
A STUDY ON FINANCIAL PERFORMANCE OF TELECOM SECTOR IN INDIA

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Abstract

Telecommunication sector plays very significant role in the growth and development of the economy. This sector has been providing a reasonable amount of employment to the growing population in India. This sector also attracting huge amount t of domestic and foreign direct investment and its spillover effect can be seen in the economy. Telecommunication sector has been participating very effectively in the modern economies. It is also very important to note that certain macroeconomic aggregates such a as investment, employment, savings, consumption and demand has been determined at larger extent by this sector to achieve long run sustainable development in India. Communication may be considered as one of the factors of production and it is essentially required in the production and consumption process. In this background the present study makes an attempt to know the performance of telecommunication sector in India. In order to assess the financial performance of telecommunication sector, both public sector and private sector companies have been considered.

Keywords: Telecommunication sector, spillover effect, macroeconomic aggregates, financial performance.

Introduction

As other fundamental sector in Indian economy, telecommunication sector has occupied important place by contributing to GDP in terms of employment and income generations. In the global economy currently India is considered the second largest telecommunication market and has the third highest number of internet users. During the financial year 2007-2016 the telephone subscriber base has been expanded

by 19.96 percent in Indian economy. It is also important to note that, the teledensity has also been increased to 83.36 percentages. As the annual reports of Telecom Regulatory Authority of India (TRAI) observed there is a sound performance given by private sector companies than the public sector companies in Indian telecommunication sector. But there is a positive growth has been achieved so far by the overall telecommunication sector in India. The present study gives the detail information in this regard.

Methodology

The study is based on the secondary data and had been collected from the various annual reports of the Telecom regulatory Authority of India (TRAI) for the period 2010-16. For the data analysis simple statistical tools such as averages and compounded annual growth rates (CAGR) and simple linear regression model has been used. The data presented in the form of tables.

Objectives

1. To investigate the trends in the financial performance of the overall telecom sector in India.
2. To examine the trends in the financial performance of the public sector telecom companies in India.
3. To scrutinize the trends in the financial performance of the private sector telecom companies in India.

Financial Performance of the Overall Telecom Sector in India

Table 1: Total revenue from Telecom Sector in India

Source: Annual Reports, Telecom Regulatory Authority of India (TRAI)

Year	Total Revenue
2009-10	150660
2010-11	166752
2011-12	179914
2012-13	191145
2013-14	210273
2014-15	228004
2015-16	235245
Total	1361993

Table 2: Model Summary and Parameter Estimates

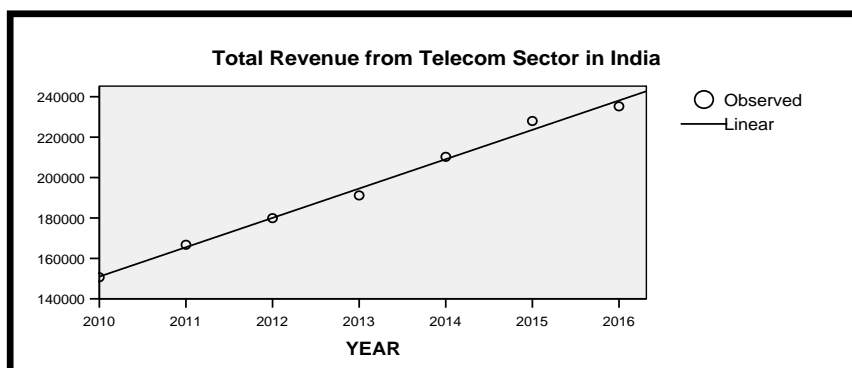
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.993	696.423	1	5	.000	-29038359.357	14522.071

The independent variable is YEAR.

Dependent Variable: Total Revenue from Telecom Sector in India.

Graph-1: Annual growth of total revenue from telecom sector in India

The annual growth rate of total revenue for 2010– 2016 has been worked out and the results are presented in table-2 and figure-1 for telecom sector in



India. The growth was found to be highly significant ($F= 696.423$) with R^2 value 0.993. This implies that telecom sector in India has been making continuous efforts to increase its revenue over a period of time.

Financial Performance of the Public Sector Telecom Companies in India

Table 3: Total revenue from public sector Telecom companies in India:

Year	Revenue from Public Sector telecom Companies (Rs. Cr)	Annual growth rate of Revenue (%)
2009-10	37390	--
2010-11	33976	-9.1
2011-12	31962	-5.9
2012-13	29677	-7.1
2013-14	30282	2.0
2014-15	31424	3.8
2015-16	32654	3.9
Total	227365	
Compounded Annual Growth rate of Revenue (CAGR)	-1.9	

Source: Annual Reports, Telecom Regulatory Authority of India (TRAI).

The table-3 shows that, the revenue from the public sector telecom companies has been decreased by 1.9 percent during the period 2009-10 to 2015-16. It shows that there was a negative growth in the revenue of the public sector companies in India. It may be due to heavy competition from the private sector companies and other management problems.

Graph 2: Annual growth of total revenue from public sector telecom companies in India

The graph-2 clearly indicates that, there was a negative annual growth rates achieved by the public sector companies during the years 2010-11, 2011-12 and 2012-13. But during the years there was a positive trend in the growth rates of revenue during the years 2013-14, 2014-15 and 2015-16. It shows that after 2013-14 the revenue of the public sector companies has been increasing.

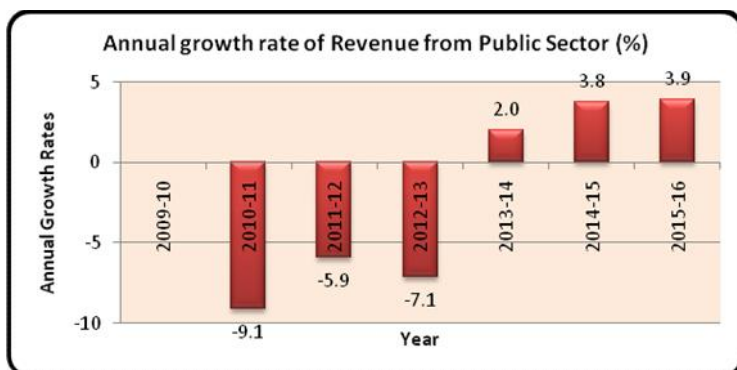


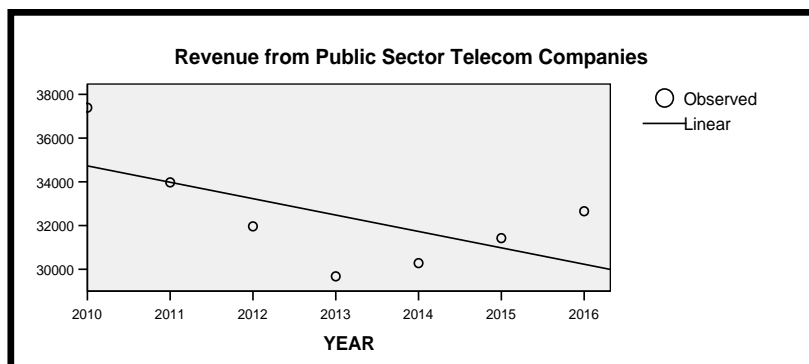
Table 4: Model Summary and Parameter Estimates

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.389	3.185	1	5	.134	1541655.571	-749.714

The independent variable is YEAR.

Dependent Variable: Revenue from Public Sector Telecom Companies

Graph 3: Annual growth of total revenue from public sector telecom companies in India



The annual growth rate of total revenue for 2010– 2016 has been worked out and the results are presented in table-4 and figure-3 for public sector telecom companies in India. The growth was found to be highly insignificant ($F=$

3.185) with R^2 value 0.389. This implies that public sector telecom companies in India have not been making continuous efforts to increase revenue over a period of time.

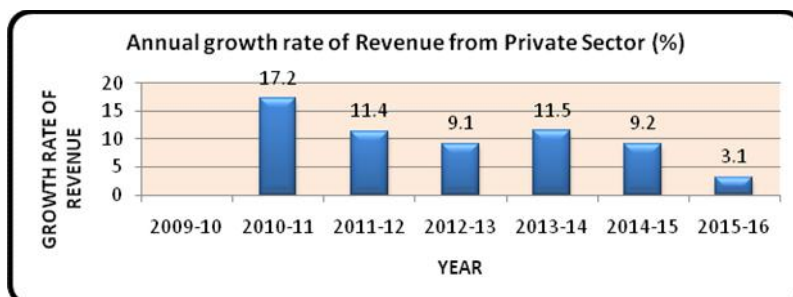
Financial Performance of the Private Sector Telecom Companies in India

Table 5: Total revenue from private sector Telecom companies in India:

Year	Revenue from Private Sector Telecom Companies (Rs. Cr)	Annual growth rate of Revenue (%)
2009-10	113270	
2010-11	132776	17.2
2011-12	147952	11.4
2012-13	161468	9.1
2013-14	179991	11.5
2014-15	196580	9.2
2015-16	202591	3.1
Total	1134628	
Compounded Annual Growth rate of Revenue (CAGR)	8.7	

Source: Annual Reports, Telecom Regulatory Authority of India (TRAI)

The table-5 clearly shows that, the revenue from the private sector telecom companies has been increased by 8.7 percentages during the period 2009-10 to 2015-16. It shows that there was a positive growth in the revenue of the private sector companies in India. It is achieved as result of liberalized policies of the government towards tele communication sector in India and large investments.



Graph 4: Annual growth of total revenue from private sector telecom companies in India

The graph-4 depicts that there is a positive annual growth rates in the revenue of the private sector telecom companies in India. During the year 2010-11 the growth rate of revenue was 17.2 percent and it was reduced to 3.1 percent. There was a positive declining growth rates in the revenue.

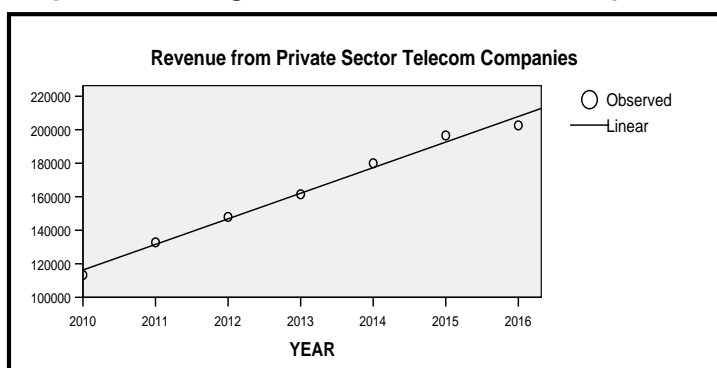
Table 6: Model Summary and Parameter Estimates

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.990	518.765	1	5	.000	-30580014.929	15271.786

The independent variable is YEAR.

Dependent Variable: Revenue from Private Sector Telecom Companies

Graph 5: Annual growth of total revenue from private sector telecom companies in India



The annual growth rate of total revenue for 2010– 2016 has been worked out and the results are presented in table-6 and figure-5 for private sector telecom companies in India. The growth was found to be highly significant ($F= 518.765$) with R^2 value 0.990. This implies

that private sector telecom companies in India have been making continuous efforts to increase their revenue over a period of time.

Conclusion

As the study observed first, the financial performance of public sector telecom companies had been gradually declined during the observed period. It shows that the public sector telecom companies have been failure to making continuous effort to increase revenue. Here it is suggested that government has to formulate a suitable policy framework for the hike in the revenue. The decreased revenue could negatively affects on income and income and employment generations in the telecommunication sector. Second, the private sector telecom companies made continuous efforts to increase the revenue in the same period. It shows a positive trend in income growth. Finally it is very clear from the study that the overall telecom sector in terms of financial performance (revenue) was moving towards a positive upward movement in India.

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