

CHAPTER 9

STATE-OWNED ENTERPRISES

State-Owned Enterprises (SOEs) still make major contribution towards industry, power, gas, transport and communication and service sectors of Bangladesh economy. To keep pace with the increasing expansion of private sector in the market economy, a range of reforms including privatisation in public enterprises is well in progress. The contribution of SOEs in GDP, value addition, employment generation and revenue earning is still substantial. Currently, a range of reforms is being implemented in public enterprises and this has resulted in significant reduction of overall loss in public manufacturing sector supporting economic growth. There are 44 non-financial public enterprises in the country which has been categorised into 7 sectors by Bangladesh Standard Industrial Classification (BSIC). Their economic and financial performances have been analysed as follows:

Sector	No. of Enterprises	Title of Enterprises
Industry	6	Bangladesh Textile Mills Corporation (BTMC), Bangladesh Steel & Engineering Corporation (BSEC), Bangladesh Sugar & Food Industries Corporation (BSFIC), Bangladesh Chemical Industries Corporation (BCIC) Bangladesh Forest Industries Development Corporation (BFIDC), Bangladesh Jute Mills Corporation (BJMC).
Power, gas and water	5	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Electric Supply Authority (DESA), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Swerage Authority.
Transport and communication	10	Bangladesh Shipping Corporation (BSC), Bangladesh Inland Water Transport Corporation (BIWTC), Bangladesh Biman Corporation, Bangladesh Road Transport Corporation (BRTC), Chittagong Port Authority, Mongla Port Authority, Chittagong Dock Worker's Management Board, Mongla Dock Worker's Management Board, Bangladesh Land Port Authority and Jamuna Multipurpose Bridge Authority.
Trade	3	Bangladesh Petroleum Corporation (BPC), Bangladesh Jute Corporation (BJC), Trading Corporation of Bangladesh (TCB).
Agriculture	2	Bangladesh Fisheries Development Corporation (BFDC), Bangladesh Agriculture Development Corporation (BADC).
Construction	4	Rajdhani Unnayan Kartipaksha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA).
Service	14	Bangladesh Muktijoddha Kalyan Trust, Bangladesh Film Development Corporation (BFDC), Bangladesh Parjatan Corporation (BPC) Bangladesh Small and Cottage Industries Corporation (BSCIC) Bangladesh Civil Aviation Authority, Bangladesh Inland Water Transport Authority (BIWTA), Rural Electrification Board (REB), Bangladesh Export Processing Zone Authority (BEPZA), Bangladesh Handloom Board, Bangladesh Sericulture Board, Bangladesh Water Development Board (BWDB), Bangladesh Tea Board, Bangladesh Telecommunication Regulatory Commission (BTRC), and Export Promotion Bureau (EPB).

Production and Factor Income of SOE Sector

Table 9.1 shows that during FY 2001-02, the total operating revenue of all existing SOEs was Tk. 27,464 crore which rose to Tk. 36273 crore in FY 2004-05. Annual growth rate was 9.72 percent. During this period the value of purchase of goods and services increased by 13.73 percent. According to the production cost, the amount of value addition in FY 2001-02 was at Tk. 3450 crore which is significantly went down to Tk. 951 crore during FY 2004-05 resulted in a decline in growth rate of value addition by 34.92 percent. In comparison with FY 2001-02, the operating loss increased while the value addition decreased in FY 2004-05.

Table 9.1: Growth rate of Revenue, Value Addition and Production Income of non-financial SOEs (2001-02 to 2004-05).

(Tk. in crore)

	2001-2002 Actual	2002-2003 Actual	2003-2004 Actual	2004-2005 Actual	Growth Rate from 2001-02 to 2004-05
Operating revenue	27464	30500	32541	36273	9.72
Purchased goods & services	24014	26832	28703	35322	13.73
Value addition by production income	3450	3668	3839	951	(34.92)
Pay & allowances	1811	1781	1784	1663	(2.80)
Depreciation	2146	1533	1967	1761	(6.38)
Operating surplus	(506)	354	87	(2473)	69.70
Value Addition by factor of production	3450	3668	3839	951	(34.92)

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to provisional accounts, the net loss of 44 SOEs during FY 2005-06 stood at Tk. 4695.64 crore. One of the reasons behind this huge loss compared to previous fiscal year is price hike of oil in international market and devaluation of local currency against US dollar. BPC sells oil at administered price in domestic market. Therefore, BPC alone incurred net loss to the tune of Tk. 3,704.87 crore in FY 2005-06 from net loss of Tk. 2899.10 crore in 2004-05. The SOEs which are expected to increase its profit or to decrease the loss in FY 2005-06 compared to FY 2004-05 are: Bangladesh Sugar and Food Industries Corporation (net profit of Tk. 66.16 crore in FY 2005-06 from net loss of Tk.17.57 crore in FY 2004-05), Bangladesh Oil, Gas and Mineral Corporation (no profit is gained in FY 2005-06 from a large profit of Tk. 457.17 crore in 2004-05), Dhaka WASA (increase in net profit to Tk.43.48 crore in FY 2005-06 from Tk. 3.91 crore), Bangladesh Shipping Corporation (increase in net profit to Tk.40.25 crore in FY 2005-06 from Tk. 33.25 crore), Bangladesh Telecommunication Regulatory Commission (increase in net profit to Tk.439.45 crore in FY 2005-06 from Tk. 364.26 crore), Bangladesh Land Port Authority (increase in net profit to Tk.24.31 crore in FY 2005-06 from Tk. 9.45 crore), Jamuna Multipurpose Bridge

Authority (increase in net profit to Tk.163.35 crore in FY 2005-06 from Tk. 143.28 crore), Chittagong Development Authority (increase in net profit to Tk.72.43 in FY 2005-06 from Tk.6.95 crore). The net profit/loss of 44 SOEs is shown in **Appendix-35**.

Contribution to Public Exchequer:

All the SOEs together contributed Tk. 568.67 crore to the public exchequer during FY 2004-05 which is estimated to an amount of Tk. 764.40 in FY 2005-06. The enterprises that made significant contribution in terms of dividend during FY2005-06 are: Bangladesh Telecommunication Regulatory Commission Tk.439.45 crore, Bangladesh Oil, Gas and Mineral Corporation Tk. 225.00 crore, Bangladesh Civil Aviation Authority Tk. 24.00 crore, Dhaka WASA Tk. 3.00 crore, etc. The dividend contribution of state-owned enterprises to national exchequer is shown in **Appendix-36**.

Government Grant/Subsidy

In FY 2004-05, government provided grant/ subsidy amounting to Tk. 421.69 crore to 14 public entities which is estimated at Tk 514.98 crore in FY 2005-06. Cash subsidy is given to Bangladesh Jute Mills Corporation against export of jute goods. This entity was provided subsidy amounting to Tk. 29.57 crore in FY 2004-05, which is equivalent to 7.5 percent of the value of its exports and this amount of subsidy stood at Tk.44.32 equaling 7.5 percent of export value in the current fiscal year (Table 9.2).

Table-9.2 Government Grant/Subsidy during 1999-00 to 2005-06

(Tk. in Crore)

Organizations	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 (Revised)
BCIC	3.00	3.00	-	-	-		-
BSEC	0.10	0.10	0.10	-	-		-
BJMC	54.10	59.84	53.60	26.04	33.03	29.57	44.32
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.10	0.10	0.10	0.09	0.10	0.09	0.13
BFFWT	16.25	16.25	16.25	16.25	16.25	16.44	18.19
BIWTA	17.75	21.95	22.55	23.40	27.86	31.88	53.04
BSCIC	16.60	18.65	18.45	19.04	21.50	22.51	29.50
REB	12.00	8.00	8.00	8.00	8.00	8.00	8.00
BHB	4.04	4.17	4.05	4.05	4.50	4.61	8.25
BSB	2.93	4.17	4.47	4.62	4.30	4.26	5.19
EPB	-	-	-	3.00	4.00	10.00	12.00
BADC	35.00	35.00	35.00	35.00	35.00	42.00	58.62
BWDB	143.32	171.81	159.49	191.69	230.80	251.83	277.24
Total	305.69	343.54	322.56	311.68	391.45	421.69	514.98

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

The total debt service liabilities outstanding from 44 SOEs stood at Tk. 1641.71 crore up to FY 2004-05. Out of which, the recovery of DSL from 44 SOEs during FY 2004-05 amounted to Tk. 971.91 crore, which is 59 percent of total DSL outstanding. During FY 2005-06, the total DSL outstanding against 44 SOEs is Tk. 1731.61 crore of which Tk. 825.58 crore has been recovered up to June 2006.

Bank Loan

Up to June 2006, outstanding bank loan against 44 SOEs stood at Tk. 16,959.85 crore. Out of this, the default loan accounts for Tk. 4107.37 crore (24 percent). The SOEs which owe substantial amount of loan to Nationalized Commercial Banks (NCBs) are: BPC (Tk. 9684.67 crore), BJMC (Tk. 2937.05 crore), BPDB (Tk. 1526.01 crore), BCIC (Tk. 891.16 crore), BSFIC (Tk. 534.52 crore), BTMC (Tk. 444.53 crore), BSEC (Tk. 127.61 crore), BOGMC (Tk. 628.48 crore), BADC (Tk. 32.53 crore). On the other hand, the entities that have default loans to the banks are: BPC (Tk. 3073.56 crore) BTMC (Tk. 400.86 crore), BJMC (Tk. 366.20 crore), BCIC (Tk. 128.39 crore), BADC (Tk. 32.53 crore) and BSEC (Tk. 24.87 crore).

Financial Performance of SOE Sector

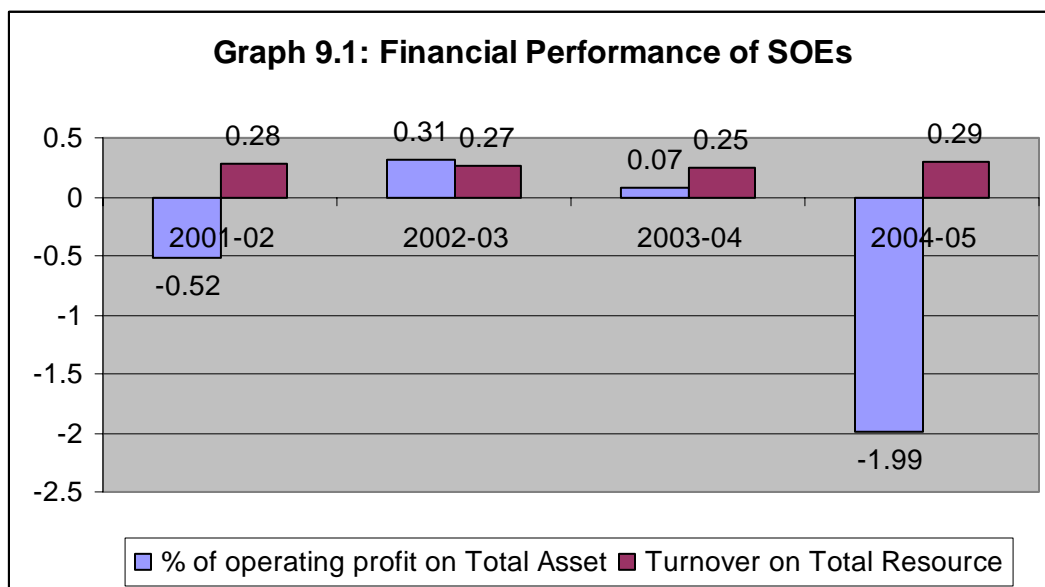
Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by government or by NCBs. Therefore, the rate of profit on total assets is an important yardstick for judging the financial performances of these entities. Table 9.3 shows Rate of Operating Profit on Total Assets (ROA), Margin on Operating Revenue, Return on Equity (ROE) and Asset Turnover.

Table 9.3: Profit earned by the SOEs from FY2001-02 to FY 2004-05

(Tk. in Crore)

Operating	2001-2002 Actual	2002-2003 Actual	2003-04 Actual	2004-05 Actual	Rate of Growth from 2001-02 to 2004-05
1. Operating revenue	27464	30500	32541	36273	9.71
2. Operating surplus	(506)	354	87	(2473)	69.62
3. Non-operating Revenue	449	1153	675	586	9.27
4. Employee participatory fund	24	32	39	9	-28.87
5. Subsidy (direct)	8	8	8	9	2.04
6. Interest	1141	1151	966	903	-7.50
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(1214)	332	(235)	(2790)	31.93
8. Tax	208	255	343	134	-13.55
9. Net profit after tax (7-8)	(1422)	77	(578)	(2925)	27.14
10. Dividend	180	188	224	55	-32.53
11. Retained earning (9-10)	(1602)	-111	(802)	(2980)	22.96
12. Total investment/fund	96848	113068	129447	124349	8.68
13. Equity	25066	33401	50811	36412	13.24
14. % of operating profit on total assets.(2/12)	(0.52)	0.31	0.07	(1.99)	56.07
15. % of net profit on operating revenue(9/1)	(5.18)	0.25	(1.78)	(8.06)	15.89
16. % of dividend on equity e (10÷13)	0.72	0.56	0.44	0.15	-40.42
17. Turnover on total assets (1÷12)	0.28	0.27	0.25	0.29	0.95

Source: Monitoring Cell, Finance Division



It would be seen from the above graph that Return on Assets of SOEs was negative in FY 2001-02 but it is significantly negative in FY 2004-05. This indicates the huge loss in the SOE sector of Bangladesh. The net profit on operating revenue was also negative all the years except FY 2002-03. Again this loss increased to 8.06% in 2004-05. On the other hand, the rate of dividend on equity has been reduced to 0.15 in 2004-05 from 0.72 in 2001-02. It appears from the turnover of assets that the efficiency of resource utilisation during FY 2004-05 increased slightly compared to the level of efficiency in the previous financial year.