CHAPTER- 9

STATE-OWNED ENTERPRISES.

State-Owned Enterprises (SOEs) still continue to 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 a market economy, a range of reforms including privatisation in public enterprises is well in progress. SoE contribution 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. Their economic and financial performances have been analysed having grouped them into 7 sectors as follows according to Bangladesh Standard Industrial Classification (BSIC):

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	11	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 Telecommunication Regulatory Commission (BTRC), 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	13	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 and Export Promotion Bureau (EPB).

Production and Factor Income of SOE Sector

Table 9.1 shows that during FY 2000-01, the total operating revenue of all existing SOEs was Tk. 25,594 crore which rose to Tk. 32,541 crore in FY 2003-04. Annual growth rate was 8.25 percent. During this period the value of purchase of goods and services increased by 6.96 percent. According to the production cost, the amount of value addition in FY 2000-01 stood at Tk. 2179 crore. During FY 2003-04 it stood at Tk. 3839 crore. The growth rate of value addition was 20.56 percent. Compared to FY 2000-01, the operating loss decreased and as such value addition increased in FY 2003-04.

Table 9.1: Growth rate of Revenue, Value Addition and Production Income of non-financial SOEs (2000-01 to 2003-04).

(Tk. in crore)

	2000-01 Actual	2001-2002 Actual	2002-2003 Actual	2003-2004 Actual	Growth Rate
Operating revenue	25594	27464	30500	32541	8.25
Purchased goods & services	23414	24014	26832	28703	6.96
Value addition by production income	2179	3450	3668	3839	20.56
Pay & allowances	1833	1811	1781	1784	-0.89
Depreciation	2119	2146	1533	1967	-2.43
Operating surplus	(1773)	(506)	354	87	1.73
Value Addition by factor of production	2179	3450	3668	3839	20.56

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to provisional accounts, the net loss of 44 SOEs during FY 2004-05 stood at Tk. 2877.09 crore. One of the reasons behind the increase in 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 a loss to the tune of Tk. 2772.67 crore in FY 2004-05. Compared to FY 2003-04, a projection of increases in profit or decrease in loss has been made for FY 2004-05 with respect to a number of SOEs. Included among them are: Dhaka WASA (net profit Tk.54.57 crore in FY 2004-05 from Tk. 13.14 crore) Bangladesh Forest Industries Development Corporation (net profit Tk.4.86 in FY 2004-05 from Tk. 1.89), Chittagong Development Authority (net profit Tk.23.32 in FY 2004-05 from Tk.8.73), Bangladesh Land Port Authority (net profit Tk.11.07 crore in FY 2004-05 from Tk. 3.88 crore), Bangladesh Jute Mills Corporation (decrease in net loss to Tk. 37.54 crore in FY 2004-05 from Tk. 211.57 crore), Bangladesh Sugar and Food Industries Corporation (decrease in net loss by Tk. 33.33 crore in FY 2004-05 from Tk.58.59 crore), Bangladesh Oil, Gas and Mineral Corporation (net profit Tk. 396.64 crore in FY 2004-05 from Tk. 377.22).

Contribution to Public Exchequer:

All the SOEs together contributed Tk.281.45 crore to the public exchequer during FY 2004-05.The enterprises who have significant contribution in terms of dividend during FY2004-05 are:Bangladesh Oil, Gas and Mineral Corporation Tk. 200.00 crore, Chittagong Port Authority Tk. 50.00 crore, Bangladesh Civil Aviation Authority Tk. 20.00 crore, Dhaka WASA Tk. 3.00 crore and Mongla Port Authority Tk. 1.50 crore.

Government Grant/Subsidy

In FY 2003-04, Government provided grant/ subsidy amounting to Tk. 391.45 crore to 14 public entities. This has been estimated at Tk 506.33 crore in FY 2004-05. Cash subsidy is given to Bangladesh Jute Mills Corporation against export of jute goods. This entity was provided with subsidy amounting Tk. 33.03 crore in FY 2003-04, which is equivalent to 7.5 percent of the value of its exports and up to May 2005 of current fiscal year the amount of subsidy stood at Tk.27.10 equaling 7.5 percent of export value (Table 9.2).

Table-9.2 Government Grant/Subsidy during1998-99 to 2004-05(uptoMay, 2005)

(Tk. in Crore)

Organization.	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (Revised)
BCIC	3.00	3.00	3.00	-	-	-	
BSEC	0.10	0.10	0.10	0.10	-	-	
BJMC	56.25	54.10	59.84	53.60	26.04	33.03	27.10
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.08	0.10	0.10	0.10	0.09	0.10	0.10
BFFWT	11.46	16.25	16.25	16.25	16.25	16.25	16.44
BIWTA	16.95	17.75	21.95	22.55	23.40	27.86	30.95
BSCIC	15.50	16.60	18.65	18.45	19.04	21.50	22.50
REB	14.00	12.00	8.00	8.00	8.00	8.00	8.00
BHB	3.32	4.04	4.17	4.05	4.05	4.50	4.67
BSB	2.91	2.93	4.17	4.47	4.62	4.30	4.07
EPB	-	-	-	-	3.00	4.00	10.00
BADC	-	35.00	35.00	35.00	35.00	35.00	38.00
BWDB	-	143.32	171.81	159.49	191.69	230.80	344.00
Total	**124.07**	**305.69**	**343.54**	**322.56**	**311.68**	**391.45**	**506.33**

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

Recovery of DSL from 44 SOEs during FY 2003-04 amounted to Tk. 1290.45 crore, which is 87 percent of total DSL outstanding for that year amounting to Tk. 1488.96 crore. During FY 2004-05, the total DSL outstanding against 44 SOEs is Tk. 1485.71 crore. Out of which Tk. 778.28 crore has been recovered up to 15 May 2005. Compared to FY 2003-04, the recovery of DSL from a number of SOEs in FY 2004-05 has been estimated to be higher. Included among them are REB, Dhaka WASA, Bangladesh Civil Aviation Authority, BEPZA and Bangladesh Oil, Gas and Mineral Corporation.

Bank Loan

Up to June 2005, outstanding bank loan against 44 SOEs stood at Tk. 10,045.07 crore. Out of this, the default loan accounts for Tk. 1355.94 crore (13.5 percent). The SOEs which owe substantial amount of loan to Nationalized Commercial Banks (NCBs) are: BPC (Tk. 4,441.00 crore), BJMC (Tk. 2,844.00 crore) BTMC (Tk. 472.00 crore), BCIC (Tk. 497.00 crore), BSFIC (Tk.476.00 crore), BSEC (Tk. 184.00 crore), BADC (Tk.95.00 crore), BSC (Tk. 52.00 crore), BPDB (Tk. 882.00 crore), BFFWT (Tk. 14.00 crore). On the other hand, the entities that have default loans to the banks are: BTMC (Tk. 464.00 crore), BCIC (Tk. 484.00 crore), BSEC (Tk. 80.00 crore), BADC (Tk. 92.00 crore) and BSC (Tk. 52.00 crore).

Financial Performance of SOEs Sector

Either Government or NCBs provide almost all assets and loans belonging to the SOEs. Therefore, the rate of profit on total assets is an important yardstick for judging the financial programme of these entities. Table 9.3 shows Rate of Operating Profit on Total Assets (RAO), Margin on Operating Revenue, Return on Equity and Asset Turnover.

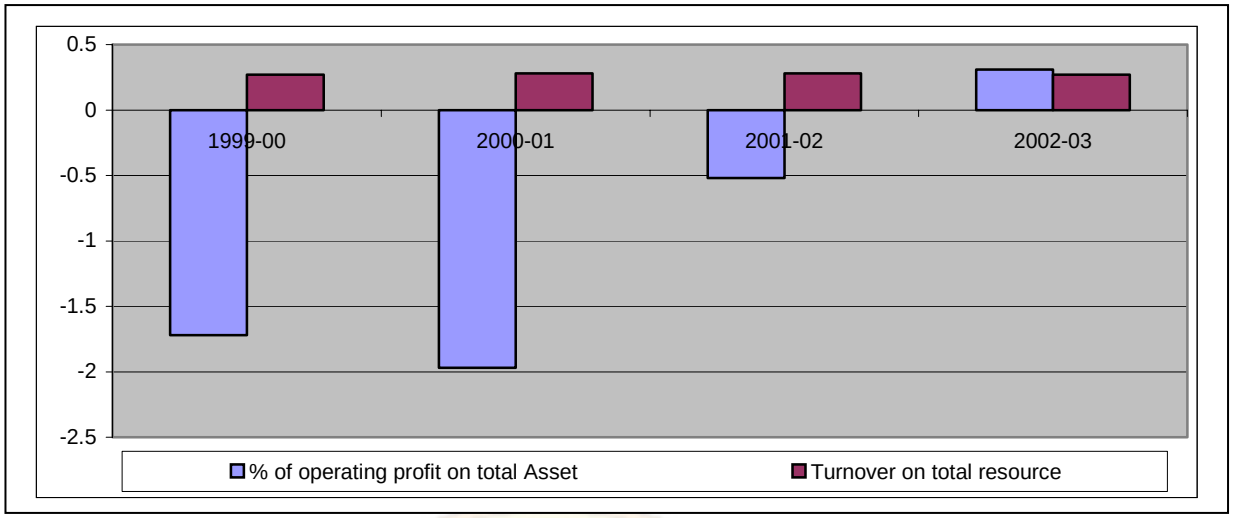
Table 9.3: Profit earned by the SOEs from FY2000-01 to FY 2003-04

(Tk.In Crore)

Operating	2000-2001 Actual	2001-2002 Actual	2002-2003 Actual	2003-04 Actual	Rate of Growth
1. Operating revenue	25594	27464	30500	32541	8.25
2. Operating surplus	(1773)	(506)	354	87	1.73
3. Non-operating Revenue	571	449	1153	675	5.68
4. Employee participatory fund	24	24	32	39	17.38
5. Subsidy (direct)	0.10	8	8	8	324.64
6. Interest	1232	1141	1151	966	(8.03)
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(2458)	(1214)	332	(235)	(53.91)
8 . Tax	183	208	255	343	23.04
9. Net profit after tax (7-8)	(2641)	(1422)	77	(578)	(39.43)
10. Dividend	156	180	188	224	12.68
11. Retained earning (9-10)	(2797)	(1602)	-111	(802)	(33.78)
12. Total investment/fund	89921	96848	113068	129447	12.78
13. Equity	22493	25066	33401	50811	30.86
14. % of operating profit on total assets.(2/12)	(1.97)	(0.52)	0.31	0.07	-
15. % of net profit on operating revenue(9/1)	(10.28)	(5.18)	0.25	(1.78)	-
16. % of dividend on equity e (10÷13)	0.69	0.72	0.56	0.44	-
17. Turnover on total assets (1÷12)	0.28	0.28	0.27	0.25	-

Source: Monitoring Cell, Finance Division

Graph-9.1: Financial Performance of SOEs



Return on Assets of SOEs in the first two years has been negative. In the next two years though it is not negative, the amount of return is quite insignificant i.e. in FY 2002-03 it was 0.31 percent and in FY 2003-04 it stood at 0.07 percent. There is a secular decline in the margin on operating revenue in the first three years but it slightly increased in the last year. The rate of dividend on equity during FY 2000-01 was 0.69 percent, which decreased to 0.44 percent during FY 2003-04. It appears from the turnover of assets, that the efficiency of resource utilization during FY 2003-04 declined slightly compared to the level of efficiency in the previous financial years.