by the government due to the risk mitigation and quick disbursement strategy, where the existing vulnerable enterprises have received minimal to almost no financial support due to this particular policy responses, and have been forced either to shut down or reduce their operational activities.

The central bank has issued a circular targeting new entrepreneurs' refinance fund for small enterprises. This circular is titled "Small Enterprise Refinance Scheme, Refinance Scheme for Setting up Agro-Based Product Processing Industries in Rural Areas, and Refinance Scheme for New Entrepreneurs to support MCSMEs" issued on May 7 2020, SMESPD circular letter no-2. The central bank expanded the opportunity for funding of new entrepreneurs under this circular for small enterprises. Table 16 presents loan disbursements to new enterprises for different categories of enterprises. Despite the enhancement in credit disbursement, the loan disbursement growth rate in MCSMEs categories during 2020 was lower compared to other categories. In other words, loan disbursement to new entrepreneurs under MCSMEs did happen at a lower level during the pandemic period. Besides, the banks are also reluctant to distribute loans following their strategy to reduce operational cost and mitigation of risks of default loan during the COVID-19.

Table 16: Status of Loan Disbursements to New Enterprises by Categories

(in billion BDT)

Category	Amount & no of recipient	2019	2020	% Δ in 2020
MCSMEs	Number of enterprises	131,003	138,572	5.8
	Disbursement amount	233.24	182.19	-21.9
Cottage	Number of enterprises	7,781	14,160	82.0
	Disbursement amount	3.71	3.24	-12.7
Micro	Number of enterprises	47,572	57,949	21.8
	Disbursement amount	35.18	32.52	-7.6
Small	Number of enterprises	69,947	62,522	-10.6
	Disbursement amount	140.5	107.44	-23.5
Medium	Number of enterprises	5,703	3,941	-30.9
	Disbursement amount	53.84	38.99	-27.6

Source: Author's analysis based on SMESPD, Bangladesh Bank.

In addition, the government has moved away from its stance on the earlier commitments which have been reflected in the national policy documents. For example, the stance of the government to provide 15 per cent loans to women entrepreneurs has not been materialised during the policy implementation process. Rather the government reduced the disbursement target.

7.5 Institutional gap

Bangladesh Bank considers the supply side challenges of the loan schemes; demand-side issues have been reflected indirectly by the Central Bank as it has limited scope to communicate and record the concerns of borrowers. It is usually the bankers who present the borrowers' challenges during their meeting with the Central Bank.

The difference in time is another challenging factor due to the time-lapse between background research studies and the formulation of policies. Policymakers faced difficulty in bridging the time lapse between the two. Hence, during the initial phase of the pandemic, there was no scope to consider evidence-based comprehensive research studies to formulate packages. Media played a crucial role in sharing information and inputs at that early stage of the pandemic. Research inputs were minimal in terms of interventions provided by different public organisations such as SMEF. A few research inputs have been considered by SMEF from the research studies conducted by private/CSOs or individuals. SMEF conveyed the opinion/challenges of borrowers to the government representatives whenever the officials of SMEF attended workshops/seminars/other events arranged either by the SMEF or by the ministry. In some cases, policy formulation has been carried out by the internal research team of the SMEF.

The Central Bank under the directives of the government formulated loan-related policies during the pandemic period. In a few cases, the Bank used research inputs for policy formulation. For example, the Bank changed the circular and ordered the commercial banks to disburse 70 per cent loans among MCS and 30 per cent among medium enterprises. In addition, the Central Bank took into consideration the suggestion made by the research studies for introducing a credit-guarantee scheme (CGS) with a view to increasing the financing to the MCSE. However, the response of banks in enhancing credit to the SMEs under the CGS remained poor.

On the other hand, the micro-enterprises are mostly unregistered entities and have not yet received any formal attention from policymakers. Thus, the harder their access to the formal financial scheme is the easier it is to the micro-financial institutions.

Bangladesh Bureau of Statistics (BBS) has an important role in terms of providing evidence to policymakers. However, during the pandemic, BBS neither intervened regarding the policy responses nor assessed or conducted any study in terms of their impact on those responses to gather evidence. Even to date, there is no updated document available regarding the list of stimulus packages and their disbursement status to the government.

Lack of information in both pre and post-pandemic levels is a barrier to recognise the challenges of the SMEs and women entrepreneurs as without evidence the scope of policy response wither out.

8. CHALLENGES OF INTERLINKAGES BETWEEN POLICY AND RESEARCH

Earlier section (Section 7) presents the gap between policies and research in different areas. Despite those gaps, the policymakers and government officials have their own ways to respond to the research recommendations. Table 17 presents how policymakers and researchers responded to each other during the period of the pandemic.

Due to the necessity of urgent COVID responses, policymakers/government officials took measures in a 'top-down approach. Such policy responses are found in the case of credit programmes for MCSMEs and women-led enterprises. It is important to note that relevant policies have made a number of amendments afterwards. However, the inputs provided by the research studies, in most cases, did not necessarily reflect in full in the amendments of the policies/measures. Moreover, there are legal/procedural issues involved which need to

be taken into account while revising the operational plan of policies and thereby, the revised policies could not accommodate the research recommendations in full.

Table 17: Policymakers-Researchers Interlinkages

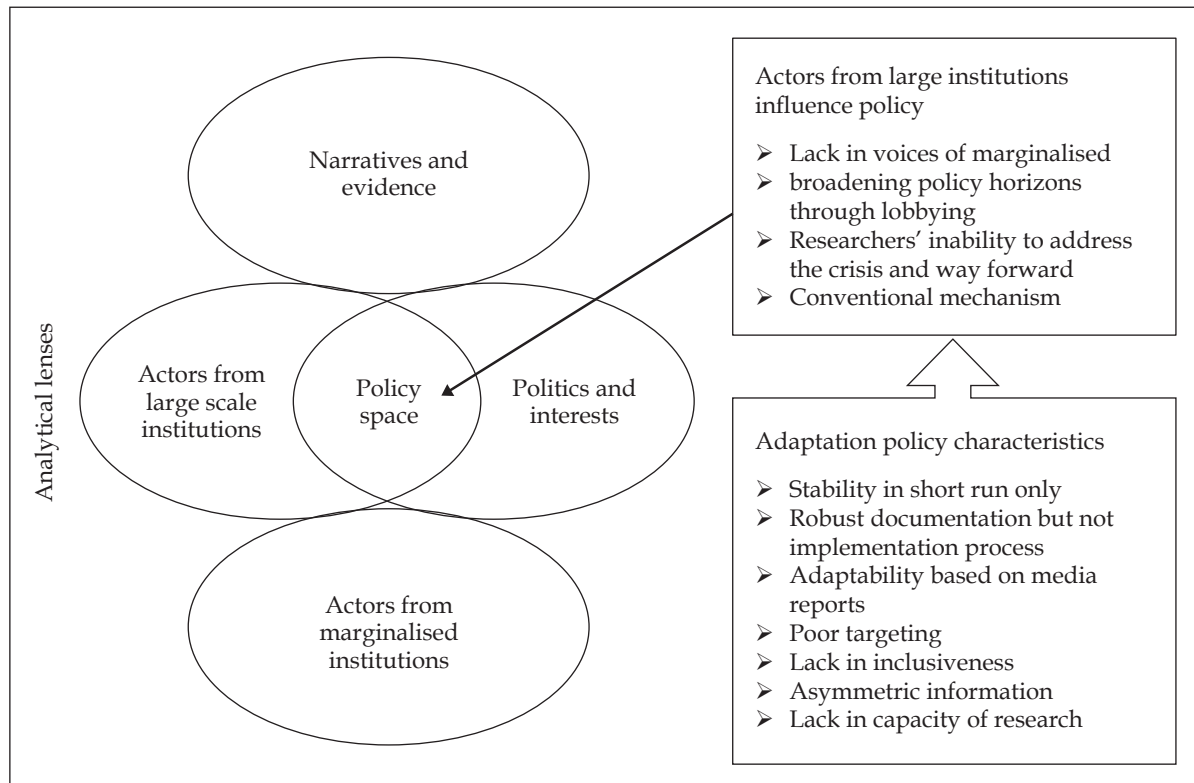
Policymakers’ Immediate Response to the COVID	Researchers’ Inputs	Policymakers’ Response on COVID Development/Research Inputs
Special credit facilities for the MCSMEs sector	<ul style="list-style-type: none"> • Increase the disbursement. • Reach rural entrepreneurs. • Increase coverage • Expand stimulus packages. • Continue packages for 2 to 3 years. 	<ul style="list-style-type: none"> • Additional refinance fund for the COVID-19 affected MCSMEs sector from FY22. • Loan to be distributed for 3 years under refinance facility.
Incentives to women entrepreneurs in the MCSMEs sector to disburse loans	<ul style="list-style-type: none"> • A new package for women, reducing the cost of funds, expansion of package and increasing quota for women. 	<ul style="list-style-type: none"> • Min. 15% to go to women entrepreneurs where 1% incentive as cashback upon repayment. • Interest rate at Bank end refixed 0.5% and at borrower end 5 % from 3% & 7%.
	<ul style="list-style-type: none"> • Credit Guarantee support to the MCSMEs. 	Credit Guarantee Scheme for Cottage, Micro and Small Enterprises (MCSE) introduced.
BDT 500 crore start-up refinance fund introduced	Reduce tech-literacy gap, develop digital platform media, training and awareness on technological issues, market linkages of SMEs and their capacity development	<ul style="list-style-type: none"> • The fund may be used for the SMEs for the innovation and advancement of new products/ services/ processes/ technologies that are new and innovative. • Training certificates can be used as collateral
Addendum of credit facility for the COVID-19 related investments to RMG factories under Social-Upgradation of SREUP	Tailored OSH and business training to enable their resilience capacity	<ul style="list-style-type: none"> • Pre-finance credit facility to upgrade work environment on improving safety/health hygienic facility

Source: Prepared by authors, 2021.

Figure 7 presents a modified version of research policy interlinkages in the context of the COVID-19 pandemic in Bangladesh. In case of Bangladesh, all the components could not play their due role in influencing policy spaces. A total of four actors are identified in research-policy interlinkages which include – (a) actors from large scale institutions; (b) actors from marginalised institutions; (c) politics and interests and (d) narratives and evidence. Among the four components strong role is played by – (a) actors of large scale institutions and (b) politics and interests. On the other hand, very limited influence is observed by – (c) actors from marginalised institutions and (d) narratives and evidence. The policy-making mechanism is weak and lengthy where most of the entrepreneurs are not fully aware of the policymaking process targeting the vulnerable groups.

A major challenge in expanding research-policy interlinkages is marginalised groups have a lack of voices and a lack of lobbying capacity which could hardly change by the research unless government and policymakers provide necessary support in these cases. The conventional practices to address the challenges of marginalised would hardly make suitable results. Hence, the participatory nature of policymaking process is highly important.

Figure 7: A Modified Research-policy interlinkage based on the COVID-19 context of Bangladesh



Source: Author's illustration based on Bangladesh's perspective.

In terms of adaptation of policies during the period of pandemic following features are identified – (a) stability in the short run only; (b) robust documentation of policy measures but less engagement in implementation; (c) media reports play an influential role in terms of adaptability; (d) poor targeting affected policy adaptability; (e) lack of inclusiveness; and (f) asymmetric information affects the adaptability process.

All the above-mentioned issues need to be taken into account while putting forward a set of suggestions for better policyresearch interlinkages.

9. WAY FORWARD

In a polito-economic environment of top-down nature of policymaking, establishing research-policy interlinkage is not so easy. The situation gets more complex when the country confronted an unprecedented health and economic emergency such as the COVID-19 pandemic. Despite various structural weaknesses and operational limitations, a modest level of relationship between policy responses and research related to SMEs and women-led enterprises has been observed. However, the relationship is not strong enough to transform the policymaking process, to fully transparent and accountable operational modalities, and ensure effective outcomes from the policies. Following are the recommendations for strengthening the policymaking process.

- (a) *The effectiveness of large number of official circulars on stimulus packages could be strengthened if demand-side issues raised by research studies are properly taken into account:* The large number of official circulars issued by the Bangladesh Bank on disbursement of credit indicates various initiatives undertaken to smoothen the loan

operations of the commercial banks/financial institutions. In those circulars, supply sides issues (such as challenges of banking operations) have been more addressed compared to that of demand-side issues (challenges of borrowers). The Central bank should take into cognisance of supply sides issues based on various research studies undertaken on supply-side concerns.

- (b) ***Better specification of stimulus packages in terms of the level of vulnerability of different categories of entrepreneurs as reflected in research findings could ensure better outcomes:*** The stimulus package for SMEs and women-led enterprises are often found with a limited level of specification which could partly contribute to the need of the target groups. In this context, researchers have extended evidence on the specification and targeting of stakeholder groups related to SMEs and women-led enterprises. Policymakers should take the findings into account. Despite having the specification, the target groups would not be benefitted much, if adequate fiscal space is available to the government for implementing a broad-based loan programme.
- (c) ***Research should focus on generating evidence based on rigorous analytical frame, robust methodologies and survey-based data:*** While a large part of research undertaken during the pandemic period on SMEs/women-led enterprises is survey-based, the findings are sometimes found with little specificity. In order to get better attention in the policy making process, research should generate evidence that could be used as per the requirement of the policy -making process.
- (d) ***Policy space created during the pandemic period should ensure equal access and influence of key stakeholders/factors:*** The policymaking during the pandemic period is largely influenced by large scale institutions under the public and private sector and political processes. The voice and representation of the marginalised in the process is largely missing. It is important to ensure the voice and representation of the marginalised groups including SMEs and women-led enterprises so that more inclusive policymaking could be ensured.
- (e) ***The terms and conditions at the borrowers' end need to be flexible as research reveals those as barriers for disbursement of stimulus package:*** A major weakness in loan disbursement during the pandemic period is – the terms and conditions for loan disbursement have been kept remain the same as those existing in the pre-COVID period. Hence, prospective borrowers found it difficult to comply with the terms and conditions have given the new reality of business-related difficulties during the pandemic period. Taking the findings into account, the terms and conditions followed by the commercial banks/financial institutions need to be flexible for SMEs/women-led enterprises.
- (f) ***Easing policies targeting SMEs and women entrepreneurs:*** Targeting policy tools for SMEs and women entrepreneurs is always difficult in terms of selection and identification of the beneficiaries since these entities are mostly informal and are not registered with the government database. Government can generate data through GO-NGO collaboration and reach the doorstep of the beneficiaries. That sort of policy intervention can be availed from surveys and census of BBS as well as through inter-ministerial collaboration.
- (g) ***A comprehensive database could facilitate undertaking evidence-based policymaking:*** There is no comprehensive database on SMEs and women-led enterprises which suffered both the policymaking process as well as undertaking in-depth research. Formalisation of these small enterprises is an important step to keep them in the public policy loop. Such formalisation could help develop a comprehensive database on these enterprises. Researchers would be able to undertake more robust studies which could better facilitate the policymaking process.
- (h) ***Bridging the time gap between research interventions and policy responses is highly important:*** During the early stage of the COVID-19, the government took some rapid policy

responses based on the initial information received from associations, media, and also in line with the demand from the large businessmen. There is a paucity of research materials targeting SMEs and women entrepreneurs during the early phase of the pandemic. However, researchers made a better contribution during the following periods. Reducing the time gap between public policies and research studies could positively contribute to better policymaking. Hence, quick availability of funds for the researchers and research institutions is highly important to undertake time-befitting research studies.

- (i) ***Availability of funds at the national level could further expedite evidence-based policy-making targeting SMEs and Women-led enterprises:*** Availability of funds at the national level with scopes and opportunities to undertake research on specific issues could always enhance the domestic knowledge hub. The terms and conditions for using those funds should be flexible. However, the research studies should be rigorous and at par with international standards. It would have been better for the government if it could arrange domestic funds for the researchers to identify the right policy intervention.
- (j) ***Adoption of cutting-edge technological intervention for emphasising evidence-based policy:*** It has been found that the vulnerable groups are not aware of availing the stimulus package-related amenities. Several pathways have been suggested by the researchers during the COVID-19 time to address these challenges. The policymakers should monitor the vulnerable groups through a digital dashboard or the local government offices or local government office branches. These local-level organisations can contribute largely in terms of generating evidence and suggesting appropriate policy measures.
- (k) ***Introducing a 'bottom-up' approach in policymaking taking into account the evidence-based research findings particularly related to SMEs and women-led enterprises:*** The policy formulation particularly for businessmen is largely top-down in nature and influenced by the big enterprises and large borrowers. Interventions from large scale enterprises in the policy formulation process may generate negative externality for the smaller or vulnerable like SMEs and women entrepreneurs and the society as a whole. Policy for the short-run issues may seem as effective but in the long run that particular policy can be a burden at a broader scale. The scientific basis of policy formulation does not get attention on a regular basis. On the other hand, research studies have weaknesses in many accounts which make the policymakers less interested in the research findings. However, policymaking should be inclusive, broad-based and bottom-up in nature, where research could provide necessary support on data and evidence. The policymakers and government offices should focus on such bottom-up policymaking.

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