

BANGLADESH STARTUP DREAM

Built and broken by borrowed money

After raising over a billion dollars, startups are struggling to make payroll -- and the foreign money is no longer coming

Global venture funding nosedived right after the 2021 boom. Global funding declined to \$445 billion in 2022 and \$285 billion in 2023. For companies in Bangladesh that had built their business plans around continued access to venture capital, the shift created immediate problems.

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In early March, Chaldal faced days-long protests outside its Jashore office by hundreds of employees over unpaid wages. Some had not received pay for up to four months. While such protests are commonplace in Bangladesh, this one was a disconcerting reminder of the state of the country's once-booming startups.

Chaldal is no small player. Launched in 2013, it reportedly pioneered online grocery shopping in the country, becoming a household name across urban neighbourhoods. Between 2015 and 2025, it raised around \$40 million, with plans for expansion across 15 cities.

During the pandemic, its annual revenue shot up to \$40 million.

It had entered the market at a time widely seen as the boom period for startups. The 2010s gave rise to some of the most prominent startups in the country -- bKash, ShopUp, Shohoz, ShareTrip, Paperfly, Pathao and many more. Global franchises like Uber and foodpanda launched operations here.

bKash went on to be the country's only unicorn startup -- meaning the company's valuation exceeds \$1 billion. The conditions were right. The



economy was growing fast, and digital transformation gained good momentum. Internet access spread considerably, and mobile phone penetration shaped how platforms were built and who could use them. Foreign money came pouring in.

At peak, over 1,200 active startups operated in the country, with some 200 more emerging each year. But a lot has changed over the last few years.

The boom stopped. Many of the rising firms that once expanded operations have been forced to lay off employees, cut down operations, and now face an uncertain future.

Chaldal CEO and founder Waseem Alim said, "In our 12-13 years, we had never faced difficulties paying salaries before August 2025."

Fahim Ahmed, CEO of Pathao, a leader in consumer tech with stable growth record, said, "It has been over the last two years that startups have been facing such a precarious situation. The conditions are deteriorating."

DECLINING DEALS, DECLINING MONEY

As per publicly available data, Bangladesh's startups have raised over \$1.126 billion, including over \$1 billion from foreign investors, since 2010.

The funds came through more than 460 deals, with just two deals accounting for nearly one-third of the total amount, according to LightCastle

Partners, a management consulting firm that specialises in tracking the startup ecosystem.

Over \$434 million from 94 deals came in 2021 alone. It was the high-water mark. The year also included the country's biggest startup deal of \$250 million between bKash and Japan's Softbank.

The boom was not exclusive to Bangladesh. Venture funding in 2021 broke records across the board, according to Crunchbase, a global startup and investment data platform. Fast-growing startups were showered with capital. Global venture investment that year totalled \$643 billion, a 92 percent growth from the previous year.

The entire 2010s attracted less than \$300 million. But the decade saw steady growth. Startups bloomed. As operations expanded, bigger sums of money were needed. And after 2021, money started coming in smaller and fewer amounts.

In the years that followed, promising platforms got hit by the shocks of a global economic slowdown. Bangladesh reeled from the impacts of Covid-19, high energy costs, dwindling private investment, a fragile bank system, skyrocketing inflation, and a regime change through uprising.

"During the interim government's tenure, investors have been cautious," said Pathao CEO Ahmed.

By 2024, annual fund flow fell to \$42 million with 41 deals. The next year, only 12 deals took place, bringing in around \$124 million. Almost all of that capital came from a single transaction -- a \$110 million deal backing SILQ Group, formed through the merger of Bangladesh's B2B commerce platform ShopUp and Saudi-based marketplace Sary.

The industry as a whole is yet to recover.

"When one deal makes up almost the entire year's funding, it suggests the ecosystem itself is not truly recovering," said a venture capital executive involved in regional investments.

However, while Bangladesh will remain the operational base for supply and distribution under the SILQ arrangement, a significant share of

expansion spending is expected to flow toward Gulf markets.

"This funding is not exclusively for the Bangladesh market," said one startup executive, speaking anonymously.

Early stage activity has been hit hardest, according to LightCastle.

Grant, pre-seed, seed, and pre-Series A rounds attracted around \$14 million across just three deals last year, compared to \$9 million spread across ten deals in 2024.

"Investors are now extremely cautious due to the macroeconomic situation," said Fahim Mashroor, former president of Bangladesh Association of Software and Information Services (BASIS).

WHY THE MONEY LEFT

The retreat of capital is not entirely a Bangladesh story, says Tanveer Ali, chairman of Constellation Asset Management and one of the country's earliest angel investors, with a portfolio of over a dozen local startups, including Chaldal, and ShopUp.

An angel investor is someone who provides capital for a startup in its earliest stages, typically in exchange for a minority stake.

"What is happening in Bangladesh is not unique," he said, pointing to rising global capital costs and geopolitical instability that have reduced venture funding flows to emerging and frontier markets broadly.

Global venture funding took a nosedive right after the 2021 boom. According to Crunchbase, the following year, global funding declined to \$445 billion and stood at around \$285 billion in 2023.

The US, the largest startup investment market with about half of all venture funding, saw a 37 percent decline in startup investment.

For companies in Bangladesh that had built their business plans around continued access to venture capital, the shift created immediate problems.

Local conditions amplified the pressure considerably. Currency volatility eroded returns, says Mamun Rashid, president of ShopUp. When many foreign investors entered the market, the exchange rate stood at around Tk 84 per dollar, which has since climbed to around Tk 122.

"Private equity and venture capital investors generally expect returns of 40 to 60 percent," he said.

"For American investors, the only viable exit route is often through external markets, as listing a Bangladeshi company on exchanges like the New York Stock Exchange remains extremely challenging."

Ali also pointed to the regulatory environment, describing it as "quite conservative" and uneven across sectors.

Globally, the startup funding started regaining its footing in 2024 as AI-based initiatives started to gain traction. Overall, startup funding reached close to \$314 billion, Crunchbase data analysis showed.

Last year, venture funding made a full recovery across the globe, as investors flocked towards AI. Investors poured \$425 billion into more than 24,000 private companies.

However, Bangladesh has attracted negligible interest.

"Global investor focus has also shifted towards AI startups, and Bangladesh is not attracting significant investment in AI ventures," said Pathao's Ahmed.

The domestic investor base has not filled the gap. Since 2010, local investors have poured only around \$76 million into startups, according to LightCastle. In 2024, local participation collapsed 95 percent year-on-year.

"That is why solid startups like Chaldal have not received as much funding as expected," said Mashroor.

LOCAL PROBLEMS

The funding drought exposed a second problem: many companies had expanded far beyond what their

fundamentals could support.

According to Ali, foreign investors often push founders in directions disconnected from Bangladesh's ground realities.

"Sometimes a lot of our founders get distracted by what investors say too much, especially foreign investors," he said.

The result, in several prominent cases, was rapid expansion into new verticals before the core business had found stable ground.

Chaldal expanded to Sylhet, Rajshahi, and Khulna during the pandemic, flush with investor confidence, moving into cities with lower smartphone penetration and higher operational costs.

When funding tightened, those expansions were quietly shut down. The company had planned to raise Tk 100 crore in 2025 but secured only about half.

"If you get only half, it doesn't work," said founder and CEO Waseem Alim.

"We haven't received any support from banks. Startups have limited access to bank loans compared to traditional businesses."

Sheba Platform Ltd, one of the country's largest digital marketplaces for household services, launched in 2016 as a home services marketplace. It later added a business management app, then a payment service -- each venture burning through capital. The company is also facing a legal dispute involving unpaid taxes and employee dues.

Sheba CEO Adnan Imtiaz Halim said the company cut more than 300 jobs in recent months, bringing total employment down to around 110. Salaries are being paid in instalments.

The latest crisis was triggered when another round of investment, expected in November, was delayed.

"Our startup was built entirely on local investment. When funding suddenly stopped, and revenue fell sharply, it created a difficult situation," he said.

A NEW ERA

Startup investment in Bangladesh represents just 0.03 percent of GDP, compared to 0.3 percent in India, according to LightCastle.

The country has a large population, a growing digital economy, and an expanding middle class. But the institutional infrastructure -- domestic venture capital, accessible debt markets, viable exit pathways -- has never been built.

Foreign capital filled that gap for 15 years. When it left, the gap remained.

Ali sees the current pain as potentially clarifying. Founders, he argues, are being forced to shift from aggressive growth strategies toward financial discipline.

"It would lead to the emergence of a new type of startup in Bangladesh," he said.

One structural intervention is on the horizon. Bangladesh is preparing to launch its first large-scale government-backed venture capital firm, the Bangladesh Startup Investment Company, with nearly Tk 600 crore in initial capital.

Guided by Bangladesh Bank, it is set to begin operations on April 30, with plans to invest in at least three startups by June 30.

STARTUP SLOWDOWN

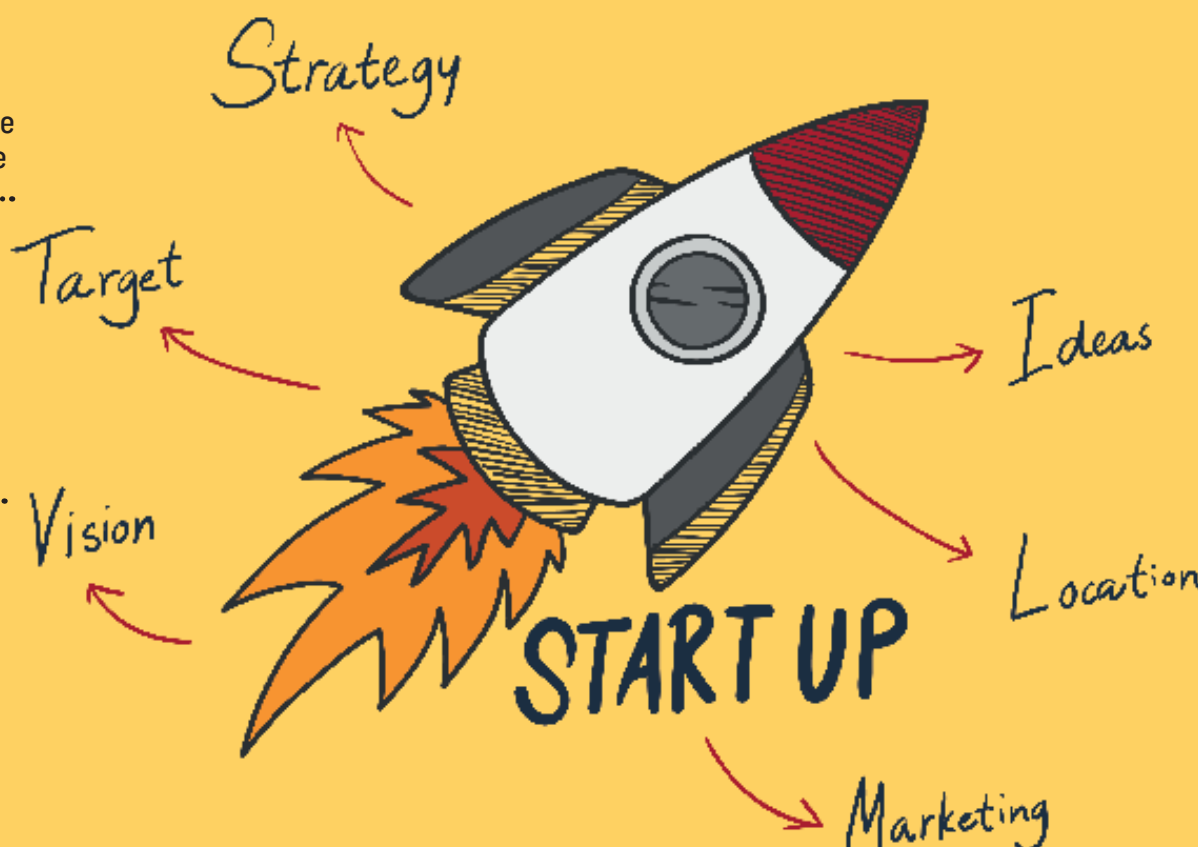
Funding has fallen, deals have slowed, and some of the country's best-known startups are struggling to survive

Startup funding

- 2021: \$434m raised with 94 deals
- 2024: \$42m came with 41 deals
- 2025: \$124m raised with 12 deals (\$110m from one deal)
- Total funding over last decade: \$1.12b
- Local investor contribution: \$76m (6.8% of total)
- Startup investment as share of GDP: 0.03%

Why funding fell

- Global startup funding fell sharply after 2022
- Higher interest rates, capital costs
- Political instability at home
- Taka depreciation
- Difficult for local firms to list on major stock exchanges
- Global investors now focused on AI ventures
- Bangladesh lacks infrastructure to attract AI-focused funding



Bangladesh Startup Investment Company

- Initial capital: Tk 600 crore
- Launch date: April 30, 2026
- Planned first investments: at least three startups by June 30

What went wrong inside startups

- Rushed expansions before becoming stable
- Many relied heavily on overseas venture capital
- Few alternatives to foreign funding
- Limited institutional lending or local investment

SLOWDOWN IMPACT

- Fewer startup launches
- Companies cutting staff to reduce costs
- Startups may avoid new sectors or products

SOURCES: LIGHTCASTLE PARTNERS, GOVT DATA