



INSIGHTS FROM EMERGING MARKETS

MSMEs and Digital Tool
Use Amidst the COVID-19
Pandemic

BANGLADESH COUNTRY BRIEF



Shaping a more livable world.

February 2022

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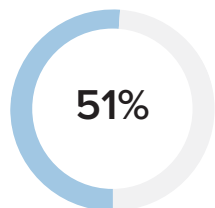
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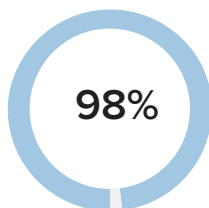
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EXECUTIVE SUMMARY

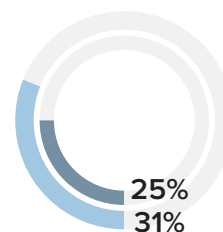
KEY FINDINGS



Bangladesh has untapped potential to increase digitization among its micro, small, and medium enterprises (MSMEs)ⁱ – 51 percent of surveyed MSMEs were online, meaning that they had reported using digital tools for business purposes in the past year.



Though surveyed MSMEs used a variety of both online and offline tools to manage the business activities about which they were asked, offline methodsⁱⁱⁱ had a strong foothold in online MSMEs' operations. Ninety eight percent of online MSMEs reported that they used offline methods to communicate with customers in the past 30 days.ⁱⁱ



Needing more knowledge about digital tools^{iv} and digital tools' perceived lack of relevance to their business were two key barriers to digital tool use among survey respondents – 31 percent of surveyed online MSMEs reported that a lack of knowledge was a difficulty their business faced in using digital tools, while 25 percent of surveyed offline MSMEs reported the same about a lack of relevance (the most frequently cited answer options for each group).

With two decades of strong GDP growth averaging six percent,¹ Bangladesh's economic performance was steadily improving until its GDP growth fell to 3.5 percent in 2020 during the COVID-19 pandemic.² By allowing some micro, small, and medium enterprises (MSMEs) to quickly pivot online and maintain their core business functions, digital tools (defined here as internet-based technologies) can play an important role in pandemic recovery.³ A new survey conducted by DAI and Ipsos in June 2021 shows that there is untapped potential to increase digital tool use among MSMEs in Bangladesh: despite Bangladesh's 28 percent mobile

internet penetration rate⁴, more than half (51 percent) of surveyed MSMEs were online, meaning that they had reported using digital tools for business purposes over the past year during COVID-19.^v

Many MSMEs in Bangladesh are at an early stage of their digital transformation journey. Surveyed MSMEs, both online and offline, reported a strong preference for using offline methods to conduct the business activities about which they were asked. Even among online MSMEs, large majorities of respondents cited offline methods as a key way of doing business. For example, 98 percent

- i This report uses the term "micro, small, and medium enterprises" (MSMEs) to refer to the businesses surveyed for this research, in line with the terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Though Bangladesh does not have an official definition for MSMEs consistently applied across government entities, DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (one employee), small (two to nine employees), and medium (10 to 249 employees).
- ii Not all MSMEs who reported ever using digital tools for business purposes were considered "online" for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered "offline," regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.
- iii The term "offline methods" includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).
- iv "Digital tools" refers to Internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: social media platforms, such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp, or Instagram; other social media platforms, such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, or YouTube; other messaging applications, such as Viber, Line, WeChat, QQ, or Telegram; business software or cloud computing, such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, or Amazon Web Services); e-commerce websites, such as Amazon, Alibaba, Etsy, or Mercado Libre; email, such as Gmail, Hotmail, or Yahoo; mobile banking and digital payments, such as PayPal, Venmo, Yape, or Pliin; videoconferencing, such as Zoom, Skype, or Google Hangouts.
- v This survey collected evidence directly from 1,048 MSME owners and top-level managers in Bangladesh to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs face in using digital tools.

of surveyed online MSMEs reported that they had used offline methods to communicate with customers in the past 30 days.

This use of on offline methods can be explained by two major barriers to digital tool use reported by respondents: (1) a lack of knowledge about digital tools and (2) digital tools' perceived lack of relevance to their business. Lack of knowledge was the most frequently reported difficulty that surveyed online MSMEs reported facing in using digital tools, at 31 percent, while a perceived lack of relevance was the most frequently reported difficulty that offline MSMEs faced, at 25 percent, closely followed by lack of knowledge at 23 percent. Thus, expanding access to digital literacy programming that addresses the relevance of digital tools to MSMEs will be an important way to bring the benefits of digital technology to a greater number of MSMEs in Bangladesh. Additionally, high costs were also an important barrier among both surveyed online and offline MSMEs alike. These findings suggest that investments by public, private, and development sector stakeholders in tackling areas of common difficulty for both online and offline MSMEs could have compounding positive effects. For example, investments in reducing costs associated with digital tool usage have the

potential to both more offline MSMEs online, while also expanding digital tool usage by online MSMEs.

The willingness of surveyed MSMEs to engage with digital tools provides an opportunity to create long-lasting digital transformation in Bangladesh's MSME sector. A minority (18 percent) of surveyed online MSMEs reported that digital payment tools helped them adapt to the COVID-19 environment. This indicates a possible opening to build on online MSMEs' embrace of digital payment tools as an 'on-ramp' to more holistic usage of digital tools. With concentrated efforts by policymakers and other stakeholders to seize this opportunity and address the key barriers faced by both online and offline MSME segments, Bangladesh's MSME sector will be well-positioned to integrate and harness the power of digital tools to improve business outcomes and build resilience to future economic shocks. These efforts will ensure that entrepreneurs and business owners across the MSME sector can equitably access and use digital tools to support key business functions. This will, in turn, enable Bangladesh to accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nations Member States in 2015.

METHODOLOGY OVERVIEW

This research was conducted as part of a broader cross-national study of MSME digital tool usage across emerging markets in North America, South America, South Asia, and Southeast Asia. This brief provides an overview of findings from face-to-face surveys that Ipsos conducted with 1,048 micro, small, and medium enterprises (MSMEs) in Bangladesh via computer-assisted personal interviewing (CAPI) from June 7-26, 2021. Eligibility for the survey was restricted to owners or top-level managers of businesses with 249 or fewer employees operating from a storefront, booth, or with signage. As such, home-based businesses and other businesses without obvious storefronts, booths, and/or signage were not captured in the sample. Official statistics from the 2014 Economic Census, District Upazila Statistics Office list of current business activities Export Processing Zones (EPZ), and Industrial estates of BSCIC (Bangladesh Small and Cottage Industries Corporations) were used to set targets for the number of completed surveys by categories of business, as defined by number of employees: micro (one employee), small (two to nine employees), and medium (10 to 249 employees) businesses.^{vi} A random walk method was implemented to conduct interviews in urban, suburban, and rural areas in four of Bangladesh's eight divisions, capturing businesses across key segments including subnational geography, owner gender, and business sector. Due to the limited geographic scope of the survey, findings and results reported here are not nationally representative of Bangladesh's MSME sector. The final survey results presented in this report were weighted based on population estimates, response rates by gender and urbanicity, and to compensate for the oversample of women-owned businesses^{vii}. A complete explanation of the sample design and research methodology is found in [Appendix I](#).

vi Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time or seasonal employees or workers.

vii An oversample was required to meet the minimum 150 sample size for women-owned businesses.

INTRODUCTION AND BACKGROUND

Bangladesh's large micro, small, and medium enterprise (MSME)^{viii} sector has underpinned its consistent growth rate until the COVID-19-induced economic slowdown in 2020.⁵ By allowing some micro, small, and medium enterprises (MSMEs) to quickly pivot online and maintain their core business functions, digital tools (defined here as internet-based technologies^{ix}) can play an important role in pandemic recovery.⁶ A new survey conducted by DAI and Ipsos in June 2021 shows that there is untapped potential to increase digital tool use among MSMEs in Bangladesh.^x

The survey collected evidence directly from 1,048 MSME owners and top-level managers in Bangladesh to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs face in using digital tools.^{xi} Research findings also delve into differences in digital tool use across key business segments within Bangladesh, such as women-owned MSMEs, urban and rural MSMEs, and MSMEs in specific business sectors.

When entrepreneurs across the MSME sector can equitably access and use digital tools in support of key business functions, Bangladesh will accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nations Member States in 2015.



How this research aligns with the Sustainable Development Goals (SDGs)

In 2015, United Nations Member States adopted 17 Sustainable Development Goals (SDGs) as a cornerstone of their 2030 Agenda for Sustainable Development, articulating a shared vision of urgent global priorities for the planet and its people. Recognizing the importance of their urgent call to action, this survey framework and findings tie back to multiple SDGs to inform policy and programs targeting these global goals. After assessing how online and offline MSMEs conduct basic business functions, the survey identified challenges that such MSMEs face regarding their digital tool usage, or lack thereof. These insights tie to SDG 9: Industry, Innovation, and Infrastructure, which calls for a significant increase in access to information and communications technology and for universal and affordable internet access. The survey also looked at how online MSMEs use digital tools for business purposes; specifically, it explored how their digital tool usage changed during the COVID-19 pandemic. By examining how MSMEs developed their economic resilience through the use of digital tools during the pandemic, this line of inquiry links to SDG 1: No Poverty and SDG 8: Decent Work and Economic Growth. Reporting on the women-owned MSME segment also sheds light on SDG 5: Gender Equality, with women-led enterprises using digital tools to enter the marketplace and contribute to the global economy. Similarly, reporting on the manufacturing and industry sector provides insights on SDG 9: Industry, Innovation, and Infrastructure, and reporting on the agriculture and food production sector aligns to SDG 2: Zero Hunger and SDG 12: Sustainable Production and Consumption. By concluding with suggested interventions for public, private, and development sector actors to address MSME challenges in using digital tools, the spirit of the survey embodies SDG 17: Partnerships for the Goals.

viii This report uses the term “micro, small, and medium enterprises” (MSMEs) to refer to the businesses surveyed for this research, in line with terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Though Bangladesh does not have an official definition for MSMEs consistently applied across government entities, DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (one employee), small (two to nine employees), and medium (10 to 249 employees).

ix Digital tools” refers to internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: social media platforms such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp, or Instagram; other social media platforms such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, or YouTube; other messaging applications such as Viber, Line, WeChat, or QQ; business software or cloud computing such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, Amazon Web Services, etc); e-commerce websites such as Amazon, Alibaba, or Etsy; email such as Gmail, Hotmail, or Yahoo; mobile banking and digital payments such as PayPal or Venmo; or videoconferencing, such as Zoom, Skype, or Google Hangouts.

x Research findings reported in this series should not be considered representative of country MSMEs due to the limitations of the surveys. See methodology appendices for more information.

xi Not all MSMEs who reported ever using digital tools for business purposes were considered “online” for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered “offline,” regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.

COVID-19 AND MSMEs IN BANGLADESH

Prior to the COVID-19 pandemic, Bangladesh had averaged six percent GDP growth over the previous two decades.⁷ As a result, Bangladesh achieved lower-middle-income country (LMIC) status in 2015. MSMEs played a prominent role in Bangladesh's economic growth during this period, accounting for 40 percent of all manufacturing output and 80 percent of industrial jobs according to the Asian Development Bank in 2015.⁸ However, the COVID-19 crisis has presented significant challenges for Bangladesh's economy: in 2020, the country saw its lowest GDP growth rate since 1975.⁹ MSMEs were especially impacted, with multiple surveys showing that MSMEs in Bangladesh reported decreases in revenue or income during the COVID-19 crisis.¹⁰

In response to the COVID-19 pandemic, some MSMEs in Bangladesh have either begun using or increased their use of digital tools, given COVID-19's severe economic impact on MSMEs. According to the 2020 Global State of Small Business Survey, almost half of surveyed SMBs in Bangladesh generated over 25 percent or more of their sales digitally, and 24 percent reported that their proportion of digital sales had increased compared to before the COVID-19 pandemic.¹¹ On the other hand, however, the IFC's 2020 Business Pulse Survey in Bangladesh found that just nine percent of surveyed MSMEs had increased or started using the internet, social media, specialized apps and other digital platforms in their daily business operations.¹² Similarly, a September 2020 MicroSave Consulting (MSC) report found that only seven percent of surveyed MSMEs in Bangladesh reported having established links with e-commerce providers.¹³ These survey findings make sense in the context of Bangladesh's estimated 28 percent internet penetration rate, but they also show the untapped digital transformation potential among Bangladesh's MSME sector.¹⁴



SAMPLE OVERVIEW

This survey had 1,048 MSME respondents comprised of business owners and top-level managers; the below percentages provide detail on the sample.



Gender

10% of MSMEs reported that the business had **female owner/s**

93% of MSME respondents were **male**

7% of MSME respondents were **female**



Urbanicity

67% of MSMEs were located in **urban areas**

24% of MSMEs were located in **suburban areas**

9% of MSMEs were located in **rural areas**



Sector

33% of MSMEs reported that their primary product or service was in the **hospitality** sector

33% of MSMEs reported that their primary product or service was in the **retail and e-commerce** sector

16% of MSMEs reported that their primary product or service was in the **manufacturing and industry** sector

10% of MSMEs reported that their primary product or service was in the **professional services** sector

8% of MSMEs reported that their primary product or service was in the **agriculture and food production** sector



Customer base

86% of MSMEs reported that their business primarily served **consumers**

9% of MSMEs reported that their business primarily served **other businesses**

5% of MSMEs reported that their business served **both businesses and consumers**



Business owner education

63% of MSMEs had business owners with a **secondary education or higher**

37% of MSMEs had business owners with **less than a secondary education**



Age of business owners

59% of MSMEs had business owners **aged 18-44**

40% of MSMEs had business owners **aged 45+**



Bank account access

44% of MSMEs reported that they had **access to a bank account**

SNAPSHOTS IN TIME: HOW MSMEs CONDUCT KEY BUSINESS ACTIVITIES USING DIGITAL TOOLS

Survey data shows that roughly half of surveyed MSMEs in Bangladesh have begun tapping into digital tools to run their business. However, both online and offline MSMEs predominantly reported using offline methods^{xii} to conduct the key business activities about which they were asked. This finding indicates that there is untapped potential to increase MSME digital tool use across Bangladesh. Among surveyed online MSMEs, more than half reported primarily using their mobile phones to connect to the internet.

An interview with the owners of Dumplings of Fury, an MSME in the hospitality industry, illustrates how one small business in Bangladesh is using digital tools to conduct nearly all key business activities, from marketing to sales. They run almost their entire business using Facebook apps^{xiii}, cross-posting their content on multiple apps to increase customer engagement. See [page 12](#) for full case study.



MSME use of digital tools for business purposes remained fairly even prior to and during COVID-19, dipping slightly in the past 30 days:^{xiv}

54% of MSMEs reported that they used digital tools for business purposes **prior to the COVID-19 pandemic**

51% of MSMEs reported that they used digital tools for business purposes **in the past year during COVID-19**

46% of MSMEs reported that they used digital tools for business purposes **in the past 30 days**



Almost three-quarters of surveyed online MSMEs reported using a mobile phone to connect to the internet:

71% of online MSMEs reported that they **primarily used a mobile phone** to connect to the internet

8% of online MSMEs reported that they **primarily used a laptop or PC** to connect to the internet^{xv}

xii The term "offline methods" includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).

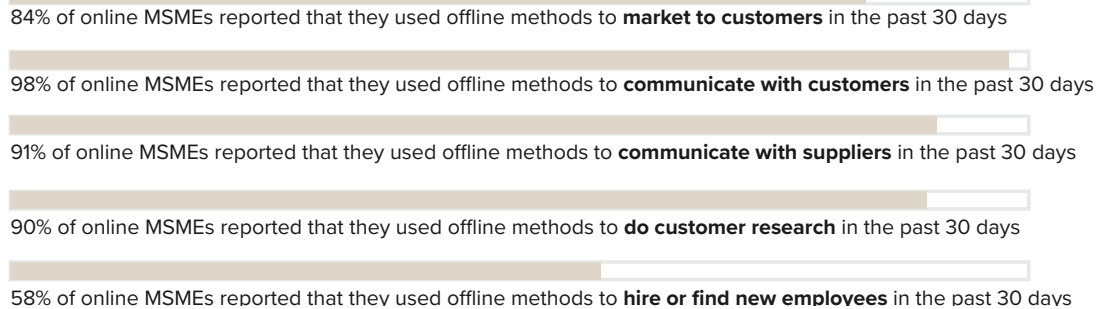
xiii The term "Facebook apps" refers to Facebook, WhatsApp, and Instagram.

xiv Difference between digital tool use in the past year and digital tool use prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$. Difference between digital tool use in the past year and digital tool use in the past 30 days is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.

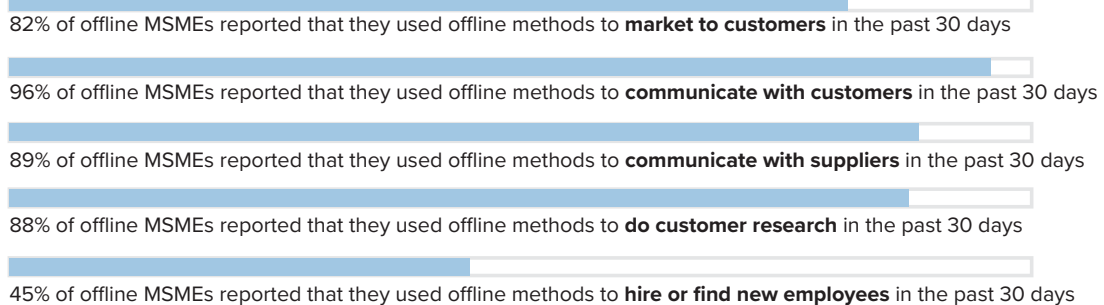
xv Other answer options included tablets, don't know, or refused.



Offline methods were the most frequently reported for surveyed online MSMEs to manage the key business activities about which they were asked:



Surveyed offline MSMEs reported using offline methods to communicate with customers and suppliers more frequently than for other business activities about which they were asked:



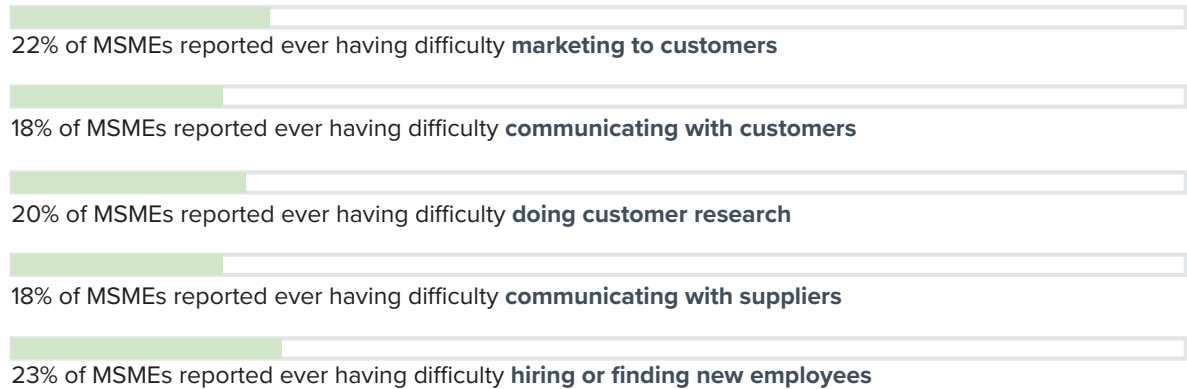
Surveyed MSMEs' use of digital tools to sell goods and services remained flat during COVID-19

Selling goods and services is a key business activity for all MSMEs. In the survey, eight percent of MSMEs reported that they have ever used digital tools to sell goods and services. In terms of digital tool usage changes around the COVID-19 pandemic, six percent of MSMEs reported that they used digital tools to sell goods and services prior to COVID-19. This percentage remained the same (six percent) during COVID-19 and in the past 30 days.^{xvi} This finding demonstrates that surveyed MSMEs did not increase their use of digital tools for sales purposes during COVID-19.

^{xvi} Difference between use of digital tools to sell goods and services prior to COVID-19 and in the past year is not statistically significant per Chi-squared goodness of fit test, adjusted $p > 0.05$. Similarly, the difference between use of digital tools to sell goods and services in the past 30 days and in the past year is not statistically significant per Chi-squared goodness of fit test, adjusted $p > 0.05$.



Surveyed MSMEs reported ever having difficulty with hiring or finding new employees, marketing to customers, and doing customer research at a higher rate than communicating with customers and suppliers:



KEY INSIGHTS FOR POLICYMAKERS



Despite Bangladesh's 28 percent mobile internet penetration rate,¹⁵ more than half of surveyed MSMEs in Bangladesh reported using digital tools for business purposes prior to and in the past year during the COVID-19 pandemic. While the percentage of MSMEs who reported using digital tools for business purposes dipped slightly over time, from 54 percent prior to the COVID-19 pandemic to 51 percent in the past year during COVID-19 to 46 percent in the past 30 days, this finding shows that surveyed MSMEs were willing to use digital tools for their business. Still, offline methods maintained a strong foothold in how surveyed MSMEs did business and were the most frequently reported method for online MSMEs to conduct each business activity about which they were asked. In contrast, a large majority (76 percent) of respondents reported ever having used digital tools for personal or business purposes. This gap between surveyed MSMEs' personal and business use of digital tools provides an important opportunity and opening to facilitate the full-fledged digital transformation of Bangladesh's MSME sector. Another possible 'on-ramp' is the general adoption of mobile internet. Throughout emerging markets, mobile phones are a key way that individuals access the internet.¹⁶ Bangladesh is no

different, with 71 percent of surveyed online MSMEs reporting that they primarily used a mobile phone to connect to the internet. Public, private, and development sector stakeholders in Bangladesh could look for opportunities to enhance MSME use of mobile internet as an accessible opportunity to expand digital tool use amongst offline MSMEs.

Survey findings also highlight opportunities where simple and intuitive digital tools could be introduced to help address difficulties that offline MSMEs cited. For instance, nearly a quarter (23 percent) of surveyed MSMEs reported ever having difficulty hiring or finding new employees. At the same time, of the business activities about which they were surveyed, the smallest percentage of surveyed offline MSMEs (45 percent) reported using offline methods to hire or find new employees in the past 30 days. This indicates that there could be an opportunity to encourage offline MSMEs to use digital tools for relevant use cases such as personnel recruitment. Stakeholders in the public, private, and development sectors can consider working together to expand the features of existing digital tools, including Facebook apps, to address these specific difficulties highlighted in the survey data.

CASE STUDY

DUMPLINGS OF FURY



www.facebook.com/dofdhk/



www.instagram.com/dofdhk/



HOSPITALITY



SMALL ENTERPRISE



URBAN



SDG 5: DECENT WORK & ECONOMIC GROWTH
SDG 9: INDUSTRY INNOVATION, & INFRASTRUCTURE

Dumplings of Fury founders Saqueeb, Shaer, Mehran, and Anika started their dumpling business in Dhaka in 2019. Instead of opening a traditional brick-and-mortar restaurant, they decided to launch and manage their dumpling delivery service on Facebook due to its widespread popularity among their target customer base and its low price point. As a young team with a niche product looking to generate brand awareness, using digital tools was the logical choice for their new business.

Saqueeb, Shaer, Mehran, and Anika use Facebook for everything from placing dumpling orders and arranging delivery to customer promotions and marketing, though they have since expanded into Instagram for customer engagement. When Facebook Business launched in 2020, Dumplings of Fury’s founders leveraged its insights and analytics features to boost advertisements for specific customer segments. This led to increased sales revenue for the business. Eventually, Saqueeb, Shaer, Mehran, and Anika began posting Dumplings of Fury content on Instagram to share important business information with new potential customers. More specifically, they use Instagram Stories to share their prices and provide instructions on how to order dumplings. Though

they cross-post all their Instagram content to Facebook – in part because they report it shows up on more of their target audience’s feeds this way than through boosted ads alone, and because customers order through Facebook – they now say that Instagram has become integral to their customer engagement function.

Because Dumplings of Fury was already an online-only business, its owners were able to minimize the impact of the pandemic and thrive in this new environment. With the increase in online activity during the pandemic, they found ways to use Facebook apps to streamline their operations and adapt their workflow. For example, because they were spending more time on customer engagement than ever before, they started using simple, automated messages for initial greetings and customer intake on Facebook Messenger.

As they look to the future, Saqueeb, Shaer, Mehran, and Anika want to expand their use of the digital tools – such as improved predictive analytics – to continue adapting to Bangladesh’s rapidly growing and evolving marketplace. By founding a company with an online-only business model, Dumplings of Fury’s

founders Saqueeb, Shaer, Mehran, and Anika foster business innovation in Bangladesh, which embodies SDG 9: Industry, Innovation, and Infrastructure, and enhance the country’s economic growth, which embodies SDG 8: Decent Work and Economic Growth. They demonstrated their business resilience during the earliest waves of the pandemic in Bangladesh, benefitting from digital tools to support their business continuity.

“Instagram has helped us grow a bit more... So when our customers share that they’re eating from Dumplings of Fury through their stories, we can reshare them and [that] helps us reach more people and gain a greater reputation – sort of distributes ownership of creating our food content.”

MSMEs DURING THE COVID-19 PANDEMIC

The COVID-19 pandemic was challenging for MSMEs in Bangladesh, with almost all surveyed MSMEs reporting sales decreases. During this time, the most frequently cited tool that surveyed online MSMEs reported using to help them adapt to COVID-19 was digital payment tools, followed by Facebook apps.

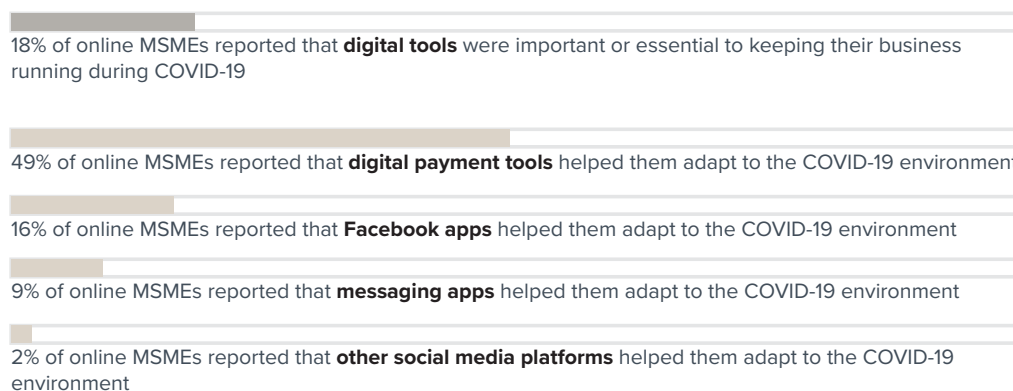
An interview with the owner of Menka Bangladesh illustrates how the owner of one microenterprise is creating innovative content about mental health to support her customers during the COVID-19 pandemic, growing her customer base on Facebook along the way. See [page 16](#) for full case study.



Surveyed MSMEs sales decreased substantially during the COVID-19 pandemic:



Online MSMEs cited Facebook apps as their second most frequently used digital tool in adapting to COVID-19:



KEY INSIGHTS FOR POLICYMAKERS



Survey results show the economic slowdown stemming from the COVID-19 pandemic negatively affected surveyed MSMEs' sales throughout Bangladesh. The vast majority (95 percent) of surveyed MSMEs reported that their sales decreased during COVID-19 compared to a typical year. Among these businesses, more than half (68 percent) reported that their sales decreased by more than half of a typical year. These findings align with World Bank data showing that Bangladesh's GDP growth decreased by 70 percent from 2019 to 2020, from 8.2 percent growth in 2019 to 3.5 percent growth in 2020.¹⁹

Amidst reported decreases in sales among surveyed MSMEs, there is opportunity to expand MSMEs' awareness and adoption of digital tools. Though a small minority (18 percent) of surveyed online MSMEs

reported that digital tools were important or essential to keeping their business running during COVID-19, almost half (49 percent) of surveyed online MSMEs reported that digital payment tools helped them adapt to the COVID-19 environment. This indicates that digital payment tools could be an entry point to introduce MSMEs to other digital tools that can help them manage their businesses. Especially during the COVID-19 pandemic, stakeholders in the public, private and development sectors might consider how to best support online MSMEs in accessing digital payment tools that are – or could be – bundled with other simple, intuitive, or accessible digital tools. This strategy could help increase online MSMEs' familiarity with and understanding of digital tools, which could increase their interest in and willingness to try other digital tools.



A higher percentage of women-owned MSMEs than men-owned MSMEs reported using social media for business purposes during COVID-19

Pre-pandemic, women were underrepresented as MSME founders and managers in Bangladesh. According to a 2016 report by the International Finance Corporation (IFC), only 7.2 percent of businesses in Bangladesh were women-led.^{xvii} According to the findings of the DAI and Ipsos-led survey, women-owned MSMEs in Bangladesh experienced sales decreases and business closures at nearly the same rates as the men-owned MSMEs during the pandemic: 98 percent of women-owned MSMEs reporting that their sales decreased during COVID-19 compared to a typical year (versus 95 percent of men-owned MSMEs), and 90 percent reporting that their business closed at some point during COVID-19 (versus 88 percent of men-owned MSMEs).^{xviii} These findings align with a February 2021 Asia Foundation survey, in which 65 percent of surveyed female entrepreneurs felt their company faced a high risk of permanent closure in the next six months, due to the pandemic's longevity.¹⁸

Even though a lower percentage of women-owned MSMEs reported business-related digital tool use during the pandemic than men-owned MSMEs, women-owned MSMEs reported using social media and messaging apps at higher rates than men-owned MSMEs during this period. Less than half (46 percent) of women-owned MSMEs reported using digital tools for business purposes in the past year during COVID-19, compared to over half (52 percent) of men-owned MSMEs.^{xviii} However, a higher percentage of women-owned MSMEs than men-owned MSMEs reported using Facebook apps (26 percent vs 25 percent), other social media platforms (13 percent vs 8 percent), and other messaging apps (24 percent vs 14 percent) for business purposes in the past year since COVID-19.^{xix} However, a somewhat higher percentage of men-owned MSMEs than women-owned (42 percent vs 35 percent) reported using digital payment tools for the same purpose during the same period.^{xx} This finding could indicate that social media, rather than digital payment tools, may serve as a more appropriate entry point to introduce women-owned MSMEs to other digital tools that can help them manage their business.

xvii Decrease in sales by gender ownership: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$. Business closures by gender ownership: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$.

xviii Not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$.

xix Use of Facebook apps for business purposes in the past year by gender ownership: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$. Use of other social media platforms for business purposes in the past year by gender ownership: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$. Use of other messaging apps for business purposes in the past year by gender ownership: statistically significant per Chi-squared test of independence, adjusted $p < 0.05$.

xx Use of digital payments for business purposes in the past year by gender ownership: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$.

CASE STUDY

MENKA BANGLADESH



[www.facebook.com/
MenkaBangladesh/](https://www.facebook.com/MenkaBangladesh/)



[www.instagram.com/
menkabangladesh/](https://www.instagram.com/menkabangladesh/)



RETAIL &
E-COMMERCE



MEDIUM-SIZED
ENTERPRISE



RURAL



SDG 12:
RESPONSIBLE
CONSUMPTION
AND PRODUCTION

When Sabiha was in university in the early 2010s, Bangladesh’s market for sarees was saturated with imported garments from neighboring countries. She quickly saw a business opportunity to sell locally produced sarees and other products made from Bangladeshi handloom cotton. Working solely with fair-trade organizations and NGOs that support marginalized weaver communities in Northern Bangladesh, she founded Menka Bangladesh in 2014 with the goal of promoting visibility of Bangladesh-made products.

Because women are the target customers for her sarees, Sabiha uses digital tools to cultivate an online community that shares stories about women’s issues, fashion, and environmental awareness. Her Instagram presence is a more curated version of her Facebook page with additional visual storytelling elements and interaction with her followers, creating a more intimate connection to her potential customers. Using Instagram features, such as Questionnaires, Polls, and Stories, and engagement metrics helps her understand which content resonates with Menka’s followers. Sabiha then uses this information to shape the creation of new online content – tailored to her customer base – that drives impact and supports her mission. In addition, she also uses WhatsApp and Facebook to communicate with her suppliers and source materials directly from rural handloom weavers.

During the COVID-19 pandemic, Sabiha began exploring new ways of using these digital tools to further enhance her customer engagement. She began creating innovative content about mental health that she posted to Facebook Groups, even creating the #SareeForHope hashtag that went viral around the world during the COVID-19 pandemic. As she shared more information about her own mental health struggles on Menka’s Facebook page and analyzed its performance with Facebook Insights, her Facebook audience quickly grew. “People come to Menka to read my stories. Sarees are just a way to tell stories. Over the years, women of all ages have reached out to me about their mental health because they related to my stories so much. Our impact is not only helping weavers of indigenous Bangladesh heirloom sarees and marginalized communities of Bangladesh, but also helping women who cannot otherwise openly talk about their struggles.” As a result, more women began to reach out to her to ask where they can seek help. Ultimately, this approach expanded her Facebook followers and grew her potential customer base.

By promoting environmentally friendly and socially conscious production and consumption of clothing, Sabiha’s business Menka aligns with SDG 12: Responsible Consumption and Production. Her deliberate effort to enhance the livelihoods of weaver-artisans in rural areas of Bangladesh and



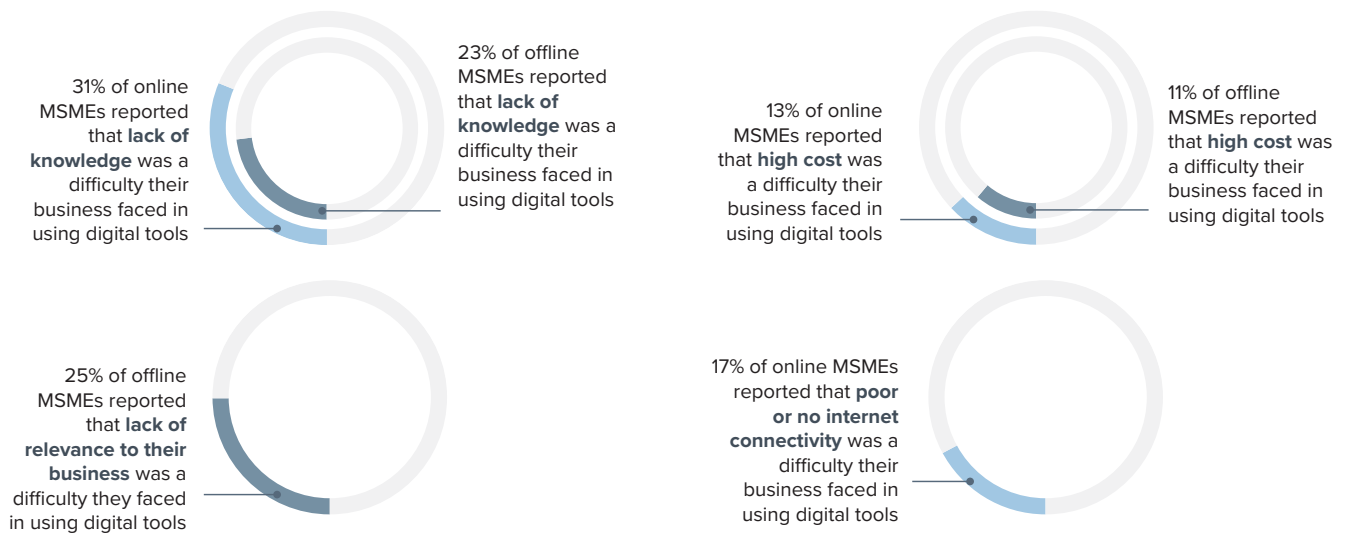
to support domestic clothing production shows how MSMEs in emerging markets can work together and uplift one another, thereby promoting sustainable economic growth within Bangladesh.

“Facebook made it very easy for me to express my thoughts and designs. It made me explore my creative side a lot – beyond as a business woman, as a writer. I sell my sarees through storytelling. It’s not just an app, it’s an expression of me and my personality, and gives me an opportunity to explore my creativity. Being able to spread awareness and connect with people through my business pages has a lot of impact. That’s important for me.”

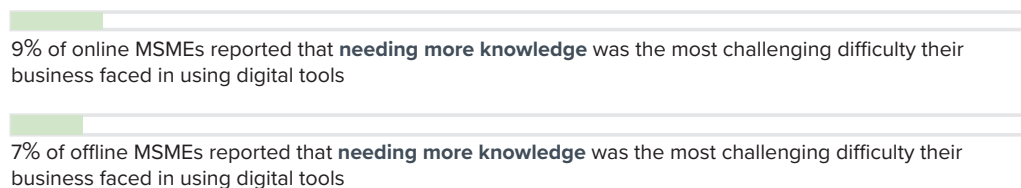
BARRIERS TO THE ADOPTION AND USE OF DIGITAL TOOLS AMONG MSMEs

Lack of knowledge was the most frequently cited difficulty that surveyed online and offline businesses reported facing in using digital tools. Surveyed online MSMEs additionally struggled with poor or no internet connectivity, and both online and offline businesses cited high costs as an additional difficulty. Surveyed online and offline MSMEs alike reported an interest in learning about digital tools to use in their customer-facing work.

Lack of knowledge was the most frequently reported difficulty that online MSMEs reported facing in using digital tools, while a lack of relevance was the most frequently reported difficulty that offline MSMEs faced:



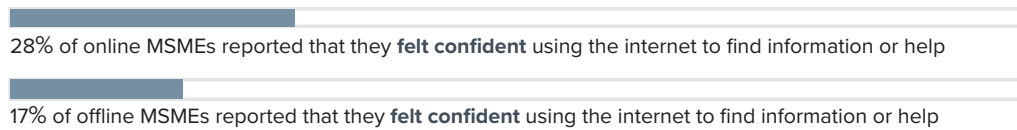
Among online and offline MSMEs, needing more knowledge topped the list of most challenging difficulties their business faced in using digital tools:^{xxi}



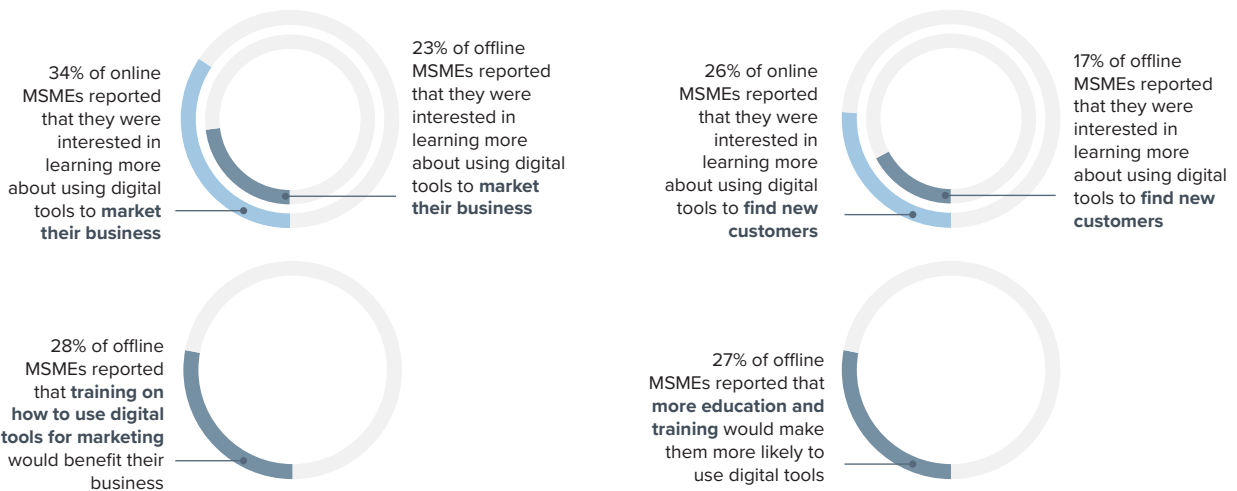
xxi When asked what was their most challenging difficulty using digital tools, responses were coded to fit 18 options. The options displayed in this figure correspond to those displayed in the prior graph where most common difficulties are displayed. Options: need more knowledge or know-how; poor or no internet connectivity; it is too expensive or the costs are too high; difficult to access a mobile phone, tablet, or computer; do not have consistent access to electricity; customers do not use them; suppliers do not use them; they are not relevant to this business or do not see a need for them; do not trust digital transactions, fear of information being stolen; hard to comply with legal requirements such as digital security and consumer protection standards; not enough relevant posts, articles, pictures or videos in my local language; fear of accessing inappropriate or offensive posts, articles, pictures or videos; digital tools were not effective or did not work; nothing prevents this business from using the internet, social media, or digital tools; other; don't know; refused.



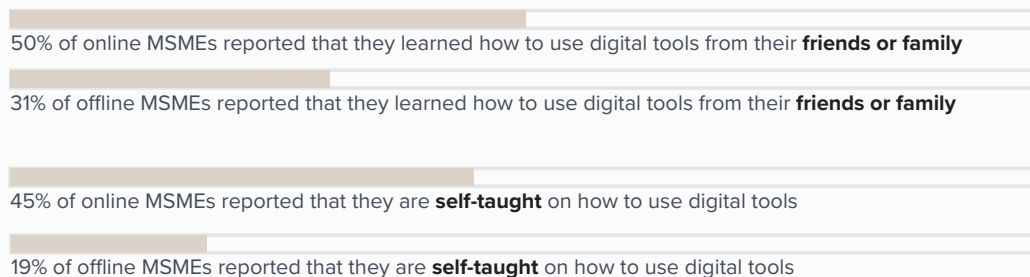
A higher percentage of online MSMEs reported feeling confident in using the internet to find information or help than offline MSMEs:



Both online and offline MSMEs were interested in learning more about digital tools to enhance their customer-facing work:



Both online and offline MSMEs learned how to use digital tools most frequently from their friends or family





KEY INSIGHTS FOR POLICYMAKERS

Surveyed online and offline MSMEs reported facing similar difficulties when using digital tools, though their most frequently cited difficulties varied. A lack of knowledge was the most frequently reported answer option among surveyed online MSMEs (31 percent), in contrast to the most frequently reported answer option for surveyed offline MSMEs – a perceived lack of relevance (25 percent), closely followed by a lack of knowledge (23 percent).^{xxii} High costs were also a frequently reported barrier among both online and offline MSMEs alike. These findings suggest that investments by public, private, and development sector stakeholders in tackling areas of common difficulty for both online and offline MSMEs can have compounding positive effects.

For example, investments in reducing costs associated with digital tool usage have the potential to both bring more offline MSMEs online, while also expanding digital tool usage by online MSMEs.

Survey results also showed that online and offline MSMEs were interested in learning more about digital tools specifically for their customer-facing work. For example, when asked about specific areas of interest in learning more about digital tools, the most frequently cited response among surveyed online (34 percent) and offline MSMEs (23 percent) alike was marketing their business. This finding reinforces the importance of working directly with MSMEs to build their digital skills on existing capabilities provided by digital tools like online customer engagement.

^{xxii} Lack of knowledge as a difficulty by online status: statistically significant per Chi-squared test of independence, adjusted $p < 0.05$.



Rural MSME digital tool use for business purposes increased during COVID-19

A higher percentage of surveyed urban MSMEs reported using digital tools for business purposes than suburban or rural MSMEs^{xxiii} across all three time periods: prior to COVID-19, in the past year during COVID-19, and in the past 30 days.^{xxiv} However, urban and suburban MSME digital tool use consistently decreased: 57 percent of urban and 50 percent of suburban MSMEs reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic, decreasing to 53 and 46 percent in the past year since COVID-19 and even further to 48 and 39 percent in the past 30 days.^{xxv} Unlike for urban or suburban MSMEs, the percentage of rural MSMEs who reported business-related digital tool use increased during the pandemic: 42 percent of rural MSMEs reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic, which increased to 52 percent in the past year since COVID-19. However, it dipped back down to 46 percent in the past 30 days, which mirrored the pattern for urban and suburban MSMEs. This finding suggests that the pandemic spurred surveyed rural MSMEs to use digital tools to help run their business.^{xxvi}

Honing in on surveyed urban and rural MSMEs, the gap between surveyed urban and rural MSME digital tool use for business purposes narrowed considerably over time. A 15-percentage point gap prior to the COVID-19 pandemic (57 percent for urban and 42 percent for rural) decreased to one and two percentage points for the latter two time periods (53 percent for urban MSMEs and 52 percent for rural MSMEs in the past year since COVID-19; 48 and 46 percent in the past 30 days). This finding demonstrates that the pandemic coincided with nearly even digital tool usage levels among surveyed urban and rural MSMEs. It is also important to note that suburban – not rural – MSMEs had the lowest reported digital tool usage rates for business purposes in the past year during COVID-19 (46 percent, compared to 52 percent for rural MSMEs and 53 percent for urban MSMEs) and in the past 30 days (39 percent, compared to 46 percent for rural MSMEs and 48 percent for urban MSMEs). This finding indicates that conducting more research into suburban or peri-urban MSME use of digital tools is important.

xxiii Sample size for rural MSMEs (n = 92) falls below the standard threshold for this study (n >= 100).

xxiv Use of digital tools for each of these time periods by urbanicity is not statistically significant per Chi-squared test of independence, adjusted p > 0.05.

xxv Difference between digital tool use in the past year and digital tool use prior to COVID-19 among urban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05. Difference between digital tool use in the past year and digital tool use in the past 30 days among urban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

xxvi Difference between digital tool use in the past year and digital tool use prior to COVID-19 among suburban MSMEs is not statistically significant per Chi-squared goodness of fit test, adjusted p > 0.05. Difference between digital tool use in the past year and digital tool use in the past 30 days among suburban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

xxvii Difference between digital tool use in the past year and digital tool use prior to COVID-19 among rural MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05. Difference between digital tool use in the past year and digital tool use in the past 30 days among rural MSMEs is not statistically significant per Chi-squared goodness of fit test, adjusted p > 0.05.

(continued)

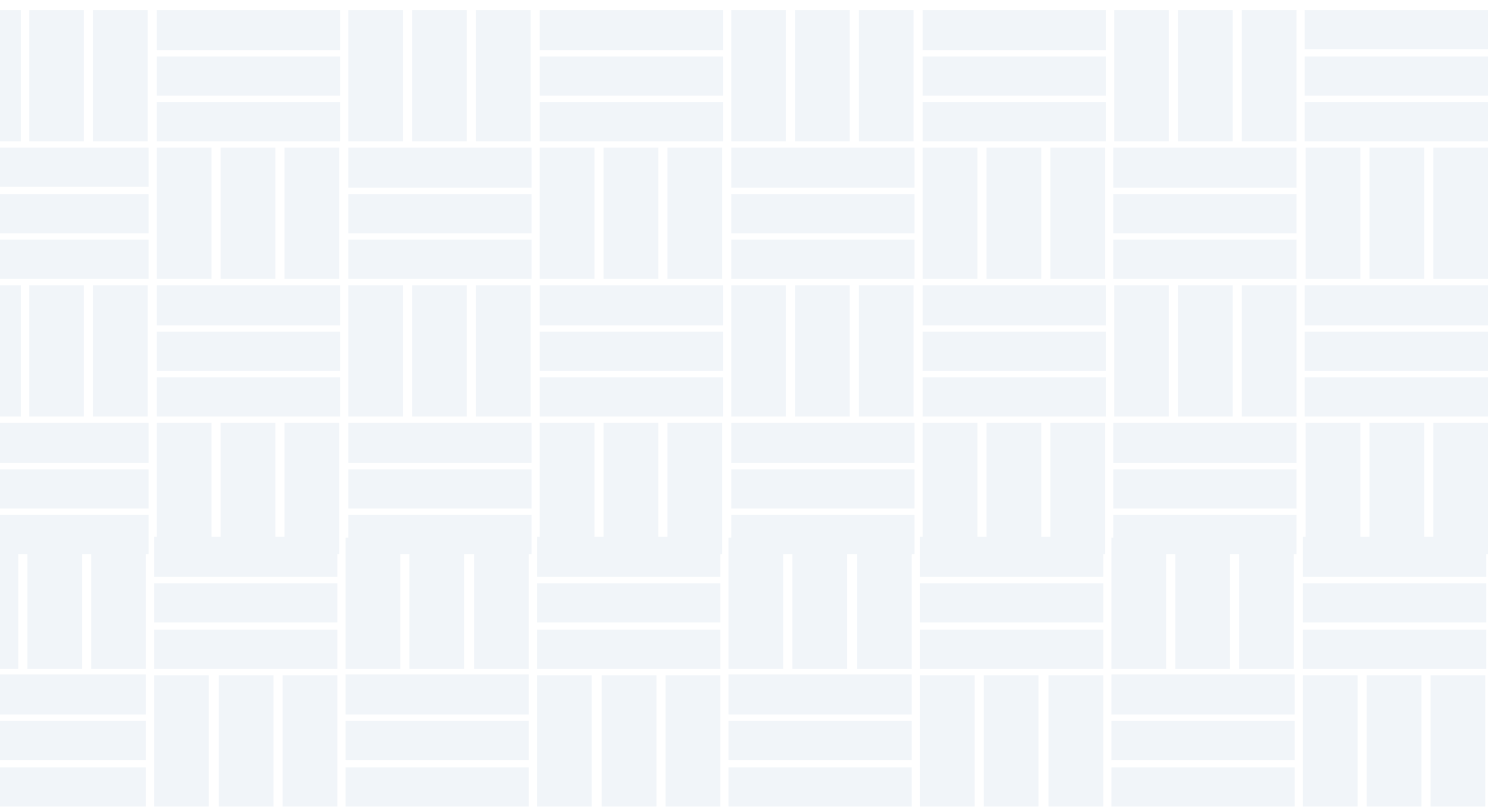
As with the overall sample, urban, suburban, and rural MSMEs alike reported most frequently using digital payment tools for business purposes prior to COVID-19, in the past year during COVID-19, and in the past 30 days.^{xxviii} Though reported business-related usage rates for digital payment tools increased for rural MSMEs (34 percent prior to COVID-19, 40 percent in the past year since COVID-19), stayed the same for urban MSMEs (44 percent in each period), and decreased for suburban MSMEs (39 percent prior to COVID-19 and 35 percent in the past year since COVID-19) between the first two time periods, usage rates for each MSME segment decreased in the past 30 days: to 32 percent in the past 30 days for rural MSMEs, 27 percent for suburban MSMEs, and 38 percent for urban MSMEs.^{xxix xxx} This finding indicates that some surveyed MSMEs stopped their use of digital payment tools in the recent past, which could mean that they returned to ‘business as usual’ later in the pandemic. Specifically in the past year during COVID-19, urban MSMEs reported higher usage rates than suburban and rural MSMEs for every digital tool except one – other messaging apps. While 15 percent of urban and 14 percent of suburban MSMEs reported using messaging apps (e.g. Viber, Line, WeChat) for business purposes in the past year since COVID-19, so did 17 percent of rural MSMEs.^{xxxi} Rural MSMEs’ higher reported rates of messaging apps’ usage during the pandemic could provide another entry point to introduce them to – or increase their use of – other digital tools to manage their business.

- xxviii Use of digital tools for business purposes in the past year by urbanicity and prior to COVID-19 by urbanicity is not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$. Use of digital tools in the past 30 days by urbanicity is statistically significant per Chi-squared test of independence, adjusted $p < 0.05$.
- xxix Difference between digital payment tool use in the past year and digital tool use prior to COVID-19 among rural MSMEs is not statistically significant per Chi-squared goodness of fit test, adjusted $p > 0.05$. Difference between digital payment tool use in the past year and digital tool use prior to COVID-19 among suburban MSMEs is not statistically significant per Chi-squared goodness of fit test, adjusted $p > 0.05$. Difference between digital payment tool use in the past year and digital tool use prior to COVID-19 among urban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.
- xxx Difference between digital payment tool use in the past year and digital tool use prior to COVID-19 among rural MSMEs is not statistically significant per Chi-squared goodness of fit test, adjusted $p > 0.05$. Difference between digital payment tool use in the past year and digital tool use prior to COVID-19 among suburban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$. Difference between digital payment tool use in the past year and digital tool use in the past year among urban MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.
- xxxi Use of other messaging apps for business purposes in the past year by urbanicity: not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$.

CLOSING REMARKS

Bangladesh's MSME sector holds untapped potential to harness the power of digital tools to improve business outcomes, increase productivity, and become more resilient to future economic shocks. Many MSMEs in Bangladesh are at an early stage of their digital transformation journey. About half of surveyed MSMEs were online, and even among surveyed online businesses, face-to-face communication was the most frequently reported method of conducting the business activities about which they were asked. This reliance on offline methods can be explained by two major barriers to digital tool use reported by respondents: (1) a lack of knowledge about digital tools and (2) digital tools' perceived lack of relevance to their business. Though these two challenges may help explain why digital tool use decreased slightly among respondents during the COVID-19 pandemic, the findings also indicate that surveyed MSMEs have used digital tools in the past, albeit inconsistently.

The willingness of some surveyed MSMEs to engage with digital tools such as digital payment tools, for example, provide a possible 'on-ramp' to more holistic usage of digital tools. Looking ahead, it will be important for public, private, and development sector stakeholders to identify opportunities like these to provide targeted, appropriate interventions to build digital skills at scale among MSMEs in Bangladesh. Ensuring that all of Bangladesh's MSMEs can equitably participate in and benefit from digital transformation in the long-term is crucial to fostering inclusive and resilient growth in Bangladesh's economy and supporting Bangladesh in achieving its SDG commitments.





Over half of all surveyed MSMEs in the hospitality, manufacturing and industry, and professional services sectors reported using digital tools for their business prior to and during COVID-19

Over half of all surveyed MSMEs in the hospitality, manufacturing and industry, and professional services sectors reported using digital tools for their business prior to and during COVID-19. The hospitality sector saw the highest percentage of MSMEs who reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic (68 percent), followed by manufacturing and industry (59 percent), professional services (58 percent), and retail and e-commerce (45 percent).^{xxxii} This same pattern held in the past year since COVID-19, with the hospitality sector at 63 percent, manufacturing and industry at 60 percent, professional services at 51 percent and retail and e-commerce at 45 percent.^{xxxiv} It is important to note that the percentage of MSMEs who reported using digital tools for business purposes increased between both periods in just one sector – manufacturing and industry, which saw a one percentage point increase to 60 percent. Even though reported MSME digital tool use tended to decrease during the pandemic (compared to the period before COVID-19), this finding demonstrates that MSMEs are willing to use digital tools – even if inconsistently.

However, digital tool use slightly increased or stayed the same in almost all sectors when looking specifically at selling goods and services.^{xxxv} For example, the retail and e-commerce sector and the manufacturing and industry sector each saw one percentage point increases in the use of digital tools to sell goods and services, from seven percent prior to COVID-19 and eight percent during COVID-19 for manufacturing and industry to one and two percent for the same time periods for retail and e-commerce. It remained the same for the hospitality sector, at 10 percent in each time period. The only sector to see the percentage of MSMEs selling goods and services drop was the professional services, which saw a one percentage point decrease (from 11 percent prior to COVID-19 to 10 percent during COVID-19). Similarly, the percentage of MSMEs who reported using social media to sell goods and services prior to and during COVID-19 increased by one or two percentage points for each sector. Though the overall use of digital tools to sell goods and services prior to and during the pandemic among surveyed MSMEs remained relatively low, it did increase in most cases. This finding shows that there is great untapped potential to increase MSME digital tool use specifically for sales in Bangladesh.

xxxii Statistically significant per Chi-squared test of independence, adjusted $p < 0.05$.

xxxiii Though this survey finding is lower than expected, it may be due to retail and e-commerce MSMEs being combined into a single sector category, rather than two separate categories.

xxxiv Statistically significant per Chi-squared test of independence, adjusted $p < 0.05$.

xxxv In this section, the difference in use of digital tools to sell goods and services prior to COVID-19 and in the past year for each sector is not statistically significant per Chi-squared test of independence, adjusted $p > 0.05$.

APPENDIX I: METHODOLOGY

OVERVIEW OF THE SURVEY DESIGN

Between June 7 and June 26, 2021, Ipsos conducted 1,046 in-person interviews of enterprises via computer-assisted personal interviewing (CAPI) to better understand their use of digital tools as well as their challenges and barriers to digitization.^{xxxvi}

The sample for the study was defined to include and be limited to Bangladesh's micro (1 employee), small (2 to 9 employees) and medium (10 to 249 employees) business populations^{xxxvii} (summarized as "business size" in the text). Official statistics from the 2013 Economic Census²⁰, 2021 data from the District Upazila Statistics Office list of Export Processing Zones,²¹ and 2021 data from the Industrial Statistics of Bangladesh Small and Cottage Industries Corporations²² were used as a basis to estimate the proportion^{xxxviii} of businesses for each business size. These statistics were also used to establish target interview counts by business size, district, and urbanicity (urban/rural).

The targets for business size were set to approximate the distribution of the business population by business

size across all of Bangladesh. However, these estimates are imperfect as the official statistics on which they are based do not include informal businesses and are not sufficiently recent to account for the impact of COVID-19 on business operations. Due to the lack of reliable official statistics, the data is not considered to be representative of the entire MSME formal and informal business population in Bangladesh.

Furthermore, a minimum target of 150 women-owned businesses was set for the sample. This means that if 150 interviews were not reached when the final sample size was achieved, then additional interviews would be conducted to ensure the sample included 150 interviews with women-owned businesses. In Bangladesh, only 138 interviews were achieved naturally, requiring additional interviews to meet the 150 minimum.

Based on these estimates, the target interview counts were allocated as shown below, which also shows the actual interview counts achieved from fieldwork:

Target and Actual Interview Counts by Business Size, Urbanicity and Business-Owner Gender in Bangladesh

	BUSINESS SIZE			URBANICITY			BUSINESS-OWNER GENDER	
	TARGET	ACTUAL		TARGET	ACTUAL		MINIMUM REQUIRED	ACTUAL
Micro	350	292	Urban	900	945	Women	150	180
Small	400	622	Rural	100	101			
Medium	250	132						

xxxvi This is one in a series of 13 country reports about micro, small and medium-sized enterprises' (MSMEs) use of digital tools in North America, South America, South Asia, and Southeast Asia. These are accompanied by a global report, containing a complete description of the research and survey methodology.

xxxvii Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time employees or workers.

xxxviii These were considered estimates, as the official statistics do not include informal businesses and are not sufficiently recent to account for the impact of COVID-19 on business operations.

Sample Design

The sample design was a multistage stratified cluster sample. This means that the population was divided into geographic blocs and then through stages, each time selecting a more limited geographic unit until the final sampling unit for interviewing was selected. The geographic and sampling units defined at each stage were the following:

- **PSUs:** Primary sampling units (PSUs) were defined as divisions. Four of Bangladesh’s eight divisions were selected for the study: two with certainty based on their commercial importance (Dhaka and Chittagong); and one with certainty to include geographies with the highest poverty levels (Rangur).²³ The fourth division (Barisal) was selected with random probability proportional to the business populations of the remaining divisions.²⁴
- **SSU1s:** Secondary sampling units (SSU1s) were defined as districts.^{xxxix} Of the 37 districts included in the PSUs (there are 64 nationally), 10 districts were selected with random probability proportional to the business population within their division stratum.
- **SSU2s:** SSU2s were defined as commercial business areas within each SSU1. Ipsos compiled business-concentration statistics referenced above.²⁵ These SSU2s were then stratified by urbanicity (urban/rural)^{xl} and a total of 200 SSU2s were selected with random probability proportional to the number of persons within their district-urbanicity stratum – 130 urban, 51 peri-urban, and 19 rural.
- **Individual businesses:** Within each SSU2, enumerators identified businesses to contact by using the random walk method. That is, after beginning at a random spot within a demarcated geographic area selected by the project management team based on their knowledge of local business districts, enumerators counted off

and approached every “Xth” business, where “X” was a randomly selected number provided on their interview sheets. First, they walked on the right-hand side of the street and turned right until they had walked around the entire perimeter, then they repeated the same process on the left side of the street. For the purposes of this survey, Ipsos enumerators only made contact with businesses with a storefront, booth or signage.

Once a business was identified, enumerators proceeded to gain consent for the interview. If the respondent agreed, the enumerator administered the screening questions and, if qualified, conducted the survey. If a business was not available, or the respondent requested that the interview be rescheduled, enumerators made three attempts to reach the business. If the enumerator was unable to reach the business after these three attempts, then that business was marked as a refusal. Survey participation was completely optional, dependent on explicit respondent consent, and non-compensated. Enumerators administered the screening and survey using pre-programmed tablets for data entry, ensuring consistency in the questionnaire administration.

Sampling Statistics

The sampling statistics are as follows:

Interview Response and Refusal Rates in Bangladesh^{xli}

	CAPI
Contacts	1,622
Completes	1,046
Refusals	404
Response rate ^{xlii}	64%
Refusal rate ^{xliii}	25%

xxxix The Narsingdi district went into COVID-19 lockdown during the fieldwork period and Narsingdi’s 57 interviews were reallocated to the Dhaka district.

xl In Bangladesh, urban areas were defined as a Mega City (population of five million or more), a City Corporation, a City, and Other Urban Areas (population one million or more). Semi-urban (included with “urban” for stratification purposes) were urban areas with populations less than one million. Rural areas were calculated as the difference between the urban plus semi-urban populations in that SSU.

xli By showing only the response rate and refusal rate, the table shows a limited set of the outcomes possible. The full set of dispositions includes outcomes such as ineligible respondent (e.g. not owner or top-manager), ineligible company or suspended interview. The response rate and refusal rate calculations are not inclusive of the complete set of outcomes and therefore do not add to 100 percent.

xlii Calculated using [AAPOR Response Rate 3 methodology](#).

xliii Calculated by dividing the number of refusals by the number of contacts.

Locations for Research in Bangladesh

The target interview count and actual interview count by district are detailed below.

Target and Actual Interview Counts by District

DISTRICT	TARGET	ACTUAL
Barisal	120	124
Chittagong	138	137
Comilla	65	65
Cox's Bazar	49	54
Dhaka	191	234
Faridpur	85	72
Gaibandha	71	91
Gazipur	85	74
Jhalokati	71	73
Rangpur	125	122
Total	1,000	1,046

Sample Weighting

Based on the fieldwork dispositions, Ipsos applied three weights to the raw survey data to account for divisional population distribution, the variation in non-response by urban and rural designations, by respondent gender, and business-owner gender.

- Design weight:** A weight by division was applied to adjust the sample to be proportionate to the number of persons within each division, as determined by the 2013 Economic Census data.²⁶ The 2013 Economic Census was used as a proxy for the proportion of businesses in each division, as opposed to the 2021 data from the District Upazila Statistics Office list of Export Processing Zones and Industrial Statistics of Bangladesh Small and Cottage Industries Corporations used to create target interview counts by business size (as the latter sources do not include informal businesses). Therefore, general population counts were more likely to mirror the total (formal and informal) business population.
- Non-response weight:** Weights were applied by urbanicity (urban/rural) and gender of respondent within strata based on response rates. For example, if an enumerator approached a business in district X with a female respondent, and they were ultimately marked as a refusal, the enumerator would still keep track of the fact that a female respondent was approached. During weighting, district X would be weighed to reflect the number of female and male respondents who were approached. Without these weights, the survey results would be biased by propensity to respond based on respondent gender and urbanicity.
- Oversample weight:** A minimum quota of 150 women-owned businesses was established for the survey to achieve a sufficient sample size for analysis. Only 138 interviews were reached during fieldwork therefore an oversample was required. The final count of women-owned businesses (180 interviews) required a weight to reduce the proportion of women-owned businesses in the sample. This oversample weight was applied to bring the proportion of women-owned businesses to what would have been achieved by natural fallout.

These three weights were combined to create one overall final weight applied to all data points. The design effect for Bangladesh is 1.28.^{xliv}

Ipsos carefully considered a broad spectrum of weights to be applied. Two in particular – business-size and cross-national – were not applied. A business-size weight was not applied as the actual counts achieved through natural fallout closely matched the business-size targets set using the business population statistics referenced previously. A cross-national weight, to enable comparison across countries in this series of reports, was not applied because there were no reliable data sources that could account for sampling differences across all countries in fieldwork timing and survey modes.

Due to the limitations of the weighting strategy discussed here, the sample should not be considered to be wholly representative of formal and informal businesses in Bangladesh.

COVID-19 Protocols

Extensive COVID-19 protocols were observed during CAPI interviews: only two to three people were allowed at each interview location, two meters apart. Enumerators wore masks and gloves during all interviews – which they removed, cleaned, and stored or disposed of after every six hours of wear – and sanitized their hands before and after every interview.

Limitations to the Survey Design

While every effort was made to ensure representativeness of the data, there are several limitations to the survey design. In terms of coverage limitations, the use of random walk sampling methods in urban and rural areas could mean that MSMEs associated with certain characteristics could have a higher likelihood of agreeing to participate in the survey. For example, a grocery store owner would be more apt to agree to participate in a survey during slow business hours than an MSME owner engaged in physical labor. This may lead to overcoverage or undercoverage of certain business sector types.

Another key coverage limitation relates to the exclusion of any household-based businesses without signage or storefronts. The random walk methodology may also limit the inclusion of multiple businesses at the same location. For multi-storey buildings, enumerators were instructed to treat the building as part of the random walk and choose one MSME from the location for screening and consent (or multiple MSMEs, depending on the interval and building size). However, if multiple businesses were operating from one space or location in the building, only one would be eligible. This limitation would also apply to multiple businesses sharing a stand or booth as only one of the business owners or top-level managers would be screened for qualification and consent.

In terms of geographic coverage limitations, firms selected for interviews were from targeted cities listed above; all firms outside of these areas were not included in the sampling frame.

There were also limitations resulting from COVID-19 specific challenges. These included the impact of social distancing-related restrictions on response and completion rates and the impact of COVID-19 on respondent business outcomes and behavior. Although this study accounts for unit non-response weighting on certain characteristics, there is no way to weigh on unobservables such as individual propensity to participate in a survey during a pandemic.

An additional key limitation related to weighting was the lack of post-stratification weights, particularly for national-level calculations and estimates. Without complete data on formal and informal MSMEs for benchmarking, it was not possible to implement post-survey adjustments to reflect the true composition of Bangladesh's MSME structure. Although the sampling process captured variation in Bangladesh's MSME structure regarding size, industry, and individual characteristics of business owners, any national-level figures were not adjusted or corrected to reflect business population characteristics.

Finally, the use of multistage cluster sampling represents a limitation on the precision of estimates. This may have led to larger standard errors for estimation at a detriment to the overall precision of results.

xliv The design effect is the ratio of an actual variance of an estimator that is based on a sample from the sampling design, to the variance of an alternative estimator that would be calculated (hypothetically) using a sample from a simple random sample (SRS) of the same number of elements. A design effect less than one indicates that the sample design has a smaller variance (is more efficient) than the hypothetical SRS design, whereas a design effect greater than one indicates that the sample design has a greater variance (is less efficient). Kish, Leslie (1965). "Survey Sampling". New York: John Wiley & Sons, Inc. ISBN 0-471-10949-5.

NOTES ON ANALYSIS

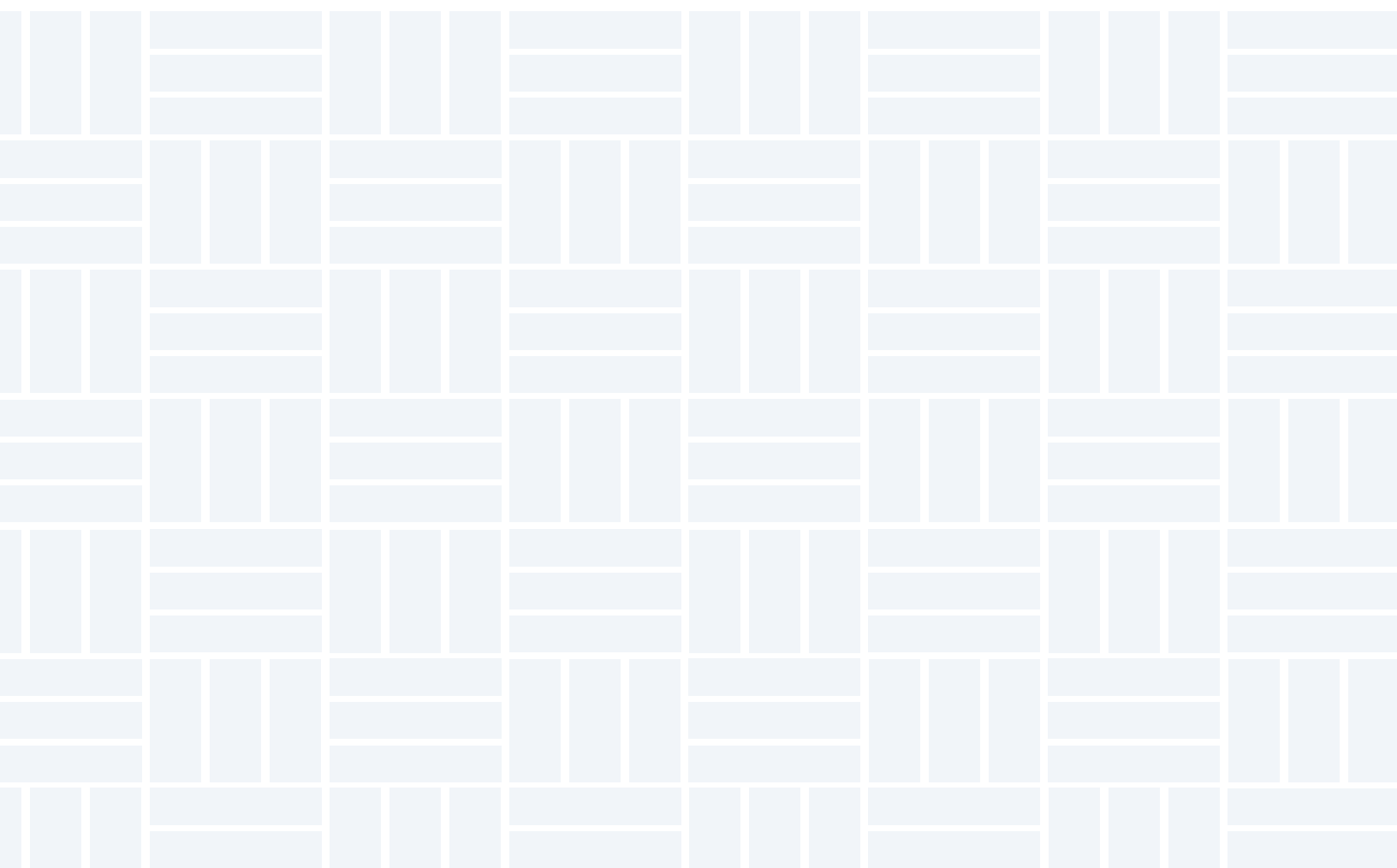
The primary methods of analysis used in this report are ratio estimations and Rao & Scott's Chi-squared test of Independence to determine statistical significance. All questions required a response to be entered, enabling the interviewer to continue to the next question. All questions included a "don't know" option code and a "refused" option code. These were considered valid responses and were included in the base for a question. The percentage of respondents that refused to answer a question for which they were eligible ranged from zero to 22 percent, depending on the question.

Reported survey results were calculated with a base of all respondents (the total sample), or on all surveyed online MSMEs or surveyed offline MSMEs. The base is specified for each data point. The sample size of online MSMEs and offline MSMEs are both smaller than the base of all surveyed MSMEs. Certain data points may also reflect the

results for a subgroup of respondents, such as women-owned businesses or those within a region.

Footnotes are included throughout the report to make note of the analyses conducted, including the corresponding statistical tests and associated outputs. For all tests of statistical significance, the results should be interpreted as levels of association and not causality. Our main criteria for determining statistical significance is the 95 percent confidence level. For each disaggregate percentage estimation highlighted in the report, the p-value in relation to alpha (less than or equal to .05 or greater than .05) is reported as a footnote.

Additionally, findings and results reported here should not be considered representative of Bangladesh's MSME sector due to the limited geographic scope of the survey, among other considerations.



APPENDIX 2: SUMMARY OF MSME AND RESPONDENT CHARACTERISTICS

CATEGORICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED %	WEIGHTED %	UNWEIGHTED STDERROR	WEIGHTED STDERROR
Online Status	Offline	526	50.3	49	1.55	1.77
	Online	520	49.7	51	1.55	1.77
Gender Ownership	Men-owned	862	82.4	90.3	1.18	0.88
	Women-owned	180	17.2	9.7	1.17	0.88
	Don't know	4	0.4	0	0.19	0
Urbanicity	Rural	101	9.7	8.8	0.91	0.99
	Suburban	261	25	24	1.34	1.52
	Urban	684	65.4	67.2	1.47	1.67
Business Size	Micro	292	27.9	26.8	1.39	1.55
	Medium	132	12.6	15.5	1.03	1.3
	Small	622	59.5	57.7	1.52	1.75
Business Vertical	Agriculture and food production	68	6.5	7.7	0.76	0.96
	Hospitality	324	31	33.1	1.43	1.63
	Manufacturing and industry	152	14.5	15.6	1.09	1.31
	Professional services	103	9.8	9.8	0.92	1.06
	Retail and e-commerce	396	37.9	33.2	1.5	1.46
	Other	3	0.3	0.5	0.17	0.28
Region	Barisal	124	11.9	5.2	1	0.09
	Chittagong	137	13.1	18.3	1.04	0.29
	Comilla	65	6.2	9.7	0.75	0.18
	Cox's Bazar	54	5.2	4.6	0.68	0.17
	Dhaka	234	22.4	31.9	1.29	0.7
	Faridpur	72	6.9	4.9	0.78	0.11
	Gaibandha	91	8.7	7.3	0.87	0.45
	Gazipur	74	7.1	7.7	0.79	0.11
	Jhalokati	73	7	1.6	0.79	0.04
	Rangpur	122	11.7	8.8	0.99	0.22
Owner Education	No formal education or less than primary education	108	10.3	10.9	0.94	1.12
	Primary education	295	28.3	26.4	1.39	1.54
	Secondary education	396	37.9	36.8	1.5	1.71
	University education or higher (degree)	197	18.9	19.8	1.21	1.42
	Vocational or technical education or training	6	0.6	0.5	0.23	0.2
	Don't know	42	4	5.7	0.61	0.9

CATEGORICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED %	WEIGHTED %	UNWEIGHTED STDERROR	WEIGHTED STDERROR
Owner Age	18-24	60	5.7	5.7	0.72	0.78
	25-34	250	23.9	25.7	1.32	1.57
	35-44	307	29.4	28.2	1.41	1.59
	45-54	236	22.6	22.2	1.3	1.47
	55-64	152	14.6	14	1.09	1.22
	65 or older	35	3.4	3.7	0.56	0.7
	Don't know	4	0.4	0.6	0.19	0.29
Respondent Education	No formal education or less than primary education	105	10	10.4	0.93	1.09
	Primary education	331	31.6	30.6	1.44	1.62
	Secondary education	414	39.6	39	1.51	1.73
	University education or higher (degree)	186	17.8	18.9	1.18	1.39
	Vocational or technical education or training	6	0.6	0.5	0.23	0.22
	Don't know	2	0.2	0.3	0.14	0.2
	Refused	2	0.2	0.3	0.14	0.24
Banking Status	Banked	442	42.3	44	1.53	1.74
	Unbanked	580	55.4	53.4	1.54	1.74
	Don't know	22	2.1	2.5	0.44	0.59
	Refused	2	0.2	0.1	0.14	0.06
Respondent Role	Owner	839	80.2	75.6	1.23	1.57
	Top-level manager, not an owner	207	19.8	24.4	1.23	1.57
Client Type	Both businesses and individuals	53	5.1	5.1	0.68	0.79
	Primarily individuals such as consumers or customers	886	84.7	85.7	1.11	1.14
	Primarily businesses	107	10.2	9.2	0.94	0.9
NUMERICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED MEAN	WEIGHTED MEAN	UNWEIGHTED STANDARD DEVIATION	WEIGHTED STANDARD DEVIATION
Respondent Age ¹		1,046	39.3	38.6	12	12.6
Business Age ²		1,044	13.1	13.1	11.3	11.2
Number of Owners ³		1,046	1.2	1.2	1.6	2

¹ Other possible response options: Don't know (0), Refused (0).

² Businesses in operation less than one year (2) coded as 0. Other possible response options: Don't know (2), Refused (0).

³ Other possible response options: Don't know (0), Refused (0).

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