



Ensure level playing field, policy support for local fashion brands

Says president of fashion entrepreneurs association

Azharul Hoque Azad

MD ASADUZ ZAMAN

Despite a growing consumer market, the country's domestic fashion brands are struggling with structural and policy constraints that could hinder long-term growth.

Entrepreneurs cite limited access to bank loans, an uneven tax system, strict regulations, competition from "illegal" imports, political uncertainty, and a shortage of skilled workers as key concerns. They warn that these issues could affect the sector's sustainability and its role in promoting cultural identity and domestic enterprise.

Amid these pressures, a three-day fair titled "Sutor Golpo - Nijoshshotay Bona Utso", organised by the Fashion Entrepreneurs Association of Bangladesh (FEAB) ahead of Eid-ul-Fitr at Midas Center in Dhanmondi, concluded yesterday, showcasing the resilience and creativity of local brands.

In an interview with The Daily Star, Azharul Hoque Azad, president of FEAB and managing director of Sadakalo Ltd, said that although Bangladesh's garment exports are expanding globally, grassroots domestic brands — many rooted in handloom and indigenous craftsmanship — are struggling to survive.

"Political and economic stability is vital for our business," he added.

Azad said since the Covid-19 pandemic, they faced repeated disruptions, including global shocks and domestic instability. "Since Covid, we've faced instability. Retail is usually the first to feel the shock," he said.

He added that domestic fashion products are non-essential items, so demand declines when household budgets tighten. "If someone already has two shirts, they won't buy another unless necessary. That has affected our sector," he said.

Azad cited a lack of supportive government policies, saying small and medium fashion brands have to operate under a complex and outdated regulatory system that requires them to pay VAT and secure multiple licences, including trade licences and other permits introduced decades ago.

Referring to a 1972 "dealing licence"

law, which was originally meant to regulate warehouses and prevent food hoarding but is now applied to fashion outlets, he said, "There are many regulations that are not fully relevant to our production reality."

He further questioned testing standards for handcrafted goods, explaining that handloom fabrics and hand-dyed yarn cannot always meet uniform factory standards. "When you dye yarn by hand, colour consistency will not be 100 percent identical every time," he said, adding, "But there is no special consideration for handcrafted products."

invoicing and sell them at lower prices without paying full taxes.

"We prepare the whole year for Eid, investing in design and production. But some traders import products just days before the season and flood the market," he said.

He questioned whether such imports are properly taxed and monitored. "There is no level playing field," he added.

CAPITAL GAPS AND COMPETITION

Azad said competition from large domestic retail chains is also significant but structurally different. Major brands, including those linked to garment

fashion entrepreneurs, he said, is essential for growth and sustainability.

RAW MATERIAL ACCESS AND PRICING CHALLENGES

Access to raw materials remains a challenge, as yarn and other inputs are not always readily available locally. This limits consistent use of high-quality domestic fabrics. "We want to use more local materials. But availability is a challenge," Azad said.

He stressed that higher prices for local brands reflect craftsmanship and quality. "People need to understand the value of a handloom product or a Jamdani," he said. "If something is handcrafted, it may cost a bit more."

Price comparisons, he argued, are often unfair. Imported garments are mass-produced at scale, reducing costs, while domestic brands operate on smaller volumes and prioritise design. "Our brands focus heavily on design. They do not produce thousands of identical pieces...because production volume is lower, it is not possible to reduce prices to the same level as mass industrial producers," he said.

He added that comparing mass-market imports with local designer products is misleading. "If you bring a mass-market product from abroad and compare it with a local designer brand, that is not an equal comparison. Compare mass-market to mass market, designer to designer — then it becomes fair."

He acknowledged the need to balance affordability with quality but said pricing is not the industry's main obstacle.

INDUSTRY SIZE AND CONTRIBUTION

Azad said there is no precise database for the boutique and fashion-house segment, but estimates suggest more than 5,000 fashion houses and entrepreneurs operate using local products.

Around five to six lakh people are directly employed in the ecosystem, with many more working indirectly. The supply chain includes weavers, block and batik artisans, embroidery workers and handcraft specialists. "A large population is directly or indirectly connected to this industry," he said.

KEY CHALLENGES FOR LOCAL FASHION BRANDS

- Limited access to bank credit
- Unequal VAT burden on branded products
- Competition from clothes allegedly imported through duty evasion
- No special policy support for handcrafted items
- Low capital base among small entrepreneurs
- Shortage of raw materials



TAX IMBALANCE AND UNFAIR COMPETITION

Tax differences, he said, create unfair competition. Consumers pay 10 percent VAT on branded clothing stores, while non-branded products are taxed at 7.5 percent, according to the National Board of Revenue.

"So why would a customer be more interested in buying from us?" Azad asked, adding that informal sellers may pay less or avoid compliance altogether.

He alleged that some importers bring foreign garments — particularly from India and Pakistan — through under-

exporters, have stronger financial capacity and supply chains. Many benefit from greater capital access and infrastructure.

"Our entrepreneurs are mostly small-scale. They face capital shortages," he said. "If they try to take loans, they face numerous requirements and complications."

He explained that stronger firms can maintain competitive pricing longer due to higher production volumes and better financing, while smaller designers struggle with rising costs.

Targeted credit support for domestic

Rebuilding trust in the financial sector

MAMUN RASHID

The new government has inherited a financial system burdened by three interrelated weaknesses: poor governance, fragile balance sheets and erosion of public trust in policy decisions and credibility. These weaknesses are structural and, unless addressed in sequence and with discipline, they will continue to undermine economic recovery and stability.

The first issue is asset quality and governance. Non-performing loans have reached alarming levels, unofficially approaching nearly 35 percent of total outstanding credit if restructured and evergreened exposures are included. Repeated loan fraud, insider and related party lending, and weak enforcement have deeply eroded confidence in banking and non-banking financial institutions. The insurance sector has seen some consolidation, and the microfinance sector remains resilient, but the core stress lies in banks and NBFIs.

My experience during loan restructuring exercises revealed inefficiency among borrowing entities, weak risk appraisal standards within banks and NBFIs, and excessive interference, particularly in state-owned banks. Regulatory forbearance went too far. Governance failure has not been confined to one layer.

The question is how to break this cycle.

To begin with, we need a realistic and enforceable fit and proper regime for bank directors and chief executives. Governance reform must precede capital injection. There must be full transparency about beneficial ownership and who ultimately benefits from loans. Even the definition of family requires tightening to prevent circumvention of rules.

The Bank Company Act must be aligned with Basel core principles, particularly the emphasis on risk-based supervision grounded in real economic conditions. Our legislative tendency has been reactive, enacting punitive rules after scandals. Such reactionary policymaking rarely distinguishes between systemic weaknesses and isolated malpractice.

The second major challenge is capital adequacy and bank resolution. The capital base of the financial system has weakened in recent years, exposing concealed insolvency risks. Repeated recapitalisation without structural reform only postpones resolution.

The central bank has initiated an Asset Quality Review in eleven banks. Once we determine the depth of the

problem, a time-bound recapitalisation roadmap must follow. Recapitalisation should not be unconditional. It must be tied to measurable restructuring commitments, including loan write-offs, governance reform and bad loan recovery targets. Banks should prepare action plans, but implementation must remain under close central bank oversight. For institutions unwilling or unable to comply, resolution tools must be activated, including bridge banks, purchase and assumption mechanisms, management replacement or structured consolidation. Reform of state-owned banks is the critical pillar. Fiscal drain through repeated capital injections cannot continue indefinitely. Consolidation is long overdue. However, a merger without governance reform simply aggregates weakness. Consolidation must be accompanied by professional boards, operational autonomy with accountability and a firm stance on loan recovery.

Equally important is restoring coherence between monetary policy and financial stability. Inflation, combined with inconsistent policy signalling, weakens credibility. Policy contradiction is more damaging than a tight policy. This brings us to the autonomy of the Bangladesh Bank. Autonomy must be accompanied by institutional capacity building. Bangladesh remains one of the more over regulated economies, where excessive directives substitute for supervisory depth. If deposit rates decline because of macroeconomic adjustment, lending rates must follow through market transmission.

Finally, governance reform without legal enforcement remains incomplete. Faster adjudication of loan recovery cases, a strengthened credit bureau mechanism, stricter enforcement of anti-money laundering provisions and transparent disclosure of bank health indicators are necessary to restore credit discipline. A sound financial system reduces uncertainty. Investors do not respond to slogans or presentations. They respond to predictability. Policy clarity, knowledge of peer country reform experience and political commitment at the highest level to allow institutions to function without distortion are essential. Confidence cannot be legislated. It must be rebuilt through consistent action.

The writer is a banker and an economic analyst



India, Brazil sign mining pact

REUTERS

India moved to deepen trade ties with Brazil on Saturday, signing a pact to expand cooperation in mining and minerals as it seeks to meet rising domestic steel demand and support capacity expansion amid a global race for raw materials.

The agreement was signed in the presence of India's Prime Minister Narendra Modi and Brazilian President Luiz Inacio Lula da Silva, who arrived in New Delhi earlier this week for a three-day visit.

Brazil is among the world's top producers of iron ore and holds

large reserves of minerals critical to steelmaking. Closer cooperation is expected to improve India's access to raw materials and technologies needed to sustain long-term growth in its steel sector, an Indian government statement said.

INFRASTRUCTURE INVESTMENT

The cooperation will focus on attracting investment in exploration, mining and steel sector infrastructure, the statement said.

India has steelmaking capacity of 218 million metric tons, and companies are expanding output to meet rising domestic demand driven by infrastructure development and industrialisation.

Addressing a meeting with a Brazilian delegation led by Lula, Modi said their talks had focused on ways to deepen the India-Brazil trade partnership.

"We are committed to taking bilateral trade much beyond \$20 billion in the next five years," Modi said.

Bilateral trade between the two countries currently stands at about \$15 billion.

"Our nations will also work closely in areas such as technology, innovation, digital public infrastructure, AI, semiconductors and more," Modi said.

LARGEST TRADING PARTNER IN LATIN AMERICA

India and Brazil have been strategic

partners since 2006, with cooperation spanning trade, defence, energy, agriculture, health, critical minerals, technology and digital infrastructure.

Brazil is India's largest trading partner in the Latin America and Caribbean region, and the two countries work closely on global issues such as UN reform, climate change and counterterrorism.

Lula on Thursday advocated for Brazil and India to conduct trade in their own currencies rather than settling transactions in US dollars, but dismissed speculation that the BRICS group of countries, of which both nations are members, would create a common currency.

Asian economies weigh impact of fresh Trump tariff moves, confusion

REUTERS, Hong Kong/Taipei

US trading partners in Asia started weighing fresh uncertainties on Saturday after President Donald Trump vowed to impose a new tariff on imports, hours after the Supreme Court struck down many of the sweeping levies he used to launch a global trade war.

The court's ruling invalidated a number of tariffs that the Trump administration had imposed on Asian export powerhouses from China and South Korea to Japan and Taiwan, the world's largest chip maker and a key player in tech supply chains.

Within hours, Trump said he would impose a new 10 percent duty on US imports from all countries starting on Tuesday for an initial 150 days under a different law, prompting analysts to warn that more measures could follow, threatening more confusion for businesses and investors.

In Japan, a government spokesman said Tokyo "will carefully examine the content of this ruling and the Trump administration's response to it, and respond appropriately."

China, which is preparing to host Trump in late March, has yet to formally comment or launch any counter moves with the country on an extended holiday. But a senior financial official in China-ruled Hong Kong described the US situation as a "fiasco".

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What's next after US Supreme Court tariff ruling?

AFP, Washington

The Supreme Court's striking down of President Donald Trump's global tariffs, while a relief to many, heralds more months of uncertainty as US businesses brace for new levies and a fight for refunds plays out.

What comes next after the conservative-majority court's decision?

LONG ROAD TO REFUNDS

The ruling sets up a long fight for tariff refunds, as the duties, now deemed illegal, generated some \$133.5 billion from January 2025 to mid-December. The top court did not address the refunds issue, and analysts say this will be decided by lower courts in the coming months.

The US Court of International Trade is expected to manage this process, said ING analysts Carsten Brzeski and Julian Geib.

"Refunds won't come automatically, as any importer that wants its money back must sue individually," they said.

"This process has already kicked off, with over 1,000 corporate entities now involved in a legal fight."

Trump told reporters Friday: "We'll end up being in court for the next five years."

MORE VOLATILITY

Hours after the court decision, Trump vowed to impose a new 10-percent tariff on imports under an alternative authority.

This is widely seen as a temporary move to pave the way for more durable tariffs, but is set to trigger other challenges and upheaval in the meantime.

The law Trump is tapping for this tariff — Section 122 of the Trade Act of 1974 — only allows for a duty of 150 days unless

Congress extends it.

Trump has said there will be new investigations of unfair trade practices under Section 301, a path towards more lasting duties. Josh Lipsky, chair of international economics at the Atlantic Council, said Friday's ruling merely "opens

a new chapter" in Trump's tariff policy.

There will be "more uncertainty, more volatility for businesses to navigate, and more fraught trade deals for countries to negotiate," Lipsky added.

LOSING SPEED

But for now, the court's decision "removes one of Trump's fastest tools for imposing broad tariffs," said ING.

US Treasury Secretary Scott Bessent told Fox News on Friday that tariffs based on the International Emergency Economic Powers Act (IEEPA) "were custom made for President Trump to assert leverage" against other countries.

"We were able to bring them to the table very quickly," he said.

"We will get back to the same tariff level for the countries," Bessent vowed. "It will just be in a less direct and slightly more convoluted manner."

TRADE DEAL UNCERTAINTY?

With tariffs imposed via emergency economic powers forming the basis of recent trade talks, analysts warned that some partners may try to rethink their commitments.

Lipsky expects economies that have already made deals to keep them rather than "risk unraveling an agreement which at least has provided some stability."



A view of the US Supreme Court in Washington, US.

PHOTO: REUTERS/FILE

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