Bangladesh
Startup Ecosystem
The Untapped Digital Goldmine of Asia
Executive Summary

Bangladesh startup ecosystem is coming of age riding on key drivers:

- **Strong Economy Vitals for Startups**: Tech adaptable young population 62%+ under 35 years, 165 million people (8th largest in the world) with high density (1200 people/Sq Km). **Middle class growing at 10% per annum** to reach 34 million by 2025. 105% mobile phone connection, 70% internet penetration. 115 million+ people on internet with 106 million mobile internet penetration. The pandemic has also accelerated the use of ICT technology, including digital commerce, education, healthcare, agriculture.

- **Demographic Bulge with the Right Skill-sets**: The country generates 5,000+ IT graduates each year is creating a strong group of entrepreneurial waves focused on solving critical problems, including those during the pandemic. The country's **median age of 28 years** means more young people are willing to take risks and explore innovations in the economy. With limited opportunities from STEM graduates (due to the absence of large-scale industrialization except for RMG/Textile, which is still more labor-intensive than automation) - they are looking into forming ICT enabled companies and Startups. NRBS (Non-Resident Bangladeshis) are also returning, bringing in both investment capital and knowledge remittance.

- **Bangladesh Startup Ecosystem at an Inflection Point**: The Bangladesh Entrepreneurship Ecosystem is at an inflection point with an excess of US$ 330 million accumulated over the last decade, in international investments from big-name corporate investors and venture capitals, investing in industries like FinTech, Logistics, and Mobility over the last five years. The emergence of active Angel Investment Networks, Impact Investing, host of local and international operating accelerators/incubators propelled 1,200+ active Startups, generating 1.5 million+ employment - embracing products and services of Startups as part of the country’s everyday life. Additionally, B-SEC (Bangladesh Securities and Exchange Commission) has also approved small-cap stock exchange guidelines, which is a big step towards providing investors with Startup exits.

**Government Support:**

- The Government of Bangladesh deployed the National ICT Policy in 2009 to become Digital Bangladesh by 2021. Government policies and projects from the ICT Ministry, such as IDEA Project and Startup Bangladesh Limited with 500 crore BDT (US$ 65 Million) funds, are taken to improve the local startup ecosystem. Additionally, GoB is setting up 28+ Hi-Tech Parks, including infrastructure support like data centers, to support technology companies.

**COVID-19 Impact:**

- Since March 2020, the country and all its businesses and startups have been affected drastically by the COVID-19 disruption. 24% of companies reported to have stopped operations, with 56% of startups seen at least a 50% drop on revenue generation. 63% of Startups have runway less than three months threatening 1.5 million employment and an annual loss of over US$ 53 Million in 2020. The disruption, however, is also propelling accelerated adoption of digital services with Digital Financial Services, Logistics, and Grocery on-demand, EdTech, HealthTech seeing steep growth.
1. Executive Summary

2. Bangladesh: The Untapped Economy in Chindia
   i. Economic indicators of the past decade, suggest growth for the country
   ii. MAC population will double to 34Mn in 5 years, increasing consumer appetite
   iii. Markers of digital penetration are increasing, boosting startup activity
   iv. Investment in the country has grown ~4X over the last decade
   v. Right time to attract foreign investors as the startup epicenter of the world shifts towards Asia

3. Bangladesh Startup Ecosystem is Coming of Age
   i. Bangladesh Startup Ecosystem: A glance of growth in numbers
   ii. Government initiatives boosting the startup ecosystem to come of age
   iii. Bangladesh Ecosystem is diverse and operating in multiple sectors
   iv. With Fintech leading the ecosystem, the overall confidence of ecosystem was positive in 2019-2020
   v. Increasing number of accelerators and incubators are acting as enablers in the ecosystem
   vi. Bangladeshi Startups are attracting global and local investors
   vii. Bangladeshi Startups raised over USD 272 Mn in last 5 years
   viii. Notable Local Initiatives leading the local investment landscape
   ix. Homegrown Startups have raised USD 300Mn+ of foreign investment
   x. USD 33 Mn+ raised in investments in the first half of 2021

4. Challenges in the Ecosystem
   i. Bangladesh Startup Ecosystem ranks far behind in comparison to the Global Startup Ecosystem
   ii. Finding the right talents & access to financing still remains top problems for emerging startups
   iii. Funding in Bangladesh as percentage of GDP is significantly low
   iv. FDI as % of GDP low compared to peers
   v. Need to solve Doing Business Index Challenges
   vi. Covid-19 impact

5. Way Forward and Recommendations
Bangladesh: The Untapped Economy in Chindia

01 | Economic indicators of the past decade, suggest growth for the country
02 | MAC population will double in 5 years, increasing consumer appetite
03 | Markers of digital penetration are increasing, boosting startup activity
04 | Investment in the country has grown ~4X over the last decade
05 | Right time to attract foreign investors as the startup epicenter of the world shifts towards Asia
Bangladesh, the 37th largest economy and one of the fastest growing countries, showed an impressive average annual GDP growth rate of ~6.8% over the last decade. The country’s annual GDP growth rate officially surpassed that of India’s in 2016 and has been higher than that of its neighbor since then.

GDP per capita has been growing at rates over 5% since 2015 peaking at U$ 2,227 (as of June 2021). Final consumption expenditure, which accounts for private consumption and general government consumption, has been growing positively for the last 10 years.

The economy is on track in graduating from the LDC status in 2024 and has made impressive strides in human development. PwC, a global consultancy, also predicts Bangladesh to become the 25th largest economy in the world by 2035.

It dominates the global RMG market in 3rd position, right after China and Vietnam, earning U$ 28Bn (83% of total export earnings) as of 2020. The ICT sector is booming, exporting U$ 800Mn worth of service across the globe.

The country has a population of 165 Mn and has reached 37% urbanization. Connectivity has reached its peak, with 105% mobile phone connection (174Mn) and 70% internet penetration (115Mn) and 64% mobile internet penetration (106Mn).

Source: BTRC, World Bank, UNCTAD, Ministry Briefings, BBS, EPB & Bangladesh Bank
MAC population will double to 34Mn in 5 years increasing consumer appetite

Bangladesh recorded an impressive annual GDP growth rate of 8.1% in 2020 despite the pandemic. The strong performance is attributable to several factors that have contributed to inclusive economic growth.

According to The Bangladesh Bureau of Statistics (BBS), the country has a young population with a median age of ~28 years and 62% of the population below the age of 35.

The country also benefits from ‘density dividend’, as 164 Million population is nestled in a country with land size like that of Michigan, USA.

Bangladesh’s rapidly growing economy has spawned an economic class of urbanites, who are upwardly mobile with a growing appetite for consumer spending. This Middle and Affluent Class (MAC) population is young, tech-savvy and optimistic about their future, leading them to spend on living standard enhancing goods and services.

According to a study by The Boston Consulting Group (BCG) on Bangladesh’s surging MAC population, the projected MAC population stands at 19 Million as of 2020 and is projected to grow at 10% per annum to reach 34 Million by 2025.
Markers of digital penetration are increasing, boosting startup activity

MFS is growing steadily at a 20% CAGR over the last 5 years
- Every one out of two persons (99Mn) has a MFS account in Bangladesh
- 9.6Mn transactions of U$ 214Mn+ everyday

eCommerce market is expected to grow to U$ 3Bn by 2023
- 2,000 e-commerce sites and 50,000 Facebook-based outlets which delivers around 30,000 products everyday
- 80% of online sales are concentrated in Dhaka, Chattogram and Gazipur
- Bangladesh eCommerce market stands at U$ 1.6Bn, ranking 46th in the global ranking

ICT sector has grown by 40% annually since 2010
- Over 1,500+ IT companies thrive in the country capturing a significant share in the international markets worldwide is expected to produce 1% of the country’s total GDP in the next five years
- Bangladesh is the second largest supplier of online labor with over 650,000 registered freelancers generating U$ 100Mn+ annually

Government boosting Startup activity through ICT wing
- Government initiated its own public startup support wing, Startup Bangladesh Limited with U$ 65Mn fund to catalyze investments
- Multiple competitions conducted to boost student entrepreneurship – 100+ startups received cumulative seed fund over U$ 1.5Mn+
- National ICT Budget for fiscal year 2020-21 stands at U$ 0.53Bn

Source: Bangladesh Bank, World Bank, e-CAB, Statista, UNCTAD, BASIS, ICT Ministry & LightCastle Analysis
Alongside steady economic growth, the investment to GDP ratio of Bangladesh has grown to **32%** (US $96Bn) in June 2020 from **26%** (US $26Bn) in 2009-10. Despite the excellent progress, the country’s Foreign Direct Investment (FDI) in CY 2019 stood at a mere **3%** (US $2.87Bn) of the country’s total investment. With policymakers devising policies to attract FDIs, investments are expected to increase in the new decade.
Emergence of Asia a startup hotspot
- Asia now has 42% (262 out of 615) of all the total unicorns
- Market valuation of unicorns from Asia stands at U$ 960 Bn

Boom in global startup funding
- 2018-19 saw record investment of total U$ 21.5Bn for mature stage companies
- 30% increase in funding in Asia Pacific countries the last 5 years

Aspiring ecosystem activates in Bangladesh
- Educational institutions are creating focused curriculum for integration of technology, producing 5,000+ IT professionals annually
- 28 High tech parks are launched to support startups and innovations
- Ecosystem enablers such as, co-working spaces, competitions, accelerators and incubators have come up in the last 5 years boosting the ecosystem

Government of Bangladesh focusing on ease of doing business
- GoB is on the mission to improve ‘Doing Business’ ranking from 168 to top 100
- GoB imposing new policies and pushing special economic zones in accordance to Bangladesh’s formal graduation to middle income status in 2024
- Multiple incentives for foreign investment:
  - Tax exemption for up to 15 years for foreign investors
  - No import duties for export oriented sectors
  - Retained earnings treated as new investments;
  - Foreign ownership companies can also secure working capital/long term financing from local financial institutions

Right time to attract foreign investors as the startup epicenter of the world shifts towards Asia
Bangladesh Startup Ecosystem is Coming of Age

01 | Bangladesh Startup Ecosystem: A glance of growth in numbers
02 | Government initiatives boosting the startup ecosystem to come of age
03 | Bangladesh Ecosystem is diverse and operating in multiple sectors
04 | With Fintech leading the ecosystem, the overall confidence of ecosystem was positive in 2019-2020
05 | Increasing number of accelerators and incubators are acting as enablers in the ecosystem
06 | Bangladeshi Startups are attracting global and local investors
07 | Bangladeshi Startups raised over USD 272 Mn in last 5 years
08 | Notable Local Initiatives leading the local investment landscape
09 | Homegrown Startups have raised USD 300Mn+ of foreign investment
10 | USD 33 Mn + raised in investments in the 1st quarter of 2021
Bangladesh Startup Ecosystem
A glance of growth in numbers

1,200+
Active Startups in Bangladesh

200+
New Startups born every year

Fintech
Logistics
Popular Growth Sector
In 2020

Dhaka
Chattogram
Sylhet
Major Active Cities in the Startup Ecosystem

$308Mn+
International VC Fund Brought in the last decade

$39Mn+
Startup Investment Raised in 2020

92%
Global Investment U$ 34Mn in 2020

U$65Mn
Startup Bangladesh Limited VC Fund under ICT Ministry

$80Mn+
Alternative Investment Fund Registered in Bangladesh

200+
Active Angels Boosted by Angel Networks

30+
Accelerators & Incubators Active in the Country

1.5Mn+
Total Employment Created by the Startup Ecosystem

Source: BSEC, Bangladesh Startup Survival Guide Group, LightCastle Startup Index & LightCastle Analysis
Government Initiatives, Private Sector Participation is boosting the startup ecosystem to come of age

**Multiple events initiate the entrepreneurship spirit**

- 2014: Founder’s Institute
- 2015: TiE Dhaka
- 2016: GP Accelerator
- 2017: Makerlab
- 2018: Banglalink IT Incubator; YGAP
- 2019: R-Ventures
- 2020: YY Goshti
- 2021: Tiger Cage

**Ecosystem enablers, accelerators & incubators initiate**

- 2014: Innovation Extreme
- 2015: Digital World
- 2016: Surecash
- 2017: Cloudwell
- 2018: AjkerDeal
- 2019: Direct Fresh
- 2020: Pathao
- 2021: Social Media Expo

**Local & global investors bet on the ecosystem**

- 2014: Priyo.com
- 2015: Innovation Extreme
- 2016: Surecash
- 2017: Cloudwell
- 2018: AjkerDeal
- 2019: Direct Fresh
- 2020: Pathao
- 2021: Social Media Expo

**Govt initiatives boost the startup ecosystem to come of age**

- 2014: JTI - Akij M&A
- 2015: Robi-Airtel M&A
- 2016: Banglalink IT Incubator; YGAP
- 2017: R-Ventures
- 2018: YY Goshti
- 2019: Tiger Cage
- 2020: Bangladesh Angels
- 2021: Startup Dhaka Incubator

**Notable Investments**

- U$1Mn: Priyo.com
- U$7Mn: Surecash
- U$2Mn: Cloudwell
- U$1.3Mn: AjkerDeal
- U$1Mn: Direct Fresh
- U$0.83Mn: Pathao
- U$2Mn: Social Media Expo
- U$5Mn: Chaldal
- U$2Mn: Pathao
- U$5.5Mn: Chaldal
- U$5Mn: Zero Gravity
- U$3.8Mn: Bdjobs
- U$1.7Mn: SOLshare
- U$1.6Mn: ShopUp
- U$1Mn: Sheba
- JTI - Akij M&A
- JTI - Akij M&A
- U$25.5Mn: ShopUp
- U$18Mn: Augmedix
- U$1.1Mn: SOLshare
- U$0.83Mn: Gaze
- U$0.6Mn: LoopFreight
- Call 4 Nation
- COVID Accelerator
- EverCare - Apollo M&A
- Unilever-GSK M&A
- Janata Jute Mills M&A

**Notable Events**

- 2014: Innovation Extreme
- 2015: Digital World
- 2016: Surecash
- 2017: Cloudwell
- 2018: AjkerDeal
- 2019: Direct Fresh
- 2020: Pathao
- 2021: Social Media Expo

**Merger & Acquisition**

- 2014: JTI - Akij M&A
- 2015: Robi-Airtel M&A
- 2016: Banglalink IT Incubator; YGAP
- 2017: R-Ventures
- 2018: YY Goshti
- 2019: Tiger Cage
- 2020: Bangladesh Angels
- 2021: Startup Dhaka Incubator

**Legends**

- **Source:** LightCastle Analysis
- List is indicative only and not exhaustive*

---

*Source: LightCastle Analysis*
Bangladesh Startup Ecosystem is diverse and operating in multiple sectors. The ecosystem can be categorized into three main sectors:

**Growth Sectors**: Sectors with a large funded startup base with the highest adoption of deep-tech coupled with local & global investor attraction.

**Emerging Sectors**: Sectors with medium funded startup base with relatively low-to-high adoption of technology and medium investor interest.

**Nascent Sectors**: Sectors with a small startup base with relatively low investor activity.

**Investment Index**

\[ \text{Investment Index} = \frac{\text{Total investment}}{\text{Total Startups, Funding by stages}} \]

**Maturity Index**

\[ \text{Maturity Index} = f(\text{No. of Startups, % of funded, adoption of technology}) \]

**Growth Sectors**
- Digital Finance & Fintech
- Logistics & Mobility
- Digital Media & Content
- eCommerce & Retail

**Emerging Sectors**
- EdTech
- Health Tech
- Service (Marketplace)

**Nascent Sectors**
- Gaming
- Agri-tech
- IOT, Analytics, Deep Tech

Source: LightCastle Analysis

Not an Exhaustive List*
With Fintech leading the ecosystem, the overall confidence of ecosystem was positive in 2019-20

A survey source from 100+ startup founders and investors rated Fintech and Ride-sharing and Logistics as the most promising sectors.

Online-enabled service marketplace platforms has captured the urban market significantly over the last 5 years. Players like Sheba.xyz, Smanager, Jantrik and Hellotask are formalizing the unstructured SME market and informal workers boosting financial inclusion.

eCommerce & fCommerce sector garners high confidence from investors. Startup players like ShopUp, Chaldal, eValy, Daraz and Sindabad

Meanwhile, digital marketing showed a drop in confidence, due to market saturation and thinning profit margin coupled with latest TAX issuance.

Source: LightCastle Startup Confidence Index 2019
Increasing number of accelerators and incubators, ecosystem builders are acting as enablers in the ecosystem

Source: LightCastle Analysis
Bangladeshi Startups are attracting global and local investors

Source: LightCastle Analysis

Not an Exhaustive List*
Bangladeshi Startups raised investments over USD 272 Millions in the Last 5 Years

Startup Funding in Bangladesh (USD Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Global</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3.0</td>
<td>3.6</td>
</tr>
<tr>
<td>2018</td>
<td>2.8</td>
<td>100.1</td>
</tr>
<tr>
<td>2019</td>
<td>8.8</td>
<td>78.6</td>
</tr>
<tr>
<td>2020</td>
<td>4.3</td>
<td>34.8</td>
</tr>
<tr>
<td>2021</td>
<td>2.4</td>
<td>33.2</td>
</tr>
</tbody>
</table>

- Startups Funded: 81
- Investment Deals Closed: 146
- Investment Deals Publicly Disclosed: 48%
- Investments made by Foreign Investors: 92%
- Investments made by Local Investors: 8%

Source: Compiled by LightCastle Partners and Anchorless Bangladesh with extensive support from Bangladesh Startup Consortium, Startup Bangladesh Limited, BAN, BD Startup Founders Group
Notable Local Initiatives
Leading the local investment landscape

**Startup Bangladesh Limited**
SBL, the gov. backed VC fund recently signed investment agreement with 7 startups investing an aggregate $2Mn+. The fund aims to invest BDT 100 Cr (USD 12Mn) in 50 startups

**Anchorless Bangladesh**
Anchorless Bangladesh is an early stage venture investment fund focused on advancing the local startup ecosystem and the brilliant founders behind transformative ideas

**Biniyog Briddhi**
Biniyog Briddhi is impact investment catalytic programme backed the embassy of Switzerland in Bangladesh with the mission to empower impact enterprises in Bangladesh
Homegrown Startups have raised USD 300Mn+ of foreign investment over the last decade

- **Bkash**
  - US$ 81Mn+
  - Fintech
  - from Money in Motion, BRAC Bank, Gates Foundation & Ant Financial

- **SureCash**
  - US$ 26Mn+
  - Fintech
  - from Osiris Group

- **Shop Up**
  - US$ 28Mn+
  - Fintech and B2B Commerce
  - from Sequoia Capital India, Omidyar Network, Flourish Ventures

- **Paperfly**
  - US$ 12.8Mn
  - Logistics
  - from Ecom Express

- **TruckLagbe**
  - US$ 4.7Mn
  - Logistics
  - from ARIA Group, Betatron & Mount Parker Ventures

- **Praava Health**
  - US$ 10.6Mn
  - HealthTech
  - from SBK Tech Ventures and Angels

- **Zero Gravity**
  - US$ 9Mn+
  - E-commerce
  - from Aavishkar VC & Frontier Fund

- **Chaldal**
  - US$ 19.5Mn+
  - E-commerce
  - from IFC, IDLC, Mir Group, JY Combinator

- **Maya**
  - US$ 3.5Mn
  - HealthTech
  - from Osiris, Anchorless Bangladesh

- **Shoahz**
  - US$ 19.6Mn+
  - Logistics
  - from Linear Venture, Golden Gate Venture

- **Pathao**
  - US$ 36Mn+
  - Logistics
  - from GO-JEK, Osiris Group, Openspace Ventures, and Battery Road Digital Holdings

- **Sheba.xyz**
  - US$ 6Mn
  - Service marketplace
  - from Epyllion Group, BFP BDFID and Local Angel Investors

- **Bongo**
  - US$ 7Mn+
  - Entertainment
  - from Razor Capital

Source: Databd.co, Crunchbase & LightCastle Analysis

*Not an Exhaustive List*
Notable Deals of 2021:
USD 33 Mn+ investments raised in first half of 2021

<table>
<thead>
<tr>
<th>Startup</th>
<th>Deal</th>
<th>Lead Investor</th>
<th>Investor Source</th>
<th>Investment Type</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>UP SKILL</td>
<td>Pre-Seed</td>
<td>Vint Valley</td>
<td>Global</td>
<td>Venture Fund</td>
<td>$110,000</td>
</tr>
<tr>
<td>arOgga</td>
<td>Pre-Seed</td>
<td>_</td>
<td>Global</td>
<td>Angels</td>
<td>$200,000</td>
</tr>
<tr>
<td>shuttle</td>
<td>Seed</td>
<td>Robi</td>
<td>Local</td>
<td>Corporate</td>
<td>$400,000</td>
</tr>
<tr>
<td>Intelligent Machines</td>
<td>Seed</td>
<td>IDLC</td>
<td>Local</td>
<td>Venture Fund</td>
<td>$470,000</td>
</tr>
<tr>
<td>alice</td>
<td>Seed</td>
<td>Anchorless Bangladesh</td>
<td>Global</td>
<td>Venture Fund</td>
<td>$500,000</td>
</tr>
<tr>
<td>Maya</td>
<td>Seed</td>
<td>Osiris</td>
<td>Global</td>
<td>Venture Fund</td>
<td>$2,160,000</td>
</tr>
<tr>
<td>DataBird</td>
<td>Bridge</td>
<td>Skycatcher</td>
<td>Global</td>
<td>Venture Fund</td>
<td>$3,000,000</td>
</tr>
<tr>
<td></td>
<td>Series A</td>
<td>IFC</td>
<td>Global</td>
<td>DFI</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>PRAAVA HEALTH</td>
<td>Series A</td>
<td>_</td>
<td>Global</td>
<td>Angels</td>
<td>$5,600,000</td>
</tr>
<tr>
<td>FRONTIER NUTRITION, INC.</td>
<td>Series B</td>
<td>Adjuvant Capital</td>
<td>Global</td>
<td>Venture Fund</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>PAPERFLIX</td>
<td>Series A</td>
<td>Ecom Express</td>
<td>Global</td>
<td>Corporate</td>
<td>$11,800,000</td>
</tr>
</tbody>
</table>

Source: LightCastle Partners Startup Dashboard
We have come a long way but now it’s time to go further: Challenges in the ecosystem

01 | Bangladesh Startup Ecosystem ranks far behind in comparison to the Global Startup Ecosystem
02 | Finding the right talents & access to financing still remains the top problems for emerging startups
03 | Funding in Bangladesh as percentage of GDP is significantly low
04 | FDI as a percentage of GDP needs to go up
05 | Challenges in Doing Business Index and what we need to do
06 | Covid-19 impact
**Bangladesh Startup Ecosystem** ranks far behind in comparison to the Global Startup Ecosystem

<table>
<thead>
<tr>
<th>Category</th>
<th>United States</th>
<th>China</th>
<th>India</th>
<th>Indonesia</th>
<th>Bangladesh</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Startup Ranking</strong></td>
<td>1</td>
<td>14</td>
<td>23</td>
<td>54</td>
<td>98</td>
</tr>
<tr>
<td><strong>Global Innovation Index</strong></td>
<td>61.73</td>
<td>54.82</td>
<td>36.58</td>
<td>29.72</td>
<td>23.31</td>
</tr>
<tr>
<td><strong>Total Number of Startups</strong></td>
<td>100,000+</td>
<td>25,000+</td>
<td>50,000+</td>
<td>5,000+</td>
<td>1,000+</td>
</tr>
<tr>
<td><strong>Time taken to setup a new business (days)</strong></td>
<td>4-8</td>
<td>30-40</td>
<td>15-30</td>
<td>15-30</td>
<td>15-30</td>
</tr>
<tr>
<td><strong>Corporate Tax Rate</strong></td>
<td>39%</td>
<td>25%</td>
<td>34%</td>
<td>22%</td>
<td>25%-35%</td>
</tr>
<tr>
<td><strong>Number of local VC Firms</strong></td>
<td>1000+</td>
<td>-</td>
<td>700+</td>
<td>300+</td>
<td>25+</td>
</tr>
<tr>
<td><strong>Number of Angel Investors</strong></td>
<td>300,000+</td>
<td>-</td>
<td>1,800+</td>
<td>5,000+</td>
<td>200+</td>
</tr>
<tr>
<td><strong>Number of Accelerators/Incubators</strong></td>
<td>1,500+</td>
<td>12,000+</td>
<td>250+</td>
<td>-</td>
<td>20+</td>
</tr>
</tbody>
</table>

Source: Global Innovation Index 2019, Startup Blink, [5]Crunchbase, AngelList, Xinhua net, Swiss Global Enterprise & LightCast Analysis

[1] The Global innovation Index ranks the innovation performance of 128 countries based on 82 indicators

[2] Global startup ranking by Startup Blink ranks the top 100 countries based on the quantity/quality of startups and enablers in the ecosystem coupled with business environment and critical mass.

[3] United States has the highest number of startups in the world

[4] China ranks #1 in number of incubators and accelerators across the world due to Chinese Government initiatives.
Finding the Right Talents & Access to Financing still remains the top problems for emerging startups

Source: LightCastle Startup Index 2019
The already low Startup Funding State of Bangladesh (GDP 10x lower than India), (GDP 50x lower than China) - is at stake due to COVID-19

State of Startup Funding in Southeast Asia (2018)

- **China**: 0.74% Funding of GDP, $100.00 Startup Funding
- **India**: 0.51% Funding of GDP, $13.80 Startup Funding
- **Indonesia**: 0.30% Funding of GDP, $3.00 Startup Funding
- **Pakistan**: 0.01% Funding of GDP, $0.03 Startup Funding

Source: IMF, Crunchbase, Statista, Yourstory.com, Anchorless Bangladesh and LightCastle Analysis
Despite the excellent progress, the country’s Foreign Direct Investment (FDI) in CY 2019 stood at a mere 3% (US$ 2.87Bn) of the country’s total investment. With policymakers devising policies to attract FDIs, investments are expected to increase in the new decade.
Doing Business Index
Govt. has taken an initiative to become double digit by 2025

The World Bank Group’s Doing Business 2020 study ranked Bangladesh **168th** in the global ease of doing business rankings this year from 176th in the previous year.

The government of Bangladesh has undertaken a number of initiatives to improve the ranking:

- **Setting up a new business became less expensive** with the reduction of registration and name clearance fees and removal of the certifying fee for digital certificates.

- **In Dhaka, obtaining an electrical connection was made more efficient** as the city invested in digitization and human capital. At the same time, the country reduced the amount of the security deposit required for a new connection.

- **Access to credit information was improved** thanks to expanded coverage by the credit information bureau. This reform delivered Bangladesh’s most significant improvement.

- **Bangladesh Investment Authority (BIDA) has introduced an One Stop Service Center** to assist foreign investors.

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>63rd</td>
</tr>
<tr>
<td>Vietnam</td>
<td>70th</td>
</tr>
<tr>
<td>Indonesia</td>
<td>73rd</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>99th</td>
</tr>
<tr>
<td>Maldives</td>
<td>108th</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>168th</td>
</tr>
</tbody>
</table>

COVID 19 Impact
1 out of 2 businesses saw revenue was halved during 2020 wave 1 lockdown

56% of businesses saw at least a 50% drop on revenue generation, while 52% seed stage startups saw decrease in business

- (+50%) Significant increase in business: 2% (Seed), 3% (Series A), 5% (Series B+)
- (+20%) Slight increase in business: 7% (Seed), 7% (Series A), 7% (Series B+)
- (0%) No Change in business: 9% (Seed), 1% (Series A), 10% (Series B+)
- (-20%) Slight decrease in business: 12% (Seed), 10% (Series A), 22% (Series B+)
- (-50%) Significant decrease in business: 21% (Seed), 9% (Series A), 2% (Series B+)
- (-100%) Businesses Operation Shutdown: 19% (Seed), 3% (Series A), 2% (Series B+)

63% of Startups had less than 3 months of runway

Reduction of Variable Cost and Salary are the first measure taken by 54% of the startups

- Reduction of variable costs: 28%
- Reduction/freeze of salaries: 26%
- Senior management reducing/foregoing salaries: 21%
- Employee layoffs: 18%
- Disposal of assets: 5%
- No Measures: 2%

59% of the Startups seek leverage (loans and bonds)

- Long-Term, Low Interest Loan: 26%
- Equity: 20%
- Convertible Bonds: 17%
- Quasi-equity: 17%
- Short-Term, Low Interest Loans: 15%
- Grant: 3%
- Short-Term, No Interest Loans: 1%

Source: Bangladesh Startup Consortium, LightCastle COVID Impact Research
COVID 19 Impact
Has accelerated some sectors, while setting others back

Source: LightCastle Analysis
Charting our Way Forward
Increase Focus Towards Creating Global Brand Perception

Systemically promote **Brand Bangladesh** by emulating successful competitors

Capitalize on **Government incentives and tax subsidy** for value addition in country

**Target Investors and Stakeholders** including global brands to instill trust among international investors.

**Strategic partnerships** across platforms can play vital role in gaining international coverage

**Create advocates** from globally acclaimed **Bangladeshis / influential NRBs** to reach out to prospective investors and create positive association

**Promote BIDA’s ‘one stop solution’ service**
Recommendations

- **Startup Policy:** With the Digital Bangladesh agenda in Government’s core, it is eminent to form a startup policy to offer multiple benefits for the startup and ecosystem players such as ease of access to debt finance, reducing the cost of doing business, ease of doing business, fiscal policy support - VAT/tax exemptions and rebates. An enabling policy will promote the growth of startups and the ecosystem attracting foreign investment in the ecosystem, benefiting the country's growth and employment rate.

- **Fund of Funds:** Startup Bangladesh and ICT Ministry can form a fund of funds through a public private collaboration to invest in Startups. The fund of funds makes downstream investments in venture capital and alternative investment funds that in turn invest in startups.

- **Investor Benefits:** The government needs to ensure an investment friendly environment in Bangladesh. Recommendations would be to update Foreign Exchange Regulation Act 1947, reduce entry barriers, introduce TAX benefits and ease repatriation of profits of foreign investors to attract foreign investments.

- **Ease of Doing Business:** Business processes, policies, and regulations have to be streamlined and more comfortable to start and operate startups/SMEs. A way forward could be to use technology and fintech platforms to make tax payments seamless, transparent and secure.

- **Industry-Academia Collaboration:** Industry-academia is mandatory to set up the right kind of infrastructure to nurture innovation and talents at school/university level as well as leverage knowledge remittances from NRBs all over the world through incentivized initiatives.

- **Corporate Venture Capital:** Corporates investing in Startups would provide viable exits for early-stage investors and founders as well as accelerate capital from both local and international markets. Also, this portrays confidence in the ecosystem to the international audience.

- **Continued GoB Support:** The ICT ministry has championed Startup growth be it in setting by the flagship venture capital fund Startup Bangladesh Limited or supporting ecosystem building initiatives across the country. Continue to provide infrastructure, policy and bringing in other ministries onboard in the process.
Acknowledgement

LightCastle Partners acknowledges the valuable contribution of the following notable personnel and organizations from the Bangladesh Startup Ecosystem to prepare this report.

**Tina Jabeen**
Investment Advisor
Startup Bangladesh, iDEA Project, ICT Division

**Rahat Ahmed**
Founding Partner & CEO
Anchorless Bangladesh

**Asif Iqbal**
Country Director
Entrepreneurship World Cup GEN Bangladesh

**Bijon Islam**
Chief Executive Officer
LightCastle Partners

**Mehad ul Haque**
Project Manager & Sr. Business Consultant
LightCastle Partners

**Silvia Rozario**
Project Manager & Sr. Business Consultant
LightCastle Partners

**Salem Abrar**
Business Analyst
LightCastle Partners

**Fairuz Joyeeta**
Business Analyst
LightCastle Partners

Authors

**Tina Jabeen**
Investment Advisor
Startup Bangladesh, iDEA Project, ICT Division

**Rahat Ahmed**
Founding Partner & CEO
Anchorless Bangladesh

**Asif Iqbal**
Country Director
Entrepreneurship World Cup GEN Bangladesh

**Bijon Islam**
Chief Executive Officer
LightCastle Partners

**Mehad ul Haque**
Project Manager & Sr. Business Consultant
LightCastle Partners

**Silvia Rozario**
Project Manager & Sr. Business Consultant
LightCastle Partners

**Salem Abrar**
Business Analyst
LightCastle Partners

**Fairuz Joyeeta**
Business Analyst
LightCastle Partners
Thank You !