High risk, no return

Is capital moving in the right direction in Bangladesh's startup ecosystem?

NOMROTA SARKER

Bangladesh has never lacked entrepreneurs. What it has lacked is patient capital. For more than a decade, policymakers, investors, and ecosystem builders have celebrated the country's 'startup era'. Pitch competitions multiplied, venture capital entered the national vocabulary, and unicorns became an aspiration.

Yet beneath the optimism lies a paradox. Bangladesh has produced thousands of founders, promising technology companies, and millions of digitally connected consumers. But institutional venture capital remains limited, angel investing fragmented, and bank lending tied to collateral. Much domestic capital still flows into real estate, textiles, trading, and fixed-income assets.

The result is an ecosystem with companies capable of becoming regional champions, but too little capital to help them get there. The question is no longer simply how Bangladesh produces its next unicorn. It is whether the country is starving dozens of Royal Bengal tigers while searching for one mythical unicorn.

A DECADE OF MOMENTUM

Over the past 15 years, Bangladesh has laid much of the groundwork for a technology economy. Internet access expanded, mobile financial services entered everyday life, digital commerce grew, and government programmes accelerated the adoption of digital services. International investors backed companies including Pathao, ShopUp, Chaldal, Truck Lagbe, Maya, and Sheba.xyz. The government entered venture investing through Startup Bangladesh Limited. Funding strengthened between 2018 and 2022 before rising interest rates and tighter global liquidity made foreign investors more selective. The correction exposed a weakness that had been there all along: Bangladesh had not developed enough domestic risk capital.

Mature startup ecosystems have a financing ladder, from family backing and angel investment to seed funds, venture capital, growth equity, debt, and public markets. Bangladesh's ladder is missing several rungs. Founders navigate grants, accelerators, and scattered angel networks before reaching institutional investors. Companies with growing revenue also struggle to finance expansion. They fall between traditional small-business lending and the rapid growth sought by venture funds.

THE BANKER'S DILEMMA

Commercial banks are not irrational. Their business is to protect capital, while startups are built around uncertainty. A lender asks about collateral, current cash flow, and recoverable assets. A venture investor asks whether a company can capture a market, scale efficiently, and execute its strategy. These are fundamentally different ways of assessing risk. Expecting banks to behave like venture capitalists misunderstands banking itself.

Bangladesh Bank established a BDT 500 crore startup refinancing fund in 2021. Revised rules in 2025 expanded financing limits, retained concessional lending, and opened routes for equity investment. These changes matter, but implementation will determine whether founders can actually access the money. Startup Bangladesh Limited, central bank financing, ICT innovation programmes, and SME support have given startups greater policy recognition. These are meaningful steps, but public money cannot build a venture ecosystem on its own.

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Successful ecosystems combine government support with private capital, including corporate investors, family offices, and institutions. Bangladesh still leans heavily on public intervention when international investors pull back. That dependence is neither sustainable nor desirable.

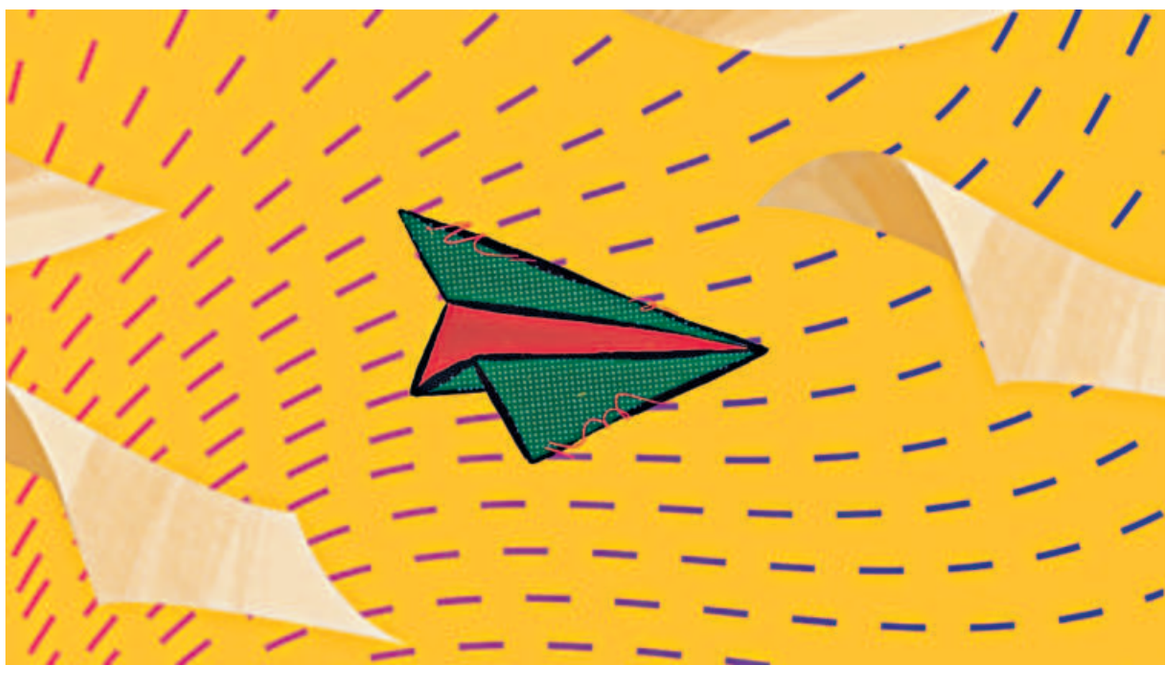


ILLUSTRATION: **ZARIF FAIAZ**

WHERE ARE THE INSTITUTIONAL INVESTORS?

Bangladesh has pension funds, insurers, banks, non-bank financial institutions, and large corporate balance sheets. Yet allocations to venture capital and other alternative investments remain limited. Elsewhere, institutions and family offices help fund innovation over long horizons. In Bangladesh, founders remain heavily dependent on overseas investors. When global venture markets slow, domestic startups can suddenly find themselves without oxygen.

The greatest blind spot may be neither seed-stage startups nor billion-dollar companies, but businesses between the two. Many generate revenue, employ substantial teams, and have demonstrated customer demand. With patient expansion capital, some could become regional leaders. Instead, they are too risky for conventional lenders, too small for growth equity, too mature for grants, and too large for angels.

This 'missing middle' may hold one of Bangladesh's greatest unrealised opportunities. LightCastle's investment data suggest startups have raised roughly $1 billion through more than 450 deals between 2010 and 2025, yet access to capital remains uneven.

SMES VERSUS STARTUPS: A FALSE CHOICE

The debate over whether to prioritise SMEs or startups presents a false choice. SMEs sustain employment and local economies; technology startups can also improve productivity and transform industries. Both matter, but they do not always need the same financing.

A manufacturer should not be financed on the same terms as an early-stage software company. Nor should a software business be judged solely by collateral standards designed for factories.

The broader investment picture also reveals how concentrated funding remains. LightCastle recorded $124 million across just 12 startup deals in 2025. The $110 million ShopUp–Sary transaction, which formed SILQ Group, accounted for about 89% of the total. A strong headline figure concealed much thinner investment activity elsewhere. Billion-dollar valuations make headlines, and governments often embrace them as benchmarks. But unicorns are outliers, not an economic strategy.

An ecosystem producing hundreds of sustainable, profitable technology businesses may generate more employment, exports, and tax revenue than one focused on a handful of valuations. Bangladesh should pursue resilience before rarity. Royal Bengal tigers are real. Unicorns mostly live in PowerPoint presentations.

CAPITAL SHOULD FOLLOW CAPABILITY

Bangladeshi founders have demonstrated their ability to build businesses in logistics, fintech, commerce, healthcare, education, and enterprise software. The question is how to finance their next stage. Well-directed investment in innovation can support higher-value jobs, export diversification, technology transfer, productivity, digital infrastructure, and future tax revenue. Innovation is not merely an ICT issue. It is also an industrial, employment, and economic policy. The next chapter requires each part of the financial system to reconsider its role.

Policymakers must improve regulatory certainty, tax treatment, cross-border investment rules, and governance. Bangladesh Bank must turn financing reforms into consistent implementation. Commercial banks need specialist lending expertise rather than applying conventional SME tests to every startup. Non-bank financial institutions could explore venture debt and revenue-based financing, while institutional investors could consider measured allocations to innovation funds, subject to their mandates and risk limits. Corporations can become customers, investors, and acquisition partners. Founders, meanwhile, must remember that raising capital is not proof of success. Sustainable businesses ultimately matter more than inflated valuations.

Bangladesh has spent years asking where its next unicorn will come from. Perhaps the better question is whether its financial system can recognise extraordinary businesses before they become obvious. Royal Bengal tigers already roam this ecosystem: resilient, adaptable, and accustomed to difficult terrain. If capital keeps chasing mythical unicorns instead of backing capable founders, Bangladesh may discover too late that its greatest competitive advantage was never missing: it was simply overlooked.

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Views expressed in this article are of the author's own and may not reflect the editorial stance of The Daily Star.

PHP runs much of the web with one full-time employee

NEXT STEP DESK

The nonprofit foundation behind PHP, a programming language that powers up to 70% of websites worldwide, has just one full-time employee, according to a Reuters report. Executive Director Elizabeth Barron told Reuters by email that she is the only full-time staff member. The foundation also has 14 contractors, most of them part-time. Its board members are unpaid volunteers, and its money comes from donations and grants.



The funding gap came into focus last week after researchers found two serious flaws in the three-decade-old language, sparking a global rush to protect websites from hackers. The foundation worked with outside researchers and companies, including OpenAI and the cybersecurity firms Wiz and Calif, to investigate the flaws and coordinate fixes. Barron said recent events show how much companies and governments rely on PHP, which she described as "incredibly under-funded".

Web security company Cloudflare has reported millions of hacking attempts. However, Barron said the foundation has no evidence that hackers were able to exploit the flaws before they were made public, or on sites that have since been updated. She said OpenAI, Wiz, and Calif had not told the foundation of any problems on patched systems, at the time of reporting.

Year-old AI startup raises $1 billion in Series A funding

NEXT STEP DESK

AI startup Flapping Airplanes has raised $1 billion in a Series A funding round at a reported valuation of $6 billion, nine months after launching with $180 million in seed funding. The company said Index Ventures and Lux Capital co-led the round, announced on October 21. Existing investors GV, Sequoia, and Kleiner Perkins also participated. Other investors include Valor, Atreides, A*, and Nvidia.

The latest funding values the year-old company at four times its $1.5 billion valuation in January, when it secured backing from GV, Sequoia, and Index. Founded by Aidan Smith and brothers Asher and Ben Spector, the startup aims to develop ways to train large AI models using less data. Smith previously worked at brain implant company Neuralink, while Asher Spector holds a background in statistics at Stanford University. Ben Spector studied computer science at Stanford and founded Prod, a student-run startup accelerator.

The company is developing what its founders describe as a "megakernel framework", designed to combine multiple computing tasks into a single programme running on a graphics processing unit (GPU). They say the system can handle AI model training, inference, and video games, potentially letting hardware run more efficiently.



IMAGE: **FLAPPING AIRPLANES**

JOBS SPOTLIGHT

KOREA INTERNATIONAL COOPERATION AGENCY (KOICA)

Program Officer
Deadline: October 29
Eligibility:
» Bachelor's degree or higher in Development Studies, International Relations, Public Administration, Business Administration, or related fields.
Minimum experience: 3 years

BRAC BANK PLC

Universal Officer, Distribution Network
Deadline: October 30
Eligibility:
» Master's or Bachelor's degree from a reputable university with a satisfactory academic track record.
Minimum experience: 1-3 years

CONCERN WORLDWIDE

Monitoring, Evaluation, Accountability, and Learning (MEAL) Officer
Deadline: November 3
Eligibility:
» Bachelor's degree or equivalent in an area of specialisation in M&E and/or MIS/ Social Science/ Statistics from a recognised university.
Minimum experience: 3-4 years

ZXY INTERNATIONAL

Merchandiser, Knit
Deadline: November 7
Eligibility:
» Graduate in Textile Manufacturing/ Apparel Merchandising from a well-reputed institute.
Minimum experience: 5 years

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"Inspiration exists, but it has to find you working."

Pablo Picasso

Cloudflare CEO warns AI is unleashing a flood of security flaws

NEXT STEP DESK

The flood of software vulnerabilities uncovered by artificial intelligence will make the coming years feel like a constant crisis, Cloudflare chief executive Matthew Prince has warned, predicting "we're going to have a couple of years where every single week it's going to feel like the sky is falling". Prince told Reuters he knew of "a bunch of additional severe vulnerabilities that are present in other pieces of critical software", and expected busy months ahead as AI exposes long-hidden weaknesses. Seven cybersecurity professionals who spoke to the news agency broadly agreed that more disruption is coming.

The PHP flaw scramble last week coincided with disclosures affecting Node.js and Plex, breaches tied to LiteLLM and Railway, reports Reuters. Research from threat intelligence firm VulnCheck shows AI helped double the number of flaws discovered year on year, as well. The reason is speed: finding bugs and building exploits once took weeks or months, giving defenders room to patch. AI can now scan code around the clock and produce exploits in hours.



IMAGE: **UNSPLASH**

Experts are split on whether this translates into more successful attacks. Hunt.io said criminal attempts against the PHP flaw appeared to have failed. The Cloudflare CEO framed the deluge as ultimately positive, comparing it to clearing monsters from a haunted house. "The reality is, we're going to get a lot of this stuff cleaned up," he said.

Xbox's first COO leaves after three months: report



IMAGE: **UNSPLASH**

NEXT STEP DESK

Helen Chiang, Xbox's first chief operating officer, is leaving Microsoft just months after the role was created, according to an internal memo seen by The Verge. Xbox chief executive Asha Sharma announced the exit in a short note to staff. "Helen Chiang is leaving Microsoft today," she wrote, adding that she was grateful for Chiang's years of service.

Chiang's immediate duties are being shared among other Xbox leaders for now, and Sharma said more would be shared on COO leadership "as plans are finalised", the report states. Chiang had spent 21 years at Microsoft and previously headed the Minecraft franchise. She was promoted to chief operating officer in July 2026. The Verge says no reason has been given for her departure.

When the role was announced during a major Xbox restructuring this summer, Sharma said it would have responsibility for profit and loss across content, hardware, platform, and services. The exit comes as Xbox continues its restructuring. Under the plan Sharma set out in July, up to 3,200 jobs are expected to go over the coming year, The Verge reports.