

CHAPTER NINE

STATE-OWNED ENTERPRISES

State-Owned Enterprises (SOEs) play an important role in national production, value addition, employment generation and revenue earning. The contribution of SOEs are very important specially in power and gas, transport, communication and service sector. During FY2017-18, the total operating revenue of all existing SOEs was Tk.1,74,361.14 crore which increased from Tk.1,49,898.93 in FY2016-17. However, factoring into the production cost, the amount of value addition reduced to Tk.19,375.24 crore during FY2017-18 which was Tk.23,255.69 crore in FY2016-17. In FY2018-19 up to 30 April 2019, the SOEs made a net loss of Tk.4,324.75 crore (after tax). On the other hand, the SOEs that earned profit contributed Tk.1,111.82 crore to the national exchequer during the same period. According to the estimation of Finance Division, the total Debt Service Liabilities (DSL) stood at Tk.2,14,561.44 crore up to 31 December 2018 in FY 2018-19. Up to January 2019, outstanding state owned commercial bank loan against 30 SOEs stood at Tk.39,834.58 crore. Out of this, the classified loan stood at Tk.111.66 crore. Though the operating profit on total assets of SOEs was 1.32 percent in FY2013-14, in FY2017-18 this profit increased to 1.50 percent. The net profit on operating revenue was 2.97 percent in FY2017-18. The rate of dividend on equity decreased to 1.41 percent in FY2017-18 compared to 3.10 percent in FY2013-14. Considering the turnover of assets, the efficiency of resource utilisation during FY2017-18 remained unchanged compared to the level of efficiency in the previous fiscal years.

In accordance with Bangladesh Standard Industrial Classification (BSIC), the non-financial public enterprises in the country

have been categorised into 7 sectors. Both the economic and financial achievements of these sectors have been analysed in this chapter.

Table 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	6	Bangladesh Oil, Gas & Mineral Corporation (PETROBANGLA), Bangladesh Power Development Board (BPDB), Dhaka Water Supply and Sewerage Authority (WASA), Chattogram Water Supply and Sewerage Authority, Khulna Water Supply and Sewerage Authority and Rajshahi Water Supply and Sewerage Authority.

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Sector	No. of Enterprises	Title of Enterprises (Non-financial)
Transport and communication	7	Bangladesh Shipping Corporation (BSC), Bangladesh In land Water Transport Corporation (BIWTC), Bangladesh Road Transport Corporation (BRTC), <i>Chattogram</i> Port Authority (CPA), <i>Mongla</i> Port Authority (MPA), Bangladesh Land Port Authority (BLPA) and Bangladesh Bridge Authority (BBA).
Trade	3	Bangladesh Petroleum Corporation (BPC), Trading Corporation of Bangladesh (TCB), Bangladesh Jute Corporation(BJC)(abolished). (BJC).
Agriculture	2	Bangladesh Fisheries Development Corporation (BFDC), Bangladesh Agriculture Development Corporation (BADC).
Construction	6	<i>Rajdhani Unnayan Kartipaksha</i> (RAJUK), <i>Chattogram</i> Development Authority (CDA), <i>Rajshahi</i> Development Authority (RDA), <i>Khulna</i> Development Authority (KDA), Cox's Bazar Development Authority (Cox DA) and National Housing Authority (NHA).
Service	19	Bangladesh <i>Muktijoddha Kalyan</i> Trust (BMKT), Bangladesh Film Development Corporation (BFDC), Bangladesh <i>Parjatan</i> Corporation (BPC), Bangladesh Small and Cottage Industries Corporation (BSCIC), Civil Aviation Authority of Bangladesh (CAAB), Bangladesh Inland Water Transport Authority (BIWTA), Rural Electrification Board (REB), Bangladesh Export Processing Zone Authority (BEPZA), Bangladesh Handloom Board (BHB), Bangladesh Sericulture Board (BSB), Bangladesh Tea Board (BTB), Bangladesh Telecommunication Regulatory Commission (BTRC), Export Promotion Bureau (EPB), Bangladesh Sericulture Research and Training Institute (BSRTI), Bangladesh Energy Regulatory Commission (BERC), Bangladesh Standard and Testing Institution (BSTI), <i>Bangabandhu Sheikh Mujibur Rahman</i> Novo Theatre, Bangladesh Industrial Technical Assistance Centre (BITAC) and Bangladesh Economic Zone Authority (BEZA).

Source: Monitoring Cell, Finance Division.

Production and Factor Income of SOE Sector

In FY2013-14, the total operating revenue of all existing SOEs stood at Tk.1,36,282.60 crore which rose to Tk.1,74,361.14 crore in FY2017-18. During this period the average annual growth rate was of 6.35 percent. At the same time, the value of purchase of goods and services boosted up to 5.54 percent.

According to the production cost, the amount of value addition in FY2016-17 rose at Tk.23,255.69 crore. In FY2017-18 it declined to Tk.19,375.24 crore with an incremental growth rate of value addition by 14.32 percent. In FY2016-17, the operating surplus of the SOEs stood at Tk.10,710.45 crore which reduced to Tk.6,492.28 crore in FY2017-18. Table 9.2 shows the growth rate

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of revenue, value addition and production income of non-financial SOEs during FY2013-14 to FY2017-18.

Table 9.2: Growth Rate of Revenue, Value Addition and Production Income of Non-financial SOEs
(In Crore Taka)

	2013-14	2014-15	2015-16	2016-17	2017-18	Compound GrowthRate
Operating revenue	136282.60	140059.76	136602.69	149898.93	174361.14	6.35
Purchased goods and services	124938.32	127013.54	114077.15	126643.24	154985.90	5.54
Value addition by production cost	11344.00	13046.22	22525.54	23255.69	19375.24	14.32
Pay and allowances	4335.00	4459.87	6015.52	6594.91	6050.99	8.69
Depreciation	3485.06	4004.91	4977.82	5950.33	6831.97	18.33
Operating surplus	3523.76	4581.44	11532.20	10710.45	6492.28	16.51
Value Addition	11344	13046.22	22525.54	23255.69	19375.24	14.32

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

The net loss of SOEs was Tk.2,608.35 crore in FY2013-14. The SOEs earned profit for five consecutive years. According to the revised estimation, net loss stood at Tk.4,324.75 crore up to 30 April 2019 in FY2018-19. In FY2018-19, Bangladesh Telecommunication Regulatory Commission (BTRC) made the highest net profit. Net profit made by Bangladesh Telecommunication Regulatory Commission (BTRC) reduced from 6,262.97 Crore in FY2017-18 to 2,548.56 crore in FY2018-19. Bangladesh Petroleum Corporation (BPC) earned a profit of 1,944.73 crore in FY2018-19. Conversely, Bangladesh Power Development Board (BPDB) made the highest net loss in FY2018-19. Net loss of Bangladesh Power Development Board (BPDB) was Tk.10,271.58 crore in FY2018-19. The net profit/loss of SOEs is shown in Appendix 21.

Contribution to Public Exchequer

The SOEs contributed Tk.2279.12 crore to the public exchequer in FY2016-17 which reduced to Tk.1,010.78 crore in FY2017-18.

According to a revised estimation, the contribution of SOEs to the public exchequer was Tk.1,111.82 crore in FY2018-19 up to 30 April 2019. The enterprises that may have a significant contribution in terms of dividend during FY2018-19 are: PETRO BANGLA (Tk.800.00 crore), Chattogram Port Authority (Tk.80.00 crore), Civil Aviation Authority of Bangladesh (Tk.120.00 crore), Bangladesh Steel and Engineering Commission (Tk.5.00 crore). The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in Appendix 22.

Government Grant/Subsidy

In FY2016-17, the government provided grant/subsidy amounting to Tk.1,109.01 crore to 13 public entities which reached Tk.1,261.54 crore to 16 public entities in FY2017-18. BIWTA took the highest portion of the subsidy amounting to Tk.417.31 crore in FY2017-18. BADC received the second largest amount (Tk.405.95 crore) in FY2017-18. In addition, the Government approved Tk.163.34 crore as subsidy in favour of

BSCIC in FY2017-18. Table 9.3 shows the different SOEs during FY2013-14 to government grant/subsidy provided to FY2018-19.

Table 9.3: Government Grant/Subsidy

(In CroreTaka)

Organisation	2013-14	2014-15	2015-16	2016-17	2017-18 Provisional	2018-19* (Revised)
BJMC	61.97	80.06	48.95	55.04	77.29	63.05
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.33	0.40	0.40	0.50	1.50	5.00
BIWTA	180.43	143.17	274.35	419.06	417.31	485.00
BSCIC	79.66	69.41	115.69	144.04	163.34	208.49
BSB	13.82	13.94	21.35	22.37	23.07	28.79
EPB	19.51	22.29	20.18	27.95	34.84	28.69
BADC	216.06	230.13	312.33	376.98	405.95	417.60
NHA	17.30	17.61	16.61	17.00	19.00	20.00
BEJA	-	-	-	10.00	14.00	15.00
Khulna Wasa	9.54	10.00	11.50	14.10	14.50	14.50
Rajshahi Wasa	-	-	-	15.91	27.60	24.00
BSRTI	3.03	3.41	4.68	5.56	6.11	6.55
BSMRN					4.59	6.42
CBDA					6.65	12.25
BITAC					45.29	57.75
Total	602.15	590.92	826.54	1109.01	1261.54	1393.59

Source: Monitoring Cell, Finance Division, *Revised.

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service liabilities of 116 SOEs. According to this estimate, the total Debt Service Liabilities (DSL) against 116 SOEs stood at Tk.2,14,561.44 crore up to 31 December 2018 in FY2018-19. The total DSL liabilities and recovery against 116 SOEs is shown in Appendix-23.

Bank Loan

At the end of 31 January 2019, the outstanding bank loan against 30 state-owned enterprises (SOEs) stood at Tk.39,834.58 crore. Out of this amount, the classified loan

accounted to Tk.111.66 crore (0.28 percent).

The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPDB (Tk.11,420.53 crore), BSFIC (Tk.6,052.76 crore), BPC (Tk.4,454.54 crore), BCIC (Tk.5,129.74 crore), BADC (Tk.3,576.28 crore), BJMC (Tk.884.28 crore), BBC (Tk.485.34 crore), BOGMC (Tk.2,096.82 crore), BWDB (Tk.572.94 crore) and Dhaka WASA (Tk.246.73 crore). On the other hand, the SOEs which have classified loan are- BTMC (Tk.21.77 crore), BADC (Tk.21.27 crore), BJMC (Tk.36.99 crore), TCB (Tk.10.79 crore) and BTB (Tk.10.52 crore). The cumulative amount of outstanding bank loans

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and the classified loans of SOEs is illustrated in Appendix 24.

Financial Performance of SOEs

Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by Government or by State-owned Commercial

Banks (SCBs). Therefore, the rate of profit on total assets is an important benchmark for judging the financial performances of these entities. Table 9.4 shows the profit earned by SOEs during the period from FY2013-14 to FY2017-18.

Table 9.4: Profit Earned by the SOEs

(In Crore Taka)

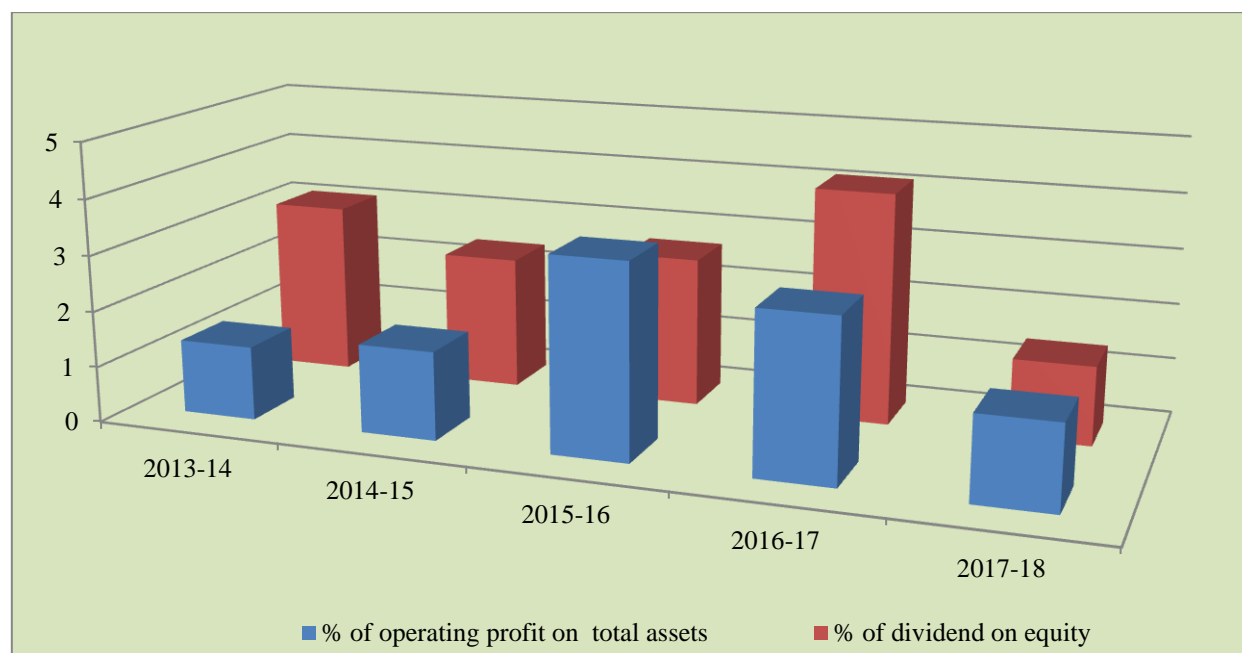
Items	2013-14	2014-15	2015-16	2016-17	2017-18	Growth Rate from FY2013-14 to FY2017-18
1. Operating revenue	136282.60	1400,59.78	136602.69	149898.93	174361.14	6.35
2. Operating surplus	3523.76	4581.44	11532.20	10710.45	6492.28	16.51
3. Non-operating revenue	3129.00	2894.89	3127.18	3158.79	4038.02	6.58
4. Employee participatory fund	77.78	74.23	69.18	70.18	9109.00	228.97
5. Subsidy (direct)	0.50	0.50	0.50	0.50	0.50	-
6. Interest	2039.16	2196.28	2467.57	2881.14	3405.43	13.68
7. Net profit/loss(before tax) (2+3+5)-(4+6)	4588.00	5328.13	12187.19	10918.42	6793.92	10.31
8. Tax	1053.83	1044.50	1298.66	1609.48	1621.16	11.37
9. Net profit after tax(7-8)	3534.17	4283.63	10888.53	9308.94	5172.76	9.99
10. Dividend	1053.09	1235.22	1841.05	2279.12	1010.78	-1.02
11. Retained earnings (9-10)	2481.08	3048.41	9047.48	7018.03	4161.98	13.81
12. Total investment/fund	267675.00	289223.46	333013.44	373821.45	433588.16	12.82
13. Equity	33928.00	51656.36	68715.41	55163.21	71883.13	20.65
14. % of operating profit on total assets.(2/12)	1.32	1.58	3.46	2.87	1.50	3.27
15. % of net profit on operating revenue (9/1)	2.59	3.06	7.97	6.21	2.97	3.42
16. % of dividend on equity (10÷13)	3.10	2.39	2.68	4.13	1.41	-17.96
17. Turn over on total assets (1÷12)	0.51	0.48	0.41	0.40	0.40	-5.73

Source: Monitoring Cell, Finance Division.

Table 9.3 shows that in FY2013-14 the operating profit on total assets of SOEs was 1.32 percent which rose at 1.50 percent in FY2017-18. The net profit on operating revenue was 2.59 percent in FY2013-14. However, in FY2017-18 such profit turned into 2.97 percent. The rate of dividend on

equity decreased to 1.41 percent in FY2017-18 from 3.10 percent in FY2013-14. It appears from the turnover of assets that the efficiency of resource utilisation remained the same in FY2017-18 compared to that in FY2016-17

Figure 9.1: Financial Performance of SoEs



Source: Monitoring Cell, Finance Division.