

CHAPTER 9

STATE-OWNED ENTERPRISES

State-Owned Enterprises (SOEs) play an important role in shaping the economic development of the country. The privatisation programmes of public sector are continuing for the development of private sector. The contribution of SOEs to GDP, value addition, employment generation and revenue earning are very important. During FY2015-16, the total operating revenue of all existing SOEs was Tk.1,36,602.69 crore which increased by 6.30 percent from Tk.1,06,993.02 in FY2011-12. However, factoring into the production cost, the amount of value addition increased to Tk.22,525.54 crore during FY2015-16 which was Tk.13,046.22 crore in FY2014-15. In FY2016-17, the SOEs earned a net profit of Tk.6,644.47 crore and contributed Tk.2503.48 crore to the national exchequer. According to the estimation of Finance Division, the total Debt Service Liabilities (DSL) against 112 SOEs stood at Tk.2,03,172.89 crore in FY2015-16. Up to June, 2017, outstanding state owned commercial bank loan against 30 SOEs stood at Tk.26,794.65 crore. Out of this, the classified loan stood at Tk.163.36 crore. Though the operating profit on total assets of SOEs was 1.58 percent in FY2014-15, in FY2015-16 this profit increased to 3.46 percent. The net profit on operating revenue was 7.97 percent in FY2015-16. The rate of dividend on equity increased to 2.68 percent in FY2015-16 compared to 1.49 percent in FY2011-12. Considering the turnover of assets, the efficiency of resource utilisation during FY2015-16 slightly decreased 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.

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	5	Bangladesh Oil, Gas & Mineral Corporation (PETROBANGLA), Bangladesh Power Development Board (BPDB), Dhaka Water Supply and Sewerage Authority (WASA), Chittagong Water Supply and Sewerage Authority, and Khulna Water Supply 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, Bangladesh Land Port Authority and Bangladesh Bridge Authority.

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Sector	No. of Enterprises	Title of Enterprises (Non-financial)
Trade	3	Bangladesh Petroleum Corporation (BPC), Trading Corporation of Bangladesh (TCB) Bangladesh Jute Corporation (closed).
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 (NHA).
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 and Training Institute, Bangladesh Energy Regulatory Commission and Bangladesh Standard and Testing Institution.

Source: Monitoring Cell, Finance Division

Production and Factor Income of SOE

Sector

In FY2011-12, the total operating revenue of all existing SOEs stood at Tk.106,993.02 crore which rose to Tk.136,602.69 crore in FY2015-16. During this period the average annual growth rate was of 6.30 percent. At the same time, the value of purchase of goods and services boosted up to 1.23 percent. According to the production cost, the amount of value addition in FY2012-13 rose at

Tk.5,785.00 crore after facing two years deficit. Moreover, in FY2015-16 it rose to Tk.22,525.54 crore with an incremental growth rate of value addition by 99.09 percent. In FY2015-16, the operating surplus of the SOEs stood at Tk.11,532.20 crore which was Tk.4,581.44 crore in FY2014-15. Table 9.1 shows the growth rate of revenue, value addition and production income of non-financial SOEs during FY2011-12 to FY2015-16.

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

	2011-12	2012-13	2013-14	2014-15	2015-16*	Compound Growth Rate
Operating revenue	106993.02	121816.60	136282.60	1,40,059.7	136602.69	6.30
Purchased goods and services	108635.55	116031.39	124938.32	1,27,013.5	114077.15	1.23
Value addition by production cost	(1643)	5785	11344	13,046	22525.54	99.09
Pay and allowances	3493	4031	4335	4,460	6015.52	14.55
Depreciation	3206.65	3186.42	3485.06	4,004.91	4977.82	11.62
Operating surplus	(8342.38)	(1432.49)	3523.76	4,581.44	11532.20	35.61

Source: Monitoring Cell, Finance Division. Note: *indicates provisional, Figures in the parentheses indicate negative.

Net Profit/Loss

The net loss of SOEs was Tk.2,604.73 crore in FY2012-13. However, the condition has improved later on. The SOEs earned profit for four consecutive years (FY2013-14 to FY2016-17). According to the revised estimation, net profit stood at Tk.6,644.47 crore in FY2016-17. On the basis of data provided by the Monitoring Cell of Finance Division, it is found that Bangladesh Petroleum Corporation (BPC) is the highest and Bangladesh Road Transport Corporation (BRTC) is the second highest profit earning enterprises in FY2016-17. The amounts of profit of these two agencies are Tk.7,334.11 crore and Tk.3,920.04 crore respectively. Conversely, net losses of Bangladesh Power Development Board (BPDB) and Bangladesh Rural Electrification Board (BREB) were Tk.5,141.27 crore and Tk.975.02 crore respectively in FY2016-17. As per the revised estimation made in FY2016-17, the institutions among SOEs whose net profit are expected to increase significantly compared to the previous fiscal year are: Bangladesh Oil, Gas and Mineral Corporation (PETROBANGLA), Bangladesh Bridge Authority, RAJUK, Dhaka WASA, Bangladesh Security and Exchange Commission, Bangladesh Forest Industry Development Corporation, Bangladesh Film Development Corporation, and so on. On the contrary, the institutions among SOEs whose net profit are expected to decrease are: Bangladesh Petroleum Corporation, Civil Aviation Authority, Bangladesh Export Processing

Zone Authority, Bangladesh Energy Regulatory Commission, Bangladesh Inland Water Transport Corporation, and so on. According to the revised estimation, it is expected that net loss would decrease in the case of Bangladesh Jute Mills Corporation, Khulna Development Authority and others. On the other hand, it is expected that net loss would be increased in the case of Bangladesh Rural Electrification Board (BREB), Bangladesh Power Development Board (BPDB), Bangladesh Textile Mills Corporation and Bangladesh Chemical Industries Corporation. The net profit/loss of SOEs is shown in Appendix 21.

Contribution to Public Exchequer

The SOEs contributed Tk.1,240.17 crore to the public exchequer in FY2014-15 which increased to Tk.1,841.05 crore in FY2015-16. According to a revised estimation, the contribution of SOEs to the public exchequer was Tk.2,503.48 crore in FY2016-17. The enterprises that may have a significant contribution in terms of dividend during FY2016-17 are: Bangladesh Petroleum Corporation (Tk.1,200.00 crore), PETROBANGLA (Tk.900.00 crore), Chittagong Port Authority (Tk.124.00 crore), Civil Aviation Authority (Tk.120.00 crore), Bangladesh Security and Exchange Commission (Tk.52.00 crore). The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in Appendix 22.

Government Grant/Subsidy

In FY2015-16, the Government provided grant/subsidy amounting to Tk.1,706.59

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crore to 11 public entities which reached Tk.2,185.90 crore in FY2016-17 (revised estimation). BWDB took the highest portion of the subsidy amounting to Tk.1,085.40 crore in FY2016-17. BIWTA received the

second largest amount (Tk.411.65 crore) in FY2016-17. In addition, the Government approved Tk.379.31 crore and Tk.166.16 crore as subsidy in favour of BADC and BSCIC respectively.

Table 9.2: Government Grant/Subsidy

(In Crore Taka)

Organisation	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (revised)
BJMC	94.24	106.12	138.31	61.97	80.06	48.95	69.21
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.20	0.21	0.28	0.33	0.40	0.40	0.50
BIWTA	140.56	120.16	161.22	180.43	143.17	274.35	411.65
BSCIC	62.21	64.43	64.00	79.66	69.40	115.69	166.16
BSB	13.85	15.36	11.75	13.82	13.94	21.35	22.37
EPB	16.00	16.50	16.00	19.51	22.29	20.18	27.95
BADC	239.19	279.30	292.94	216.06	230.13	312.33	379.31
BWDB	531.66	640.29	677.73	705.95	747.87	891.55	1085.40
NHA	-	0.15	15.50	17.30	17.61	16.61	17.00
BSRTI	2.84	2.88	2.46	3.03	3.41	4.68	5.85
Total	1101.25	1245.90	1380.69	1298.56	1328.78	1706.59	2185.90

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service liabilities of 112 SOEs. According to this estimate, the total Debt Service Liabilities (DSL) against 112 SOEs stood at Tk.2,03,172.89 crore in FY2015-16. The total DSL liabilities and recovery against 112 SOEs is shown in Appendix-23.

Bank Loan

At the end of June 2017, the outstanding bank loan against 30 state-owned enterprises (SOEs) stood at Tk.26,794.65 crore. Out of this amount, the classified loan accounted to Tk.163.36 crore (0.60%). The SOEs which

own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPDB (Tk.10,473.76 crore), BSFIC (Tk.4,559.46 crore), BPC (Tk.3,293.05 crore), BCIC (Tk.2,072.23 crore), BADC (Tk.1,551.77 crore), BREB (Tk.951.63 crore), BJMC (Tk.812.87 crore), BBC (Tk.799.22 crore), BOGMC (Tk.698.14 crore), BWDB (Tk.628.7 crore), Dhaka WASA (Tk.454 crore) and BSEC (Tk.254.55 crore). On the other hand, the SOEs which have classified loan are- BCIC (Tk.77.8 crore), BTMC (Tk.21.94 crore), BADC (Tk.21.27 crore), BJMC (Tk.16.29 crore), TCB (Tk.11.03 crore), BTB (Tk.10.52 crore), and BSFIC (Tk.3.62 crore). The cumulative amount of

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outstanding bank loans 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 9.3 shows the profit earned by SOEs during the period from FY2011-12 to FY2015-16.

Table 9.3: Profit Earned by the SOEs

Items	2011-12	2012-13	2013-14	2014-15	2015-16*	Growth Rate from FY 2011-12 to FY2015-16
1. Operating revenue	106993	121817	136283	140.060	136602.69	6.30
2. Operating surplus	(8342.38)	(1432.49)	3523.76	4581.44	11532.20	35.61
3. Non-operating revenue	2356	2638	3129	2895	3127.18	7.33
4. Employee participatory fund	72.56	89.48	77.78	74.23	69.18	(1.19)
5. Subsidy (direct)	0.50	0.50	0.50	0.50	0.50	-
6. Interest	2488.52	2672.39	2039.16	2196.28	2467.57	(0.21)
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(8547)	(1471)	4588	5329	12187.19	32.93
8. Tax	833.18	1133.60	1053.83	1044.50	1298.66	11.73
9. Net profit after tax (7-8)	(9415)	(2605)	3534	4,284	10888.53	33.29
10. Dividend	459.66	1040.22	1053.09	1235.22	1841.05	41.47
11. Retained earnings (9-10)	(9874)	(3645)	2481	3048.41	9047.48	25.22
12. Total investment/fund	218890	242096	267675	289,223	333013.44	11.06
13. Equity	30847	29660	33928	51656	68715.41	22.17
14. % of operating profit on total assets.(2/12)	(3.81)	(0.59)	1.32	1.58	3.46	30.59
15. % of net profit on operating revenue (9/1)	(8.80)	(2.14)	2.59	3.06	7.97	33.76
16. % of dividend on equity (10÷13)	1.49	3.51	3.10	2.39	2.68	15.80
17. Turnover on total assets (1÷12)	0.49	0.50	0.51	0.48	0.41	(4.29)

Source: Monitoring Cell, Finance Division. **Note:** * Indicated provisional, Figures in the parentheses indicate negative.

Table 9.3 shows that in FY2011-12 the operating profit on total assets of SOEs was (-) 3.81 percent which rose at 3.46 percent in FY2015-16. The net loss on operating revenue was 8.80 percent in FY2011-12. However, in FY2014-15 and FY2015-16 such losses turned into a profit at 3.06 percent and 7.97 percent respectively.

The rate of dividend on equity increased to 2.68 percent in FY2015-16 from 1.49 percent in FY2011-12. It appears from the turnover of assets that the efficiency of resource utilisation slightly decreased to 0.41 percent in FY2015-16 from 0.48 percent in FY2014-15.

Figure 9.1: Financial Performance of SoEs

