

COVID-19 SERIES

COVID-19 IMPACT

on Startups of Bangladesh

Executive Summary



Since March of 2020, Bangladesh is experiencing the wrath of COVID-19 pandemic. As business shut down due to the lockdown, the entire startup ecosystem has been shaken to its core, threatening thousands of startups that create over a million jobs. To understand the impact further, LightCastle Partners commissioned an independent study - "**COVID-19 Impact on the Startups of Bangladesh**". The survey was conducted in late April with over 200 startups from Bangladesh.

Bangladesh Startup Ecosystem at a Glance:

- There are over **1,000 startups** in the ecosystem currently providing employment to an estimated **1.5 million** people.
- As of today, Bangladeshi Startups have attracted over **US\$ 200 million** in international venture capital.
- Currently the most popular growth sectors in Bangladesh are Logistics, RideSharing, and Fintech.

Business impact due to COVID-19:

- **24%** of businesses have stopped complete operation with **56%** startups saw at least a 50% drop on revenue generation
- **60%** Startups have runway less than 3 months threatening **1.5 million** employment
- **US\$56 million** annual loss is now feared by a total of 300 startups in 2020

Recommendations and Way Forward:

- **Investors' Sentiment:**
 - Support and mentor existing portfolio
 - Preach for sustainability rather than scalability
 - Seek support of impact-based funds such as, Biniyog Briddhi, Youth Co:Lab, Internet Society Foundation, and DFID.
- **Advices for Startups:**
 - Pivot business models in support with crisis demand
 - Explore Strategic Partnerships & Mergers
 - Focus on Cost Reduction rather than raising funds
- **GoB Support:**
 - Launch grant funds/refinancing to support top startups
 - Launch fund to to propel the startups
 - Provide in-kind support: data center facilities, warehouse facilities, co-working spaces, and mentorship



Bangladesh Startup Ecosystem at a Glance

1000⁺

Bangladesh has 1,000+ startups with 1.5 mn direct employments

Logistics
RideSharing
Fintech

Most popular growth sectors of 2019

\$200_{mn}

International venture capital investment

95%

Mobile penetration, with 55% mobile internet users

Bangladesh Flag Bearers



COVID-19 has impacted Businesses in Bangladesh



24%

Businesses have stopped complete operation

80%

Drop in revenue for **eCommerce Businesses**

56%

Startups saw at least a **50% drop** on revenue generation

60%

Startups have runway less than 3 months

fCommerce
eCommerce
Ride-Sharing

Top 3 sectors hit badly due to the pandemic/ lockdown

1.5_{Mn}

Direct/ Indirect employments are at stake

\$56_{mn}

Annual Loss is feared by a total of **300 startups**

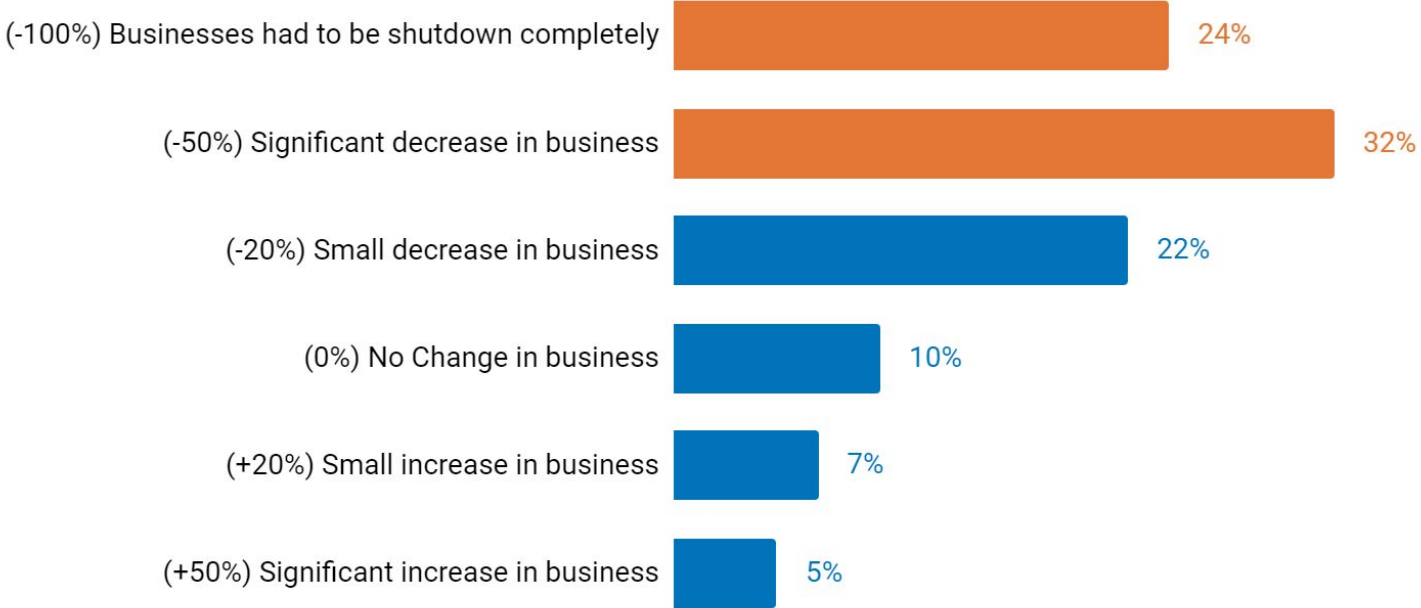
A survey conducted on 200+ startups in early April with **Bangladesh Startup COVID-19 Response Group**

COVID-19 Impact on Startups (I/VI)



56%

Businesses saw at least a 50% drop on revenue generation

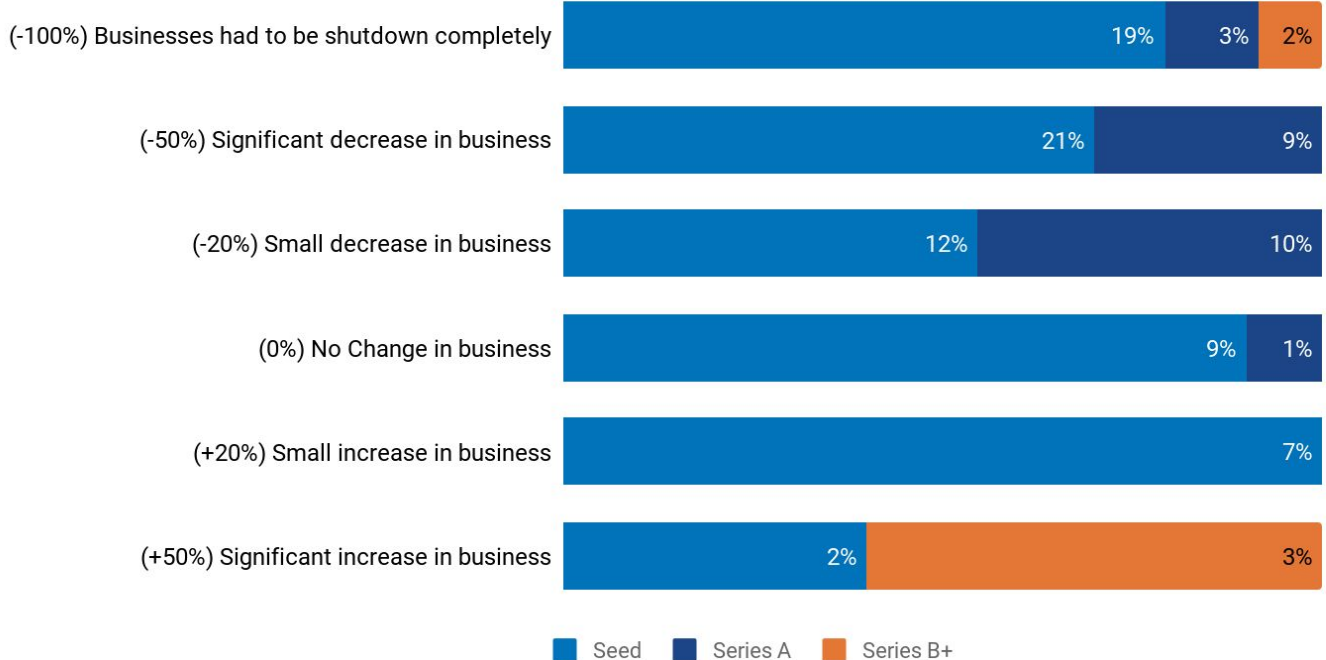


Source: LightCastle COVID-19 Survey

COVID-19 Impact on Startups (II/VI)



52% Seed stage startups saw decrease in business



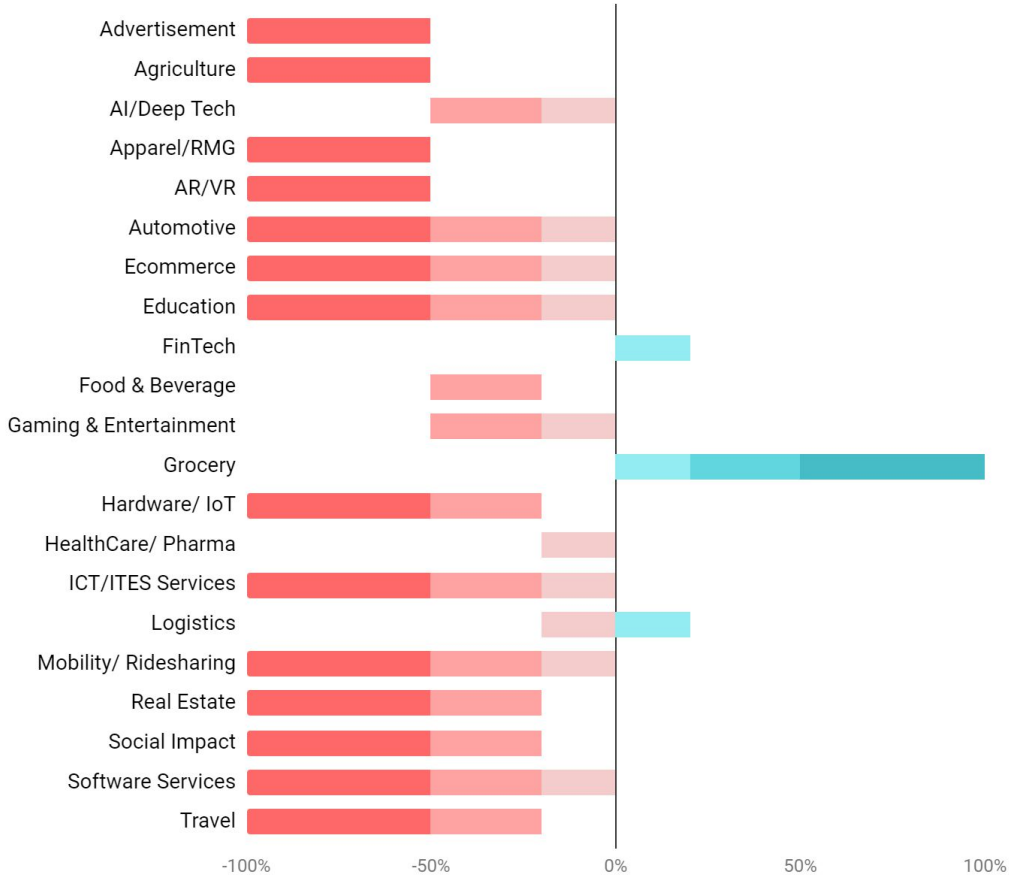
Source: LightCastle COVID-19 Survey



COVID-19 Impact on Startups (III/VI)

Grocery
Logistics
Fintech

Are the **essential sectors** that have seen positive impact in business



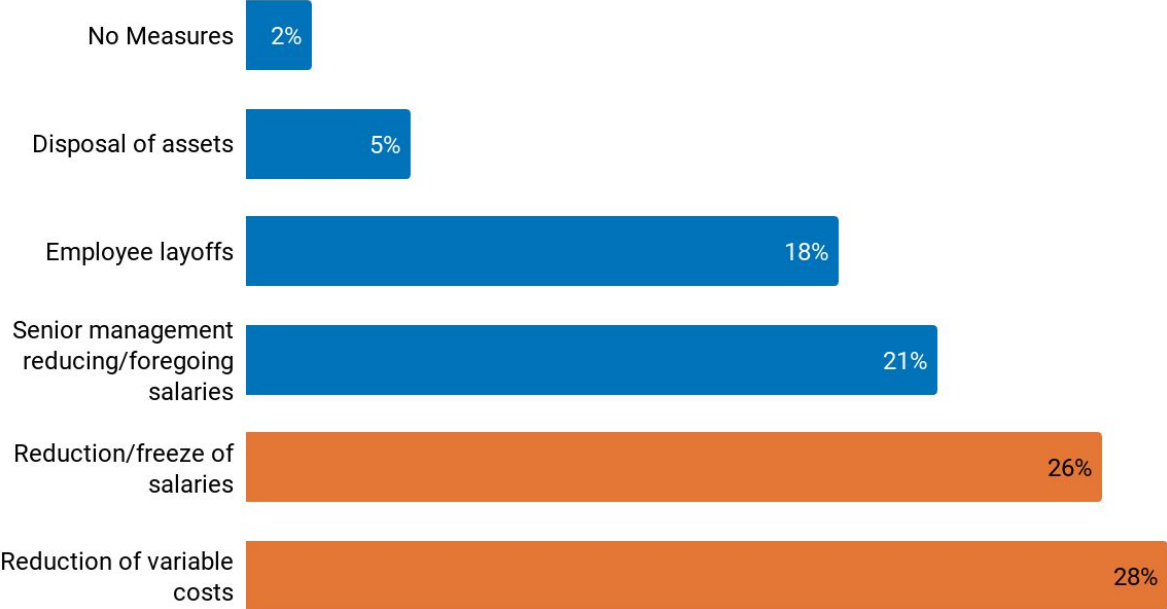
Source: LightCastle COVID-19 Survey

COVID-19 Impact on Startups (IV/VI)



54%

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



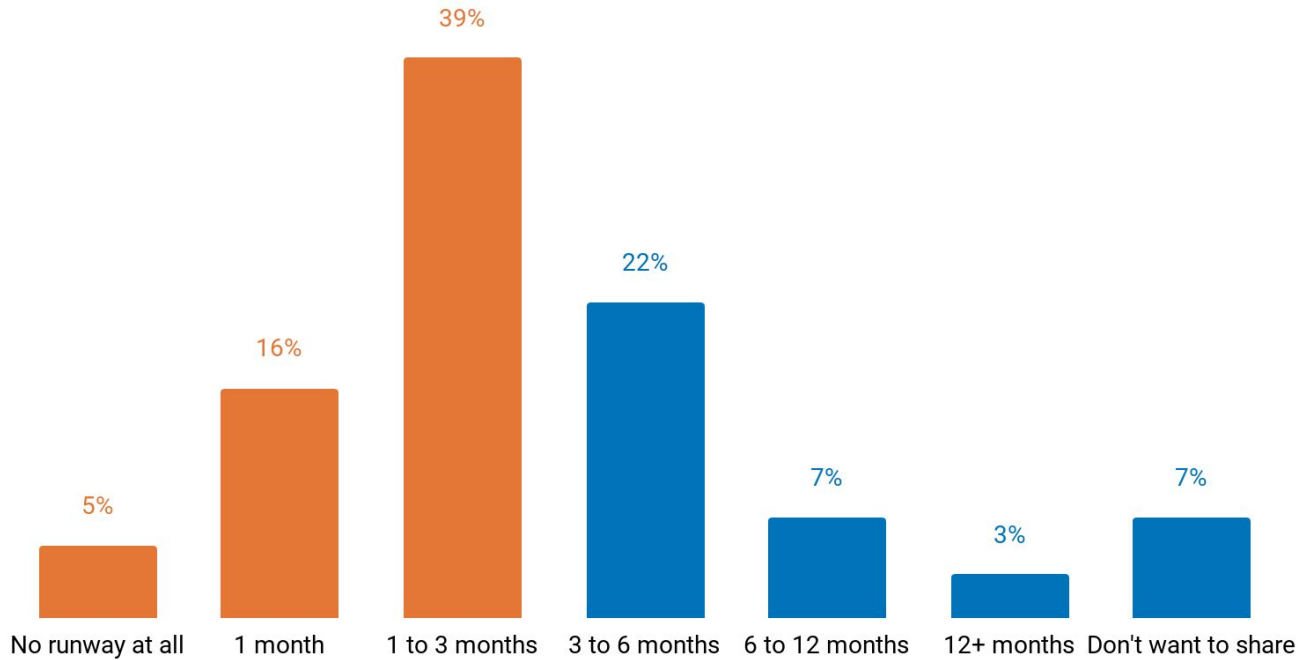
Source: LightCastle COVID-19 Survey

COVID-19 Impact on Startups (V/VI)



60%

Startups have runway less than 3 months



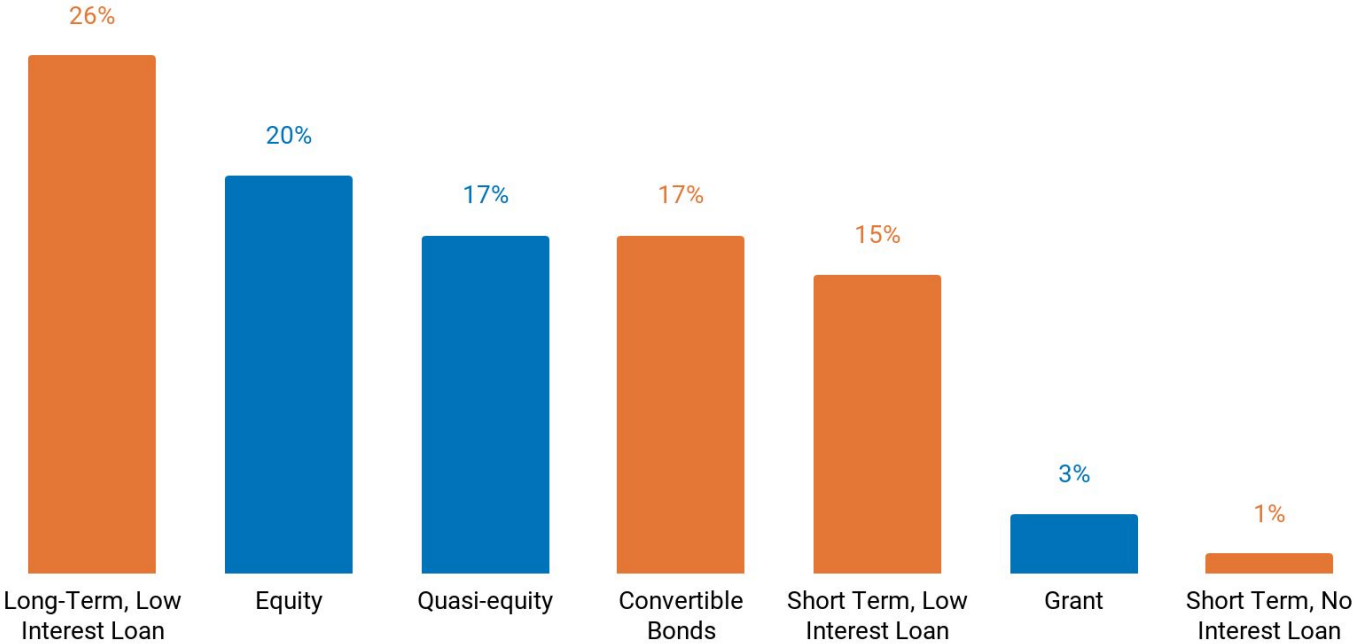
Source: LightCastle COVID-19 Survey

COVID-19 Impact on Startups (VI/VI)



59%

Startups seek leverage in times of crisis



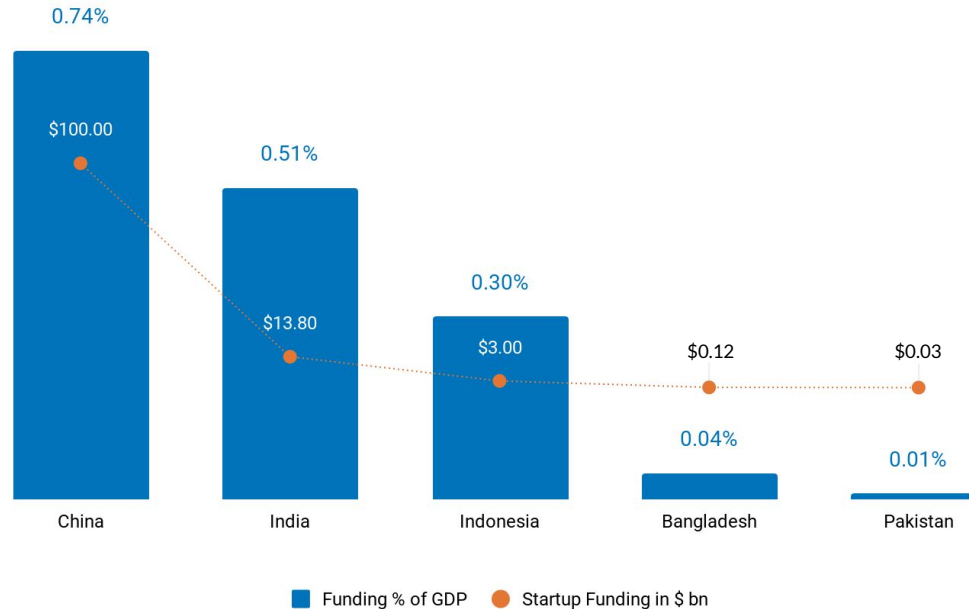
Source: LightCastle COVID-19 Survey

Bangladesh's Funding as percentage of GDP is very low



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

Startup Funding in Southeast Asia (2018)



Exemplary Initiatives

100+ Brands and Startups raised \$120K for people in need

- 5,217 Families supported
- 23,477 Person received Food Supplies
- 472 Areas disinfected



Recommendations



Investors' Sentiment

- 01 | Mentor existing startup portfolio and bridge support
- 02 | Focus on sustainability/profitability than scalability
- 03 | Seek support from impact-based funds such as, [Biniyog Briddhi](#), [Youth Co:Lab](#), [Internet Society Foundation](#), and [DFID](#)

Advices for Startups

- 01 | Pivot business models in support with crisis demand
- 02 | Explore Strategic Partnerships & Mergers
- 03 | Focus on Cost Reduction rather than raising funds

GoB Support

- 01 | Grant funds/Refinancing to support top startups
- 02 | Launch fund to to propel the startups
- 03 | In-kind support: data center facilities, warehouse facilities, co-working spaces, and mentorship



THANK YOU

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