

# Trend in Managing Assets: A Study of Select Companies in Indian Telecom Sector.

## Abstract

India is the world's 2<sup>nd</sup> largest telecom market after China with a subscriber base of 1.20 billion and registered strong growth in past decade. The Indian mobile economy is growing tremendously and contributes substantially 6.5% to India's Gross Domestic Product (GDP) according to report of Global System for Mobile (GSM) Association and Boston Consulting Group (BCG). The telecom sector is expected to create a total economic value of Rs 14 trillion by the next year 2020 as around Smartphone market of India grew by 14% year after year to a total of 124 million shipments in 2017. In the present paper an attempt has been made to examine the trend in the efficiency of asset management in the selected telecom companies of India. For this purpose a cross-sectional analysis has been conducted in respect of asset management efficiency of selected telecom companies during the period 2010 to 2017.

**Keywords:** Telecom, Asset Management Efficiency, GSM, BCG.

## 1. Introduction :

In India there are three major players in telecom sector, namely Vodafone India (408 million subscribers), Bharti Airtel (371 million subscribers) and RIL Jio Infocomm (215 million subscribers). India is the world's 2<sup>nd</sup> largest telecom market with a subscriber base of 1.20 billion and registered strong growth in past decade. The Indian mobile economy is growing tremendously and contributes substantially 6.5% to India's Gross Domestic Product (GDP) according to report of GSM Association and Boston Consulting Group (BCG). The telecom sector is expected to create a total economic value of Rs 14 trillion by the next year 2020 as around Smartphone market of India grew by 14% year after year to a total of 124 million shipments in 2017. The Government of India plays a pivotal role in the rapid growth of the Telecom sector in India by enabling easy market access to telecom equipment and fair and proactive regulatory framework that has ensured availability of telecom services to each and every citizen at minimum cost than earlier. The deregulation of FDI norms has made the telecom sector one of the fastest growing and top five employment generators in the country. The industry has attracted FDI worth US\$ 30.08 billion during the period April 2000 to December 2017 according to the report published by Department of Industrial Policy and Promotion (DIPP). The Indian telecom sector is expected to generate direct (3 million) and indirect (2 million) jobs over the next five years according to the estimates by Randstad India Placement Agency. The employment opportunities are expected to be created due to combination of the government's effort to increase penetration in rural areas and the rapid increase in Smartphone sales and rising internet usage due to lowest price offered by RIL Jio Infocomm. Rise in mobile phone user and reduce in data costs will add approximately 500 million new internet users in India. Finnish telecommunication company Nokia, going to collaborate with Indian telecom companies Bharti Airtel and BSNL to work on the roadmap for development of 5G technology and creating a conducive ecosystem for 5G in India. It is expected that approximately US\$ 20 billion will be invested by the telecom sector in the next two years for expansion of network and operation with a target to reach every corner of the country. The government of India also is going to design a new Telecom Policy 2018 for rapid technology development for the purpose of attracting new investment opportunities of worth US\$ 100 billion. The governments of India work on the digital India initiative for connecting the rural and remote area of the country with an affordable cost which will boost

the customer base of the telecom sector, directly increase job opportunities in the country and will enhance the profitability of the sector indirectly.

In the present paper an attempt was made to make a cross-sectional analysis of selected Telecom companies in respect of their efficiency of asset management during the period 2010 to 2017

## 2. Objective of the study:

An attempt was made in present study to make a cross-sectional analysis of the selected Telecom Companies in respect of their asset management efficiency. More specifically, the objectives were:

- i. To ascertain the status of the selected companies in respect of the efficiency of their asset management.
- ii. To analyze the trend in efficiency of asset management of companies under study.

## 3. Methodology:

The study was based on top three Telecom Companies which were selected on the basis of number of subscribers. The data of these companies for the period 2010 to 2017 used in the study were collected from secondary sources i.e. Capitaline Corporate Database of the Capital Market Publishers (I) Ltd., Mumbai. The fixed asset turnover ratio (FATR), debtor turnover ratio (DTR) and cash turnover ratio (CTR) are the most common measures of efficiency of fixed asset management, efficiency of debtor turnover management and efficiency of cash management respectively. Thus at the time of measuring efficiency of asset management of the selected Telecom companies in this study these ratio were used. For analyzing the data used in the study statistical tool like arithmetic mean (AM), standard deviation (SD) and statistical test like t- test were applied in appropriate places.

## 5. Empirical Result and Discussion:

In Table 1 an attempt was made to analyze the efficiency of asset management of selected Telecom companies using FATR, DTR and CTR. In this table in order to measure the mean values of FATR, DTR and CTR of the selected companies, arithmetical mean (AM) was used while for ascertaining the consistency coefficient (CC) of these ratios, the ratio of AM to SD was applied.

In Table 2 in order to identify the nature of trend in selected ratios, the ratio of each of the companies during the study period a linear trend equation were fitted and in order to examine whether slopes of the trend lines were statistically significant or not, t-test was used.

**Table-1:**

COMPANY NAME	FATR				DTR				CTR				SUM OF RANK BASED ON AVERAGE	SUM OF RANKS BASED ON CC	ULTIMATE RANK BASED ON AVERAGE	ULTIMATE RANK BASED ON CC	AGGREGATE OF ULTIMATE RANK	FINAL RANK OF EFFICIENCY OF ASSET MANAGEMENT
	VALUE	RANK	CC	RANK	VALUE	RANK	CC	RANK	VALUE	RANK	CC	RANK						
RIL INFOCOMM	0.03	3	0.66	3	4.23	3	0.77	3	0.17	3	0.03	3	9	9	3	3	6	3
BHARTI AIRTEL	0.63	1	4.38	1	20.18	1	8.13	1	332.77	1	0.79	2	3	4	1	1	2	1
VODAFONE INDIA	0.57	2	1.42	2	18.21	2	3.36	2	0.80	2	1.55	1	6	5	2	2	4	2

**Table 1** shows that the highest mean FATR (0.63) was maintained by Bharti Airtel while it was the least (0.03) in RIL Jio Infocomm. On the basis of the consistency coefficient of FATR, Bharti Airtel established itself as the most consistent performer whereas RIL Jio Infocomm occupied the last position.

The highest average DTR (20.18) was achieved by Bharti Airtel while it was the lowest (4.23) in RIL Jio Infocomm. In respect of consistency coefficient of DTR, Bharti Airtel (8.13) captured the top most position and RIL Jio Infocomm (0.77) was placed in the last position.

The maximum CTR (332.77) was maintained by Bharti Airtel and the minimum mean CTR (0.17) was found in RIL Jio Infocomm. Based on consistency coefficient of CTR, Vodafone India (1.55) was the first rank holder and RIL Jio Infocomm (0.03) occupied last rank.

**Table-2:**

<b>Trend Analysis of Assets Management Efficiency of the selected Telecom Company in India</b>			
<b>Asset Management Efficiency</b>	<b>FATR</b>	<b>DTR</b>	<b>CTR</b>
<b>Company Name</b>	<b>Slope Of The Trend Line</b>	<b>Slope Of The Trend Line</b>	<b>Slope Of The Trend Line</b>
RIL Jio Infocomm	-0.013 (-3.470)**	-1.612 (-2.876)**	0.102 (2.608)**
Bharti Airtel	-0.055 (-6.469)***	0.109 (0.266)	-105.999 (-1.900)
Vodafone India	-0.142 (-4.427)***	1.946 (4.507)***	-0.062 (-0.747)
<b>Figure in bracket indicate t values.</b> ***Significant at 1% level **Significant at 5% level *Significant at 10% level			

The linear trend equations as fitted to the FATR series in Table 2 disclose that in RIL Jio Infocomm, Bharti Airtel and Vodafone India, a declining trend which was found to be statistically significant was observed during the period under study.

The linear trend equations fitted to the DTR series reveal a decreasing trend in RIL Jio Infocomm which was found to be statistically significant observed during the period under study, an upward trend was observed in Vodafone India which was also found to be statistically significant during the study period. But in case of Bharti Airtel an increasing trend in the DTR series was noticed which was not found to be statistically significant during the same period.

The linear trend fitted to the CTR series shows that an upward trend in RIL Jio Infocomm which was found to be statistically significant was noticed during the period under study while in the remaining two companies a declining trend which was not found to be significant was observed in the same period.

## 6. Concluding Remark:

- I. Bharti Airtel captured the top-most position in respect of average score of FATR and also most consistent performer in managing fixed asset. Vodafone India was placed in the second position in respect of average score of FATR and also established itself as the second most consistent player in managing fixed asset. RIL Jio Infocomm occupied last position in respect of both

average and consistency in managing fixed asset. Moreover a notable declining trend is reflected in managing fixed asset.

- II. Bharti Airtel captured the top-most position in respect of both the average score and consistency score of DTR. Thus Bharti Airtel proved itself as the best performer in respect of managing receivables during the study period, based on the same scale, Vodafone India capable to acquired second position both average score and receivable management. While a notable decreasing trend in efficiency of managing receivables was observed in RIL Jio Infocomm.
- III. Bharti Airtel acquired the first position in respect of average score of CTR but less consistent in managing the cash. Vodafone India ranked second position in respect of average score of CTR but proved itself to be the most consistent performer during the study period. A notable declining trend is observed in case of RIL Jio Infocomm in respect of average score of CTR as well as managing cash.
- IV. The analysis of composite score based on the combination of average and consistency coefficients of the selected parameters showed that Bharti Airtel established itself as the best performer in managing its assets during the study period and it was followed by Vodafone India and RIL Infocomm respectively during the same period.

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