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Funding Options for Young Entrepreneurs in Bangladesh

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Many of the young aspiring entrepreneurs cannot start their ventures because of insufficient fund. Consequently, many good and potential business ideas are not being implemented even though these ideas may have brought credible positive changes in society as well as in the economy of the country. Moreover, the rate of unemployment in Bangladesh is very alarming. Entrepreneurship can play a key role in creating jobs for this large number of unemployed.

It is good to see that the young entrepreneurs are coming forward to initiate startups. Even though they know that it is a very challenging task. Managing adequate fund is one of the major challenges for the young entrepreneurs. A startup needs an initial lump sum amount to manage the primary costs like setup cost, registration cost, decoration cost, sourcing costs for different resources etc. To maintain all these initial costs, an entrepreneur needs to engage fund for the longer period as there is no chance to flow cash against these costs. The entrepreneurs usually spend more in the beginning which becomes a burden later. So, it is always wise to spend as minimum as possible. The cash flow or revenue starts when the initiator starts business operations. Initially, the revenue comes very slowly to a startup. So, the entrepreneurs need to face financial challenges in the early stage to survive as the cash flow is very less in the beginning but there are some fixed costs to manage every month. To avoid the initial financial crisis, everyone should think of spending less or keeping some extra fund in hands if possible. If the startup survives in the early stages, it needs more money to expand the business later. So, the fund is required in every step in the entrepreneurial journey.

Entrepreneurship is an art. Only self-motivated individuals have the passion to make entrepreneurial excellence. A very small initiative can make a huge difference like 10 Minute School; a small social initiative but has the significant social impact. It has created an effective online learning platform. Many potential young entrepreneurs having such beautiful and credible business ideas are struggling to start their ventures only because of inadequate funding. Till now, a majority of the young entrepreneurs manage their initial funding from their personal sources like friends, relatives, family etc. In many cases, the fund is very limited to run a venture. Moreover, the entrepreneur feels a continuous pressure to repay the borrowings as early as possible. For this, sometimes the entrepreneurs need to make payment of the borrowings even canceling some vital activities which may have created an immense opportunity to achieve sustainability. Consequently, the initiatives start facing funding crisis again. These circumstances force the young entrepreneurs to lend money even at a higher rate of interest to keep the business alive. Unfortunately, this creates enormous pressures on the entrepreneurs and eventually, they think of selling or shutting down the initiatives. All these happen only because of the lack of funding opportunities in the early stages or for expansion.

In fact, there are only a few funding options for the young entrepreneurs to start their ventures. In the rural areas, the entrepreneurs' source funding from the personal sources, microfinance agencies, and department of youth development, the government of Bangladesh etc. In the urban areas, along with the previously mentioned sources, there are few more sources of funding too like seed fund providers, winning prize money from different competitions, donations or sponsorship for the social ventures etc. For the further funding or expansion, usually, the young entrepreneurs can knock banks, angel investors, crowd funders, venture capitalists, business incubators etc. It is easier for the successful startups to manage second stage funding. But the struggling entrepreneurs fail to manage to fund for survival or expansion. Eventually, many potential ventures stop operating.

First of all, personal sources are the most popular and easiest way to manage the fund. Personal sources like family, friends, relatives and other close ones create easy access to their fund. Usually, personal sources do not demand any legal documents, equity, mortgage, interest or any other benefits for lending money. Moreover, personal sources inspire the young entrepreneurs to start their ventures. In the rural areas, there are some people too who usually lend money at a high-interest rate. Usually seasonal businessmen borrow money from them and return their money as soon as possible as the interest rate is too high. For the long-term loan, this source is too expensive. There is another type of personal lender in the urban areas who provide capital for business initiatives or start-up, usually in exchange for convertible debt or ownership equity. They usually invest their idle money in the startups. For this, they are very conscious of lending and only invest in the growing businesses that perform very well and have less risk of return on investment, and have regular cash flow etc. However, all these personal sources are very common and popular method to manage the fund for the young aspiring entrepreneurs or startups as well.

In Bangladesh, banks are commonly known as the most important stakes to lend money to the businesses. Majority of the entrepreneurs try to manage loan from the banks as the second stage funding. Because the process of borrowing loan from the bank is very hard as the bankers betted all the required documents like license of the business, business formation deed, office rent agreement, guarantor's information etc very carefully before sanctioning the loan to any entrepreneurs. The bankers also evaluate the business very carefully before funding. The biggest advantage to work with any bank is that if once any startup or business can convince any bank for funding, then this startup or business needs not to go anywhere else for funding. This kind of relationship with any bank is also considered as the strength to the businesses. There are few globally recognized NGOs in Bangladesh like BRAC, Grameen Bank, Asa Bangladesh etc who usually provide loans under micro-finance programs to the nano, micro and small businesses, especially in the rural areas. The representatives of these programs find the people who need micro financing. The borrowers usually open a small grocery shop, buy cattle or invest in handmade craft etc. Many poor women especially in the rural areas became self-dependant with the help of micro-finance programs in Bangladesh.

Recently, crowdfunding became a convenient way to manage to fund for the startups. Crowdfunding is the practice of funding a project or venture by raising many small amounts of

money from a large number of people, typically via the Internet. This funding option is only available for those startups that are performing tremendously well and in growing stages.
Another fundraising option is venture capitalists (VCs). They usually invest in the innovative and high growth businesses. Venture capital is a type of private equity, a form of financing that is provided by firms or funds to small, early-stage, emerging firms that are deemed to have high growth potential, or which have demonstrated high growth. As the Venture Capitalists (VCs) usually buy a large number of shares of any businesses, they also participate in the management. So, the startups can utilize the resources and experience of the VCs as well. Moreover, the founders of the startups need to repay the invested amount earlier as the VCs involved in any business for the long period.

At present, many business incubators have come forward to help the aspiring young entrepreneurs through providing incubation services including seed fund. The Government of Bangladesh (GoB) is patronizing many of them so that an entrepreneurial-friendly eco-system can be developed in the country. Some incubators also provide further funding for expansion or assist to manage second stage funding. Rafee Mizan Khan Chowdhury, Founder and CEO of TEN's 360, an incubatee company of Business Incubation Centre (BIC) of BRAC University said, "We were thinking of a business but was unable to start because of lack of fund. After getting the opportunity to enroll into the BIC through participating in the Business Plan Competition, we got the chance to make our entrepreneurial dream successful. The enrollment ensured office space, mentoring support and seed fund up to BDT. 5,00,00 etc. All these supports helped me significantly to survive as an entrepreneur and led my team successfully." There are many accelerator programmes too who work for the business development as well as provide the adequate fund to grow. Nowadays, many young entrepreneurs manage initial funding as the winning prize money from different competitions. Some other entrepreneurs manage to fund as sponsorship or donation for their social ventures. But unfortunately, these opportunities are mainly available in the urban areas, especially in the capital. All should work together to take these opportunities to the rural areas so that aspiring entrepreneurs from the rural areas also can be benefited through these programmes and can make entrepreneurial excellence.

In the end, it is conceivable that there are few funding options for the young aspiring entrepreneurs and this is not adequate to create an entrepreneurial-friendly eco-system in the country. Till now, funding is being considered as one of the major barriers to entrepreneurship. Knowing the importance of entrepreneurship, many organizations including the Government of Bangladesh (GoB) are working together significantly to lessen the funding barriers so that everyone can show his/her courage to take initiatives. Easy access to funding can play a significant role to increase entrepreneurship in Bangladesh.

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