

A STUDY ON LIQUIDITY ANALYSIS OF BSNL

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ABSTRACT

The study of analysis is on financial performance of BSNL was under taken on the basis of last 10 years annual report data. The scope of the study consists of secondary data. The present study aims to examine the emerging issues in liquidity position of BSNL for the period from 2011-12 to 2020-21. Financial analysis is a process in which we review and analyze the company's financial statement to make right financial decision for improving the economic health of an organization. It is the process of determining financial strengths and weakness of the organization by establishing the strategic relationship between the items of balance sheet, profit and loss account and other financial statements. The main aim of such analysis is to determine the efficiency and performance of firm's management, as shown in the financial records and reports. The average liquidity position of the BSNL is not very satisfactory. The study will help the major stakeholders of the BSNL to take the necessary steps to improve the liquidity position of the company by taking corrective actions.

Keywords: *Liquidity Ratio, Current Ratio, Quick Assets, Cash and Cash Equivalents, Inventories.*

Introduction

In the present scenario because of the Liberalization, Privatization and Globalization the Market has become worldwide very competitive; hence the survival of an organization depends upon the efficiency and accuracy. Hence, it is necessary to evaluate the financial performance and operating performance to know whether the companies will stand in the market and how they can improve further in the future by knowing their shortcomings.

Indian state-owned telecom company whose headquarter is in New Delhi, Bharat Sanchar Nigam Limited (BSNL) was established on 15 September 2000. It is the 5th largest mobile telephone provider in India. Yet, in recent years, the company's revenues and market share have dropped into heavy losses due to exquisite competition in the Indian telecommunications sector. The company is India's oldest and largest communication service provider holding a customer base of 117 million according to January 2014.

Financial analysis is a process in which we review and analyze the company's financial statement to make right financial decision for improving the economic health of an organization. It is the process of determining financial strengths and weakness of the organization by establishing the strategic relationship between the items of balance sheet, profit and loss account and other financial statements. The main aim of such analysis is to determine the efficiency and performance of firm's management, as shown in the financial records and reports. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The analysis attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring returns to the shareholders to maintain at least its market value

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Need for the Study

The need for the study is to know the liquidity condition of the company and also to know the overall financial performance of the company for the past 10 years. The study is to make relationship between different aspects in such a way the conclusions can be drawn about the performance, strength and weakness of the company.

Objectives of the Study

- A study on various liquidity ratios with reference to Bharat Sanchar Nigam Limited.
- To study the financial changes of BSNL over a period of ten years.
- To analyze the liquidity condition of the company.
- To make suggestions & recommendations for improving the liquidity position.

Methodology

The emerging dimensions of financial performance has made an attempt to assess the financial performance of the BSNL on the basis of liquidity ratios such as current ratio, quick ratio and cash ratio for the period of ten years commenced from 2011-12 to 2020-21. The relevant data collected from various issues of BSNL annual reports

Scope of the Study

The study covers almost the entire area of financial operations covered by "Bharat Sanchar Nigam Limited". The study is been conducted with the help of data obtained from audited financial records. The audited financial records are the company annual reports pertaining to past 10 years from 2011-12 to 2020-21 and the audited financial records are obtained from the company's annual report. The study helps to measure the performance of the organization and steps can be taken to improve their performance.

Literature Review

Mitha; CLTriveni, "A review on BSNL's next generation networks", International Conference on Innovative Mechanisms for Industry Applications pp.312-316 ,2017.The study reviews the next generation networks. The next generation networks is based on packet switching which involves voice, data and multimedia such as audio and video. It provides fixed mobile convergence to all valued customers. The 8 core exchanges in India is now commissioned and about 136 core switches have started to work. The BSNL has planned a huge network wherein all the traditional voice and data customers migrate from C-Dot TDM towards NGN C-Dot. There are two phases of migration, in Phase-1 100 locations are identified and in Phase-2 the entire network will be migrated. The company provides new services to the customers such as Multi media video conferencing, Wide Area IP Centric, prepaid solution with all functionalities, Personalized Ring Back Tone (PRBT), Fixed Mobile converge.

Renuka Mahajan ; Subhranil Som," Customer behaviour patterns analysis in Indian mobile telecommunications industry, 3rd International Conference on Computing for Sustainable Global Development "(INDIACom),pp.1165 – 1169,2016.This paper analyses data from BSNL (North Zone), focusing on the Punjab Circle. The customers' pre-paid recharge data and Voice, SMS usage data are analysed to provide insights into customer behaviour. The objective of the paper is to give a summary of the Voice and SMS transaction data over February and March 2013 and also the prepaid recharge data since January 2012.Weuse insights generated to identify patterns in user behaviour for intelligent and targeted promotions and churn prediction.

Limitations of the Study

The study is restricted for a period of ten years. The study is taken place with the help of secondary data. The reliability of the results will be based on authenticity of the collected data. Secondary data is collected due to lack of access to primary data related to financial years of the company. The study is based on the data of BSNL; therefore, the conclusion drawn from the study may not be uniformly applicable to the entire telecom sector in India. The analysis is based on annual reports of the company. Price level changes are ignored in financial analysis.

Data Analysis and Interpretation

Liquidity Ratios: Liquidity is a prerequisite for the very survival of a firm. The short-term creditors of the firm are interested in the short term solvency or liquidity of a firm. The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short term financial strength/solvency of a firm. There are three important liquidity ratios namely current ratio, quick ratio and cash ratios.

Table 1: Table Showing Current Ratios for the Financial Years 2011-12 TO 2020-21

Year	Current Assets	Current Liabilities	Current Ratio
2011-12	2267353	1929361	1.24
2012-13	1655204	1944007	0.90
2013-14	2122331	1994332	1.11
2014-15	1705246	2260356	0.78
2015-16	1968889	1852307	1.09
2016-17	1588828	1937048	0.82
2017-18	1671011	2320111	0.72
2018-19	1792419	3572930	0.50
2019-20	3685961	5629235	0.65
2020-21	2949251	4355369	0.68

Interpretation

The current ratio is used to assess the firm's ability to meet its short-term liabilities on time. It is generally believe that 2:1 ratio shows a comfortable working capital position. It means that current assets of a business should, at least be twice of its current liabilities, whereas the average ratio for the last ten years is 0.85 as against the ideal requirement of 2. The current ratios of the BSNL for the entire period of the study were not consistent, there was ups and downs noticed. It shows that the company is unable to meet its current liabilities with the available current assets. Since, telecommunication is capital intensive industry, more funds are required to be invested in capital assets, in the same way BSNL as a leading public sector telecom service provider was invested more funds in the capital assets. Due to these reasons, there was volatility in the current ratios of the BSNL from year to year. The overall current ratio of the BSNL for the period under review is satisfactory but it needs to take measures to improve the current assets and decrease the current liabilities.

Table 2: Table Showing Quick Ratios for the Financial Years 2011-12 TO 2020-21

Year	Current Assets	Inventories	Current Liabilities	Quick Ratio
2011-12	2267353	359678	1929361	1.05
2012-13	1655204	377209	1944007	0.71
2013-14	2122331	354728	1994332	0.93
2014-15	1705246	389688	2260356	0.62
2015-16	1968889	443371	1852307	0.85
2016-17	1588828	20473	1937048	0.81
2017-18	1671011	21241	2320111	0.71
2018-19	1792419	81310	3572930	0.48
2019-20	3685961	140813	5629235	0.63
2020-21	2949251	179583	4355369	0.64

Interpretation

An ideal quick ratio is said to be 1:1. Liquid assets are obtained by deducting inventories from current assets and in respect of BSNL, the average ratio is 0.74 for the last ten years which is not very satisfactory.

Table 3: Table Showing Cash Ratios for the Financial Years 2011-12 TO 2020-21

Year	Cash & Cash Equivalents	Current Liabilities	Cash Ratio
2011-12	188509	1929361	0.10
2012-13	116125	1944007	0.06
2013-14	93195	1994332	0.05
2014-15	121478	2260356	0.05
2015-16	102572	1852307	0.06
2016-17	338737	1937048	0.19
2017-18	75782	2320111	0.03
2018-19	72607	3572930	0.02
2019-20	149781	5629235	0.04
2020-21	74929	4355369	0.02

Interpretation

An ideal cash ratio is said to be 0.5:1. Liquid assets are obtained by deducting inventories of the year from current assets and in respect of BSNL, the average ratio is 0.06 for the last ten years which is not very good. It indicates that BSNL is not having sufficient liquid cash and cash equivalent to meet obligations of its current liabilities.

Conclusion

It has found that the BSNL is under losses continuously for ten years from 2011 onwards. The main cause for such a situation is the loss in operating revenue and other incomes of the company. From the incorporation of the company to the year 2021, the company has gone through many faces, throughout its journey. At one time BSNL was the only company in telecom sector of India in the market. But today the company is facing a very tough competition from the companies like Bharti-Airtel, Reliance etc. The overall liquidity position of the BSNL is not very satisfactory during the entire period of the study. It is suggested that the BSNL has to introduce various measures necessary for increasing its profit making capacity in the upcoming years, otherwise it may not survive for a long run with this declined trend of EPS. The BSNL should keep union problems out of the equation during service delivery to customers.

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