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Digital Entrepreneurship and the Startup Ecosystem: Potential and Policy Imperatives for Addressing Youth Unemployment in Bangladesh

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Abstract: *Youth unemployment remains a major challenge to economic development, human capital utilization, and inclusive growth in Bangladesh. Despite the growing number of young people entering the labour market, the economy continues to face difficulties in generating sufficient productive, stable, and quality employment opportunities. Educational mismatches, shortages of technical skills, limited entrepreneurial financing, and regional inequalities further complicate this challenge. This study examines the potential of digital entrepreneurship and the startup ecosystem to address youth unemployment in Bangladesh, focusing on emerging opportunities, structural constraints, and policy priorities. It adopts a qualitative, descriptive, and analytical approach based on secondary data, drawing on relevant academic literature, policy documents, and reports from the International Labour Organization (ILO), the World Bank, the Bangladesh Bureau of Statistics (BBS), and startup-sector sources. The analysis covers e-commerce, social media-based commerce, financial technology (fintech), educational technology (edtech), agricultural technology (agritech), digital professional services, and technology-enabled logistics. According to the ILO (2024), citing the Bangladesh Labour Force Survey 2022, the unemployment rate among young people aged 15–29 was 8%, compared with 27.8% among highly educated people and 32.6% among highly educated women. Startup investment reports also indicate fluctuations in formal startup financing, highlighting the importance of access to capital and investor confidence. The findings suggest that digital entrepreneurship can reduce certain barriers to market entry, diversify business models, expand self-employment, and improve market access for small enterprises. However, unequal digital access, financing gaps, skills mismatches, weak business management, cybersecurity risks, and informality may constrain these benefits. The study argues that digital entrepreneurship should complement broader policies on skills development, accessible finance, digital infrastructure, market linkages, supportive regulation, and decent work. An integrated and inclusive startup ecosystem is therefore essential for translating digital business opportunities into sustainable livelihoods and productive employment for young people in Bangladesh.*

Keywords: *Digital Entrepreneurship; Startup Ecosystem; Youth Unemployment; Self-Employment; Digital Economy; Job Creation; Bangladesh.*

Research Novelty and Contribution: The contribution of this study lies in its integrated analysis of digital entrepreneurship in relation to youth employment, skills development, financial inclusion, business sustainability, and the institutional environment in Bangladesh. Rather than treating digital entrepreneurship merely as online business activity or the adoption of emerging technologies, the study examines its broader relationship with the startup ecosystem and explores how institutional support, entrepreneurial capabilities,

technological innovation, and market conditions influence employment opportunities. This perspective is consistent with the innovation-driven approach to entrepreneurship proposed by Schumpeter (1934) and the knowledge-based perspective of economic growth developed by Romer (1990).

The study brings together theoretical perspectives on innovation, entrepreneurial opportunity, and knowledge-driven economic growth with secondary evidence on youth unemployment, startup financing, digital business activities, and barriers to inclusive participation. Entrepreneurial opportunities emerge through the interaction of individual capabilities, market conditions, and institutional environments (Shane & Venkataraman, 2000). Furthermore, digital technologies can facilitate new business models, improve market access, and create opportunities for entrepreneurship and economic participation (Organisation for Economic Co-operation and Development [OECD], 2021). The study distinguishes between the creation of self-employment opportunities and the generation of additional wage employment while also considering enterprise survival, income stability, and working conditions. Particular attention is given to challenges facing women and rural youth, including unequal access to finance, digital infrastructure, professional networks, entrepreneurial training, and markets (World Bank, 2021).

Methodologically, the study synthesizes published statistics, institutional reports, policy documents, and relevant theoretical literature without collecting new primary data. This secondary-data-based approach enables a broader understanding of the relationship between digital entrepreneurship and employment development in Bangladesh. Its principal contribution is the development of a policy-oriented framework that connects digital entrepreneurship with sustainable enterprise development, inclusive economic participation, and quality employment. The analysis identifies priorities for strengthening Bangladesh's digital startup ecosystem through improved access to entrepreneurial finance, digital infrastructure, skills development, institutional coordination, and market opportunities. Nevertheless, it recognizes that the employment effects of digital entrepreneurship depend not only on technological adoption but also on broader economic, institutional, and social conditions (International Labour Organization [ILO], 2022; OECD, 2021).

1. Introduction: Young people play a vital role in Bangladesh's economic development and social progress. Their skills, creativity, innovation, and active participation in economic activities are essential for enhancing national productivity, technological advancement, and inclusive economic growth. However, generating sufficient and quality employment opportunities for the expanding youth population remains a significant development challenge. The transition from education to employment is frequently hindered by educational mismatches, shortages of technical and professional skills, limited work experience, and unequal distribution of employment opportunities. These challenges highlight the need for employment strategies that connect education, skill development, entrepreneurship, and labour-market requirements (International Labour Organization [ILO], 2024).

According to the Bangladesh Labour Force Survey 2022, as reported by the ILO (2024), the youth unemployment rate among individuals aged 15–29 was approximately 8%. The employment challenge is particularly significant among highly educated young people, with unemployment reaching 27.8% overall and 32.6% among educated young women. Furthermore, informal employment accounts for approximately 92.7% of employed youth and 98.5% of employed young women (ILO, 2024). These figures indicate that the employment crisis extends beyond the availability of jobs to include concerns relating to employment quality, income stability, skill relevance, gender inequality, and access to social protection.

The employment gap is further illustrated by World Bank analysis covering the period 2016–2022, which estimates that approximately 14 million young people reached working age, whereas only 8.7 million jobs were generated during the same period (World Bank, 2025). Although the difference between these figures

does not necessarily represent the number of unemployed young people, it highlights the growing pressure on Bangladesh's labour market and the need for productive, labour-intensive, and inclusive economic development strategies.

Rapid advancements in Information and Communication Technology (ICT), including digital payment systems, social media platforms, cloud computing, e-commerce, and artificial intelligence, have transformed traditional business operations and service-delivery models. Digital technologies enable entrepreneurs to access wider markets, reduce operational barriers, improve communication, and manage business activities without requiring extensive physical infrastructure. They also create opportunities for innovative business models and digital economic participation (Organisation for Economic Co-operation and Development [OECD], 2021). However, technological access alone does not guarantee business success. Sustainable enterprise development also requires market knowledge, managerial capabilities, financial resources, consumer trust, digital literacy, and regulatory compliance.

In this context, digital entrepreneurship, encompassing e-commerce, social commerce, financial technology (fintech), educational technology (edtech), agricultural technology (agritech), freelancing, and technology-enabled logistics, offers considerable potential for expanding youth employment opportunities. Digital enterprises can create direct self-employment opportunities for founders and freelancers while generating additional wage employment in procurement, transportation, logistics, digital marketing, software development, customer support, and other related services. Entrepreneurship can also contribute to innovation, productivity, and economic development by introducing new products, services, and business models (Schumpeter, 1934; Shane & Venkataraman, 2000).

Importantly, digital entrepreneurship must be distinguished from the broader startup ecosystem. Digital entrepreneurship refers to the creation and development of technology-enabled business activities, whereas the startup ecosystem represents the wider institutional, financial, social, and commercial environment that supports entrepreneurial development. This ecosystem includes investors, incubators, accelerators, universities, financial institutions, government agencies, technology providers, and policy frameworks. A supportive entrepreneurial ecosystem facilitates access to capital, professional networks, knowledge, infrastructure, and market opportunities. However, structural constraints such as limited early-stage financing, unequal digital connectivity, cybersecurity risks, inadequate entrepreneurial skills, and administrative complexities may restrict business development and enterprise survival (OECD, 2021; World Bank, 2021).

To address these interconnected challenges, the present study examines the potential of digital entrepreneurship and the startup ecosystem in addressing youth unemployment in Bangladesh. It explores sector-specific entrepreneurial opportunities, institutional and infrastructural constraints, and the distinction between self-employment and sustainable wage employment. The study also considers the importance of enterprise survival, financial inclusion, gender equality, and the development of market-relevant skills. Ultimately, the research advocates an integrated policy approach that connects educational reform, accessible entrepreneurial finance, digital infrastructure, institutional support, and an enabling regulatory environment to promote productive, inclusive, and sustainable employment opportunities for the youth of Bangladesh.

2. Literature Review: The relationship between entrepreneurship, technological innovation, and economic growth has long been an important subject in economics. Entrepreneurship can contribute to economic transformation by introducing new products, improving production processes, identifying emerging markets, and developing new organizational arrangements. Nevertheless, entrepreneurial activity does not always produce the same economic or employment outcomes. Its effectiveness depends on factors such as institutional capacity, market conditions, access to finance, human capital, technological capabilities, and the

wider policy environment. In digital entrepreneurship, reliable internet connectivity, secure digital platforms, effective payment systems, and access to online markets are particularly important.

From a theoretical perspective, Schumpeter (1934) identified entrepreneurship as a major driver of economic change through innovation. Entrepreneurs introduce new products, production methods, markets, sources of supply, and forms of business organization. These innovations can transform established industries and alter the structure of competition. Schumpeter's concept of creative destruction subsequently became influential in explaining how new technologies and business models replace or reshape existing economic activities.

This perspective is relevant to digital entrepreneurship because e-commerce, fintech, online education, and platform-based services can change conventional methods of production, distribution, and service delivery. Digital businesses may create new occupational opportunities while reducing demand for some traditional tasks. Consequently, their employment effects should be assessed by considering both the jobs created by new activities and the jobs displaced or transformed by technological change. Productivity gains alone cannot establish whether the overall employment outcome is positive.

Kirzner (1973), in contrast, emphasized entrepreneurial alertness and the ability to identify previously unnoticed market opportunities. Entrepreneurs may recognize unmet demand, information gaps, inefficiencies in distribution, or differences between available products and customer needs. In Bangladesh, digital platforms can potentially help agricultural producers reach urban buyers, local artisans promote their products, small retailers access wider customer networks, and skilled workers provide professional services remotely. Such activities illustrate how entrepreneurs may use information and market access to develop new commercial opportunities.

However, identifying a market opportunity is only the first step towards establishing a viable enterprise. Entrepreneurs also require appropriate financing, technical and managerial capabilities, reliable suppliers, customer confidence, and effective distribution arrangements. Kirzner's perspective therefore helps explain the potential of digital business opportunities, but it must be combined with an analysis of the institutional and operational conditions that determine whether those opportunities can be sustained.

Romer's (1990) theory of endogenous technological change provides another useful perspective. It emphasizes the role of knowledge, innovation, and human capital in long-term economic growth. Knowledge and technological capabilities can improve productivity and support the development of new products and services. Digital entrepreneurship can contribute to this process through software development, data-driven services, online education, digital marketing, and technology-enabled business management. Nevertheless, the benefits of technological change depend on investment in skills, opportunities for learning, effective institutions, and the ability of firms to apply knowledge productively.

Contemporary research on startup ecosystems similarly emphasizes the interdependence of entrepreneurs, investors, universities, government institutions, markets, and business-support organizations. An effective ecosystem helps entrepreneurs test ideas, develop products, obtain funding, recruit skilled workers, and expand commercial operations. Weak institutional networks, limited mentorship, and restricted access to investment may increase business costs and risks. These considerations suggest that digital entrepreneurship cannot be explained solely by individual initiative or technological access; the surrounding ecosystem also influences enterprise survival and growth.

Research and policy publications on Bangladesh's skills and employment challenges reinforce the importance of aligning education and training with labour-market requirements. The World Bank (2018) examined the need to prepare young people for changing occupational demands, while the ILO's skills-related publications (ILO, 2019, 2022) provide institutional perspectives on skills development and

employment priorities. These sources support the broader argument that formal educational qualifications need to be complemented by practical, technical, and occupational competencies. For digital entrepreneurs, relevant capabilities may include digital literacy, financial management, customer relations, online marketing, data protection, and business planning.

Startup investment reports provide an additional perspective on the financial conditions surrounding entrepreneurial development in Bangladesh. LightCastle Partners and associated organizations publish reports tracking investment transactions involving identified startups. These reports can help assess trends in formal startup financing, investment concentration, and investor participation. However, their coverage does not represent the entire digital economy, including informal online businesses, small social-commerce enterprises, and independent digital professionals. Furthermore, the amounts invested in a given year should not be interpreted as direct measures of job creation or the financial resources available to every young entrepreneur.

The literature therefore suggests several interconnected relationships. Entrepreneurship and innovation may generate new commercial opportunities; digital technologies can reduce certain transaction and market-entry costs; and startup ecosystems can provide the financial, institutional, and technical support needed to develop businesses. Yet the translation of these opportunities into employment depends on enterprise survival, market demand, business productivity, and working conditions. Digital activities may also reproduce existing inequalities if finance, connectivity, and training remain inaccessible to disadvantaged groups.

A specific research gap emerges from these considerations. Youth unemployment, digital transformation, entrepreneurship development, and startup financing are often discussed as related but distinct policy areas. Their interconnections need to be examined more explicitly in the Bangladeshi context, particularly in relation to employment quantity, job quality, enterprise sustainability, and inclusive participation. It is also important to distinguish between the immediate opportunity to establish a digital business and the longer-term capacity of that business to generate stable income and additional employment. The present study addresses this issue by synthesizing secondary evidence and relevant theoretical perspectives to identify the potential, limitations, and policy priorities of Bangladesh's digital startup ecosystem.

3. Research Objectives and Questions: The main objective of this study is to examine the potential role of digital entrepreneurship and the startup ecosystem in addressing youth unemployment in Bangladesh. Specifically, the study aims to assess youth unemployment and employment quality; explain the conceptual relationship between digital entrepreneurship and the startup ecosystem; explore job creation opportunities in e-commerce, fintech, edtech, agritech, and digital professional services; identify barriers related to finance, technical skills, digital infrastructure, market linkages, and policy; examine the participation of women and rural youth in the digital economy; and propose actionable policy recommendations.

To achieve these objectives, the study addresses five research questions:

1. Can digital entrepreneurship generate sustainable self-employment and new job opportunities for young people in Bangladesh?
2. How do financing, technical skills, digital infrastructure, and market linkages shape the startup ecosystem?
3. What major barriers constrain young entrepreneurs in establishing and expanding digital businesses?
4. How can digital entrepreneurship promote the economic participation of women and rural youth, and what obstacles limit their inclusion?

5. Which policy measures should be prioritized to transform digital initiatives into sustainable, productive, and quality employment opportunities?

4. Methodology: This study adopts a qualitative, descriptive, and analytical approach based on secondary data. Its purpose is not to estimate the causal impact of digital entrepreneurship on youth unemployment through a new field survey. Instead, it synthesizes published statistics, institutional reports, policy documents, and relevant theoretical literature to examine employment opportunities, structural constraints, and policy priorities.

The principal sources include publications from the International Labour Organization (ILO), the World Bank, the Bangladesh Bureau of Statistics (BBS), and organizations that monitor startup investment in Bangladesh. Relevant academic literature and reports on digital skills, entrepreneurship development, financial inclusion, and women's economic participation are also considered where they contribute to the research questions. Institutional and primary publications are prioritized for official labour-market indicators, while media reports and non-governmental publications are used as supplementary sources when appropriate.

Source selection is guided by relevance to the research objectives, the credibility of the issuing institution, publication date, transparency of definitions, and availability of supporting documentation. Where a numerical claim is reported by a secondary source, the original institutional report is preferred whenever accessible. Data that cannot be traced to a sufficiently clear source are not treated as established national statistics. Where source definitions or reporting periods differ, the differences are acknowledged rather than concealed.

The study uses qualitative content analysis and comparative interpretation to organize the evidence. The main analytical themes include youth unemployment, informal employment, digital entrepreneurship, startup investment, technical and managerial skills, financial inclusion, women's participation, rural entrepreneurship, and employment standards. The evidence is interpreted in relation to the theoretical perspectives of Schumpeter (1934), Kirzner (1973), and Romer (1990). This approach helps connect technological innovation and entrepreneurial opportunity with the institutional and labour-market conditions that influence business sustainability.

Several methodological precautions are necessary. First, youth unemployment statistics may refer to different age groups, survey years, and measurement methods. For example, Bangladesh's national youth indicators for people aged 15–29 cannot be directly compared with internationally modelled indicators for those aged 15–24 without accounting for these differences. Second, statistics on informal employment refer to the characteristics of employed people and should not be confused with unemployment rates. Third, investment reports generally cover identified transactions involving selected startups and do not measure all investment in small online businesses or the wider digital economy.

Similarly, the number of registered freelancer accounts should not be treated as equivalent to the number of active workers, and neither measure automatically indicates annual earnings or employment quality. Estimates of social-commerce participation also require careful interpretation because definitions of an entrepreneur, an active business, and a registered seller may differ. These distinctions are considered when interpreting the evidence and formulating recommendations.

To improve reliability, numerical claims are cross-checked against available institutional sources and compared with related publications where possible. Differences between reports are acknowledged, and descriptive findings are not presented as proof of causal relationships. Since the study does not use representative longitudinal data or establishment-level employment records, it cannot determine precisely

how many jobs have been created by digital entrepreneurship or by what percentage unemployment would decline as a result of its expansion.

The findings should therefore be understood as a qualitative synthesis of available evidence rather than a quantitative impact evaluation. Future research using representative surveys, enterprise-level records, longitudinal data, and appropriate comparison methods would be needed to estimate the employment effects of digital entrepreneurship more precisely.

5. Conceptual Framework: The conceptual framework positions digital entrepreneurship, the startup ecosystem, and youth employment as three interconnected dimensions of Bangladesh's emerging digital economy. It explains how digital technologies, institutional support, and enabling conditions may contribute to enterprise development and employment generation. The framework also recognises that the relationship is influenced by economic, technological, institutional, and social factors rather than being automatic or linear.

Digital entrepreneurship refers to the creation of new ventures or the transformation of existing businesses through the adoption and application of digital technologies. The startup ecosystem provides the supportive environment necessary for entrepreneurial activities through access to finance, institutional assistance, technological infrastructure, incubation facilities, skilled human resources, and market linkages. Youth employment represents a key potential outcome of these activities and includes direct recruitment, self-employment, freelancing, value-chain employment, and productivity-related improvements in existing enterprises. These dimensions are consistent with entrepreneurship theory, which emphasises the role of innovation and the identification of entrepreneurial opportunities (Schumpeter, 1934; Shane & Venkataraman, 2000).

The relationship among these components is mediated by several enabling conditions, including reliable internet connectivity, digital and managerial competencies, early-stage financing, efficient logistics, secure digital payment systems, and transparent regulatory frameworks. These conditions can reduce barriers to market entry, support experimentation and product development, improve business operations, and expand access to customers. Digitalisation can therefore strengthen the competitiveness and operational capacity of small and medium-sized enterprises, although the extent of its benefits depends on firms' capabilities and the wider business environment (OECD, 2021).

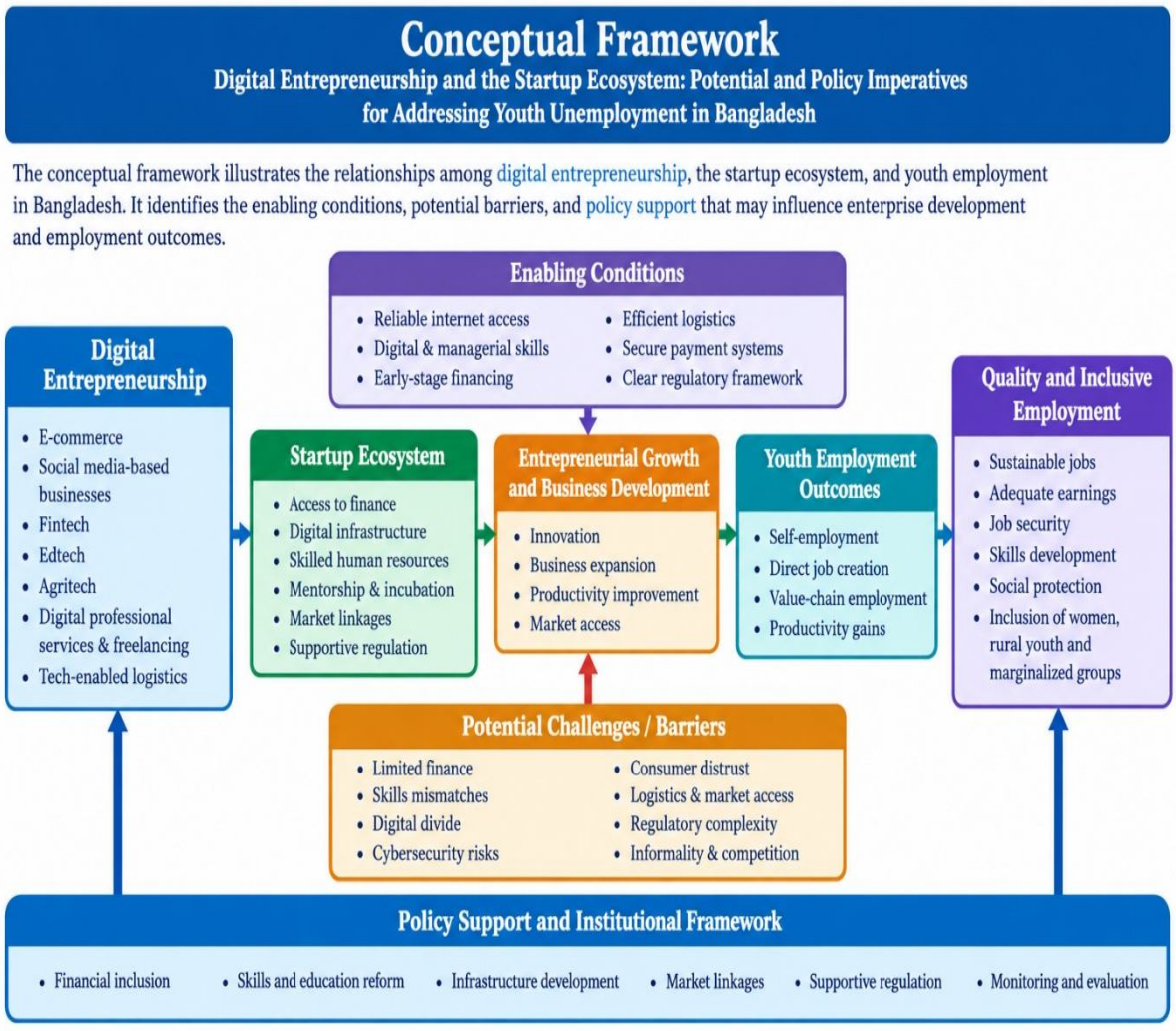
However, employment generation through digital entrepreneurship is neither automatic nor necessarily proportional to enterprise growth. Its effectiveness depends on business survival, market demand, enterprise productivity, investment patterns, and the nature of working conditions. Expanding digital ventures may generate employment in areas such as technology, marketing, customer service, procurement, logistics, and distribution. Nevertheless, technology-intensive enterprises may increase production and revenue without creating employment at the same rate because automation and digital processes can reduce labour requirements.

Accordingly, the framework distinguishes between employment quantity and employment quality. Employment quantity concerns the number of jobs created, opportunities for self-employment, and the sustainability of enterprises. Employment quality focuses on adequate earnings, job security, skills development, decent working conditions, and access to social protection. The framework also incorporates an inclusion perspective, recognising the importance of expanding opportunities for women, rural youth, and disadvantaged groups who may face unequal access to finance, technology, training, and markets.

Ultimately, intermediate outcomes—particularly enterprise viability, business sustainability, productivity, and the quality of employment—determine how effectively digital entrepreneurship can contribute to

broader socio-economic development. These outcomes depend on coordinated policy support, institutional collaboration, infrastructure development, and equitable access to resources. Thus, the framework views digital entrepreneurship not simply as a mechanism for creating new businesses, but as a potential pathway towards inclusive and sustainable youth employment in Bangladesh.

Figure-1



As shown in Figure-1, the contribution of digital entrepreneurship to youth employment depends on access to finance, digital infrastructure, relevant skills, and supportive institutions. Sustainable outcomes also require business viability, income stability, decent working conditions, and inclusive participation.

6. Results and Analysis

6.1. Youth Unemployment and Employment Conditions in Bangladesh: Youth unemployment in Bangladesh cannot be assessed solely through the unemployment rate. Labour-force participation, informal employment, underemployment, skills mismatches, income stability, and job security are also important indicators of labour-market performance. According to the ILO (2024), citing the Bangladesh Labour Force Survey 2022, the unemployment rate among people aged 15–29 was 8%. The corresponding rates among highly educated people and highly educated women were reported as 27.8% and 32.6%, respectively. These figures highlight the difficulties that some educated young people face in translating academic qualifications into suitable employment.

Although higher education can improve access to professional opportunities, academic qualifications alone do not guarantee employment. Employers may require practical competencies in digital technologies, communication, problem-solving, financial management, and project coordination. Weak connections between educational institutions, vocational training providers, and employers can contribute to skills mismatches. Digital entrepreneurship may help address some of these challenges by enabling young people to apply their knowledge through business creation, freelancing, and technology-enabled services.

World Bank analysis of employment trends during 2016–2022 also highlights the gap between the growing working-age population and employment creation. The reported increase of approximately 14 million young people entering working age, compared with the addition of about 8.7 million jobs, suggests that employment generation has not fully matched demographic change (World Bank, 2025). These figures do not establish that every person represented by the difference is unemployed, because labour-force participation, retirement, migration, and other factors also influence labour-market outcomes. Nevertheless, the evidence supports the need for employment-oriented economic policies.

Table-1 Key Indicators of Youth Employment in Bangladesh

TABLE 1: KEY INDICATORS OF YOUTH EMPLOYMENT IN BANGLADESH

Indicator	Value	Source
Youth unemployment rate (ages 15–29)	8%	ILO, 2024 (LFS 2022)
Unemployment rate among highly educated youth	27.8%	ILO, 2024
Unemployment rate among highly educated young women	32.6%	ILO, 2024
Share of employed young people in informal employment	92.7%	ILO, 2024
Share of employed young women in informal employment	98.5%	ILO, 2024
Young people entering the labour market (2016–2022)	Approximately 1.4 million	World Bank, 2025
New jobs created (2016–2022)	Approximately 870,000	World Bank, 2025

Source: ILO, 2024 (LFS 2022); World Bank, 2025

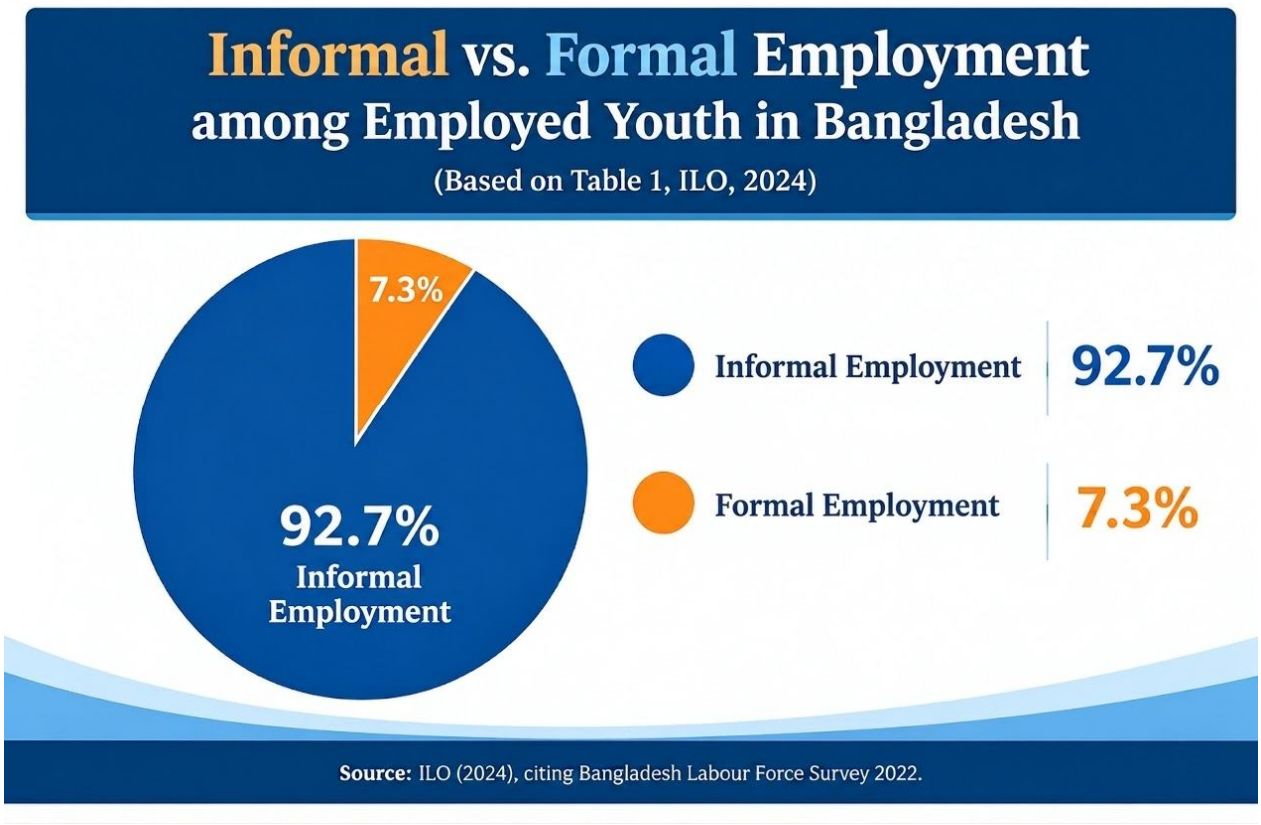
Table-1 highlights critical challenges in Bangladesh's labor market, showing an alarmingly high unemployment rate of 27.8% among highly educated youth (32.6% for young women) alongside a massive informal employment share exceeding 92%. Furthermore, the data reveals a severe job deficit, as nearly 1.4 million youth entered the labor market annually between 2016 and 2022 against only 870,000 new jobs created.

The indicators suggest that educated young people, particularly women, face considerable employment challenges. Informal employment is another major concern. Although informal activities provide income opportunities for many people, they may involve uncertain earnings, limited social protection, and restricted professional development. Digital entrepreneurship should therefore be evaluated not only by the number of

businesses established but also by their capacity to generate sustainable livelihoods, improve productivity, and support decent work.

The following figure illustrates the overall status of formal versus informal employment among the country's working youth.

Figure-2



As shown in Figure-2, a vast majority of employed youth in Bangladesh (92.7%) are engaged in informal employment, while only 7.3% hold formal jobs (based on Table 1).

6.2. Startup Investment Trends in Bangladesh: Startup investment provides an indication of the financial conditions surrounding entrepreneurial development in Bangladesh. Reports published by LightCastle Partners track identified investment transactions involving local startups. Although these reports offer useful insights into formal investment activity, they do not cover the entire digital economy, including informal online businesses and small entrepreneurial ventures.

According to LightCastle Partners, Bangladeshi startups raised approximately US$19 million across 22 deals in the first half of 2024, representing a 57% decline compared with the corresponding period in 2023. For the full year, startup investment amounted to approximately US$42 million across 41 deals, a 41% year-on-year decline. International investors contributed around 98% of the total funding, highlighting the ecosystem's substantial dependence on foreign capital.

In 2025, reported startup investment increased to approximately US$124 million across 12 deals. However, this rise was largely driven by a US$110 million strategic transaction associated with the ShopUp–Sary merger and the formation of SILQ Group. Excluding this transaction, the remaining investment amounted to approximately US$14 million across 11 deals. Therefore, the increase in headline investment figures does not necessarily indicate a broad-based recovery in startup financing.

Table 2. Startup Investment Trends in Bangladesh, 2021–2025

Table 2. Startup Investment Trends in Bangladesh, 2021–2025

Year	Total investment (US$ million)	Number of deals	Interpretation
2021	435	94	Investment peaked, partly due to the major bKash–SoftBank transaction.
2022	125	65	Investment declined substantially from the previous year.
2023	71	56	Investment remained below the 2021 peak.
2024	42	41	Funding activity declined further.
2025	124	12	The annual total was heavily influenced by the US$110 million ShopUp–Sary merger-related transaction that formed SILQ Group.

Source: LightCastle Partners, Anchorless Bangladesh, Startup Bangladesh Limited, and ExitStack, *Bangladesh Startup Investments Report 2025: Year in Review* (2026).

Table 2 presents startup investment trends in Bangladesh from 2021 to 2025. Both investment volume and deal count declined substantially between 2021 and 2024. In 2025, total investment increased to US$124 million, while the number of deals fell to 12. This apparent recovery was largely driven by a US$110 million merger-related transaction associated with the formation of SILQ Group. Excluding this transaction, investment amounted to approximately US$14 million across the remaining 11 deals. These figures suggest that the increase in total funding did not necessarily reflect a broad-based recovery in startup financing.

Limited access to finance can constrain young entrepreneurs seeking capital for product development, market testing, technology adoption, recruitment, and promotion. Conventional lenders may consider new ventures risky because of limited credit histories, uncertain cash flows, and insufficient collateral. Expanding transparent seed-financing programmes, incubation, mentorship, and appropriate alternative financing mechanisms could improve access to entrepreneurial opportunities. However, the contribution of startup investment to employment depends not only on the amount of capital raised but also on enterprise survival, productivity, business expansion, and the sustainability of market demand.

6.3 E-commerce and Social Media-Based Businesses: E-commerce and social media-based businesses offer accessible opportunities for digital entrepreneurship in Bangladesh. These platforms enable individuals and small businesses to promote products, reach customers, and receive orders without the high costs of physical retail outlets. Clothing, handicrafts, processed foods, beauty products, and locally produced goods are among the potential products for online businesses.

Digital platforms allow young entrepreneurs to test business ideas, understand customer preferences, and expand their markets at relatively low initial costs. They may also create income opportunities for women

and young people facing barriers to formal employment. However, platform access alone does not ensure business success or sustainable employment.

Key challenges include limited access to finance, unreliable delivery services, customer distrust, product-quality concerns, cybersecurity risks, and inadequate digital marketing and business management skills. Small businesses may also face strong competition and dependence on third-party platforms.

To strengthen this sector, policy support should prioritize practical digital business training, affordable finance, secure payment systems, consumer protection, reliable logistics, and accessible dispute resolution. Training should cover digital marketing, accounting, inventory management, and customer service. Collaboration among educational institutions, financial service providers, business associations, and government agencies can support these efforts. Ultimately, the contribution of e-commerce to youth employment depends not only on business creation but also on business survival, income stability, productivity, and decent working conditions.

6.4 Fintech and Digital Financial Services: Financial technology can support entrepreneurship by improving payment processing, financial recordkeeping, and access to digital transactions. Mobile financial services, electronic payments, and online accounting tools can help entrepreneurs receive customer payments, pay suppliers, monitor expenses, and manage cash flow.

Reliable digital transaction records may also improve financial transparency and potentially strengthen access to formal financing when financial institutions accept such records in their credit assessments. Fintech can consequently support employment indirectly by helping enterprises in other sectors operate more efficiently and reach geographically dispersed customers.

However, increased adoption of digital financial services does not independently demonstrate a reduction in youth unemployment. Employment effects depend on whether businesses expand, productivity improves, and additional workers are recruited. Financial inclusion is an enabling condition rather than an automatic employment outcome.

Cybersecurity, personal-data protection, transaction fraud, regulatory compliance, and complaint resolution are central concerns. An inclusive fintech environment must combine technological innovation with effective consumer safeguards, accessible financial services, transparent transaction costs, and reliable mechanisms for resolving disputes.

6.5 Edtech and Digital Skills Development: Educational technology can strengthen the connection between skills development and employment by expanding access to professional training. Online learning platforms can provide courses in programming, digital marketing, graphic design, accounting, cybersecurity, and other market-relevant competencies. MuktoPaath and other digital learning initiatives offer potential channels for expanding access to training, although current programme details and participation figures should be verified against official records before numerical claims are included.

Training participation alone does not guarantee employability. Course content must reflect labour-market requirements and provide opportunities for practical application through projects, internships, and workplace experience. Collaboration among educational institutions, employers, and training providers is therefore essential.

Edtech also represents a potential business sector in its own right. Online tutoring, career guidance, locally relevant learning materials, and specialized professional courses may create opportunities for digital entrepreneurs. Such ventures can help address gaps in access to education while generating demand for instructors, content developers, technical personnel, and customer-support staff.

Nevertheless, educational quality, learner privacy, affordability, internet access, and measurable learning outcomes require attention. The effectiveness of digital training should ultimately be assessed through employment placement, income improvement, practical competency, and enterprise creation rather than enrolment or certificate numbers alone.

6.6Agritech and Rural Entrepreneurship: Agricultural technology can connect rural producers, suppliers, traders, and consumers more efficiently. Digital access to agricultural prices, weather information, production guidance, and customer networks may improve decision-making and market participation. Rural entrepreneurship opportunities also extend to collection, sorting, packaging, processing, storage, transportation, and online marketing.

Digital platforms may enable rural producers to reach urban customers and reduce information gaps. However, technology cannot independently resolve the structural challenges of agricultural markets. Unreliable internet, inadequate transport, post-harvest losses, limited cold-chain facilities, quality-control problems, and unequal bargaining power can restrict enterprise growth.

The employment potential of agritech consequently depends on combining digital solutions with physical infrastructure and effective local institutions. Investment in storage, transportation, product standards, and market linkages is particularly important for perishable agricultural goods. Rural youth may benefit when digital skills are integrated with practical knowledge of agriculture, food processing, and local commercial opportunities.

Cooperative marketing arrangements and digital platforms that aggregate information from multiple producers could reduce certain transaction costs. However, their effectiveness depends on transparent pricing, dependable payments, appropriate technology, and sufficient market demand. Agritech should therefore be considered part of a wider rural enterprise-development strategy rather than a substitute for investment in agricultural infrastructure.

6.7 Digital Professional Services and Freelancing: Digital professional services and freelancing provide opportunities for young people in Bangladesh to participate in domestic and international labour markets through internet-based work. Services such as software development, web design, graphic design, translation, digital marketing, content creation, data analysis, and virtual assistance can be delivered remotely. These activities may enable skilled young people to work independently, serve clients across geographical boundaries, and develop professional capabilities without necessarily relocating to major employment centres.

Freelancing can provide an alternative pathway for individuals who face difficulties entering conventional wage employment. It may also encourage the development of transferable skills, professional networks, and small digital service enterprises. With appropriate experience and business capacity, individual freelancers may expand their activities by forming teams, establishing agencies, or developing specialized service businesses. Digital professional services can therefore contribute to self-employment, export-oriented service provision, and the diversification of employment opportunities for young people.

However, participation in freelancing requires more than basic computer literacy or internet access. Workers need relevant technical skills, communication abilities, time management, professional discipline, and the capacity to understand client requirements. English-language proficiency may be important in international markets, although requirements vary by occupation and target clientele. New entrants may also face intense competition, difficulty securing initial contracts, irregular workloads, uncertain earnings, platform fees, and payment delays. These challenges can make freelancing an unstable source of income, particularly for inexperienced workers without established portfolios or professional networks.

Access to reliable internet, suitable devices, secure digital payment facilities, and relevant training remains important for expanding participation. Training programmes should combine technical instruction with practical projects, portfolio development, client communication, professional ethics, cybersecurity, and financial management. Educational institutions, training providers, industry associations, and private-sector organizations can strengthen these programmes through mentorship, internships, industry partnerships, and opportunities to work on practical assignments. Reliable information about international market demand and changing occupational requirements can also help young people select appropriate skills and avoid unrealistic expectations about earnings.

The contribution of freelancing to employment should be assessed using clearly defined indicators rather than platform registration figures alone. Registered accounts, active workers, completed projects, individual earnings, and national export receipts represent different measures and should not be treated as interchangeable. A meaningful assessment should consider participation, income stability, job quality, professional development, and the extent to which individual freelancers establish sustainable businesses. With appropriate institutional support and continuous skills development, digital professional services can become a useful component of Bangladesh's broader digital entrepreneurship ecosystem.

The employment potential of digital entrepreneurship also varies across sectors. E-commerce, financial technology, educational technology, agricultural technology, and digital professional services have different skill requirements, infrastructure needs, and market constraints. A comparative overview of these sector-specific opportunities and obstacles is presented in Table 3.

Table-3

TABLE 3: SECTOR-WISE POTENTIAL AND OBSTACLES OF DIGITAL ENTREPRENEURSHIP

Sector	Employment Creation Potential	Main Obstacles
E-commerce / F-commerce	High (small entrepreneurs and supporting services)	Consumer trust, logistics, product quality
Fintech	Moderate (technical skills required)	Cybersecurity, regulatory complexity
EdTech	Moderate (training and skills development)	Mismatch with market demand
AgriTech	High (rural employment)	Digital infrastructure, cold chain
Digital Professional Services	High (international markets)	Payment gateways, skills gaps

Source: Author's presentation based on the table provided.

Table-3 should compare e-commerce, fintech, edtech, agritech, and digital professional services according to their employment potential and principal constraints. The comparison indicates that employment opportunities vary by sector, while financing, technical skills, consumer confidence, digital infrastructure, and logistics influence business sustainability across multiple activities.

6.8 Women's Entrepreneurship and Inclusive Participation: Digital entrepreneurship may expand economic opportunities for women and other underrepresented groups by reducing certain barriers associated

with commuting, workplace accessibility, and conventional business establishment. Social-commerce enterprises, online retail, and remote professional services can offer flexible entry points for women who face constraints in accessing traditional employment.

Reports on women-led digital businesses, including local examples from the Barishal region, may help illustrate how online platforms can facilitate business development. However, specific claims concerning the number of participants, market value, business income, or employment created should be included only when the original report provides identifiable evidence. Individual examples can illustrate opportunities but should not be treated as representative evidence of national outcomes.

Digital access alone does not ensure economic empowerment. Women entrepreneurs may face financing constraints, limited business training, inadequate market information, online harassment, and difficulties accessing professional networks. Unpaid domestic and care responsibilities can further restrict the time available for business development and expansion.

Evaluation should therefore consider actual earnings, enterprise survival, financial decision-making, access to resources, and control over working time rather than simply counting women-owned businesses. Rural youth, people with disabilities, and economically disadvantaged communities may also require targeted support to benefit from digital opportunities.

Inclusive policies should combine affordable finance, practical training, mentoring, secure online environments, accessible infrastructure, and stronger market linkages. Flexible and regionally distributed training may further improve participation. These measures would help ensure that digital entrepreneurship contributes to broader economic inclusion rather than primarily benefiting groups that already have strong access to technology, capital, and markets.

6.9 Key Barriers and Integrated Analysis: Despite emerging opportunities, young entrepreneurs in Bangladesh face interconnected financial, technological, institutional, and market constraints that impede venture creation and growth:

Financing Constraints: Early-stage founders struggle to access seed capital and institutional credit. Formal venture investments remain heavily concentrated among a few mature startups, leaving early-stage ventures underfunded.

Skills and Technical Capacity: Beyond basic computer literacy, entrepreneurs face critical gaps in digital marketing, financial management, data analytics, cybersecurity, and business strategy, compromising enterprise viability.

Regional Disparities: Unreliable high-speed internet, costly devices, and weak logistics/storage facilities severely disadvantage rural and suburban entrepreneurs relative to urban hubs.

Trust and Cybersecurity Risks: High rates of online fraud, data privacy concerns, and weak consumer grievance mechanisms diminish public trust in digital platforms.

Regulatory Complexity: Cumbersome trade licensing, tax compliance, and business registration procedures impose disproportionate administrative costs on micro and early-stage enterprises.

Market Access and Sustainability: Social media visibility does not guarantee profitability. Without resilient supply chains, sound pricing, and working capital, ventures struggle to sustain operations.

These barriers are mutually reinforcing—for example, weak financial management skills diminish creditworthiness, hindering capital acquisition and technology investment. Consequently, fragmented

solutions are insufficient. Sustained enterprise growth and quality employment creation require an integrated strategy addressing financing, skills, infrastructure, trust, and regulatory efficiency simultaneously.

7. Discussion: The analysis suggests that digital entrepreneurship can serve as an important pathway for addressing youth unemployment in Bangladesh. However, its overall effectiveness depends on the quality of entrepreneurial activities and the institutional and structural conditions within which businesses operate. Schumpeter's theory of innovation highlights the role of technological advancement and innovative business models in transforming conventional economic activities. Kirzner's theory of entrepreneurial alertness emphasizes the identification and exploitation of market opportunities arising from information gaps and market inefficiencies. Romer's endogenous growth theory identifies knowledge, technology, and human capital as important drivers of productivity and economic growth. Taken together, these perspectives indicate that sustainable digital entrepreneurship requires more than technological expansion; it demands an integrated approach combining innovation, market-oriented opportunities, and human-capital development.

Nevertheless, the relationship between digital entrepreneurship and employment generation is neither linear nor automatic. Small online businesses and social media-based ventures can create immediate self-employment opportunities, but they do not necessarily generate substantial additional wage employment. Some technology-intensive and highly automated enterprises may increase productivity while limiting labour demand, potentially contributing to jobless growth in particular activities. Therefore, the employment impact of digital entrepreneurship should be assessed not merely by the number of businesses established but also by the number of sustainable jobs created, employment quality, income stability, and long-term productivity. Participation in global digital platforms and the gig economy should likewise not be equated automatically with decent employment, given the risks associated with income volatility, limited social protection, and changes in platform policies.

These concerns are particularly relevant in Bangladesh, where informal employment remains a significant feature of the labour market. Without appropriate institutional support, digital entrepreneurship may reproduce existing vulnerabilities in a new form of digital informality. Young entrepreneurs require practical assistance with business registration, digital bookkeeping, tax compliance, consumer protection, and financial management. However, formalization policies should remain proportionate to business size and capacity so that compliance requirements do not impose excessive administrative burdens on small enterprises.

Access to finance is another important determinant of startup development, but investment alone cannot ensure business success. Entrepreneurs also need market knowledge, technical expertise, reliable digital infrastructure, and viable long-term business plans. Early-stage ventures, in particular, require opportunities to test business models and validate market demand before pursuing substantial investment. Accordingly, policy interventions should prioritize transparent seed-financing schemes, structured incubation programmes, mentorship, market-testing opportunities, and post-investment strategic guidance rather than focusing exclusively on increasing venture-capital totals.

The inclusive potential of digital entrepreneurship also depends on reducing structural inequalities. If affordable internet access, specialized training, and institutional finance remain concentrated among privileged groups in major cities, the digital economy may widen rather than narrow the rural–urban divide. Expanding reliable internet access in rural and underserved areas, providing targeted financial and technical assistance to women entrepreneurs, connecting local producers with national markets, and improving access to appropriate financial services are therefore essential for broader participation.

Sectoral differences must also be considered. E-commerce may offer relatively accessible entry points for small businesses, while software development and other digital professional services often require

specialized technical skills. Agritech depends not only on digital connectivity but also on transport, storage, and agricultural market institutions. Edtech requires educational quality and effective learning outcomes, while fintech depends on secure transactions and regulatory compliance. Consequently, a uniform policy approach is unlikely to address the needs of every digital enterprise.

The findings also indicate that enterprise survival is an important link between entrepreneurial activity and sustained employment. Establishing a business can provide temporary self-employment, but lasting benefits require sufficient demand, financial discipline, effective management, and the ability to adapt to changing market conditions. Employment policies should therefore support not only business creation but also the consolidation and growth of viable enterprises.

Overall, digital entrepreneurship should not be regarded as a universal solution to youth unemployment but as a complementary component of a comprehensive employment-generation strategy. Its effectiveness depends on coordination with industrial development, the modernization of small and medium-sized enterprises, education-system reform, export diversification, and improvements in the broader investment climate. Through such coordinated policies, digital entrepreneurship can move beyond increasing the number of business ventures and contribute more meaningfully to sustainable productivity growth, inclusive economic participation, and the creation of decent employment opportunities for young people in Bangladesh.

8. Policy Recommendations

8.1 Developing an Entrepreneur-Friendly Financing System: Bangladesh needs an accessible and flexible financing system for young entrepreneurs. Conventional bank loans often exclude early-stage ventures because of collateral requirements, limited business histories, and complex documentation. Policymakers should expand seed grants, suitable credit facilities, equity financing, and credit-guarantee schemes through transparent, merit-based criteria.

Effective implementation requires transparent fund allocation, independent oversight, and regular performance disclosure. Financial institutions and business-support organizations should also provide guidance on accounting, taxation, VAT compliance, cash-flow management, and financial planning. Financing should reflect different stages of enterprise development, with outcomes assessed through business survival, revenue growth, job creation, and equitable access across regions and social groups.

8.2 Integrating Entrepreneurship and Digital Skills into Education: Educational institutions should integrate practical entrepreneurship, digital literacy, financial modelling, problem-solving, and professional communication into their curricula. Students should learn market research, minimum viable product development, and basic business planning.

Universities and colleges could establish innovation laboratories, organize business competitions, facilitate student-led ventures, and strengthen industry partnerships. Training should include practical projects, internships, and mentorship, with curricula updated to reflect changing market demands. Programme effectiveness should be measured through business creation, enterprise survival, income generation, and employment outcomes rather than participation or certification alone.

8.3 Expanding Incubation, Mentorship, and Market Testing: Accessible incubation and mentorship can improve startup survival by supporting idea validation, product development, business-model design, licensing, financial planning, and investor engagement. Partnerships among universities, technical institutions, local authorities, financial institutions, and private enterprises could establish regional startup hubs offering affordable workspace, digital facilities, technical advice, and market connections.

Regulatory sandboxes may facilitate the testing of innovative services under clearly defined safeguards. However, experimentation must not compromise consumer protection, financial integrity, or data security. Continued support should help startups progress from initial testing to sustainable commercial operations.

8.4 Strengthening Rural Digital Infrastructure and Market Linkages: Inclusive digital entrepreneurship requires affordable internet, reliable electricity, efficient logistics, and accessible digital payment systems in rural and underserved areas. Digital connectivity must be complemented by effective transportation, storage, and distribution networks.

Digital cooperatives and shared marketing platforms could connect agricultural producers, artisans, textile producers, and small businesses with wider markets. Collective grading, packaging, storage, and transportation could reduce costs and improve competitiveness. Public investment should address infrastructure gaps where private provision is insufficient. Progress should be assessed through market access, producer earnings, business survival, and employment outcomes, not connectivity or platform registration alone.

8.5 Promoting Inclusive Support for Women Entrepreneurs: Women entrepreneurs need equitable access to finance, digital skills, professional networks, and market opportunities. Targeted financing, flexible training schedules, mentorship, and peer networks could strengthen their participation. Accessible complaint mechanisms should address online harassment, cybercrime, digital financial fraud, and privacy violations.

Public and corporate procurement could create additional opportunities for eligible women-owned businesses through transparent procedures. Policy evaluation should consider income growth, decision-making autonomy, control over business resources, enterprise sustainability, and working conditions rather than loans or business registrations alone.

8.6 Simplifying the Regulatory Framework: Business registration, trade licensing, tax and VAT procedures, and relevant legal approvals should be simplified through accessible digital services and coordinated institutional guidance. Clear information and predictable procedures would reduce compliance costs and uncertainty for new entrepreneurs.

Simplification must preserve consumer protection, data privacy, cybersecurity, financial integrity, and workers' rights. Consultation with entrepreneurs, consumers, investors, legal experts, and labour representatives can improve regulatory design. A proportionate framework should distinguish between home-based enterprises, small businesses, and larger technology firms while supporting formalization and minimizing unnecessary administrative burdens.

8.7 Ensuring Quality and Secure Digital Employment: Digital employment policies should address job quality alongside employment growth. Freelancers, platform workers, and contractual workers need transparent payment arrangements, clear contractual terms, accessible grievance mechanisms, and protection against data misuse.

Policymakers should examine how digital work can be accommodated within Bangladesh's labour legislation and social-protection arrangements. A proposed Digital Employment Monitoring Framework could track job creation, employment type, real earnings, working hours, enterprise survival, social-protection access, and participation by women and rural youth. Standardized definitions are essential to distinguish permanent wage employment from temporary platform work and self-employment. Regular monitoring would help determine whether digital initiatives generate sustainable livelihoods rather than merely increasing reported business numbers.

8.8 Strengthening Research, Innovation, and University–Industry Collaboration: Universities, research institutions, technical institutes, and private enterprises should collaborate to translate academic knowledge

into commercially viable innovations. Research grants, technology-transfer mechanisms, industry-linked laboratories, and practical student projects could strengthen this relationship.

Young researchers should receive support for prototype development, intellectual-property guidance, and market-oriented solutions. Proposed innovations should be assessed for market demand, production costs, scalability, financial sustainability, and employment potential before commercialization. Collaboration outcomes should be measured through research adoption, industry partnerships, venture survival, and measurable economic benefits rather than events or agreements alone.

9. Limitations of the Study: The principal limitation of this study is its reliance on secondary data. No new field surveys, interviews, or establishment-level employment data were collected. Therefore, the study cannot quantitatively determine the number of jobs created by digital entrepreneurship in Bangladesh or identify the sectors with the greatest employment impact.

Second, the reviewed sources differ in age ranges, reference periods, and labour-market definitions. For example, youth unemployment statistics may cover ages 15–29 or 15–24. Unemployment, labour-force participation, informal employment, and underemployment represent distinct indicators and should not be treated as interchangeable.

Third, startup investment reports generally cover identified transactions and selected enterprises, excluding many informal online businesses, micro-entrepreneurs, social-commerce ventures, and independent digital workers. Differences in reporting methods and investment categories may also affect annual comparisons.

Fourth, estimates of freelancers, social-commerce entrepreneurs, and women-led digital businesses vary by source and methodology. Registered accounts do not necessarily represent active workers, and individual case studies cannot establish national employment or income patterns.

Finally, digital entrepreneurship is rapidly evolving, and technological, market, investment, and policy changes may affect its opportunities and constraints. Thus, the findings represent a qualitative analysis of available evidence rather than a definitive assessment of the sector.

Despite these limitations, the study highlights the relationships among digital entrepreneurship, startup financing, skills development, employment quality, and inclusive participation. Its recommendations aim to support evidence-informed policymaking and future empirical research.

10. Areas for Future Research: Future research should directly measure the long-term impact of digital entrepreneurship through representative and longitudinal empirical studies that track revenue, job creation, working conditions, and enterprise survival over time. Additionally, sector-specific comparative analyses are needed across e-commerce, fintech, edtech, agritech, and digital professional services to evaluate their distinct entry barriers, risk profiles, earning stability, and employment potential for different youth demographics.

Further investigation must prioritize inclusive participation, particularly concerning women and rural youth. Using mixed-methods approaches, studies should assess how technology access, financial inclusion, online security, and socio-cultural barriers shape their entrepreneurial outcomes, distinguishing between nominal ownership and genuine economic empowerment. Simultaneously, rigorous evaluations of government-led incubation, training, and financing programs are required to determine their reach, cost-effectiveness, and impact on enterprise sustainability.

Finally, researchers should move beyond counting job quantities to evaluate employment quality, including real earnings, job security, social protection, and working conditions within the digital economy. Future

studies should also explore the broader structural effects of digital entrepreneurship, specifically how it enhances SME productivity, promotes export diversification, strengthens local value chains, and interacts with traditional labor markets in Bangladesh.

11. Conclusion: Digital entrepreneurship and a well-integrated startup ecosystem offer significant potential to address youth unemployment and foster inclusive economic growth in Bangladesh. Digital technologies enable innovative business models, lower market-entry barriers, and expand market reach across sectors such as e-commerce, fintech, edtech, agritech, and knowledge-based services. However, realizing this potential requires aligning technical and entrepreneurial skills with reliable digital infrastructure, accessible early-stage finance, and a supportive regulatory framework.

Given Bangladesh's structural labor market challenges—such as high informality, skills mismatches, and underemployment—digital entrepreneurship should be viewed as an integral component of a broader national employment strategy rather than a standalone solution. The impact of the startup ecosystem must be evaluated not merely by venture creation or investment volumes, but by enterprise survival, productivity, real earnings, and the creation of decent, sustainable jobs, particularly for women and rural youth.

Maximizing this impact necessitates multi-stakeholder collaboration among government bodies, universities, financial institutions, and the private sector. Policy priorities must focus on bridging the urban-rural digital divide, enhancing financial inclusion, protecting platform workers, and establishing robust monitoring systems for employment outcomes.

Ultimately, digital entrepreneurship is not a quick fix. Its success depends on coordinated investments in human capital, inclusive infrastructure, transparent governance, and sustained policy commitment to build an ecosystem that supports long-term business viability and equitable economic empowerment.

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