Star BUSINESS

RMG, textile: Top export sectors among major loan defaulters

AHSAN HABIB

The readymade garment (RMG) and textile industries, two of the country's largest employers and export earners, are also among the biggest defaulters on bank loans, according to the latest Financial Stability Report of the Bangladesh Bank.

The gross non-performing loan (NPL) ratio stood at 26 percent in the RMG sector and 25 percent in textiles in 2024, according to the report.

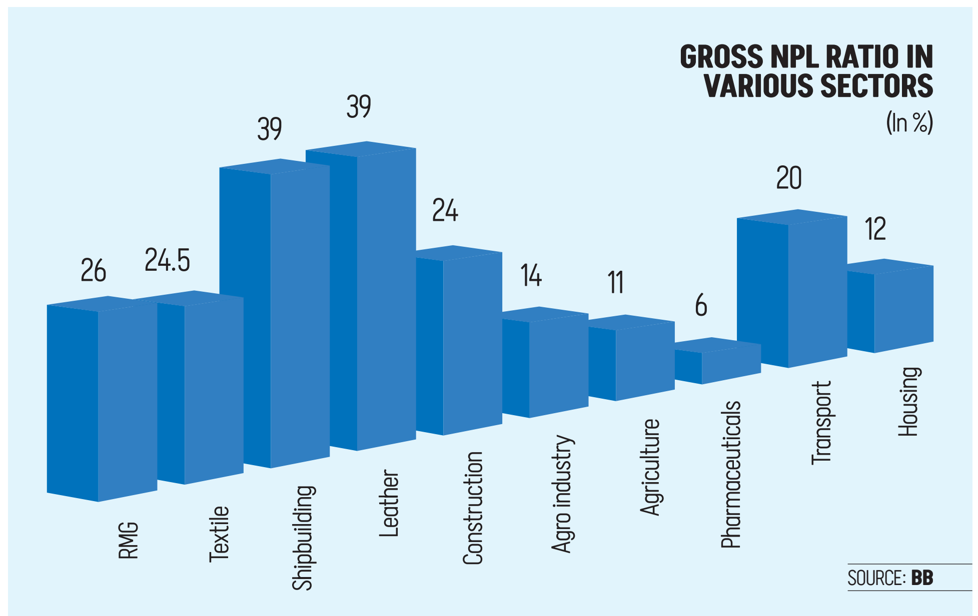
Only shipbuilding and leather have higher rates, both at 39 percent.

The gross NPL ratio measures the share of defaulted loans in total loans. For the leather industry, the 39 percent figure means Tk 39 of every Tk 100 borrowed has turned sour.

By comparison, construction has an NPL ratio of 24 percent, transport 20 percent and agro-based industries 14 percent. Pharmaceuticals, agriculture and housing are the best performers with NPL ratios of 6, 11 and 12 percent, respectively.

Despite these repayment problems, the RMG sector remains the backbone of the economy.

In fiscal year (FY) 2024-25, it exported goods worth more than $39 billion, accounting for 84 percent of national export earnings, according to the Export Promotion Bureau (EPB).



The sector also employs around 40 lakh workers, and most of them are women.

Business leaders and bankers say smaller firms are carrying the heaviest burden of defaults as they struggle with the energy crisis and global headwinds.

"Large companies are doing well, but small firms have been struggling for several years," said Anwar-ul Alam Chowdhury, president of the Bangladesh Chamber of Industries.

Chowdhury, a former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said big exporters can negotiate lower bank interest rates and enjoy advantages in shipping and logistics, giving them a buffer against global price pressures.

But smaller firms, with less bargaining power, face higher overhead costs and greater financial stress, he commented.

READ MORE ON B3

BB eases advance import payment rules

STAR BUSINESS REPORT

Bangladesh Bank (BB) has revised the ceilings for advance payments against imports to facilitate international trade and streamline import procedures.

An importer can now make advance payments of up to $20,000 without requiring repayment guarantees, up from the previous limit of $10,000, BB said in a notice yesterday.

Similarly, the ceiling for advance payments from Exporters' Retention Quota (ERQ) accounts has been increased from $25,000 to $50,000.

The ERQ allows Bangladeshi exporters to keep a portion of their foreign earnings in a foreign currency account, which they can use for business expenses abroad.

Industry insiders welcomed the decision, saying it would be particularly helpful for small and medium-sized importers.

On Monday, BB held a meeting with the country's top importers to discuss ways to stabilise the prices of essential commodities amid high inflation.

Importers requested policy support to ease imports, while assuring the central bank governor that they would work to keep prices stable.

READ MORE ON B3

Remittance share in GDP, imports rises to 7-year high

STAR BUSINESS REPORT

Bangladesh's remittance sector achieved record growth in fiscal year (FY) 2024-25, with contributions to import payments and Gross Domestic Product (GDP) hitting the highest point in seven years.

Non-resident Bangladeshis and migrant workers sent $30 billion in FY25, marking the highest inflow on record in a fiscal year and a 27 percent year-on-year increase, according to a Bangladesh Bank report.

In the last fiscal year, remittances accounted for 6.57 percent of GDP and 47.13 percent of the country's import payments, highlighting their critical role in the economy. The share of remittances relative to exports also improved, reflecting the sector's growing significance in maintaining macroeconomic stability.

As per the BB report, the last quarter of FY25 (April-June) saw $8.54 billion in remittances entering the country, a 25 percent rise compared to the same period in the previous year.

"This strong performance in remittance receipts was driven by favourable and competitive exchange rate dynamics along with favourable policy measures, which may have incentivised higher transfers through official channels," the central bank said in its report.

It noted that the April-June quarter's growth was particularly significant as it reflected the post-Ramadan and Eid-ul-Fitr period, traditionally associated with heightened remittance flows, as well as the effects of ongoing policy measures undertaken by the government and Bangladesh Bank to encourage the use of official banking and digital platforms. READ MORE ON B3

Apparel factories cut groundwater use with rain, new tech

REFAYET ULLAH MIRDHA

Local garment and textile factories have sharply reduced groundwater use in recent years by adopting rainwater harvesting and advanced washing and dyeing technologies, a shift driven both by environmental concerns and by pressure from global clothing retailers.

The International Finance Corporation's PaCT programme shows that more than 338 Bangladeshi factories have together reduced freshwater use by 25 million cubic metres annually, while cutting wastewater discharge by 21.08 million cubic metres through the adoption of efficient technologies.

A decade ago, washing a kilogramme (kg) of denim fabric typically consumed nearly 200 litres of underground water. Today, that figure has fallen to 50-53 litres, according to industry insiders.

With the latest technologies, it is possible to bring consumption down further to 25-30 litres, they say.

International brands are demanding lower water use across their supply chains, while local apparel exporters are also moving towards efficiency as groundwater levels in some areas fall by around three metres annually due to over-extraction.

These days, factories deploy harvested rainwater for non-critical purposes such as toilet flushing, while refined water is still required for fabric washing and dyeing. Even so, the shift has significantly reduced the overall use of underground water.

For instance, Narayanganj-based Fakir Apparels Ltd now uses 65-68 litres of water to wash one kg of fabric after installing new technology and rainwater harvesting, said its Chief Operating Officer, Bakhtiar Uddin Ahmed.

"Rainwater currently meets about 30 percent of the company's water demand," he said, adding that buyers are pressing for even greater reductions in washing and dyeing of fabrics. The company plans to install advanced technologies to reduce water consumption further.

Square Textiles has also cut usage, bringing it down to 53 litres per kg of denim from 70-80 litres a few years ago, said Sayeed Ahmad Chowdhury, director of operations. At one point, the company even used 120-150 litres of water for one kg of fabric.

"Reuse and recycling of water, along with rainwater harvesting, also helped reduce overall water consumption in our mill in Habiganj," he said.

Plummy Fashions Ltd, regarded as one of the greenest factories in the country, saves about 40 percent of its water through rainwater harvesting, though Managing Director Fazlul Hoque noted that harvested rainwater cannot be used directly for washing and dyeing.

"With advanced systems," he said, "water use could be brought down to as little as 20 litres per kg of fabric."

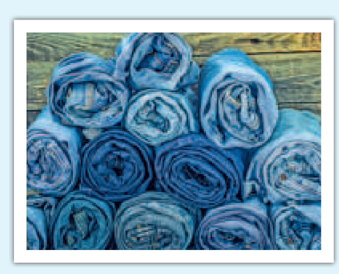
READ MORE ON B3

Cut in water consumption

Water use for denim washing dropped from 200 litres/kg a decade ago to 50-53 litres/kg now

Some factories cut up to 90% underground water use with new tech

With advanced tech, washing can be done with only 25-30 litres/kg of water



A few examples

Fakir Apparels meets 30% of water needs with rainwater

Square Textiles cut use from 120-150 litres/kg to 53 litres/kg with rainwater and recycling

Plummy Fashions saves 40% water, mainly for non-washing uses

GREEN LEADERSHIP

Bangladesh leads globally with 263 LEED-certified garment factories, including 111 Platinum and 133 Gold

Exports to India via Ctg port soar after land port curbs

MOHAMMAD SUMAN

Merchandise shipments to India through the country's premier seaport in Chattogram have surged after New Delhi imposed restrictions on goods entering through land ports.

Over the past four months, India has introduced three separate restrictions on Bangladeshi exports of items such as garments, processed food, plastics, yarn, furniture and, most recently, raw jute and jute products.

Sea routes are still open for Indian importers, but they are slower and costlier. Bangladeshi goods now travel from Chattogram to Colombo before reaching Kolkata or Mumbai's Nhava Sheva port.

Despite the added time and expense, Indian importers have continued sourcing from Bangladesh due to the lack of viable alternatives.

Abul Bashar, chairman of BSM Group, said businesses always calculate time and cost.

"That is why Indian importers have not stopped," he said, adding that sea routes from Bangladesh to India can still be cheaper than sourcing from other countries.

Similar to Bashar, Syed Tanvir Ahmed, managing director of Pacific Jeans, said trade costs are higher by sea, but duty-free access keeps Bangladeshi garments attractive.

"The problem is that all this trade is now funnelling through the lone gateway of Chattogram port," said Ahmed.

While Chattogram has so far absorbed the redirected flow, shipments to India through the 11 land ports, as well as Mongla and Pangaon, have fallen by nearly 15 percent in value and 19 percent in volume.

SHARP JUMP THROUGH CTG PORT

Exports to India through Chattogram port rose 139 percent year-on-year in the first eight months of this year to $338.2

READ MORE ON B3