

Why are global top VCs eyeing Bangladeshi startups for investment?

Think Bangladesh

Bangladesh is emerging into a digital business hotspot in South Asia, as local firms accelerate growth backed by local and foreign direct investment in tech-enabled businesses.

bKash, a start-up from financial technology, began its journey in 2011 when almost 85 percent of people were out of conventional banking service in Bangladesh. Former telecom professional Kamal Quadir founded mobile financial service bKash along with his brother Iqbal Quadir as a platform to transact money on code dial-up.

Bill and Melinda Gates Foundation has made over \$21 million in grants and equity investments in bKash, to maintain its services and improve its technologies. Chinese tech giant Alibaba took a 20 percent stake of bKash in 2018 through its financial arm of AliPay. Recently Softbank has invested in bKash worth \$ 250 million [1], valuing the MFS operator as the first unicorn in Bangladesh. US investment company Money in Motion LLC owns 29 percent of its shares, according to a financial report. Now, there are transactions worth 230 Million US dollars happening from over 104.36 million customers registered with 15 MFS players in the market till August 2021. [2]

ShopUp, a Bangladeshi tech-based business-to-business network, has set an example in Asia by empowering small merchants at the grassroots level. It has built what it calls a full-stack business-to-business commerce platform with the marketplace, logistics, and working capital.

“In fast-growing frontier economies like Bangladesh, small businesses are the primary driver of the economy. We are excited to build a connected ecosystem of products to fast-track their transition to the online economy,” Afeef Zaman told TechCrunch, a United States-based tech journal.

In the latest series-B financing round, the investment worth 75 million US dollars was led by Peter Thiel's Valar Ventures in the first week of September. It also included investments from Prosus -- the investment arm of Naspers, Pierre Omidyar's family office.[3]

In series-A, ShopUp raised 22 million US dollars in the third quarter of 2020 co-led by Sequoia Capital India and Flourish Ventures, with additional participation through VEON Ventures, Speedinvest, and Lonsdale Capital (Singapore).

Another digital platform, Pathao, a ride-sharing app, is envisioned to become the flagship SuperApp for Bangladesh aggregating lifestyle services. Hussain Elius, a graduate of Forbes 30U30, launched the service on Dhaka Street in 2015, combating the global rival of Uber in emerging markets in South Asia. Pathao had raised a couple of investments from local and international investors including Battery Road Digital Holdings (2015), Go-Jek, Openspace Ventures, and Osiris Group (2018) at a valuation of over \$100 million [4]. In very recent times, Startup Bangladesh Limited made an equity investment of \$ 0.5 million to Pathao in

July 2021 [5]. The platform has already expanded fleets in Nepal to meet the demand of the Himalayan nation.

The journey of Bangladesh towards a tech-driven economy began in 2008, when Prime Minister Sheikh Hasina formulated the ‘Digital Bangladesh’ vision as a manifesto ahead of parliamentary elections. ICT adviser to the Prime Minister Mr. Sajeeb Wazed, architect of Digital Bangladesh, has been guiding the plan from the policy perspective.

The Bangladesh government’s ICT Division is implementing multi-focused projects to develop skilled resources for the knowledge economy. Sheikh Hasina Institute of Frontier Technology (SHIFT), Sheikh Kamal IT Incubator, Sheikh Russel Digital Labs, Schools of Future, Muktopath (Online Learning System), National Intelligence for Skills, Employment and Entrepreneurship (NISE), Advanced labs, Digital Leadership Academy, Center for Fourth Industrial Revolution, and Leveraging ICT for Employment and Growth (LICT) are among the notable initiatives.

Startup Hub

Most industry insiders argue that Bdjobs, an online human resource platform launched by Fahim Mashroor in 2000, was the first startup in Bangladesh. Then cellbazar.com came into focus in 2006 as an online classified platform founded by Kamal Quadir, the current CEO of bKash. Bdjobs and Cellbazar are two examples of young Bangladeshi startup entrepreneurs. The Bangladeshi startups have braved the corona pandemic as bKash (\$250M), ShopUp (\$75 M), TrackLagbe (\$4M), Paperfly (\$11M), and Gaze(\$830K) raised significant amounts of foreign investment during the challenging time.

To support tech-enabled firms, the ICT Division registered a company called Startup Bangladesh with a 65 Million US dollar authorized capital as the fund manager for new innovative business [9]. So far, the agency has invested in 21 businesses. Around 144 startups have been deployed across the country in various IT parks. Bangladesh runs ‘Innovation Design and Entrepreneurship Academy (iDEA) project to build startups from ideas. Bangladeshi youth can avail maximum Tk 1 million (over 11,600 US dollars) to scale innovations. The startups get spaces across hi-tech parks and Sheikh Kamal IT Incubation Centres to lead the business to the growth stage with the minimum viable product (MVP).

Bangladesh is the world's second-largest source of online workers, according to the Oxford Internet Institute [7]. Some 129.18 million people used the internet while 119.11 million connected over the phone by October 2021. [8]

There are over 2,500 startups in Bangladesh which pave the way for the nation to accomplish a goal of \$5 billion in tech exports and 3 million jobs by 2025. [9]

Invest in Bangladesh

Bangladesh provides various sorts of incentives for investors and infrastructure developers at 39 hi-tech parks with world-class facilities, which are regarded as specialized economic

zones for tech businesses, to encourage investment in the startup and tech industry. The emergence of active Angel Investment Networks, Impact Investing, and a slew of accelerators has resulted in the creation of over 1.5 million jobs. [9]

Startup ventures witness a boom in Bangladesh with the rise of local startups like ShopUp, Shohoz.com, Sheba.xyz, Gaze.AI, Chaldal, HungryNaki. The startups in the financial technology and logistic sector are the major attraction for investors.

Bangladeshi startups have raised a total of 750 million US dollars in the last five years, with foreign investors providing 95 percent. Some 78 Bangladeshi firms have received capital through 146 finance arrangements, of which 80 have been published as of February 2021. [10]

In the first quarter of the fiscal year, Truck Lagbe, a digital trucking platform in Bangladesh, raised a \$4 million Series A financing round led by IFC. Chinese e-commerce giant Alibaba invested in HungryNaki, a home-grown food delivery service, to affiliate the services with its regional business of Daraz.

The country's attention has switched to the technology sector, which is the driving force behind the knowledge economy transformation. Bangladesh expects to earn \$5 billion in US dollars from the export of tech services and goods over the next five years.

Bangladesh is prepared to welcome you. Now is the time to invest in tech companies in Bangladesh.

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