DHAKA MONDAY JUNE 1, 2026, JAISHTHA 18, 1433 BS ● starbusiness@thedailystar.net

Star BUSINESS

Leather sector loses billions to compliance failures

Say industry leaders, experts

JAGARAN CHAKMA

Bangladesh generates a significant share of the world's raw leather each year, yet earns only a fraction of what the material is worth due to compliance failures and decades of neglected infrastructure, according to industry leaders.

They point to shortcomings at the Savar Tannery Industrial Estate that have kept the country locked into low-value exports and shut out of premium global markets.

Bangladesh accounts for around four percent of the world's rawhide and skin resources and produces an estimated 350-400 million square feet of hides and skins annually, according to Md Mizanur Rahman, professor and director of the Institute of Leather Engineering and Technology at the University of Dhaka.

"The country could generate up to $10-$12 billion in export earnings from its existing raw materials alone if the sector were fully utilised," he said.

"We are sitting on a huge resource, but we are not using it properly," Rahman added.

He estimates that nearly 30 percent of the country's leather is wasted due to poor preservation, inadequate processing capacity and the lack of proper utilisation of tannery by-products.

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According to the professor, the leather sector offers one of the highest value-addition opportunities in Bangladesh's manufacturing industry, with up to 90 percent value addition possible as most raw materials are sourced locally.

He noted that foreign buyers, particularly Chinese firms, often purchase Bangladeshi leather for as little as 40-50 cents per square foot and later sell processed leather in international markets for around $2 per square foot.

Much of the profit from Bangladesh's leather ends up overseas, while local traders and producers receive low prices for rawhides, he added.

According to Rahman, much of the potential lies in by-products that currently go unused.

He noted that tannery waste can be processed into collagen, gelatin, fertiliser and animal feed – industries that, if formalised, would create new demand for hides and push up their market value. "Nothing from leather should go to waste. Every part has economic value."

The timing of supply adds another layer of difficulty. Some 40-45 percent of the country's annual rawhide comes to market within three days of Eid-ul-Azha, placing

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Why rawhide prices fall after every Eid

HIDES ARE LOSING VALUE

THE EID SUPPLY GLUT

Eid generates 50%-60% of annual supply

Millions of hides enter markets within days

Traders cannot afford to wait, tanneries can

PHOTO: PALASH KHAN

OTHER REASONS

- Weak demand from tanneries
- Limited access to premium export markets
- Incomplete CETP at Savar Tannery Estate
- Traders lack working capital during Eid
- Poor flaying, delayed salting and handling reduce quality
- Government rates rarely reflect market prices

PHOTO: RAJIB RAIHAN

WHY IT MATTERS

Madrasas lose a key income source

Poor households earn less from Eid hides

Orphanages receive smaller proceeds

SUKANTA HALDER

As people return to the capital after the Eid holidays, the Dhaka-Mawa-Bhanga Expressway is greeting travellers not with its usual green surroundings and fresh earthy air, but with an unmistakable stench: rotting rawhides.

After sacrificing cattle on Eid day, many people have dumped hides along the highway this year as prices continued their long decline.

Images of discarded hides, hides buried in the ground, and rawhides thrown into rivers first made national headlines in 2017, when tanneries began relocating from Dhaka's Hazaribagh area to the Savar Tannery Estate. Nearly a decade later, the same scenes continue to recur with little sign of improvement.

The relocation from Hazaribagh, on the banks of the Buriganga river, came after years of delays by tannery owners and repeated government deadlines. International buyers had increasingly raised concerns about the industry's environmental record. At Savar, tanners were supposed to receive a fully functional central effluent treatment plant (CETP), but the facility remains underperforming almost a decade after the move.

The Eid-ul-Azha season provides around 50-60 percent of the rawhide local tanneries need for production throughout the year. Proceeds from the sale of sacrificial animal hides traditionally go to charities, madrasas and orphanages.

For years, the government has fixed prices at which small traders are meant to buy hides from the public. Yet those rates have done little to change the overall picture.

Apart from official prices largely remaining on paper and the CETP incomplete, at least half a dozen other factors help explain why rawhides continue to rot each year.

They include a surge of rawhide supply arriving within a few days of Eid-ul-Azha, weak demand, a tannery sector struggling with environmental compliance, softer global demand for leather, cash shortages across the supply chain, poor preservation practices that reduce quality, and allegations of price manipulation by a small group of tannery owners.

Md Shaheen Ahamed, chairman of the Bangladesh Tanners Association, said the leather sector has been in decline since the relocation of tanneries to Savar.

There are now more than 115 operational tanneries in Savar estate, but only five hold Leather Working Group (LWG) certification.

The LWG is a global body that sets environmental and compliance standards for the leather sector. Certification is required for access to markets in Europe, the United States and parts of developed Asia.

Most local tanneries do not have this certification, due mainly to compliance issues and the underperforming CETP.

Ahmed said the industry cannot grow while it fails to meet international environmental and quality standards.

With most tanneries lacking certification, rawhide demand remains weak this year as usual, according to small and medium traders.

Md Anwar Hossain, a rawhide trader in the Posta area of Dhaka, said demand from tanneries is currently low.

He said the prices traders can offer are dictated by what tanneries are willing to pay.

"That is just how the chain works. An official price does not change that," Hossain said, adding that markets do not move simply because the government puts out a number.

Tipu Sultan, general secretary of the Bangladesh Hide and Skin Merchants' Association, said rawhide collection this year is around 20 percent below expectations, and trading has not followed the government's price announcement.

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RFL bets on telecom equipment after phone push

MAHMUDUL HASAN

Just four years after entering mobile phone manufacturing, RFL is now expanding into local production of telecom service-related equipment, including routers and vehicle tracking devices (VTDs), under its Proton brand.

PRAN-RFL Group, one of the country's largest conglomerates, has received preliminary approval from the Bangladesh Telecommunication Regulatory Commission (BTRC) to locally manufacture and assemble the products under its electronics arm, RFL Electronics Limited.

According to official documents reviewed by The Daily Star, the regulator has also decided to conduct an on-site inspection of the company's manufacturing facilities before issuing a temporary enlistment certificate for telecommunication service-related equipment.

On May 3, RFL Electronics presented its manufacturing roadmap to BTRC officials, who found the proposal "primarily satisfactory," according to meeting documents.

RFL started manufacturing Proton mobile phones in late 2022.

Industry observers say the initiative highlights a transformation within Bangladesh's industrial sector, where local companies traditionally focused on plastic goods and household appliances are increasingly investing in technology hardware and smart devices.

The telecom equipment segment is seen as particularly promising given rising domestic

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Govt plans refund system for excess tax

MD ASADUZ ZAMAN

The government is set to offer major tax relief to individuals and businesses in the national budget for the fiscal year 2026-27 by introducing a system to refund excess minimum tax payments, addressing a long-standing concern of taxpayers and investors.

Under a proposed framework, individuals will be able to claim refunds for excess tax payments within 120 days, according to officials familiar with the matter.

For companies, any excess minimum tax that cannot be adjusted against future tax liabilities will be refunded after three years, during which businesses will first be allowed to carry forward the surplus and offset it against future profits.

Finance Minister Amir Khosru Mahmud Chowdhury is expected to present the provision in the Parliament on June 11.

The initiative aims to make the tax system fairer and reduce the burden on taxpayers who often pay minimum tax even when they report losses or have low taxable income.

Under the current system, companies must pay minimum tax based on turnover or gross receipts, regardless of whether they make a profit or incur losses.

Although the law says excess payments should be refunded when final tax liability is lower, taxpayers and analysts say these refunds are rarely paid on time, if at all.

CURRENT SYSTEM AND CONCERNS

Bangladesh has around 3 crore registered business entities, but only about 30,000 file tax returns, according to National Board of Revenue (NBR) officials. Minimum tax on company turnover ranges from 1 percent to 3.5 percent.

Last year's budget allowed companies to carry forward excess minimum tax to adjust against future tax liabilities.

Business leaders and tax analysts have long argued that the current minimum tax system is unfair, as it requires firms to pay tax regardless of profitability, and say the lack of a refund mechanism effectively makes excess payments a permanent cost.

"The refund facility for individuals will cover excess tax payments from three sources of income -- salary, financial assets, and agriculture," a senior NBR official told The Daily Star.

The official added that the refund process will be fully automated, removing the need for individuals or company representatives to visit tax offices.

"Instead, excess payments will be directly credited to their bank accounts through a faceless digital system," he said.

Welcoming the move, Abul Kasem Khan, chairperson of Business Initiative Leading Development, said, "As businesspeople, our main priority is reducing the cost of doing business. This includes reforming advance income tax, fixing refund delays, and ending the back-and-forth policy approach that has long created uncertainty."

"We do not want a continuation of the traditional budget approach. Instead, we want innovation, modernisation, and real deregulation," he added.

Snehasish Barua, managing director of SMAC Advisory Services Limited, said, "Setting clear deadlines for tax refunds is a positive step that can help build public trust and strengthen taxpayers' rights, especially if people actually receive their excess payments on time."

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AI-assisted infographic

US cotton plan considers Bangladesh a key market

REFAYET ULLAH MIRDHA

Bangladesh is expected to play a significant role in a new US initiative aimed at boosting American cotton exports, as the Trump administration links potential tariff benefits for Bangladeshi apparel exports to the use of US cotton and textile inputs.

The United States Department of Agriculture (USDA) last week launched the Great American Cotton Plan to revitalise the cotton farm economy in the US.

"USDA and USTR secured commitments from Indonesia and Bangladesh that will support future US cotton purchases and textile production using American cotton," the plan states.

Under the plan, Bangladesh could receive tariff reductions on apparel produced using US cotton and textile inputs, alongside other tariff-related concessions.

A Bangladesh-US reciprocal trade agreement signed on February 9 commits Washington to establishing a mechanism allowing certain Bangladeshi textile and apparel goods to enter the US at a zero reciprocal tariff rate.

However, the volume eligible for this benefit will be tied to Bangladesh's imports of US-produced cotton and man-made fibre inputs. The US has yet to clarify the textile clause of the deal.

Showkat Aziz Russell, president of Bangladesh Textile Mills Association (BTMA), said American cotton's share of Bangladesh's nearly $4.0 billion annual cotton import bill has been growing steadily, with local spinners, millers, and traders increasingly turning to US suppliers. He has already held talks with senior US officials on the bilateral cotton trade.

Russell flagged two key obstacles to scaling up US cotton use: the Rules of Origin (RoO) requirements and the long shipping distance between the two countries.

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