

Analyzing BSNL's Financial Inclusion Strategy

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ABSTRACT

Since India is the second-largest telecommunications market in the world, the telecom industry is vital to the country's economy. BSNL is the largest telecom firm in India and is wholly owned by the government, making it an uphill battle for the corporation in recent years. A comprehensive resuscitation package for BSNL was launched by the government in 2019 in an effort to save the company from the severe financial crisis it was experiencing. The purpose of this research is to examine BSNL's financial statements for the years 2018 through 2019 in order to calculate the ROI of the company's revival package. Companies' financial statements (income statement and balance sheet) are summaries of financial reports that present the operating results and financial position of the companies, and the information contained therein is valuable for evaluating the effectiveness of the company's operations and the health of its finances. In order to do so, a number of methods (tools) have been developed by financial specialists to aid in the study and interpretation of such data. In this study, we used the Comparative Tool to compare BSNL's Financial Inclusion before and after it implemented its revival package, and we concluded that while the company's expenses have decreased by nearly half, its revenues have continued to fall—a trend we attribute primarily to the fact that its 4G services are not yet available across the country. After a long period of significant failure, it was determined that the Revival Package provided by the Government of India to BSNL had positive results, and that these results would improve if the remaining Revival Package projects were also completed as soon as possible.

Keywords-- Ratio Analysis, Liquidity, Profitability, Telecom Sector, Expenses, Liabilities

exemption for such compensation for workers who qualify for voluntary retirement schemes in accordance with the government's recommendations. This was possible thanks to the Industrial Disputes Act of 1947, which removed a number of legal barriers and nuanced processes. The labour unions' robust response to the decline in personnel and output also exacerbates problems in the workplace. Finding a way to encourage enterprises, especially government-owned ones, to offer voluntary retirement schemes for shedding excess labour without damaging worker relations is also crucial. Companies use the voluntary retirement scheme to reduce headcount. It's a common method for reducing unnecessary staff members to increase productivity.

India's telecommunications market, with 1.16 billion subscribers, is the world's second largest, having seen rapid expansion over the past decade. According to a report written by the GSM Association (GSMA) and Boston Consulting Group, the mobile economy in India is booming and will make a sizable contribution to India's GDP (BCG). The number of app downloads in India in 2019 overtook that of the United States, making it the second-largest market worldwide. As of September 2019, the total number of subscribers had reached 1,189,15 million. The number of people who have a wireless or mobile phone increased to 1166.02 million in September 2019, from 1,148.58 million in the previous year. In September 2019, there were 794.88 million people around the world who were connected to the internet.

Before the 1990s, the Government of India used the Department of Telecommunications (DOT) to meet the vast majority of its citizens' communication demands. However, during the age of economic liberalisation, the government of India opened the door to private telecom operators. In 2000, the Department of Telecom Operations (DOT) established Bharat Sanchar Nigam Limited (BSNL), a public sector unit that is wholly owned by the Government of India. As of right now, telecommunications needs in India are being met by a combination of privately owned companies and government-owned ones, such as BSNL and MTNL (MTNL operates in Delhi and Mumbai exclusively; BSNL covers the rest of India).

When it comes to telecom services in the country, BSNL is by far the biggest PSE. On September 15, 2000, BSNL officially became a legal entity. With effect from October 1, 2000, it took over the business of providing

I. INTRODUCTION

Following the government's liberalisation, India's manufacturing and corporate sectors would undergo significant changes. In addition, the government made it simpler for businesses to lay off excess personnel. This resulted in the company's modernization, which included the adoption of new technologies and the launch of forward-thinking methods of operation. The foregoing implies that industrial organisations need to operate effectively to remain competitive. The government approved voluntary retirement schemes for workers with acceptable voluntary retirement compensation and tax

telecom services and network management from the former Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO). The only cities in India that aren't covered by the company's telecommunications services are Delhi and Mumbai. BSNL is wholly owned by the government of India and operates as a public sector undertaking with a total authorised share capital of Rs. 17,500 crore and a paid-up capital of Rs. 12,500 crore, of which Rs. 5,000 crore is equity and Rs. 7,500 crore is preference share capital. With its completely digital, cutting-edge switching network, BSNL has consistently been a technological frontrunner. There are 1267.21 lakh BSNL subscribers.

Within its service area, BSNL is among the largest providers. We have the most flexible and transparent pricing plans to meet the needs of our diverse consumer base. The BSNL telecom network is a cutting-edge component of the worldwide web, allowing users to communicate with others from all over the world to send and receive data, video, and audio. BSNL's full suite of telecommunications offerings includes:

- Infrastructure for fixed-line telephone communication
- Support for multiple generations of mobile networks (2G, 3G, and 4G in select regions)
- Services including Internet, broadband, and fibre-to-the-home (FTTH)
- Free wireless internet access
- Services Provided by a Data Center
- Leased lines, multiprotocol label switching, virtual private networking, and other types of enterprise data Services are examples of enterprise data services.
- Long-distance connections across the country and beyond the world

The advent of reduced prices and cutthroat competition among private operators shook up the telecom market significantly. As a result of the ensuing predatory market conditions, the whole telecommunications industry was put under strain, and BSNL was not an exception. As a result of the harsh market conditions, revenues began to plummet and expenses increased. Nonetheless, BSNL can be commended for maintaining a growing market share despite the many years of struggle. In stark contrast to the other telecom firms, which have become seriously indebted due to the massive loans they have received from banks and other financial institutions, BSNL has stayed self-sufficient and is nearly debt-free. Jojomon (New Area 2019). In FY15, BSNL's revenues were at Rs 28,645 crore, increasing to Rs 32,918 crore in FY16 before declining to Rs 31,532 crore in FY17. Revenue dropped even further, to Rs 25,070 in FY18 and then to Rs 19,308 in FY19.

It was imperative that the government provide BSNL, a critical public sector organisation, with an

immediate revival package so that it could continue operations despite its dire financial situation. On October 23, 2019, the Government of India announced the revitalization package for the two state-run telecom providers, BSNL and MTNL. The package includes the sale of sovereign bonds for Rs 15,000 billion to satisfy the companies' short-term cash needs, the allocation of 4G spectrum for Rs 20,140 billion, a voluntary retirement scheme for half of the companies' employees costing Rs 29,937 billion, and GST on radio spectrum allocation of Rs 3,674 billion.

II. REVIEW OF LITERATURE

According to the article "Analysis of Operating Performance of BSNL" by Professors M. Yadagiri and B. Rajaram (2018), the authors used a variety of financial metrics, including revenue, total income, operational income, operating expenses, total expenses, employee benefit expenses, administrative, operating, and other expenses, profit before tax, tax expenses, and profit after tax, to evaluate the company's operating performance across its various business segments. Research Article "Profitability Analysis of Bharat Sanchar Nigam Limited (BSNL)" by Dr. M. Dhanabhakya and Swapna Kurian (2012) calculated the net profit ratio, return on assets ratio, return on equity ratio, earnings per share, and cash profit ratio from 2001-02 to 2010-11 and found that the profitability ratios showed fluctuating trends except in the last two years, when they all showed negative values.

According to Anshu Gupta's (2015) "Financial Inclusion Evaluation of Telecommunication with Special Reference to BSNL," the organisation takes a proactive approach to controlling its cash flow, and the firm has more than enough liquid assets to cover its short-term debts. The author concluded that BSNL is experiencing financial difficulties as a result of a capital problem after reviewing the company's financial statements for the past five years and all relevant factors. When compared to now, BSNL's financial situation was much stronger in 2004. The constant need to replenish cash reserves has a negative effect on the company's bottom line.

According to the findings of N. Swapna's (2012) research article, "Telecommunication Sector in India: An Analysis," the telecom business in India has expanded dramatically in recent years. Increasing numbers of people in the country now consider constant, individualised access to telecom services to be a basic human right. India's telecom industry has boundless room for expansion. Businesses both public and private are investing heavily in R&D to advance the state of the art in the field of telecommunications in the country.

According to Ms. Prithish and Dr. Taruna Saxena's (2015) research article, "An Analysis of the Indian Telecom Industry," the industry makes a considerable impact on India's economy and society at large. It is a vital resource for national development, and numerous telecom service providers serve customers in urban and rural locations alike by providing them with voice and data services.

After looking at BSNL's finances for the nine-year period between 2002–03 and 2010–11, I. Anand Pawar and M. Pandya Nayak (2012) concluded in their research article titled "Financial Inclusion Analysis: A Case Study of BSNL" that the company had a strong liquidity position, which reflected its ability to pay its short-term obligations on their due dates. BSNL's poor long-term solvency indicates that the company borrowed more money from outside sources over the long term, giving its creditors less security.

2.1 Research Importance

As a result of globalisation, liberalisation, and privatisation, public telecommunications operators in India face unique challenges. The issues span many disciplines, including economics, human resources, marketing, and management. Compensation is inappropriate. The over-the-counter growth of the economy has its roots in the telecommunications sector, but the role played by the public sector is rarely acknowledged. Both the private and public sectors of India's economy are unstable for BSNL in the telecommunications market. Strategically, the government and business have an interest in BSNL's sustained viability. A technique for analysing and understanding financial accounts through a variety of ratios used to make better decisions is called ratio analysis. Understanding a company's financial fortitude and its potential weak spots is a further benefit. Because of this, the ratio review can help you identify problems and determine whether to take action. Several different formulas can be used to check a company's liquidity, efficiency, and output. An organization's ability to remain competitive in its industry is directly tied to its liquidity, viability, capital structure, and operating performance, all of which may be assessed through financial analysis.

III. THEORETICAL FRAMEWORK FOR ECONOMIC STUDY

Financial statement analysis is the process of analysing the financial statements in order to gain insight into and make decisions about the company's activities. A company's financial health can be assessed through financial analysis by examining the interplay between the balance sheet and the income statement. According to Pavithral and Gurukrishnan (2018). Analyzing a company's accounting and financial statements in order to

draw conclusions about its operations and financial health is known as Financial Inclusion analysis. An evaluation of the financial data and reports of a company is conducted to ascertain the effectiveness of its management. The analyst checks the company's liquidity, profitability, and other indicators to see if its operations are regular and sensible, yielding adequate returns to shareholders to keep the company's market value stable (I. Anand Pawar & M. Pandya Nayak, 2012).

In this context, "analysis" and "interpretation" are synonymous with "financial analysis." Analyzing anything implies reducing its complexity through the application of a systematic classification scheme, such as that used in financial reporting. When you interpret data, you shed light on its relevance and meaning. Both of these are helpful in different ways. Interpretation is difficult, if not impossible, without analysis.

3.1 Several Important Financial Analysis Tools:

- Statement of Comparison
- Common Measurement Terms
- Ratios of change over time, or analysis of trends
- Working Capital Change Report.
- A Look at the Money Flow
- Forecasting Cash Flow.
- Calculating Ratios

3.2 Goals of the Current Research

- First, we'll be looking at BSNL's financial data from the past three years.
- Financial Statements of BSNL: A Year-Over-Year Comparison, 2016-17 to 2018-19
- Three, to analyse how BSNL's Financial Inclusion has changed as a result of the revitalization plan.

IV. RESEARCH METHODOLOGY

This study has an exploratory methodology. Despite the fact that every research study is conducted with a distinct goal in mind, the BSNL project's research strategy is exploratory in character because the aim is to generate hypotheses rather than test them. This research looks at a hypothetical corporation called BSNL and analyses its financial health. Secondary data for the current study comes from the company's published annual reports, manuals, and website (www.bsnl.com). The company's profitability analysis necessitates the categorization, tabulation, and editing of this financial information. This report analyses BSNL's financial standing over a three-year period, from 2018–19 to 2018-19. The financial tools of the Comparative Statement Technique have been used to examine BSNL's financial and liquidity condition.

V. FINANCIAL STATEMENT ANALYSIS OF BSNL FOR YEARS 2016–17 TO 2018–19

The terms "financial statement" and "income statement" refer to the same two documents: a statement of

earnings and a statement of assets and liabilities, respectively. As such, we compare BSNL's P&L and balance sheet from the fiscal years prior to the implementation of the Revival Package (FY 2018–19) to those that follow (FY 2019–20 and FY 2018-19).

Table 1: Profit and Loss Statement Comparison for BSNL from 2016 to 2019

Particulars	2016-17	2017-18	2018-19	Absolute Change in 2016-17	Absolute Change in 2017-18	Percentage change in 2018-19
Revenue						
Revenue from operations	1,776,106	1,788,609	1,745,180	12,503	-30,926	0.7
Other income	155,961	102,047	114,301	-53,914	-41,660	-34.57
Total revenue (I)	1,932,067	1,890,656	1,859,481	-41,411	-72,586	-2.14
Expenses						
License and spectrum fee	128,534	161,632	125,761	33,098	-2,773	25.75
Employee Benefit Expenses	1,431,590	1,359,678	667,916	-71,912	-763,674	-5.02
Finance costs	78,166	199,110	256,707	120,944	178,541	154.73
Depreciation and amortisation expense	578,198	662,914	605,100	84,716	26,902	14.65
Other expenses	1,206,003	1,057,274	948,109	-148,729	-257,894	-12.33
Total expenses (II)	3,422,491	3,440,608	2,603,593	18,117	-818,898	0.53
Loss before tax (III = I - II)	-1490424	-873,816	-744,112	616,608	746,312	-41.37
Tax Expenses (IV)	0	0	0	0	0	
Loss for the Year (V= III- IV)	-1490424	-873,816	-744,112	616,608	746,312	-41.37

Table 2: Financial Statement Analysis of BSNL from 2016 to 2019

Particulars	As on 31st March 2016	As on 31st March 2017	As on 31st March 2018	Absolute Change in 2016-17	Absolute Change in 2017-18	Percentage change in 2018-19
ASSETS						
NON CURRENT ASSETS						
Property, plant and equipment	10,046,940	9,364,158	8,987,799	-682,782	-1,059,141	-6.8
Capital work-in-progress	977,649	566,756	377,584	-410,893	-600,065	-42.03
Intangible assets	636,042	574,567	513,564	-61,475	-122,478	-9.67
Intangible assets under development -	0	1,500	0	1,500	0	
Right of use assets	0	375,463	339,113	375,463	339,113	
Financial assets						
(i) Investment in subsidiary	0	0	0	0	0	
(ii) Investments	0	0	0	0	0	
(iii) Loans	405	243	158	-162	-247	-40
(iv) Other financial assets	26,599	30,793	37,070	4,194	10,471	15.77
Deferred tax assets (net)	0	0	0	0	0	0
Other non-current assets	68,222	76,640	79,960	8,418	11,738	12.34
TOTAL NON CURRENT ASSETS	11,755,857	10,990,120	10,335,248	-765,737	-1,420,609	-6.51
CURRENT ASSETS						0
Inventories	81,310	140,813	179,583	59,503	98,273	73.18
Financial assets						0
(i) Investments	20000	0	0	-20,000	-20,000	-100
(ii) Trade receivables	486,057	502,219	386,939	16,162	-99,118	3.33
(iii) Cash and cash equivalents	62,236	149,781	74,667	87,545	12,431	140.67
(iv) Bank balances other than (ii) above	12,791	87,438	364,155	74,647	351,364	583.59
(v) Loans	99	47	-52	-99	-52.53	-100
(vi) Other	784,633	1,721,678	775,135	937,045	-9,498	119.42

financial assets						
Current tax assets (net)	97,573	44,669	53,338	-52,904	-44,235	-54.22
Other current assets	347,608	389,944	381,818	42,336	34,210	12.18
Assets held for sale	29,850	649,372	733,618	619,522	703,768	2075.45
TOTAL CURRENT ASSETS	1,922,157	3,685,961	2,949,283	1,763,804	1,027,126	91.76
TOTAL ASSETS	13,678,014	14,676,081	13,284,531	998067	-393483	7.3
						0
EQUITY AND LIABILITIES						
Equity						0
Equity share capital	500,000	500,000	500,000	0	0	0
Other equity	6,973,434	5,414,265	4,668,962	-1,559,169	-2,304,472	-22.36
Total equity	7,473,434	5,914,265	5168962.00	-1,559,169	-2304472.00	-20.86
Liabilities						0
Non-current liabilities						0
Financial liabilities						0
(i) Borrowings	2,005,008	2,428,595	2,973,394	423,587	968,386	21.13
(ii) Lease Liabilities	0	305,283	290,006	305,283	290,006	0
(iii) Other financial liabilities	318,792	258,975	343,067	-59,817	24,275	-18.76
Provisions	101,581	87,132	93,763	-14,449	-7,818	-14.22
Other non-current liabilities	76,531	52,596	60,220	-23,935	-16,311	-31.27
TOTAL NON CURRENT LIABILITIES	2,501,912	3,132,581	3,760,450	630,669	1,258,538	25.21
Current liabilities						0
Financial						0

liabilities						
(i) Borrowings	318,634	212,647	294,440	-105,987	-24,194	-33.26
(ii) Lease Liabilities	0	78,794	75,448	78,794	75,448	0
(iii) Trade payables						0
(a) Total outstanding dues of micro enterprises and small enterprises	39,339	110,188	95,682	70,849	56,343	180.1
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	1,254,141	1,357,259	1,020,988	103,118	-233,153	8.22
(iv) Other financial liabilities	1,111,890	2,780,830	1,727,674	1,668,940	615,784	150.1
Other current liabilities	975,728	1,059,714	1,099,629	83,986	123,901	8.61
Provisions	2,936	29,803	41,258	26,867	38,322	915.09
TOTAL CURRENT LIABILITIES	3,702,668	5,629,235	4,355,119	1,926,567	652,451	52.03
TOTAL EQUITY & CURRENT LIABILITIES	13678014	14676081	13284531	998067	-393483	7.3

VI. BSNL FINANCIAL STATEMENT EXPLANATION FOR YEARS 2016–17 TO 2018-19

According to the company's income statement, BSNL's total revenue will decrease by 2.14% and 3.76 percent in FY 2018–19 and FY 2018-19, respectively. The same data can also be used to infer that overall expenses will have been reduced by 23.93 percent by the end of the 2018-19 fiscal year, thanks to the package of stimulus measures that would have been put in place after FY 2018–19. It can be deduced from the P&L account that the total loss in FY 2018-19 is 50.07 percent lower than in FY 2018–19. Until the conclusion of FY 2018-19, BSNL's employee-related expenses will have been reduced by as much as 53%.

Noncurrent assets for BSNL have dropped by as much as 12% between FY 2018–19 and FY 2018-19, according to the company's comparative balance sheet. Additionally, it is seen that current assets have expanded dramatically by 91% and 53% in FY 2019–20 and FY 2018-19 due to an increase in cash balance obtained as part of a revitalization package. This rise ultimately had a negative impact, decreasing total assets by 2.8% by FY 2018-19. Due to the company's persistent losses over the 2018–2019 fiscal years, BSNL's liabilities have grown across the board since the previous fiscal year (FY 2018–19), while its equity has shrunk.

VI. CONCLUSION

BSNL has gone through various transformations since its inception. It used to be that BSNL controlled the market. Now, however, established competitors like Bharti Airtel, Reliance, Idea, Vodafone, and others are providing stiff competition for the business. After receiving the revival package from the Government of India, as evidenced by the aforementioned assessments, BSNL's overall financial status has undergone significant adjustments. As part of its revival plan, BSNL implemented the Voluntary Separation from Service (VRS) Scheme, which has significantly cut the company's costs by reducing employee-related expenses by more than 50 percent while, at the same time, reducing overall losses by almost 50 percent. It follows that BSNL needs to prioritise expanding its revenue stream as soon as possible by deploying 4G service across the entire country. In addition, BSNL's liquidity situation was solid, as shown by the comparative balance sheet, which indicates that the company can meet its short-term obligations when they come due. Since BSNL has a lower long-term solvency, it appears that the company borrowed more money from outside sources over the long term. Accordingly, it follows that BSNL's management must quickly implement the asset monetization scheme, which is also part of the revival package, in order to assure the inflow of appropriate funds to finance the financial requirements of the firm. After a long period of significant failure, the current analysis demonstrates that the Revival Package provided by the Government of India to BSNL has had positive results and will have more positive results if the remaining schemes of the Revival Package are also implemented at the earliest possible date.

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