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Entrepreneurship for Employment: Institutional Pathways and Policy Lessons from Bangladesh's Youth Programs

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Abstract

This study examines youth entrepreneurship as a strategic mechanism for addressing employment challenges in Bangladesh. By comparing the Directorate of Youth Development (DYD) and the Nobin Equity Program (NEP), this evaluation assesses how public and social sector models facilitate entrepreneurial engagement among youth. Using a qualitative content analysis of policy reports, program evaluations, and scholarly literature, the study explores five key themes: financing mechanisms, training models, gender and geographic inclusion, institutional frameworks, and entrepreneurial motivation. The findings suggest that integrated, inclusive, and adaptive approaches—combining public infrastructure with social business innovation—offer the most promise in transforming youth entrepreneurship into a sustainable tool for national development.

Keywords: Youth Entrepreneurship, Employment Challenges, Bangladesh, Financing Mechanisms, Social Business Innovation.

JEL Classification: L26, J24, O15, J68, O35, O53

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1.0 Introduction

Bangladesh is at a demographic crossroads. With more than one-third of its population aged between 15 and 35, the country is experiencing a youth bulge that holds tremendous potential for economic development. However, this potential remains underutilized due to persistent challenges in the labor market. Unemployment and underemployment, particularly among educated youth, continue to pose structural constraints to inclusive growth. Traditional employment sectors, such as agriculture, manufacturing, and public service, are unable to absorb the annual influx of new graduates and job seekers. As a result, policymakers and development practitioners have increasingly turned their attention to entrepreneurship as a viable solution for youth employment.

Entrepreneurship, in this context, is not merely about profit generation. It represents an avenue for economic self-reliance, innovation, and community development. For youth, it can offer autonomy, skill enhancement, and a platform for social mobility. However, the success of entrepreneurship as a national employment strategy depends heavily on the design and execution of supporting institutions, training programs, financial services, and policy frameworks.

This study focuses on two distinct interventions: the Directorate of Youth Development (DYD), a government-led initiative that provides vocational training and microcredit, and the Nobin Equity Program (NEP), a social-business-driven model by Grameen Telecom Trust that offers equity-based investment and mentorship. These programs are not only operationally different but also represent contrasting philosophies of development—state-centered welfare and market-based empowerment.

By critically analyzing these interventions through secondary literature and policy documents, this research aims to evaluate their effectiveness in fostering youth entrepreneurship and to derive actionable insights for scaling and policy reform. Particular attention is paid to how these programs address core dimensions, including financial inclusion, skill development, gender equity, institutional integration, and entrepreneurial identity formation.

Ultimately, the study contributes to broader discourses on sustainable development (particularly SDG 8), inclusive growth, and youth empowerment. It argues that the most effective entrepreneurship ecosystems are those that combine structural access with personal empowerment, bridging institutional frameworks with individual aspirations. In doing so, the research provides a roadmap for optimizing government and non-government interventions in the domain of youth entrepreneurship in Bangladesh.

2.0 Objectives of the Study

This study aims to critically evaluate how public and social sector interventions support youth entrepreneurship as a means of generating employment in Bangladesh. Specifically, it seeks to (1) compare the institutional models of the Directorate of Youth Development (DYD) and the Nobin Equity Program (NEP); (2) analyze the impact of financing mechanisms, training systems, gender inclusion strategies, and institutional support structures; (3) understand how youth perceive and engage with these programs; and (4) identify policy gaps and recommend strategies to enhance the alignment of entrepreneurship initiatives with youth employment goals and Sustainable Development Goal 8 (Decent Work and Economic Growth).

3.0 Research Questions

The following central research question guides this study:

i. How effective are public and social-sector interventions in promoting youth entrepreneurship and employment in Bangladesh?

To explore this overarching inquiry, the study addresses five sub-questions:

i.i What types of financial mechanisms (e.g., credit vs. equity) are utilized by government and social enterprise programs, and how do they impact youth entrepreneurs?

i.ii How do different models of training and capacity-building influence the preparedness and long-term sustainability of youth-led businesses?

i.iii To what extent do entrepreneurship programs in Bangladesh incorporate gender inclusivity and geographic accessibility (urban vs. rural reach)?

i.iv What are the institutional strengths and limitations of public (DYD) and social business (NEP) ecosystems in supporting youth entrepreneurship?

i.v How do youth participants develop entrepreneurial motivation and identity through engagement with these programs?

4.0 Literature Review

The literature on youth entrepreneurship in developing countries, such as Bangladesh, is rich in analyses of structural barriers, policy gaps, and experimental solutions. A growing body of work supports the claim that entrepreneurship, if supported through institutional and financial frameworks, can act as a transformative engine for youth employment.

Mamun and Bhuiyan (2002) present one of the early empirical examinations of state-led entrepreneurship development through the Directorate of Youth Development (DYD). Their study highlights how microcredit and vocational training can empower rural youth to become self-employed. However, it also reveals structural limitations, such as limited access to formal financial services, generic training curricula, and gender imbalances. Entrepreneurs often relied on family savings due to the inaccessibility of loans, and although DYD had wide geographical coverage, systemic issues limited its overall impact.

In contrast, Ferdousi et al. (2023) examine the Nobin Equity Program (NEP), a social business model launched by Grameen Telecom Trust. Unlike traditional loan programs, NEP offers equity-based financing, which removes the burden of interest and fosters an ethos of shared success. Entrepreneurs are selected through rigorous screening, mentored continuously, and supported with flexible repayment terms. The program has demonstrated tangible improvements in income and quality of life, particularly for marginalized and first-time entrepreneurs. Training, mentorship, and family support emerged as more critical than formal education in determining entrepreneurial success.

Malyadri and Sumana (2012) provide a theoretical framework that positions youth entrepreneurship as central to inclusive development. They identify key barriers, including access to finance, inadequate mentorship, fragmented policies, and a lack of vocational education. Their recommendations include establishing Youth Development Banks, developing enterprise-focused curricula, and implementing national entrepreneurship strategies with dedicated support services. This framework highlights the necessity for a comprehensive approach to youth entrepreneurship that extends beyond isolated training programs or financial interventions.

In addition to these scholarly works, numerous reports from organizations like the World Bank, UNDP, and BIDA reinforce the importance of ecosystem development. For instance, the World Bank's Country Private Sector Diagnostic (2025) identifies emerging sectors such as green RMG, digital services, and housing as employment generators and recommends policy reforms to attract private investment. The UNDP's TEPP-II workshop (2025) emphasizes access to capital, skill-building, and youth engagement as key to fostering entrepreneurship. These findings align with policy-focused articles such as those by Rabbany (2024) and Mashroor (2024), which critique the disconnect between academic training and labor market realities.

Moreover, newspaper commentaries and interviews with industry leaders shed light on practical challenges faced by fresh graduates, such as a lack of job readiness, a mismatch of skills, and limited exposure to real-world business scenarios. AKM Fahim Mashroor (2024) argues for startup incentives, mandatory internships, and targeted reforms in the TVET sector to realign education with industry demand. Similarly, Siamul Rabbany (2024) highlights the post-COVID recovery gap and the need for digital and vocational training, particularly for women and rural youth.

Collectively, the literature presents a multifaceted picture: entrepreneurship holds great promise for youth employment in Bangladesh, but its success is contingent upon financial innovation, capacity building, gender inclusion, and institutional coordination. Both the DYD and NEP models offer important insights. DYD's wide outreach and training infrastructure provide a valuable foundation, but its limitations in credit, innovation, and follow-up services require urgent attention. NEP, while exemplary in design and outcomes, faces scalability challenges and needs policy support for expansion.

The literature review thus establishes a strong rationale for mixed-method, multi-stakeholder strategies. It provides the theoretical and empirical grounding upon which the subsequent methodology, findings, and recommendations of this study are built.

5.0 Methodology

A qualitative, descriptive approach was adopted to explore the dynamics of youth entrepreneurship as facilitated by public and quasi-public entities in Bangladesh. This methodology allowed for a rich and contextual analysis of policies, program designs, implementation mechanisms, and outcomes. Rather than testing hypotheses, this study aimed to generate insights through interpretative analysis of existing data.

5.1 Data Sources and Collection

Secondary data were collected from a range of official and scholarly sources, including:

i. Reports and diagnostics from the World Bank, UNDP, BIDA, and Grameen Telecom Trust.
ii. Government publications, including those from the Directorate of Youth Development.
iii. Academic journal articles on youth entrepreneurship, social business, and public policy.
iv. News reports, seminar proceedings, and opinion articles from reputable newspapers such as The Daily Star and The Business Standard.

5.2 Case Selection

Two core interventions were selected for analysis:

i. The Directorate of Youth Development (DYD): representing the government's traditional model.
ii. The Nobin Equity Program (NEP): representing a social-business-oriented innovation model.

These programs were chosen for their contrasting institutional foundations, target groups, operational scales, and funding mechanisms.

5.3 Analytical Framework

Content analysis was employed to categorize and compare key themes emerging from the data. Inductive codes were developed under five thematic areas:

i. Financial mechanisms
ii. Training and capacity-building
iii. Gender inclusion and geographic reach
iv. Institutional ecosystem
v. Entrepreneurial motivation and identity

By examining how each case addressed these themes, the study was able to synthesize cross-cutting challenges, successes, and lessons for policy.

6.0 Findings and Discussion

This section presents the key findings of the content analysis and interprets them in relation to the research questions. It highlights the strengths and limitations of public and social-sector interventions in promoting youth entrepreneurship and employment. The discussion is organized around five major thematic areas.

6.1 Financial Mechanisms: Credit vs. Equity

Access to finance is universally acknowledged as one of the most crucial factors in establishing and sustaining a business. For youth entrepreneurs, especially in a developing country like Bangladesh, this issue becomes even more critical. The findings from this study clearly demonstrate that the form and nature of financial support have profound implications for the viability and success of youth entrepreneurship.

In the case of the Directorate of Youth Development (DYD), the reliance on microcredit has been both a strength and a limitation. On one hand, microcredit offers small-scale capital, which is often the first opportunity for aspiring entrepreneurs to secure formal funding. On the other hand, the very structure of microcredit—frequent repayment schedules, high interest rates, and strict collateral requirements—acts as a barrier for many young, first-generation entrepreneurs. Many of these individuals lack formal assets or a credit history and are therefore considered high-risk clients by lending institutions. The result is a situation where the credit intended to empower becomes burdensome, limiting growth and innovation.

Furthermore, bureaucratic delays and complicated application procedures were found to be demotivating. Several reports highlighted how the time and effort required to access microcredit through government schemes often deterred potential applicants from applying. This approach is particularly problematic for youth who may lack experience navigating institutional systems or the social capital needed to fast-track approvals. As such, the DYD model, while valuable in its intent, has operational challenges that reduce its effectiveness.

In contrast, the Nobin Equity Program (NEP) under the Grameen Telecom Trust presents an innovative shift in thinking about finance. Rather than offering loans, NEP provides equity-based social business funds. This method means entrepreneurs do not repay with interest; instead, they share business performance data and enter a cooperative, monitored relationship with the investor. This arrangement fosters a sense of shared risk and mutual interest, making the funding not just a transaction but a partnership. The impact of this model has been significant: NEP-supported youth report higher income gains, better business sustainability, and a stronger sense of security and legitimacy.

The equity model also allows for a more flexible approach to repayment and support. Unlike rigid loan repayment schedules, NEP's equity funding is designed around the specific growth trajectory of the business. Entrepreneurs are given time to build revenue before contributing back to the investor. This approach acknowledges the volatile nature of startups and the need for breathing space in the early stages of a business.

Importantly, the NEP model also incorporates mentoring and monitoring into the funding package, which strengthens its impact. Rather than being left alone with debt, young entrepreneurs under NEP receive ongoing support, which enhances their ability to navigate challenges and seize opportunities. In essence, finance is not provided in isolation but as part of a broader ecosystem of growth.

Another key advantage of the NEP model is its ability to include marginalized populations. Because equity funds do not require collateral and are provided based on potential rather than existing wealth, they are accessible to those who would otherwise be excluded from formal credit channels. This model democratizes entrepreneurship, allowing for a broader representation of youth—including women and rural participants—in the economic development process.

Despite its strengths, the NEP model is not without challenges. Its scalability remains limited compared to government-backed microcredit schemes. Since equity investment requires more due diligence, close monitoring, and individualized engagement, the number of entrepreneurs served at any given time is relatively small. This approach raises questions about how such models can be expanded nationally without losing their core principles.

In conclusion, the contrast between DYD's credit-based model and NEP's equity-based approach illustrates the evolving landscape of youth entrepreneurship finance in Bangladesh. While microcredit has historically provided a stepping stone for low-income entrepreneurs, its rigidity and risk structure are increasingly viewed as incompatible with the needs of modern, innovative young people. Equity-based models like NEP represent a forward-looking alternative, one that aligns better with the entrepreneurial mindset and socioeconomic realities of today's youth. Moving forward, a hybrid financing model that combines the scalability of credit with the flexibility and support of equity could be a strategic pathway for national entrepreneurship policy.

6.2 Training and Capacity Building

Training and capacity development stand at the core of any effective youth entrepreneurship initiative. In the context of Bangladesh, where formal education systems often fall short in equipping graduates with practical business skills, structured training programs can act as a vital bridge between ambition and enterprise readiness. The research findings from this study indicate that both the Directorate of Youth Development (DYD) and the Nobin Equity Program (NEP) recognize this need but approach it with varying levels of depth and innovation.

DYD's training programs are typically vocational in nature, focusing on specific trades such as poultry farming, tailoring, computer literacy, or refrigeration services. These programs usually span several weeks and are designed to equip youth with technical skills to initiate small-scale enterprises. While this form of training has helped many individuals establish micro-enterprises, it tends to suffer from standardization and lacks customization based on market demand or individual aptitude. For example, a young woman trained in tailoring may find herself unable to compete with established businesses without additional skills in design thinking, customer acquisition, or digital marketing. This gap highlights a weakness in DYD's capacity-building approach: its emphasis remains mostly on skill acquisition without accompanying entrepreneurial training.

Moreover, DYD's training is often delivered in classroom settings with limited opportunities for real-world application. Participants may leave the program with theoretical knowledge but little hands-on experience managing finances, sourcing materials, or dealing with clients. This detachment between training and implementation creates a disconnect that undermines the long-term sustainability of the businesses being launched. Participants interviewed in earlier studies also cited the lack of post-training support, mentorship, or follow-up, which made it difficult for them to translate their skills into stable incomes.

In contrast, NEP integrates training with hands-on business engagement and individualized mentoring. Youth participants undergo an ideation phase, followed by participation in "design labs" where business plans are evaluated and refined with expert input. Once selected, participants are matched with mentors who provide ongoing guidance throughout the business's lifecycle. This mentorship is not a one-off intervention but a recurring, structured engagement that ensures the entrepreneur is supported through decision-making, crises, and scaling opportunities.

NEP's training model is also more adaptive. Because the program is rooted in a social business framework, there is an inherent feedback loop in which entrepreneurs and mentors jointly assess progress and modify their strategies. For instance, if a grocery business fails to meet sales targets, the mentor may recommend relocating, changing suppliers, or shifting to e-commerce. Such iterative learning is largely absent in the DYD model, where follow-up mechanisms are either weak or non-existent.

Another noteworthy distinction is the NEP's emphasis on soft skills. Entrepreneurs are trained in communication, financial literacy, customer relationship management, and basic digital skills—all of which are crucial in the competitive and increasingly digitized economy. While DYD's curriculum does touch on some of these topics, it lacks the depth and real-time applicability offered by NEP. For many youth, especially those from rural or marginalized communities, access to this kind of holistic training can be transformative.

Gender sensitivity in training programs is another dimension worth examining. While both DYD and NEP engage women participants, NEP appears to go further in recognizing and addressing the unique constraints women face—such as mobility limitations, familial responsibilities, and social stigma. NEP offers flexible training schedules, home-based mentoring, and, in some cases, subsidized childcare. These practices enhance women's ability to participate and thrive in entrepreneurial ventures. DYD, by contrast, has not institutionalized such provisions, limiting its impact on female entrepreneurship.

Finally, the scalability of training models is a significant concern. DYD's training programs, being government-funded and standardized, have the potential to reach large numbers of youth across the country. However, the effectiveness of these programs is often diluted by bureaucratic inefficiencies, outdated curricula, and low accountability among trainers. NEP, while more targeted and resource-intensive, delivers higher-quality training but reaches a smaller number of beneficiaries. The challenge, therefore, lies in finding a middle ground: scaling NEP's best practices within the broader reach of government platforms.

To conclude, training and capacity development emerge as a decisive factor in shaping the outcomes of youth entrepreneurship initiatives in Bangladesh. The evidence suggests that programs must move beyond technical skill-building to offer continuous, context-specific mentoring and training in soft skills. Integrating real-world business experience into training modules, fostering peer learning, and leveraging technology for virtual mentoring could further enhance impact. For national policy, the lesson is clear: without robust, practical, and adaptive training, youth entrepreneurship will remain a promising idea rather than a transformative force.

7.0 Recommendations

Drawing from the comparative analysis of the DYD and NEP models and the broader institutional context, several recommendations emerge to improve youth entrepreneurship initiatives in Bangladesh:

i. Adopt a Hybrid Financing Model: To address limitations in both credit and equity mechanisms, policymakers should explore blended financial models.

These could integrate government-backed microcredit with equity-like, performance-based grants, ensuring accessibility while encouraging sustainability.

ii. Institutionalize Lifecycle-Based Support: Entrepreneurship should be supported through all phases—ideation, incubation, execution, and expansion. This approach requires an integrated framework that links training centers, financial institutions, business mentors, and market access facilitators into a cohesive support system.

iii. Prioritize Practical and Adaptive Training: Training must evolve beyond vocational instruction and incorporate experiential learning, digital skills, problem-solving, and design thinking. Embedding entrepreneurship education into school and university curricula will promote early exposure and mindset development.

iv. Mainstream Gender and Geographic Inclusion: Programs must adopt affirmative measures to recruit, train, and support female entrepreneurs, particularly in rural settings. Mobile training hubs, home-based mentoring, and digital access subsidies can bridge inclusion gaps.

v. Strengthen Inter-Institutional Coordination: Establishing a Youth Entrepreneurship Council with representation from ministries, NGOs, academia, and the private sector can help harmonize strategy, funding, and monitoring efforts.

vi. Enhance Monitoring and Evaluation (M&E): All programs must develop robust, real-time M&E frameworks with disaggregated data to inform iterative improvement and ensure transparency.

vii. Encourage Entrepreneurial Identity Formation: Identity-building interventions, such as storytelling platforms, alumni networks, and public showcases, can inspire confidence and foster long-term engagement.

8.0 Conclusion

This study explored the role of entrepreneurship in promoting youth employment in Bangladesh, with a specific focus on public-sector and social business initiatives. Through a content analysis of secondary data, the research highlighted the comparative strengths of the Directorate of Youth Development (DYD) and the Nobin Equity Program (NEP).

Findings revealed that effective youth entrepreneurship hinges on multiple interdependent factors: accessible and flexible finance, practical training, institutional cohesion, inclusive outreach, and personal motivation. While DYD provides scale and reach, its impact is limited by bureaucratic rigidity and fragmented service delivery. NEP, on the other hand, offers an innovative, integrated, and youth-centered model but faces scalability constraints.

Together, these models illustrate the need for a new generation of entrepreneurship programs that blend the institutional credibility of public systems with the agility, adaptability, and impact orientation of social business approaches. The success of such programs depends not only on macroeconomic policy but also on fostering a supportive socio-cultural ecosystem that recognizes young entrepreneurs as vital agents of inclusive economic transformation.

In conclusion, entrepreneurship is not merely an economic option but a developmental imperative for Bangladesh. Empowering the country's youth through structured, inclusive, and innovative entrepreneurial ecosystems can unlock their potential to shape a resilient, equitable, and prosperous future.

Author's Declaration

I declare that the submitted manuscript is my original work and has not been published, nor is it under consideration for publication elsewhere. All sources have been appropriately cited, and the work is free from plagiarism, falsification, and fabrication. Any use of Artificial Intelligence (AI) tools in preparing this manuscript has been transparently disclosed, and full responsibility for the content rests with the author.

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