

Publish : 25 Mar, 2016 00:00:00

# Dividend payments by state entities to come under legal framework

**Rezaul Karim**

The government has initiated a move to bring the payment of dividends/profits by the state-owned entities under a legal framework with the objective of boosting its revenue income, officials said.

The ministry of finance (MoF) is now attaching utmost importance to the issue, they said.

Dividend/profit is an amount that is fixed every fiscal for each state-owned entity on the basis of its operating profit/surplus.

Currently, there is no particular clause in the charters of most of the agencies about payment of dividends/profits to the government exchequer. This deprives the government of a satisfactory amount of revenue, a high official of the MoF said.

It is observed that a good number of state entities are reluctant to give dividends this fiscal year as they are paying corporate tax, he said.

"There is no particular law on payment of dividends/profits by the most of the entities although some of these organisations do have such provision," deputy secretary of finance ministry Habibun Nahar told the FE

on Wednesday.

"We are trying to bring the payment of dividends by the state agencies under a regulatory framework," she said.

The government faces problems in getting optimum revenue due to the absence of an appropriate law, she added.

When contacted, former adviser to a caretaker government A B Mirza Azizul Islam said the government should first privatise its commercial entities to lessen the burden as a good number of state organisations continue to make losses.

He, however, said the state entities are bound to pay dividends or profits to government as most of them are running under government support and patronisation.

Meanwhile, experts said non-tax revenue earning from the state-owned entities will increase if the government introduces a legal framework.

The government has established different autonomous and semi-autonomous agencies, corporations, companies, banks, insurance and financial institutions aiming to accomplish its activities, they added.

Of these, some are service or and research-oriented and some others commercial ventures. The government has invested a large amount of funds in these entities. So it can legally and legitimately demand dividends/profits from them, they mentioned.

The finance minister has already given a demi official letter drawing attention of all the ministers, state ministers and deputy ministers aiming to ensure collection of government revenue from their respective agencies mandatorily from the next fiscal year, an MoF source said.

Presently, government's commercial and industrial agencies concerned have to pay corporate tax to the National Board of Revenue (NBR).

Bangladesh's state-owned enterprises (SoEs) managed to maintain 6.0 per cent growth in terms of profit earning in the fiscal 2014-15, thanks to a major leap in the earning of Bangladesh Petroleum Corporation (BPC), officials and experts said. BPC's profit growth came in the wake of declining fuel oil prices in the

international market.

Officials concerned and experts, however, gave full credit of the growth to the BPC for its massive profit gaining leap coupled with a significant fall in the global prices of petroleum products.

According to the statistics of Bangladesh Economic Review-2015, the net profit of the 47 SoEs reached Tk 30.14 billion until April 22, 2015 against Tk 28.38 billion earned in FY'14.

Of the 47 state enterprises, 34 made a profit of Tk 131.89 billion, while 10 incurred losses to the tune of Tk 101.72 billion during the FY'15.

Bangladesh Telecommunication Regulatory Commission (BTRC) has topped the list of profit-making public entities and earned a net profit of Tk 69.02 billion. But profit of the regulatory body declined by 31 per cent compared to the profit (Tk 100.35 billion) earned in the FY'14.

"Many state-owned agencies are loss-making ones despite injection of a large amount of capital by the government.

It was not possible to enhance the capacity of these organisations also," Executive Director, Institute for Inclusive Finance and Development (InM) and former Director General, BIDS (Bangladesh Institute of Development Studies) Dr Mustafa K Mujeri told the FE.

A massive amount of government's expenditure will be saved if the government compels the agencies through a legal binding to provide dividends/profits.

He, however, said for making the initiative fruitful, the government should address the existing weaknesses of the state-owned entities.

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Print

**Editor : Moazzem Hossain,**



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Published by the **Editor** for **International Publications Limited**  
from Tropicana Tower (4th floor), 45, Topkhana Road, GPO Box : 2526  
Dhaka- 1000 and printed by him from City Publishing House Ltd., 1 RK  
Mission Road, Dhaka-1000.

**Telephone : PABX : 9553550 (Hunting), 9513814, 7172017 and  
7172012 Fax : 880-2-9567049.**

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