



Watermelons cultivated in Bhola, Noakhali, Khulna and Barishal stored at a wholesale shop in Chattogram city's Dohash field for sale in adjoining districts. Wholesale prices range from Tk 30 to Tk 300 depending on the size and quality. The photo was taken recently.

PHOTO: RAJIB RAIHAN

# CSE gets commodity exchange licence

The exchange may start functioning within this year

## STAR BUSINESS REPORT

State Minister for Commerce Ahsanul Islam Titu recommended the Chittagong Stock Exchange include products such as potatoes, soybean oil, palm oil and raw sugar in the commodity exchange when it is launched.

A commodity exchange is a legal entity that determines and enforces rules and procedures for trading standardised commodity contracts and related investment products.

While neighbouring countries like India, Nepal and Pakistan have had a commodity exchange for a long time, Bangladesh is hoping to launch it for the first time within this year.

Titu made the comment at an event yesterday at the Bangladesh Securities

and Exchange Commission (BSEC) office in the capital's Agargaon, where he handed over a commodity exchange licence to the CSE.

Titu said there are cold storages to preserve potatoes so it is possible to include it in the commodity exchange. "On the other hand, we import a majority of edible oil and raw sugar from abroad. These can also be included in the exchange," he said.

The commodity exchange will play an important role in the country's business in the coming days, he added.

In 2022, the CSE planned to launch the country's first commodity exchange with the aim to reduce the difference between prices paid by consumers and producers.

Asif Ibrahim, chairman of the CSE, hoped to officially launch Bangladesh's

first commodity exchange later this year. "Work related to hardware and software procurement is progressing well," he said.

Asif said Bangladesh's economy is worth half a trillion dollars, but there is no structured commodity exchange. In countries like Nepal, commodity exchanges have been operational for the last 10 years, he added.

"Finally, CSE is proud to have obtained the commodity exchange licence. It's a befitting honour for us," he said.

"We have seen through the media that middlemen have taken advantage of the big gap in prices between the farming and the consumer level," he added.

Hopefully, this problem will be resolved through the launch of commodity exchange, Asif added.

Professor Shibli Rubayat Ul-Islam,

chairman of BSEC, said commodity exchanges already exist in many developed countries, but this component has been missing in Bangladesh.

For countries who give importance to import and export, a commodity exchange is very important, he said.

Through commodity exchanges, the role of middlemen will be reduced. Consumers will be benefitted, he said, adding that problems of over invoicing and under invoicing will be solved.

Business will become much easier, he hoped.

Traders can easily buy and sell by knowing the price of products in any country of the world, he said, adding that with the handover of this licence to the CSE, the country's trade will gather a new momentum.

# Unilever to spin off ice cream arm, slash jobs

AFP, London

British consumer goods giant Unilever on Tuesday said it would separate its ice cream unit, whose top-selling products include Ben & Jerry's and Magnum, in a likely demerger set to contribute to thousands of job cuts.

Creating a standalone ice cream company is part of a major overhaul that would "impact" about 7,500 mainly office-based jobs worldwide and save 800 million euros (\$870 million) over the next three years, Unilever said in a statement.

Unilever employs about 128,000 worldwide. "The separation... in combination with the productivity programme will ensure that Unilever's financial and management resources are focused on its strongest, global or scalable brands," the statement added.

"These will have the capability to drive category expansion and deliver accelerated, sustainable levels of growth and improved profitability."

Unilever's key brands also include Cif surface cleaner, Dove soap, Hellmann's mayonnaise and Marmite yeast spread.

Tuesday's announcement comes after Unilever in December agreed to sell Elida Beauty, its non-core beauty and personal care division, to US private equity firm Yellow Wood Partners for an undisclosed amount.

Two years ago, Unilever completed the sale of its global tea business, including brands Lipton and PG Tips, for 4.5 billion euros to private equity group CVC Capital Partners.

The ice cream unit has five of the 10 biggest global brands, including Wall's Cornetto and Carte D'Or, and had 2023 revenue of 7.9 billion euros.

Unilever, like consumer groups worldwide, has sharply hiked prices for many of its goods in recent years to claw back rising costs in a climate of soaring inflation, deterring many customers.

Following Tuesday's update, Unilever's share price jumped 3.7 percent to £39.50 in morning deals, topping London's benchmark FTSE 100 index.

"The market likes the de-merger news, and it is a strong vote of confidence in the new CEO's strategy of streamlining the business and cutting costs, which is a winner in the current market environment," said Kathleen Brooks, research director at XTB trading group.

Spin-off activity will start immediately with full separation expected by the end of 2025.

# Bangladeshi banks'

FROM PAGE B1 people expect healthy returns from deposits amid a lack of a universal pension scheme until recently and limited investment opportunities.

"Fixed deposits are costlier in Bangladesh while management expenses of banks are also higher," said Khan.

The entry of the fourth-generation banks into the market has intensified competition among lenders for deposits, which ultimately drove down the ROA.

The central bank approved nine banks in 2013 bowing down to political pressure though it was opposed to the idea initially. The central bank later allowed three more banks.

Between 2007 and 2011, the ROA was more than 1 percent. It plunged to 0.6 percent in 2012 from the previous year's 1.5 percent as the central bank enacted stricter loan-loss provision rules, BB data showed.

The profitability bounced back to 0.9 percent in 2013. Since deposit collection became more competitive, the ratio has never crossed 0.8 percent in the last one decade.

Mahbubur Rahman also attributed the lower efficiency of many banks to the dismal profitability scenario.

He said the inclusion of the new banks added to the woes as they had to offer higher rates to pull deposits, eating away at profit margins.

In April 2020, the central bank introduced an interest cap for deposits at 6 percent and for loans at 9 percent, a decision that narrowed the

interest rate spread, the rate charged by banks on loans to customers minus the interest rate paid by lenders for deposits. The ceiling was in place until June last year.

"This ultimately hit the bottom line of banks," said Rahman, currently the managing director of Mutual Trust Bank.

The profitability was low in 2020 and 2021 mainly because of the business slowdown brought on by the Covid-19 pandemic. However, it was even lower in 2018 due to the lower profits of Islamic banks and the overall liquidity crunch in the banking sector.

**The entry of the fourth-generation banks into the market has intensified competition among lenders for deposits, which ultimately drove down the ROA**

According to a BB analysis, shariah-based banks' ROA was higher than that of the other private commercial banks till 2014. In 2015, the profitability was the same for both.

The profitability of Islamic banks was 0.8 percent while it averaged 1.03 percent for private commercial banks.

"After the structural change in shariah-based banks or the change in ownership, investment decisions were not proper, so their asset quality fell," said Toufic Ahmad Choudhury, a former director-general of the

Bangladesh Institute of Bank Management (BIBM). "Due to the bad investments, NPLs and provision requirements went up. This ultimately reduced their profitability."

S Alam Group took over the ownership of Islami Bank Bangladesh Ltd in 2017. In the same year, it took control of Social Islami Bank. The Chittagong-based conglomerate assumed the ownership of Al-Arafah Islami Bank and First Security Islami Bank within a year.

A top official of a listed commercial lender said Islamic banks' asset quality declined after their ownership changed, sending NPLs higher.

Some of the bad loans have been reported officially but the disclosure doesn't portray the real scenario, he said. On the other hand, the shariah-compliant banks are facing a trust deficit, which forced them to offer higher rates to draw deposits, leading to a drop in profitability, the official added.

Shah Md Ahsan Habib, a professor at the BIBM, said any ownership change should be based on efficiency so that the new owners can improve the situation at banks.

In Bangladesh, the efficiency level deteriorated and the asset quality of Islamic banks dipped. If asset quality falls, it reduces income, raises the cost of operations and forces banks to keep a higher provision.

"Banks have no other option but to improve their asset quality and reduce NPLs," he said, adding that the operational efficiency of banks also needs to be elevated.

# ADP spending

FROM PAGE B1 expenses than that for other sectors.

Up until February, the secondary and higher education division managed to spend Tk 1,941 crore, or 14.71 percent, of its total allocation of Tk 13,192 crore.

Similarly, the health services division spent Tk 2,472 crore out of Tk 12,007 crore.

They showcased the second and third lowest implementations rates respectively out of the 15 divisions and ministries receiving the highest allocations.

"The project directors in these two sectors are not playing a proactive role in implementing their projects," said Abul Kashem Md Mohiuddin, secretary to the IMED.

It is happening due to the inefficiency of the project directors as they are giving more focus to their professions as doctors or teachers, Mohiuddin added.

However, spending by state-run enterprises in the July-February period increased to Tk 3,693 crore, or 31.64 percent, out of the Tk 11,674 crore allocated for FY24, the IMED data showed.

Prime Minister Sheikh Hasina directed officials at the latest National Economic Council meeting on March 12 to ensure feasibility studies for improving the quality of implementation and speed up implementation of projects that would serve people immediately, according to Mohiuddin.

To this end, the premier also directed utilising foreign loans and grants, taking up effective projects for the people, and forming an "experienced panel" for project directors, he added.

Utilisation of foreign funds for various projects has reduced by 1.54 percentage points. "We are trying to train up project directors, especially from education and health sectors," said Mohiuddin.

However, Ashikur Rahman, a senior economist of the Policy Research Institute of

Bangladesh, thinks the slowdown was expected this year.

"Given FY24 has seen increasing macroeconomic tension and political uncertainty surrounding the election, the slowdown in ADP implementation was expected," he said.

He hoped the situation would improve next fiscal year if the country could mitigate the macroeconomic tension given that the political environment has remained calm after the election.

"There is no reason to expect any dramatic change on that front," said Rahman.

Among the 15 highest ADP allocation recipients, the shipping ministry was the worst-performing division in the July-February period.

The ministry's spending stood at Tk 1,378 crore, which is only 13.88 percent of its total allocation.

The Ministry of Civil Aviation and Tourism was the top performer, spending 46.79 percent of its budget.

The agriculture ministry came in second, with its expenditure standing at 46.41 percent of its budget, followed by the local government division with 44.46 percent.

# Shrimp exports

FROM PAGE B4 However, it will take another two to three years to reap the full benefits.

The study said a lack of quality and compliance with international standards were some of the major challenges barring the growth of the shrimp farming industry. It also stressed the need for the continuation of government support, development of a proper supply chain, and quality control measures.

The study also recommended the withdrawal of a 10 percent advance tax on cash assistance and ensuring loans to encourage scientific methods of cultivation and the establishment of shrimp-based economic zones.

# Why do high prices



It is not possible to implement the prices of commodities in the way the government has set, says an expert.

PHOTO: STAR/FILE

FROM PAGE B1 "They know they can make a good profit. Still, they are not supplying an adequate volume of goods to the market. An in-depth investigation is required to identify the issues."

Prof Taslim calls for setting up a neutral body that will furnish the government with accurate information on demand and supply.

Consumers Association of Bangladesh President Ghulam Rahman says the fixation of prices by the government contradicts the state's free market economy policy since prices are determined based on the supply and demand in such an economic system.

The former chairman of the Anti-Corruption Commission and commerce secretary urged the government to examine the authenticity of the data that acted as the basis for the price ceiling.

"If data and methods are realistic, the price fixation will be effective."

However, he says the government's role does not end just by capping the prices. Rather, it should also ensure that the prices are followed.

"And this can be possible by giving a boost to supply."

of some products declined as a result of regular drives.

He says higher import costs stemming from the dearer US dollars and an elevated level of customs duties have an adverse effect on the price level.

However, these two factors alone don't explain the exorbitant prices being charged.

Traders' profiteering tendency to take advantage of the situation is another reason, Shafiqzaman said.

**CAB President Ghulam Rahman says the fixation of prices by the government contradicts the state's free market economy policy**

Taslim Shahriar, deputy general manager of Meghna Group of Industries, one of the biggest commodity importers and processors in Bangladesh, said the price of imported goods goes up by 30 percent automatically owing to the depreciation of the taka despite the stability in the global commodity market.

Alongside, he said, there are other expenditures including transport and labour costs.

Shahriar said currently consumers can buy edible oil at prices that are lower than the previous year. For example, the price of soybean oil was Tk 205 per litre in 2023 whereas processors are selling them

at Tk 157. "This is because the price in the international market has dropped."

Since sugar has become costlier in the global market, consumers would have to pay more for the sweetener, he said.

A cheaper US currency and reduced imported tariffs could enable importers and processors to cut the price of both soybean and sugar, he said.

A number of traders claim that many importers are showing lower import costs through under-invoicing to evade taxes by taking advantage of the complexity related to LCs.

They pointed out that only half of the actual import costs are being declared while buying items such as dates, chickpeas, peas, and lentils.

Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry, said banks are still not adhering to the dollar rate set by the Bangladesh Foreign Exchange Dealer's Association and the Association of Bankers, Bangladesh.

The exchange rate has been set at Tk 110 but banks are settling LCs at Tk 118 to Tk 122, he alleged, adding while determining the prices of imported goods, the agreed exchange rate is taken into account.

He said the actual cost remains unknown due to the under-invoicing and most of the 29 products whose prices have been capped are not being sold at the rates.