

A STUDY ON THE ANALYSIS OF FINANCIAL PERFORMANCE OF BSNL

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Introduction :

Finance is the study of funds and management. Its general areas are business finance, personal finance and public finance. It also deals with the concept of time, money, risk and interrelation between the given factors. It is basically focused on how the money is spent and budgeted. It is one of the most important aspects of handling business. Finance addresses the methods where in business entities used their financial resources on a certain period of time. It is the application of a set of techniques used by organizations in managing their financial affairs. The income and expenditure are emphasized in finance and its difference can easily be indicated.

In this study, an attempt has been made to conduct an analysis and interpretation of the financial performance of the BSNL for the period from 2011-2012 to 2015-2016. The study includes an attempt to analyse the annual report of BSNL for evaluating its physical, financial, and operating performance

Keywords: *finance, BSNL, income, expenditures, analysis etc.*

Literature Review:

BSNL was formed on 01-10-2000 .Before that it was known by DOT (department of telecommunications).A lot data is available of various organizations regarding finance . Bauer et al(2004) revealed that manufacturing organizations can evaluate effectiveness of performance measures.Balakrishnan (1993) in his study revealed that there is relation exist between firms performance and debt ratio.

Aupperk et al (1985) in their study revealed that there is a relationship between corporate social responsibility and profitability.There extended study on ethical and revealed that there is no evidence that ethical funds have significantly different financial performance from non-ethical funds.Portar et al (2006) revealed that stake holders are becoming more and more concerned about the environmental and social consequences of firms activities.

In looking into firm level performance, generally analysis is concerned with two sets of performance measures. One based on accounting measures of profitability and financial performance. Stake holders in BSNL are: Government of India,customers,regulatory agencies, suppliers and general public. With the opening up of the telecommunication sector in India,the consumers as a stake holder acquires a different meaning.

In the era of globalization, Liberalization and Privatization the challenges faced by the

public sector telecom operators are unique. The challenges are multifaceted related to marketing ,finance,HRM etc.With the opening up of the telecommunication sector in India ,the consumers as a stakeholders acquires a different meaning and it becomes the focus of all marketing and innovation of all operators in the sector. The same could be said of the suppliers and the peripheral equipment vendors. We can then argue that the most important stakeholders in BSNL are infact its own employees. Our attempt will then try to focus as an assessment of the company's performance that views financial performance from the perspective of the employees.

Financial management is applicable to all types of organization irrespective of its nature size etc. Analysing financial performance is a process of evaluating relationship between component parts to obtain a better understanding of firm's performance and position. In other words of Myer, " Financial performance analysis is largely a study of relationship among various financial factors in a business as disclosed by a single set of statements and a study of trend of these factors as shown in a series of statements." The analysis of financial performance thus refers to the treatment of the information contained in the financial statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. For this purpose financial performance analysis are classified methodically, analysed and compared with the figures of previous years.

Financial performance analysis are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investments in business and result achieved during the period under review. They reflect a combination of recorded facts, accounting conventions and personal judgments. From this it is clear that financial statements are affected by three things i.e., recorded facts, accounting conventions and personal judgments. Analysis is the process of critically examining in detail accounting information given in the financial statements. For the purpose of analysis individual items are studied, their interrelationship with other figures established, the data is sometimes rearranged to have a better understanding of the information with the help of different tools or techniques.

The study was conducted at Bharat Sanchar Nigam Ltd. It was incorporated on 15th September 2000. It took over the business of providing of telecom services and network management from the erstwhile Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO), with effect from 1st October'2000 on going concern basis. It is one of the largest & leading public sector units providing comprehensive range of telecom services in India.

The comparative financial statements are statements of the financial position at different periods of time. The elements of financial position are shown in a comparative form so as to give an idea of financial position at two or more periods. Any statement prepared in a comparative form will be covered in comparative statements.

The two comparative statements are: 1. Comparative Balance Sheet 2. Comparative Income Statement

Comparative Balance Sheet:

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of the business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise.

Comparative Income Statement:

The income statement gives the result of the operations of a business. The comparative income statement gives an idea of the progress of a business over a period of time. The change in absolute data in money values and percentages can be determined to analyze the profitability of the business.

Statement of the problem:

Financial performance analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements. It is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of a firm position and performance. Financial performance analysis is to attend to determine the significance and meaning of the financial statement data be made of the future earning ,ability to pay interest and debt maturities (both current and long term) and profitability of a sound policy .

Objectives of the study:

1. To make an assessment of the critical factors which affect the profitability of BSNL
2. To give some suggestions for the betterment of the earning on the basis of finding of the study.
3. To analyse the profitability, liquidity and solvency of the firm.
4. To know the earning capacity of the firm.

Methodology:

In this various steps that are generally adopted by a research in studying this research problems along with the logic behind them is explained .All this means that it is necessary for the researcher to design his methodology in accordance with problem under study.

The researcher should keep in mind two types of data ,that is primary and secondary. Primary data which is fresh collected data ,mainly collected through personnel interview ,survey questionnaire etc.Secondary data means that data already available. Secondary Data can be collected from various sources such as ,organizational websites, magazines, journals etc.

This study is mainly based on secondary data obtained from published accounts ,annual reports and websites of BSNL.

Data Analysis and Interpretation:

In order to access the firms performance correctly, a lot of analysis and its interpretation required in addition to the below mentioned tables. They are activity ratio, working capital turnover ratio, Current liability turnover ratio, profitability ratio, net profit ratio, operating ratio, solvency ratio, debt equity ratio, fixed asset to net worth ratio and leverage analysis such as operating leverage, finance leverage and combined leverage. Due to some administrative and technical problems all these are not included.

Comparative Balance sheet (rupees in lakhs)

1) Comparative balance sheet of BSNL for the financial year 2012 and 2013

Liability and capital	2011-12	2012-13	Absolute change	Percentage
Share holders fund	7117102	6363873	753229	10.58
Non-current liabilities	1152556	1261051	108495	9.41
Current liabilities	1929361	1944007	14646	0.76
Total liability and capital	10199019	9568931	630088	
Asset	2011-12	2012-13	Absolute change	percentage
Current assets	2267653	1655204	612449	27
Fixed assets	7133265	6455700	677565	9.49
Noncurrent assets	674486	7809911	7135425	1057.9
Total assets	10075404	15920815	5845411	

Source: Annual report of BSNL from 2012 to 2016

Interpretation: The current liabilities has been by 0.76 percentage and current asset has been decreased by 27 percentage .The company's financial position is not at all satisfactory as shown in table.

2) Comparative balance sheet of BSNL for the financial year 2013 and 2014

Liability and capital	2012-13	2013-14	Absolute change	Percentage
Share holders fund	6363873	5753332	610541	9.59
Non-current liabilities	1261051	487606	773445	61.53
Current liabilities	1944007	1994332	50325	2.58
Total liability and capital	9568931	8235270	1333661	
Asset	2012-13	2013-14	Absolute change	percentage
Current assets	1655204	2122331	467127	28.22
Fixed assets	6455700	5449945	1005755	15.58
Noncurrent assets	7809911	6026402	1783509	22.8
Total assets	15920815	13598678		

Source: Annual report of BSNL from 2012 to 2016

Interpretation:

The current liabilities has been increased by 2.58 percentage and the current asset had been increased by 28.22 %.The financial position of the company is sufficient to meet current liabilities as shown in table.

3) Comparative balance sheet of BSNL for the financial year 2014 and 2015

Liability and capital	2013-14	2014-15	Absolute change	Percentage
Share holders fund	5753332	4784940	968392	16.83
Non-current liabilities	487606	378534	109072	22.36
Current liabilities	1994332	2260356	266024	13.34
Total liability and capital	8235270	7423830	811440	
Asset	2013-14	2014-15	Absolute change	Percentage
Current assets	2122331	1705246	417085	19.65
Fixed assets	5449945	4713414	736531	13.51
Noncurrent assets	6026402	5661272	365130	6.05
Total assets	13598678	12079932	1518746	

Source: Annual report of BSNL from 2012 to 2016

Interpretation: The current liabilities has increased by 13.34 % and the current assets has decreased by 19.65%.The table shows that position of the company is not satisfactory as it is not to meet the liabilities.

4) Comparative balance sheet of BSNL for the financial year 2015 and 2016

Liability and capital	2014-15	2015-16	Absolute change	Percentage
Share holders fund	4784940	4391307	393633	8.2
Non-current liabilities	378534	831061	452527	119.55
Current liabilities	2260356	1852307	408049	18.05
Total liability and capital	7423830	7074675	349155	
Asset	2014-15	2015-16	Absolute change	Percentage
Current assets	1705246	1968889	263643	15.46
Fixed assets	4713414	4250701	462713	9.82
Noncurrent assets	5661272	5048257	613015	10.83
Total assets	12079932	11267847		

Source: Annual report of BSNL from 2012 to 2016

Interpretation: The current liabilities has been decreased by 18.05% and current asset in increased by 15.46%. The financial position of the company is strong to meet any liabilities if any in future.

Ratio Analysis

1) Absolute Liquid ratio:

Absolute liquid ratio is calculated by taking liquid assets such as cash, bank balance & short term investment & current liabilities such as bank overdraft; hence it is useful for the organization for the immediate arrangement of cash.

Absolute Liquid ratio = Absolute liquid asset / current liabilities

Year	Cash equivalent	Current liabilities	Ratio
2012-13	116125	1944007	0.059
2013-14	93195	1994332	0.046
2014-15	122477	22600356	0.054
2015-16	103509	1852307	0.056

Source: Annual report of BSNL from 2012 to 2016

Interpretation: From the period 2011 to 2016 the absolute liquidity ratio of the company is more above than its generally accepted ALR, which is 0.048:1. BSNL always shows the ALR less than 1. In 2013-14 it was very low i.e., 0.046, which show firms ineffective liquidity position. From the year 2012-13 to 2015-16, average ALR is 0.54 of the firm, because it takes high liquid form of cash viz., cash in hand, cash at bank and marketable securities.

2) Quick Ratio: Quick ratio also called Acid Test Ratio establishes a relationship between quick of liquid assets & current liabilities. Cash is the most liquid asset.

Quick Ratio=quick assets/Current Liabilities.

Year	Quick assets	Current liabilities	Ratio
2012-13	1277995	1944007	0.657
2013-14	1767603	1994332	0.886
2014-15	1335558	22600356	0.591
2015-16	1525518	1852307	0.823

Source: Annual report of BSNL from 2012 to 2016

Interpretation:

Generally 1:1 is the satisfactory quick ratio; from 2012 to 2016 average is 0.74 for the company, which is not near to the general quick ratio i.e., 1. During 2014 to 2015 the firm shows a very low level of quick ratio. The average quick ratio of the period is 0.74, which shows the inability of the firm to meet its immediate financial commitment.

3) Current Ratio: The ratio of current assets to current liabilities is called current ratio. Current ratio indicates the ability of a concern to meet its current obligations on and when they are due for payment. It is calculated by dividing the total of current assets by total of current liabilities.

Current ratio= current assets/ current liabilities

Year	Current assets	Current liabilities	Ratio
2012-13	1655204	1944007	0.851
2013-14	212233	1994332	1.064
2014-15	1705246	22600356	0.754
2015-16	1968889	1852307	1.063

Source: Annual report of BSNL from 2012 to 2016

Interpretation: The current ratio of the firm fluctuates from year to year. The average for the whole is 0.933. The ideal current ratio is 2:1. The company's current asset is not satisfactory to meet its liability as 2:1 is the ideal.

Findings:

According to this survey and calculations some important findings are

1. Most of the years BSNL suffers in Losses
2. Coordination's of departments are not satisfactory.
- 3 There is a huge lagging is there in departmental process.
4. The comparative balance sheet for the Financial year 2011&12 and 13-14&14-15 shows that the company's position is not satisfactory as it is not able to meet the liabilities.
5. The comparative balance sheet for the financial year 2012-13&13-14 and 14-14&15-16 shows that the financial position of the company is sufficient to meet the current liabilities.

Suggestions:

By analysing the financial statements and data along with the interpretations following suggestions are put forth

1. There is a need for better promotion for the investment & services or the company must increase their revenue through sales to establish a positive and high profit.
2. The current ratio of the company does not meet the standard ratio. It would be suggested to take necessary steps to increase the current assets of the company.
3. Scrapping of obsolete and expired materials (Sumudra man than) will bring large sum of money to BSNL.
4. There should be increase in investment of BSNL, so that can be earned more profit.
5. There is no proper coordination between different sections within BSNL. If it improves, BSNL can solve several problems which they are facing today.
6. From time to time all employees should be given several refresher training for improving their morale, motivation, latest technology familiarization.
7. There should be an good and effective communication between each sections in BSNL.
8. Majority of the telecom circles are showing loss, If the corporate office declaring some excess benefits/incentives to the profit making circles, the loss giving circles will improve and whole BSNL will turn to become a profitable company.

Conclusion:

After overhauling the four years balance sheet of BSNL and all conditions and a part of the organization for the past 28 years, I came to the following conclusions

- BSNL's performance both financially and physically is study decline and face very serious problems.
- BSNL is facing loss year by year.
- Only few telecom circles are showing profit, majority are having losses at the end of the financial year.
- BSNL are paying more taxes. Because of paying more taxes, financial position of BSNL are affected.

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