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A critical study on the financial performance of selected mobile operators in India

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Abstract
India is the second-largest telecoms market globally. As of January 2021, the overall subscriber base in the nation reached 1,183.49 million, and the gross income of the telecom industry was US$ 9.35 bn in the 3rd quarter of the financial year 2021. Over the last five years, several challenges have confronted small enterprises that have been severely impacted by the dominant telecom leader.
Financial performance is a subjective assessment of a firm's ability to use assets from its core business operations to create income. This item serves as a comprehensive indicator of a firm's financial health over a certain timeframe and may facilitate comparisons across comparable enterprises within the same industry or across other industries or sectors collectively. This study analyses the financial performance of the Indian telecom industry, specifically focusing on BSNL, Airtel, and Vodafone. The Indian telecom industry significantly contributes to the growth of our nation and other industries.

Keywords: Telecom industry, financial performance, challenges, BSNL, nation

Introduction
In 1991, India joined the ranks of other nations that had embraced globalization, privatization, and liberalization. In many parts of the globe, particularly in emerging economies, globalization, privatization, and liberalization hastened comprehensive changes. In the latter half of the twentieth century, developing nations like India came to appreciate the value of communication. The telecommunications industry has been one of those to thrive in the years after the GPL. Indian telecom is now the world's second-largest network, behind only China's, and one of the fastest-growing telecom industries, according to the Indian government's Department of Telecommunication. By enacting suitable rules, the Indian government has really pushed the telecom industry to expand into new areas around the nation. According to the World Bank, developing nations like India should expect a per capita GDP boost of 0.81% and 1.38% from higher mobile and broadband adoption rates, respectively.

Literature Review
Raza, D. (2015) [5] examined the financial performance of the Indian telecom industry. Because, among other things, the growth of our nation and its economy is largely attributable to the telecom industry in India. Bharti Airtel outperformed BSNL financially, according to the study and interpretation of the two firms' respective performance reports.
Adebayo, A. A., and Ekejiuba, C. O. (2016) [1], noted that the industry makes a significant dent in a country's gross domestic product (GDP) and is a key driver of economic development and growth.
Only with sufficient and well-developed telecommunications infrastructure can maximum development be achieved.
According to research by Singh R. (2017) [6], consumers' 45 attitudes and 45 behaviors are impacted by the unexpected and massive market debut of Reliance Jio. Mergers and acquisitions are being discussed by the major market service providers as a result of the resulting uncertainty. He went on to say that small businesses have a hard time making it in the sector because of the exiting obstacles that prevent them from entering.
Chopra and Chawla (2018) [2] assess the expansion of India's telecom industry. In order for

the telecom industry as a whole to experience economic progress, it is imperative that indigenous Indian telecom enterprises maintain a competitive edge on the global stage and have a prominent position in the telecom value chain. Researchers in India contend that the country's regulatory priorities should change to prioritize the promotion and protection of intellectual property in order to encourage investment in research and development (R&D) aimed at expanding technical capabilities.
Tripathi and Japee (2020) [3] looked at how certain Indian equities mutual funds were evaluated for their financial performance. Despite the extreme market volatility, ten out of fifteen funds showed good performance. An investor should think about the fund's risk ratios before putting money into it, according to the study's authors. The results of this study will be useful for investors in making judgments about their investments in the future.

Problem Statement

High infrastructure costs, regulatory limits, changing technology, and fierce competition are just a few of the financial and operational hurdles that the telecoms industry in India must overcome. Despite its importance, the sector is a major contributor to digital connectivity and economic development. They have an effect on the market value, profitability, and liquidity of the company. Some businesses manage to weather financial storms with relative ease, while others continue to lose money and have doubts about their capacity to be in business in the long run. There is a dearth of research comparing the financial standing of major telecom providers, which is surprising given the significance of the topic. To evaluate their strengths, limitations, and general stability, it is essential to assess important financial indicators.

Research Objectives

- To ascertain the ROCE of companies.
- To examine the efficacy of capital use.
- To ascertain the financial performance of telecommunications firms.
- To compare the financial performance of telecom firms.

Research Methodology

When someone other than the user collects data, it is called secondary data. In the social sciences, secondary data often comes from censuses, records kept by organizations, data acquired by government agencies, and data initially gathered for other research purposes. In contrast, the researcher doing the study is the one who really gathers primary data. Instead of spending time gathering data from scratch, researchers may use secondary data analysis to get bigger and better databases that no one researcher could ever hope to amass on their own—this is especially true for quantitative data. Furthermore, a fresh survey cannot possibly capture rapid change and advancements, and analyses of social and economic transformation see these factors as secondary rather than important. On the other hand, due to the possibility of faulty or out-of-date data, secondary data analysis may not be as helpful in marketing research. Throughout my investigation, I relied only on secondary material, which I gathered from a wide variety of sources, including books, journals, and research papers.

Analysis of Data

The accounting ratio known as return on capital employed (ROCE) has use in the fields of finance, valuation, and bookkeeping. After accounting for the amount of capital spent, it is a helpful metric for assessing the relative profitability of organizations. This metric is comparable to return on assets, but it also considers the funding sources. There are several ways to define capital utilized. In reality, it is the sum total of all capital put into the company in order to run the firm. Total assets minus current liabilities + working capital need is a popular symbol for working capital requirement.

Return on Capital Employed (ROCE) = BEF + TAX * 100

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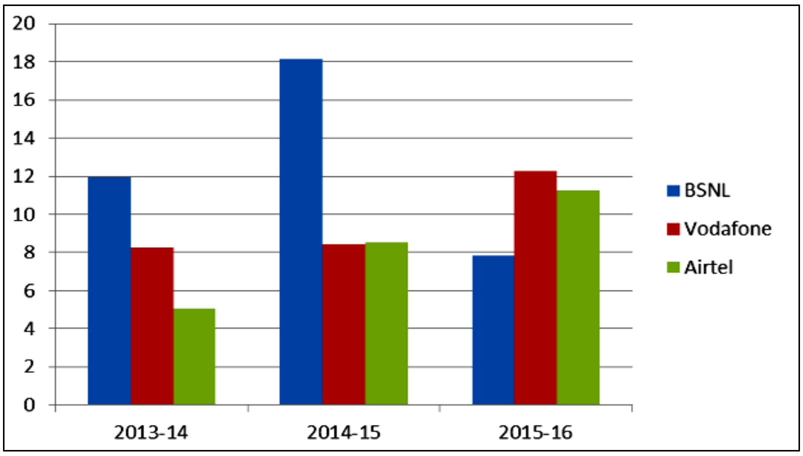
Benefits of ROCE

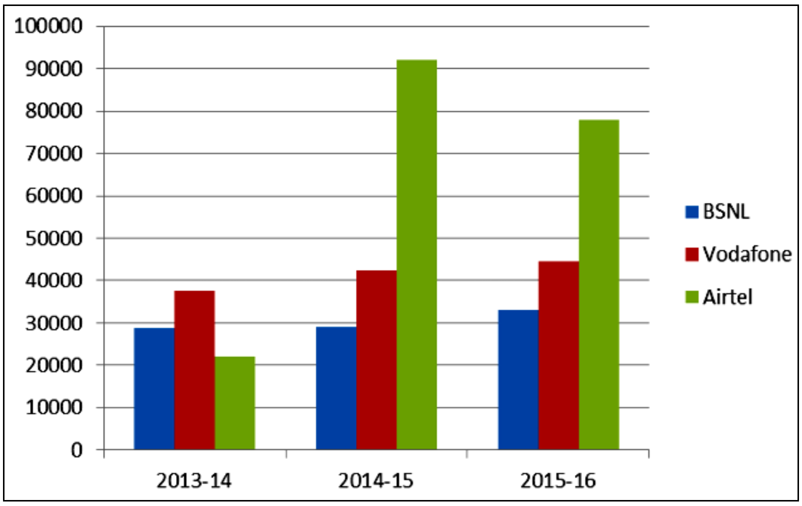
- Companies in capital-intensive industries, like telecommunications, may benefit greatly by calculating their return on invested capital (ROCE) and using this statistic to compare their profitability.
- For businesses with a lot of debt, this is a better measure of how well they are doing financially.
- An additional crucial performance measure for a firm is the trajectory of ROCE throughout the years.
- ROCE is useful for understanding the company's true financial status.



Source: Calculation based on annual reports of selected companies

Fig 1: Return on capital employed

The drop in ROCE from 18.16% to 7.86% is seen in the table above. The ROCE of Vodafone and Airtel have been increasing.



Source: Calculation based on annual reports of selected companies

Fig 2: Profits of the companies

Interpretations: The Airtel Company's revenue has peaked. BSNL and Vodafone are both expanding, but for reasons beyond their control, they are not yet among the top revenue-generating corporations.

ANOVA

Ho: There is no mean difference between liquid ratio and select Telecommunication companies

Table 1: Analysis of Variance Test for Liquid Ratio

		Sum Squares	of	DF	Mean Square	F	Sig.
Liquid ratio	Between Groups	13.876		2	2.775	8.412	0.000
	Within Groups	17.487		53	0.330		
	Total	31.363		58			

Source: SPSS Analysis

Interpretation

A difference in the mean liquid ratio of some telecommunications firms has been determined, and the null hypothesis is rejected, since the computed significant value is less than 0.05 at the 5% level of significance.

Proposal: ROI ratio and some telecommunications firms are statistically indistinguishable.

Table 2: Analysis of Variance Test for ROI Ratio

		Sum of Squares	DF	Mean Square	F	Sig.
Return on Investment	Between Groups	2607.463	2	521.493	3.010	0.018
	Within Groups	9183.669	53	173.277		
	Total	11791.132	58			

Source: SPSS Analysis

Interpretation

There is a difference in the return on investment ratio of some telecommunications businesses, as the computed significant value is less than 0.05 at the 5% level of significance, allowing us to reject the null hypothesis.

Research Findings

- ROCE for each of the three firms was determined by the researcher.
- The BSNL, Vodafone, and Airtel profits. When contrasted, Bharati Airtel has the best return on invested capital (ROCE) and the biggest profit margin.
- When compared to Airtel, BSNL's profit and ROCE are rather comparable. R.O.I.C.E. and net income for Vodafone are on the rise.

The firm's debt to equity ratio has been relatively stable. As a result, we may say that the company has not discharged its obligation.

During the first two years of the research, the company demonstrated an acceptable ability to repay debt as measured by the interest coverage ratio. Unfortunately, it has declined significantly throughout the last three years in school. Nevertheless, the interest coverage average is good.

- The asset's usefulness in generating revenue is adequate. Overall, there has been a negative trend identified in all five years of the research, even though the average ratio suggests that the organization is efficiently using its assets.
- If a company's current ratio is high, it means that its current liabilities are greater than its current assets. A low current ratio is an indication of ineffective management.
- A company's solvency indicates its financial health and

its capacity to pay its long-term debts. Vodafone has a high degree of solvency, which means that they employ loan financing for purchases to a greater extent. They should, therefore, reduce their debt as much as possible while simultaneously increasing their profits.

- Reduced expenditures are necessary due to BSNL's poor level of profitability, which suggests that the corporation is incurring larger funds for fund management. As a result, they work hard to boost sales and enhance their profit margin.

Conclusion

According to the study, it is essential for any organization to have a solid financial situation. It contributes to preserving the company's reputation. Brand recognition and positive public perception of the firm are crucial to its long-term success. The company's reputation depends on its ability to adapt to changing market conditions, meet the demands of its customers, and keep its staff happy.

According to research into the financial health of a few Indian telecom providers, all businesses need to keep their cash on hand and their debt levels low so they can pay their bills on time, both now and in the future. Airtel's liquidity and solvency are average, whereas BSNL and Vodafone are in an unsatisfactory state. The company will fail in the end if it can't turn a profit. Inadequate income and exorbitant operational expenses are the reasons behind BSNL's poor profitability level, according to the report. People rely on telecommunication services for day-to-day communication. And the telecom industry in India is booming.

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