

CHAPTER 9

STATE-OWNED ENTERPRISES

[State-Owned Enterprises (SOEs) play an important role in shaping the economic development of the country. The contribution of SOEs to GDP, value addition, employment generation and revenue earning is quite substantial although the privatisation programmes of public sector are continuing for the development of private sector. During FY 2012-13, the total operating revenue of all existing SOEs increased by 32.47 percent but factoring into the production cost, the amount of value addition increased to Tk.5,760 crore during FY 2012-13. In FY 2013-14, the SOEs earned a net profit of Tk. 3,022.13 crore and contributed Tk.1,017.05 crore to the national exchequer. Up to FY 2012-13, the total receipts on account of DSL from non-financial SOEs stood at Tk.1,40,792.26 crore. Up to June, 2014, outstanding state owned commercial bank loan against 22 SOEs stood at Tk.30,432.02 crore. Out of this, the classified loan stood at Tk.181.48 crore. Though the operating profit on total assets of SOEs was 1.94 percent in FY 2008-09, in FY 2012-13, this profit turned into a loss by 0.67 percent. The net loss on operating revenue was 2.16 percent in FY 2012-13. The rate of dividend on equity increased to 24.10 percent in FY 2012-13 compared to 0.48 percent in FY 2008-09. Considering the turnover of assets, the efficiency of resource utilisation during FY 2012-13 decreased compared to the level of efficiency in the previous fiscal years.]

In Bangladesh, public sector investment is quite significant vis-a-vis the ever increasing private sector investment. The non-financial public enterprises in the country have been categorised into 7 sectors following Bangladesh Standard Industrial Classification (BSIC). The economic and financial performance of these sectors have been analysed in this chapter.

Box 9.1: Non-Financial Public Enterprises

Sector	No. of Enterprises	Title of Enterprises (Non-financial)
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	7	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Power Distribution Company (DPDC), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Sewerage Authority, Rajshahi Water and Sewerage Authority and Khulna Water and Sewerage Authority.
Transport and communication	7	Bangladesh Shipping Corporation (BSC), Bangladesh Inland Water Transport Corporation (BIWTC), Bangladesh Road Transport Corporation (BRTC), Chittagong Port Authority, Mongla Port Authority, Mongla Dock Worker's Management Board, Bangladesh Land Port

Sector	No. of Enterprises	Title of Enterprises (Non-financial)
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	5	Rajdhani Unnayan Kartipaksha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) and National Housing Authority.
Service	17	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), Export Promotion Bureau (EPB), Bangladesh Sericulture Research Institute, Bangladesh Bridge Authority and Bangladesh Energy Regulatory Commission.

Source: Monitoring Cell, Finance Division

Production and Factor Income of SOE Sector

During FY 2008-09, the total operating revenue of all existing SOEs stood at Tk.39,547 crore which rose to Tk.1,21,789 crore in FY 2012-13 with an annual growth rate of 32.47 percent. During this period, the value of purchase of goods and services increased by 38.93 percent. According to the production cost, the amount of value addition in FY 2008-09 stood at Tk. 8,405 crore which decreased to Tk.5,760 crore during FY 2012-13 resulting in a decreased growth rate of value addition by 9.01 percent. During FY 2008-09, the operating surplus of the SOEs was Tk. 3,798 crore whereas the operating deficit stood at around Tk. 1,457 crore in FY 2012-13. Table 9.1 shows the growth rate of revenue, value addition and production income of non-financial SOEs during FY 2008-09 to FY 2012-13

Table 9.1: Growth Rate of Revenue, Value Addition and Production Income of Non-financial SOEs

(In Crore Taka)

	2008-09	2009-10	2010-11	2011-12	2012-13	Growth Rate from 2008-09 to 2012-13
Operating revenue	39547	64958	78369	106993	121789	32.47
Purchased goods and services	31142	55622	80149.71	108635.55	116028.43	38.93
Value addition by production cost	8405	9336	-1780	-1643	5760	-9.01
Pay and allowances	2172	3116	3456	3493	4030	16.71
Depreciation	2436	2563	2,859.85	3206.65	3187.39	6.95
Operating surplus	3798	3657	-8,096.40	-8342.38	-1456.83	-31.75
Value Addition	8405	9336	-1780	-1643	5760	-9.01

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

The net profit of SOEs was Tk.3,282.88 crore and Tk.2,776.54 crore in FY 2008-09 and FY 2009-10 respectively. After that SOEs experienced a huge amount of loss in three consecutive fiscal years. But according to the revised estimate, the net profit of SOEs is Tk.3,022.13 crore in FY 2013-14. From the historical data it is clear that BTRC is the highest profit earning enterprises and BOGMC is the second highest profit owner. On the other hand BPDB and BPC are top two looser among the SOEs. The net loss of BPDB increased from Tk.5,026.11 crore in FY 2012-13 to Tk.7,032.39 crore in FY 2013-14. According to the revised estimate, the net loss of BPC stood at Tk.2,489.86 crore in FY 2013-14. On the other hand, the SOEs which are expected to increase its profit or to decrease the loss in FY 2013-14 are: BTRC- net profit increased to Tk.9,398.36 crore from Tk.5,349.10 crore in FY 2013-14 Bangladesh Oil, Gas and Mineral Resources Corporation- net profit increased to Tk.3,305.51 crore from Tk.882.39 crore, Dhaka WASA net profit increased to Tk.148.41 crore from Tk.9.82 crore, RAJUK net profit decreased to Tk.140.72 crore from Tk.152.81 crore, CDA net profit increased to Tk.67.25 crore from Tk.44.25 crore, Chittagong Port Authority net profit decreased to Tk.221.37 crore from Tk.402.92 crore and Civil Aviation Authority net profit decreased to Tk.377.81 crore from Tk.445.41 crore. The net profit/loss of SOEs is shown in **Appendix 35**.

Contribution to Public Exchequer

The SOEs contributed TK.544.93 crore to the public exchequer in FY 2010-11; it decreased to Tk.459.66 crore in FY 2011-12. In FY 2012-13 the contribution increased to Tk.1,040.22 crore. According to the revised estimate, all the SOEs together will contribute Tk.1,017.05 crore to the public exchequer during FY 2013-14. The enterprises that may have a significant contribution in terms of dividend during FY 2013-14 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk.800 crore, Chittagong Port Authority Tk.75 crore, Civil Aviation Authority Tk.50 crore, BEPZA Tk.25 crore, BSC Tk.13.6 crore, Rural Electrification Board Tk.10 crore. National Housing Authority Tk.7 crore, RAJUK Tk.7 crore, BSEC Tk.4 crore. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix 36**.

Government Grant/Subsidy

In FY 2012-13, the Government provided grant/subsidy amounting to Tk.1,454.83 crore to 12 public entities which was estimated at Tk.1,456.59 crore in FY 2013-14. BWDB was given subsidy amounting to Tk.710.34 crore in FY 2013-14 which was Tk.677.73 crore in the previous fiscal year. Besides, the Government provided an amount of Tk.216.18 crore in the form of subsidy to BADC, Tk.178.39 crore to BIWTA, Tk.119.71 crore to Bangladesh Freedom Fighter Welfare Trust, Tk.96.16 crore to BJMC, and Tk.79.65 crore to BSCIC. Table 9.2 shows the grant/subsidy provided to public entities during FY2007-08 to FY 2013-14.

Table 9.2: Government Grant/Subsidy

(In Crore Taka)

Organisation	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (Revised)
BCIC	-	-	-	-	-	-	-
BSEC	-	-	-	-	-	-	-
BJMC	34.99	34.45	65.12	94.24	106.12	138.31	96.16
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.15	0.15	0.20	0.20	0.21	0.28	0.35
BFFWT	27.70	44.53	61.16	78.40	74.06	74.14	119.71
BIWTA	42.45	82.49	98.24	140.56	120.16	161.22	178.39
BSCIC	36.98	39.96	47.74	62.21	64.43	64.00	79.65
REB	8.00	8.00	8.00	8.00	-	-	-
BHB	7.43	-	-	-	-	-	-
BSB	6.29	8.89	10.4	13.85	15.36	11.75	13.87
EPB	12.30	13.81	13.81	16.00	16.50	16.00	21.30
BADC	86.62	155.00	204.27	239.19	279.30	292.94	216.18
BWDB	228.24	571.62	645.74	531.66	640.29	677.73	710.34
BERC	1.00	0.00	0.00	0.00	0.15	-	-
NHA	-	-	-	-	0.15	15.50	17.00
BSRTI	1.6	1.79	1.42	2.84	2.88	2.46	3.14
Total	494.25	961.19	1156.6	1187.65	1,319.46	1454.83	1456.59

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service liabilities of 110 SOEs. According to this estimate, in FY 2012-13, the total DSL against 110 SOEs stood at Tk.1,40,792.26 crore. The total DSL liabilities and recovery against 110 SOEs is shown in **Appendix-37**.

Bank Loan

Up to June 2014, the outstanding bank loan against 30 SOEs stood at Tk.30,432.02 crore. Out of this, the classified loan accounted to Tk.181.48 crore. The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPC (Tk.10,186.46 crore), BPDB (Tk.9,523.91 crore), BSFIC (Tk.3,059.79 crore), BCIC (Tk.2,723.22 crore), BOGMC (Tk.1,151.26 crore), BADC (Tk.1,065.14 crore), BWDB (Tk.938.65 crore), BJMC (Tk.761.85 crore), BSEC (Tk.284.69 crore), TCB (Tk.176.38 crore) and CPA (Tk.121.92 crore). The cumulative amount of outstanding bank loans and the classified loans of SOEs is shown in **Appendix 38**.

Financial Performance of SOEs

Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by Government or by SCBs. Therefore, the rate of profit on total assets is an important yardstick for

judging the financial performances of these entities. Table 9.3 shows the profit earned by SOEs during the period from FY 2008-09 to FY 2012-13.

Table 9.3: Profit Earned by the SOEs

(In Crore Taka)

Operating	2008-09	2009-10	2010-11	2011-12	2012-13	Rate of Growth from FY 2007-08 to FY 2012-13
1. Operating revenue	39547	64958	78369	106993	121789	32.47
2. Operating surplus	3798	3657	-8096.37	-8342.38	-1456.83	-31.75
3. Non-operating revenue	2047	1609	1573	2356	2641	6.58
4. Employee participatory fund	114	120	37.95	72.56	89.51	-5.87
5. Subsidy (direct)	14	7	8.50	78.09	0.50	-56.53
6. Interest	1058	1654	1861.27	2488.52	2672.39	26.07
7. Net profit/loss(after tax) (2+3+5)-(4+6)	4683	3499	-8628.30	-8582	-1492	-33.58
8. Tax	1396	1010	563.15	833.18	1133.82	-5.07
9. Net profit after tax (7-8)	3287	2489	-9796.61	-9,415	-2626	-25.53
10. Dividend	395	513	605.14	459.66	1040.22	51.34
11. Retained earnings (9-10)	2892	1976	-9796.61	-9,875	-3666	-18.96
12. Total investment/fund	195541	193774	189966	218890	217834	2.74
13. Equity	82677	63982	37412	30847	4317	-52.20
14. % of operating profit on total assets.(2/12)	1.94	1.89	-4.26	-3.81	-0.67	-32.77
15. % of net profit on operating revenue(9/1)	8.31	3.83	-8.80	21.62	-2.16	-35.69
16. % of dividend on equity (10÷13)	0.48	0.80	1.49	10.13	24.10	216.59
17. Turnover on total assets (1÷12)	0.20	0.34	0.49	8.29	0.56	28.94

Source: Monitoring Cell, Finance Division

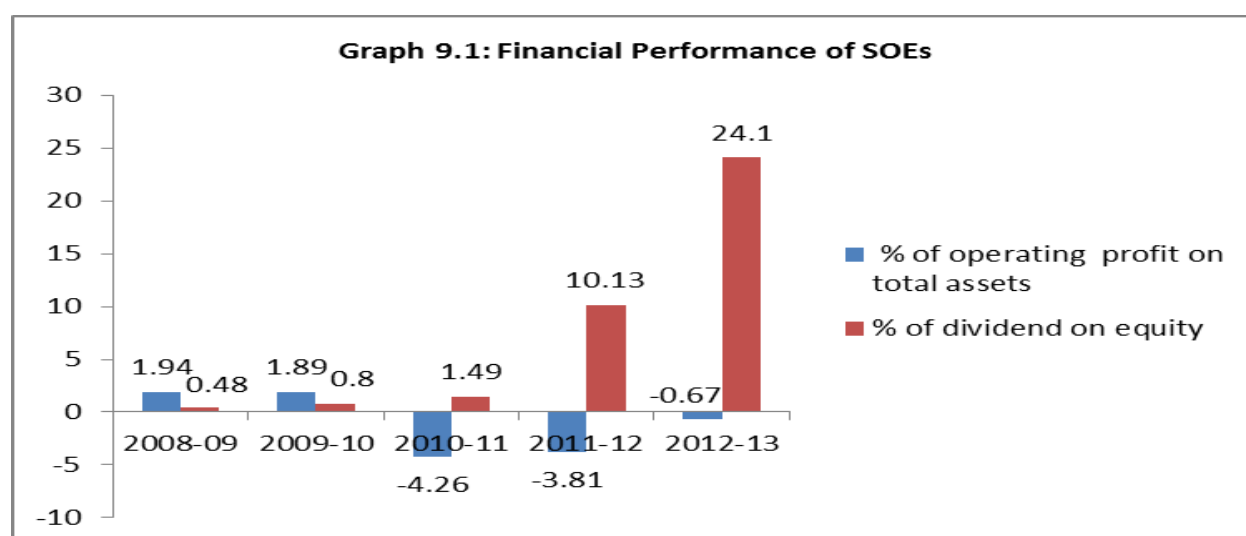


Table 9.3 shows that in FY 2008-09 and FY 2009-10 the operating profit on total assets of SOEs were 1.94 percent and 1.89 percent respectively. But in FY 2010-11, FY 2011-12 and FY 2012-13 this profit turned into a loss by 4.26 percent, 3.81 percent and 0.67 percent respectively. The net profit on operating revenue was 8.30 percent in FY 2008-09 which turned into a loss of 2.16 percent in FY 2012-13. The rate of dividend on equity increased to 24.10 percent in FY 2012-13 from 0.48 percent in FY 2008-09. It appears from the turnover of assets that the efficiency of resource utilisation during FY 2012-13 increased slightly compared to the level of efficiency in the previous fiscal years.