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Budget Process in Telecom Sector

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Abstract: The budget is a document designed to estimate income and expenditure over a time period usually the previous year and altered to accommodate any foreseeable fluctuations. Many individuals, corporations and governments plan their financial activities by preparing budgets. The budget as demonstrated by many writers is not a financial plan that sets forth cost and revenue goals but a device for controlling, coordination, communication, motivation and performance measurement. The research work on budget contained in no small measure a stepping stone for managers and researchers for efficient and effective management of organization as it enhances their knowledge about budgeting. All the views presented in chapter two are purely field information obtained from the sampled organization within BSNL. The analysis of data also throws an insight into the importance or otherwise of using budget measures in an organization, management performance as reflected by the budget as well as the legal framework and support programmes put in place to assist the administration of budgeting system. The recommendations advanced in chapter three, if implemented will no doubt the position of management will be in good posture.

Keywords: Budget, Process of Budget, BSNL Hyderabad, Management Performance, Financial Plan.

I. INTRODUCTION

It is a statement of the financial plan of the Government. it shows the Income & Expenditure of the firm during a financial year, which runs generally from 1st April to 31st March. A Budget is a comprehensive plan of action expressed in physical and financial term. It is a blue print of a company's financial estimation for the future. Budgeting forms the most important part of the planning functions. It's a system of planning and control covering all segments of an organization and also giving a sense of direction to the goals and objective of an organization. A Budget constitutes the principal instrument for projecting the future cost revenues, which form an essential part of the management accounting and the foundation of the firm's financial control. In the period of time between issuance of one budget and the next planning – related decisions and plans are referred to as the budget cycle or process. In large companies, large educational institutions and non-profit organizations, and in government organization, the process normally extends across months. If not the entire period between budgets. Assessing variances between actual and forecasted figures in the previous periods plan. Identifying and then prioritizing business needs and objectives for the fourth coming period. Identifying and evaluating. The process of planning all flows of financial resources into within and from an entity during some specified future period. It includes providing for the detailed allocation of expected available future resources to projects, functions, responsibilities and time periods. From above definition it is clear that budgeting is the actual act of preparing the budget. It is the process of evolving the final statements. Budget is the end product of budgeting.

II. OBJECTIVES

1. The main objective of this study is to carry out an analysis of budgets of financial years 2012-2016 of BSNL with respect to office administration and remuneration of employees.
2. To identify the deviations from budgets to allotment.
3. To analyse the corrective steps for deviations.

III. REVIEW OF LITERATURE

Taylor, "Budget is a financial plan of government for a definite period". According to Rene Stourm, "A budget is a document containing a preliminary approved plan of public revenues and expenditure".

Revenue Budget: This financial statement includes the revenue receipts of the government i.e. revenue collected by way of taxes & other receipts. It also items of expenditure met from such revenue. Revenue Receipts are the incomes which are received by the government from all sources in its ordinary course of governance. These receipts do not create a liability or lead to a reduction in assets. Revenue receipts are further classified as tax revenue and non-tax revenue. Tax Revenue, Non-Tax Revenue Fees, Fines and penalties, Profits from public sector enterprises, Gifts and grants, Special assessment duty: India's Revenue Receipts Revenue Expenditure is the expenditure incurred for the routine, usual and normal day to day running of government departments and provision of various services to citizens. It includes both development and non-development expenditure of the Central government.

IV. CAPITAL BUDGET

This part of the budget includes receipts & expenditure on capital account projected for the next financial year. Capital budget consists of capital receipts & Capital expenditure.

Why budget? Why is it important for an organization, project or department to have a budget? The budget is an essential management tool. Without a budget, we are like a pilot navigating in the dark without instruments. The budget forces us to be rigorous in thinking through the implications of our activity planning. There are times when the realities of the budgeting process force us to rethink our action plans. Used properly, the budget tells us when we will need certain amounts of money to carry out our activities. The budget enables us to monitor our income and expenditure and identify any problems. We cannot raise money from donors unless we have a budget. Donors use the budget as a basis for deciding whether what we are asking for is reasonable and well-planned.

Who uses budgets?: Nearly everyone uses budgets in some form. From the household budget to the multi-billion dollar budgets used in some corporations, budgets are a pretty universal. However a company's budget is a bit more involved. Most companies will start with a master, or static budget. A static budget is a budget with numbers based on planned outputs and inputs for each of the firm's divisions. It's the first part of budgeting, which determines how much a company has and how much it will spend.

Types of budgets: Time, Function, and Flexibility.

1. According To Time: Long Term Budget; Short Term Budget; Current Budget; Rolling budget.
2. According To Function: Sales Budget; Production Budget; Cost of Production Budget; Purchase Budget; Personnel budget; R & D Budget; Capital Expenditure Budget; Cash Budget; Master Budget.
3. According To Efficiency: Fixed Budget; Flexible Budget.

Budgeting Process: It involves the following basic steps: **a.** Objective determination stage **b.** Goal determination stages **c.** Strategy formulation stage **d.** Budget preparation stage.

Budgeting Techniques: A large part of budgeting involves personal finance planning. All three of the following activities are important when creating a budget that you can live comfortably with, as well as one that helps you prepare for the long term.

Zero based budgeting: By contrast, in zero-based budgeting, each item in the budget must be justified starting from the zero-base. The zero based approach is indifferent to whether the total budget is increasing or decreasing. The advantage of this approach is that it promotes a more efficient allocation of resources, requires manager to find more cost effective ways to improve operations and helps detect inflated budgets. Since everything has to be justified this approach will obviously be more time consuming.

Incremental Budgeting: This approach uses a budget prepared using a previous period's budget or actual performance as a base, with incremental amounts added for the new budget period. The advantage of this approach is that it is simple and creates a more stable and consistent environment for managers. However, this approach encourages spending up to the budget so that the budget is maintained for the subsequent year, doesn't respond to changing circumstances and perpetuates misallocations of resources.

Zero sum budgeting: This approach is used in personal finance to describe the practice of allocating or budgeting every dollar of income received. With this approach, if the budget for one item is increased then some other part of the budget must be adjusted downward so that the total budget remains unchanged.

V. REVENUE STRATEGIES

The telecom sector is the most competitive sector post liberalization. This has resulted in a movement from growth based business model that emphasized growth in numbers to profit-based model where the success is measured by margins. BSNL as part of the transition has to adopt both cost reduction and revenue enhancement measures, which would directly impact profitability. It is evident that there is a declining trend in basic services and there is stagnation in cellular revenues. Revenue maximization strategies will have two components, one internal to the organization and the other external. The internal aspect would involve an initiative for change of process, technology, organisation structure etc. In this context, revenue assurance is the key to improving the bottom line for BSNL. This is proactive strategy to capture all revenues due for the services provided. Presently, BSNL generates bills through different software's across the zones of operation, which are disintegrated and provide only basic solutions. The industry standard for revenue leakage is about 3 to 7% per cent of revenue, which in money terms translates to about Rs.2100 crores for BSNL. Therefore plugging revenue leakages is the first and most obvious part of a revenue assurance the key concerns for BSNL for effective revenue realization are- **The delay in customer billing after activation; Time lag between calls generated and billed Scope of fraud; Non-availability of uniform database.**

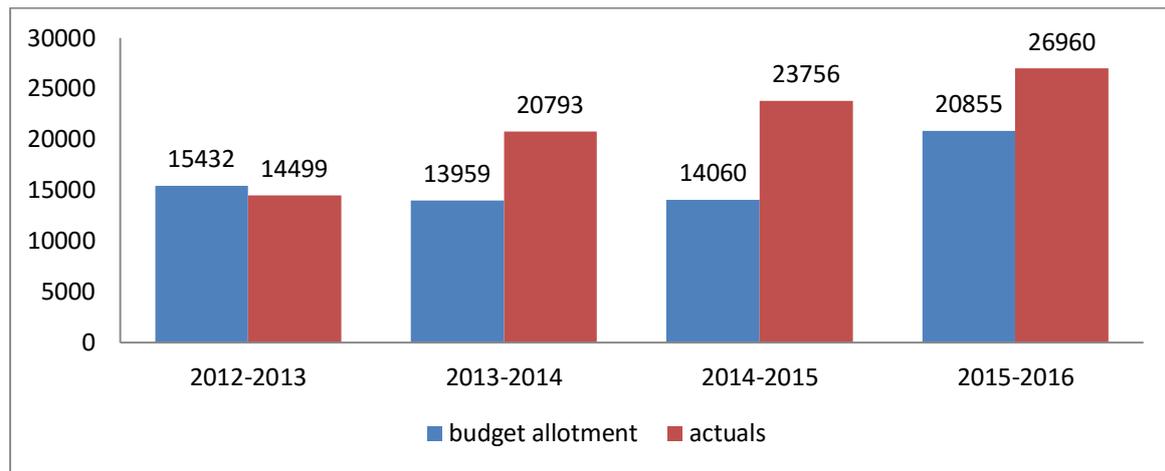
Accounting policies in the context of BSNL: Accounting principles are lenient at times, so the policies of a company can be very important. Looking into specific company's accounting policies can signal whether management is conservative or aggressive when reporting earnings. This should be taken into account by investors when reviewing earnings reports. Also, outside accountants that are hired to review a company's financial statements should check the company's policies to ensure they conform to accounting principles. Provisions of the Companies Act, 1956 (the "Act")

Finance Policy of BSNL:-Standards of Financial Proprieties Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy at every step and see that all relevant financial rules and regulations are observed, by his own officer and by subordinates disbursing officers.

BSNL – BUDGET - ON EMPLOYEES REMUNERATIO (Rs in 000's)

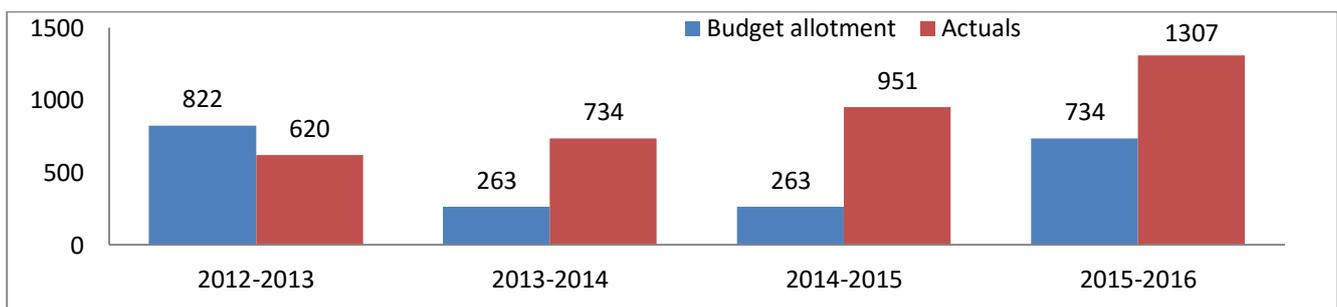
Components	2012-2013		2013-2014		2014-2015		2015-2016	
	Budget Allotment	Actual						
Salary	15432	14499	13959	20793	14060	23756	20855	26960
Medical allowance	822	620	263	734	263	951	734	1307
Employer's contribution to EPF	220	196	169	403	169	583	442	685
Leave travel concession	107	3	4	76	4	139	0	245
Pension contribution	2454	1052	916	1419	916	1703	1419	1651
Administrative charges on EPF	16	19	16	39	16	0	0	0

1. Salary:



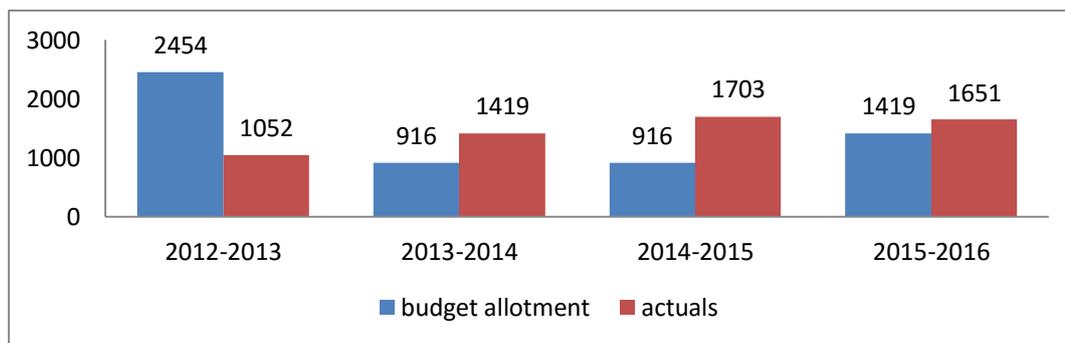
Interpretation: In the year 2012-2013 the actual salary was Rs.14499 thousands and the budget allocated for employees' salaries is increased to Rs.15432thousands and then decreased to Rs.13959 thousands in the year 2013-2014. The allocated value was Rs.14060 thousands and Rs.20855 thousands is less when compared to the actual in the year 2014-2015 and the year 2015-2016.

2. Medical Allowance:



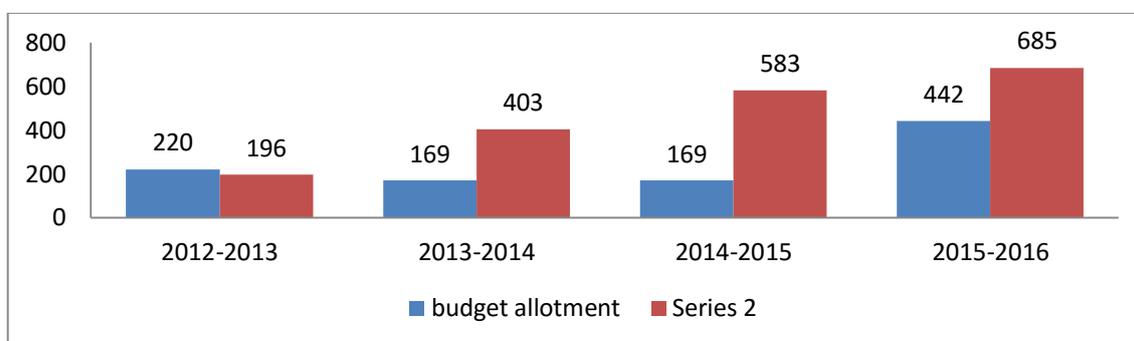
Interpretation: In the year 2012-2013 the medical allowance was Rs.620 thousands and the budget allocated for employees is increased to Rs.822 thousands and then decreased to Rs.263 thousands in the year 2013-2014. The allocated values was Rs.263 thousands and Rs.734 thousands is less when compared to the actuals in the year 2014-2015 and the year 2015-2016.

3. Pension Contribution:



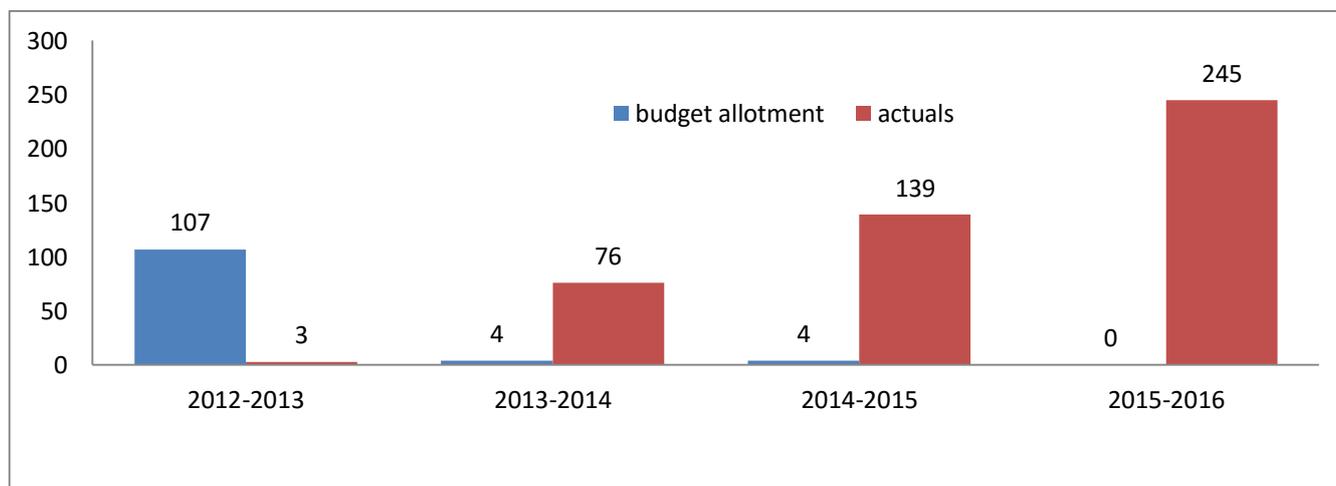
Interpretation: In the year 2012-2013 the pension contribution was Rs.1052 thousands and the budget allocated for employees is increased to Rs.2454 thousands and then decreased to Rs.916 thousands in the year 2013-2014. The allocated values was Rs.916 thousands and Rs.1419 thousands is less when compared to the actual in the year 2014-2015 and the year 2015-2016. Pension contribution is paid now on maximum scale.

4. Employer's Contribution towards Epf:



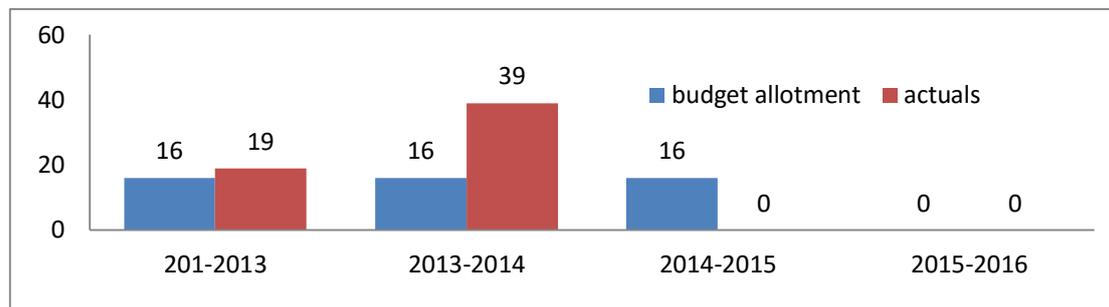
Interpretation: In the year 2012-2013 the employer's contribution towards EPF was Rs.196 thousands and the budget allocated for employees is increased to Rs.220 thousands and then decreased to Rs.169 thousands in the year 2013-2014. The allocated values was Rs.169 thousands and Rs.442 thousands is less when compared to the actual in the year 2014-2015 and the year 2015-2016.

5. Leave Travel Concession:



Interpretation: In the year 2012-2013 the Travel concession was Rs.3 thousands and the budget allocated for employees is increased to Rs.107 thousands and then decreased to Rs.4 thousands in the year 2013-2014. The allocated values was less when compared to the actual in the year 2014-2015 and in the year 2015-2016 the budget is not allotted.

6. Administrative Charges on Epf A/C:

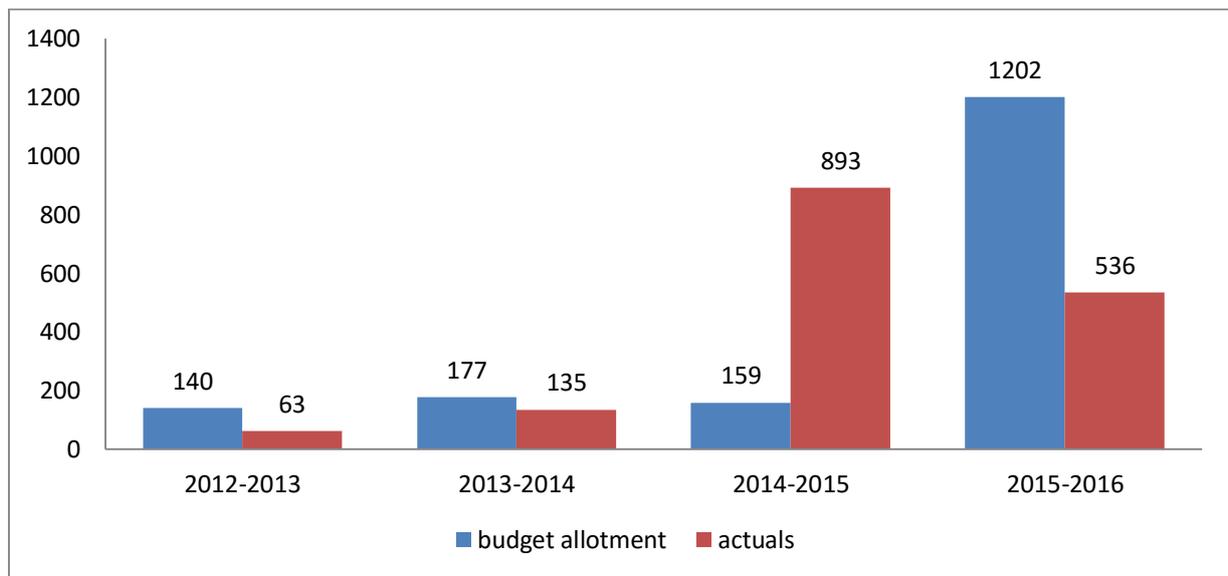


Interpretation: In the year 2012-2013 the Administrative charges was Rs.19 thousands and the budget allocated for EPF is decreased to Rs.16 thousands and then there is no change in the year 2013-2014. There is no budget allocation for the next year i.e 2015-2016.

BSNL – BUDGET – OF EXPENDITURE ON OFFICE ADMINISTRATION (Rs in 000's)

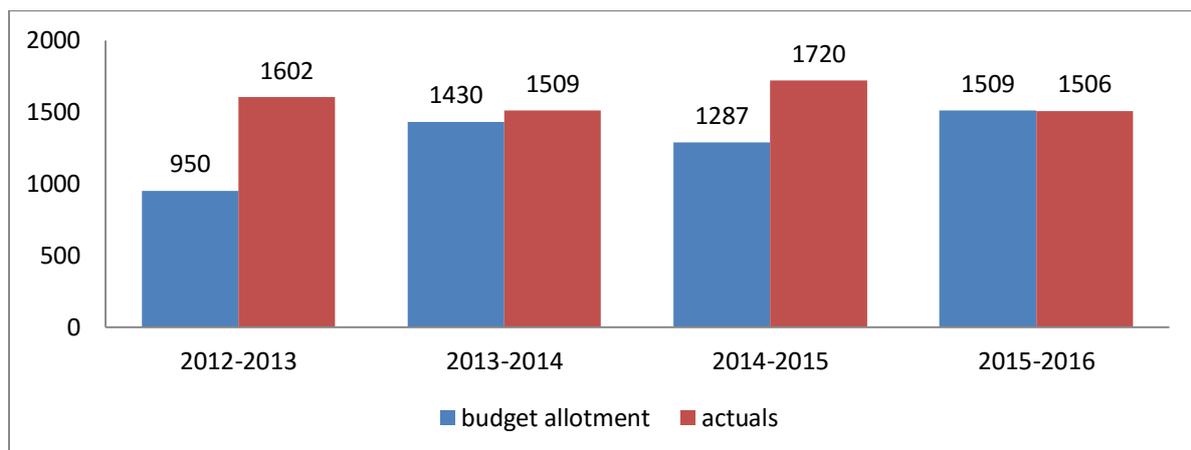
components	2012-2013		2013-2014		2014-2015		2015-2016	
	Budget Allotment	Actuals						
Water charges	140	63	177	135	159	893	1202	536
Electricity charges	950	1602	1430	1509	1287	1720	1509	1506
Fuel charges	56	109	47	11	42	40	11	110
Computer stationery	86	38	57	34	51	3	34	56
Repairs & mtce	2500	2841	2122	3053	3012	5298	4680	4784
Travel expenses	178	505	189	967	170	724	353	893
Printing	179	72	21	138	19	207.5	57.5	284.5
Stationery	65	61	47	62	42	207.5	57.5	284.5
Postal expenses	23	27	19	39	17	45	25	32
General expenses	2145	1294	1424	1259	1251	2851	1364	2195

1. Water Charges:



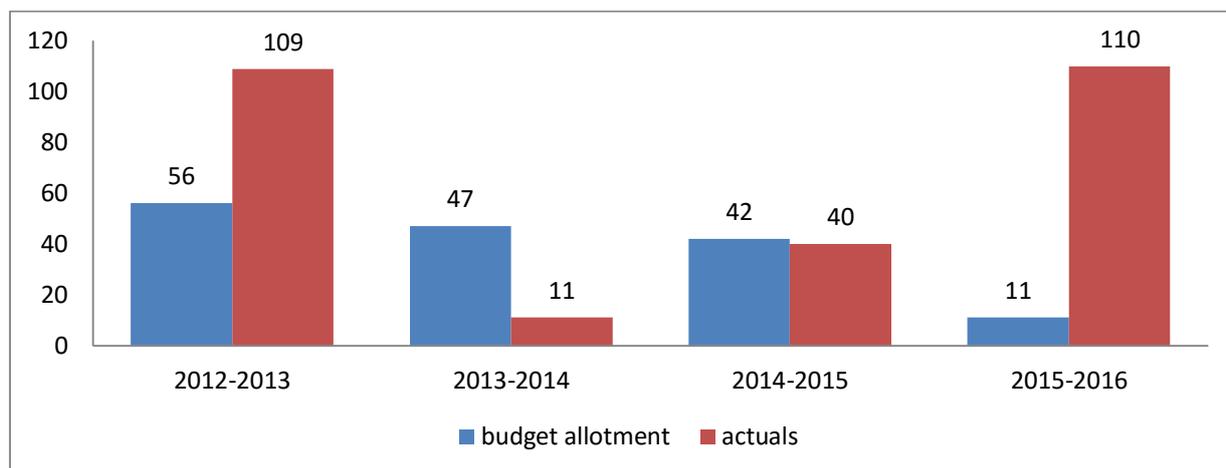
Interpretation: In the year 2012-2013 the expenditures for the water charges was Rs.63 thousands and the budget allocated for it is increased to Rs.140 thousands and in next year it has been increased to Rs.177 thousands in the year 2013-2014. The allotment was in increasing way than the actuals in the year 2015-2016 because the utilization of municipal water was more due to shortage of ground water.

2. Electricity Charges:



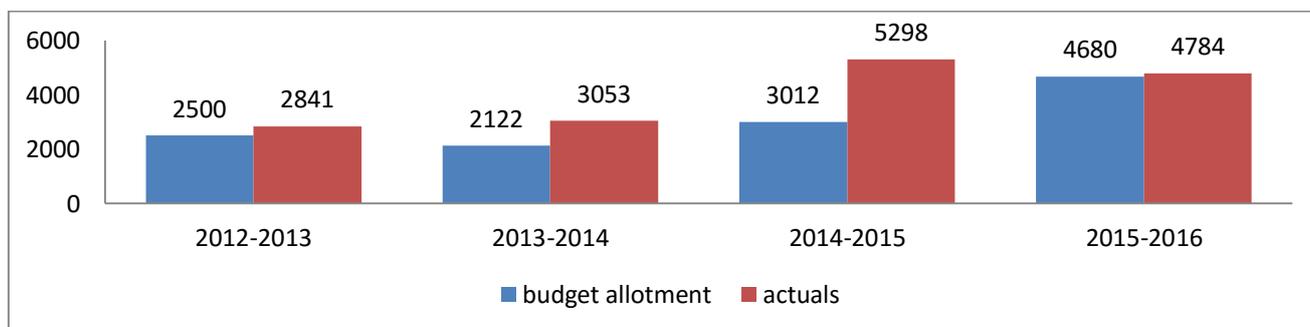
Interpretation: In the year 2012-2013 the expenditures for electricity charges was Rs.1602 thousands and the budget allocated for it is Rs.950 thousands no increase over previous year. The allotment was less than the actual in the year 2013-2014 and 2014-2015 and there is an increase in the allotment for the year 2015-2016 because generators are used in absence of power.

3. Fuel Charges:



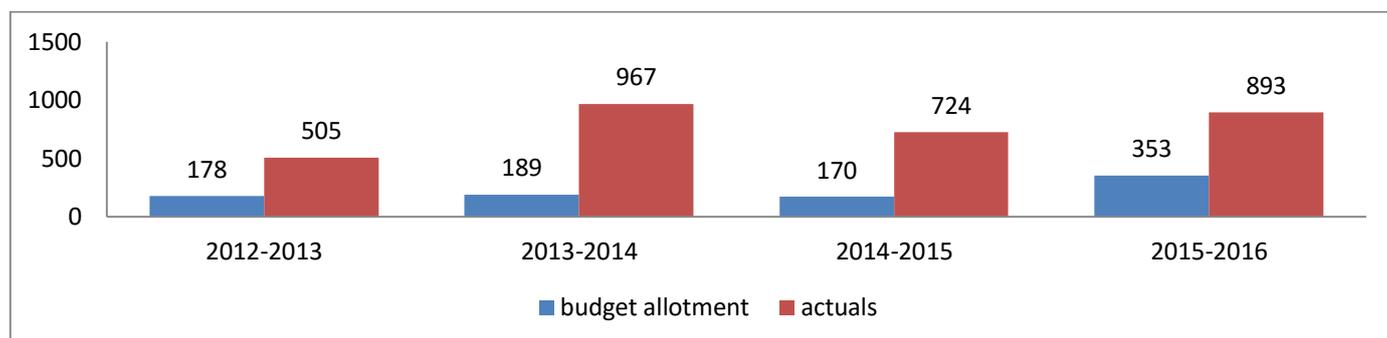
Interpretation: In the year 2012-2013 the budget allocation for the fuel charges was less when compared to the actual it is Rs.56 thousands and there is an increase in next year i.e Rs.47 thousands and Rs.42 thousands in 2013-2015. Again the allotment was less in the year 2015-2016 i.e Rs.11 thousands.

4. Repairs & Maintenance



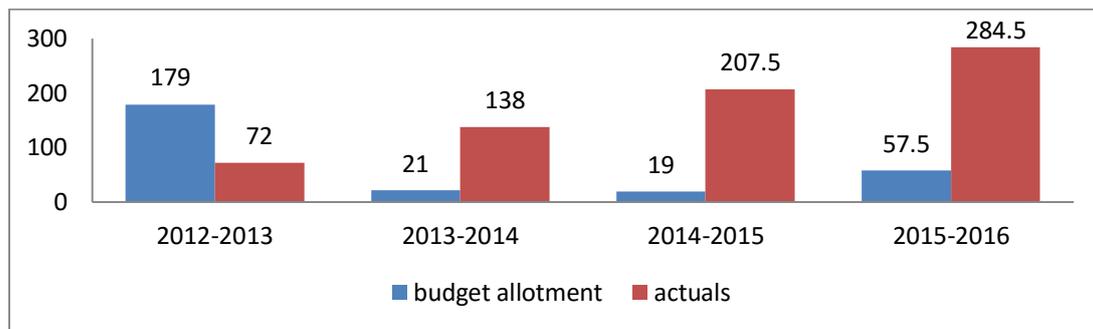
Interpretation: In the year 2012-2013 the repairs and maintenance was Rs.2841 thousands and the budget allocated for it is decreased to Rs.2500 thousands and in next year it has been increased to Rs.2122 thousands in the year 2013-2014. The allotment was in decreasing way than the actuals in the year 2015-2016 because no increase in the previous years.

5. Travel Expenses:



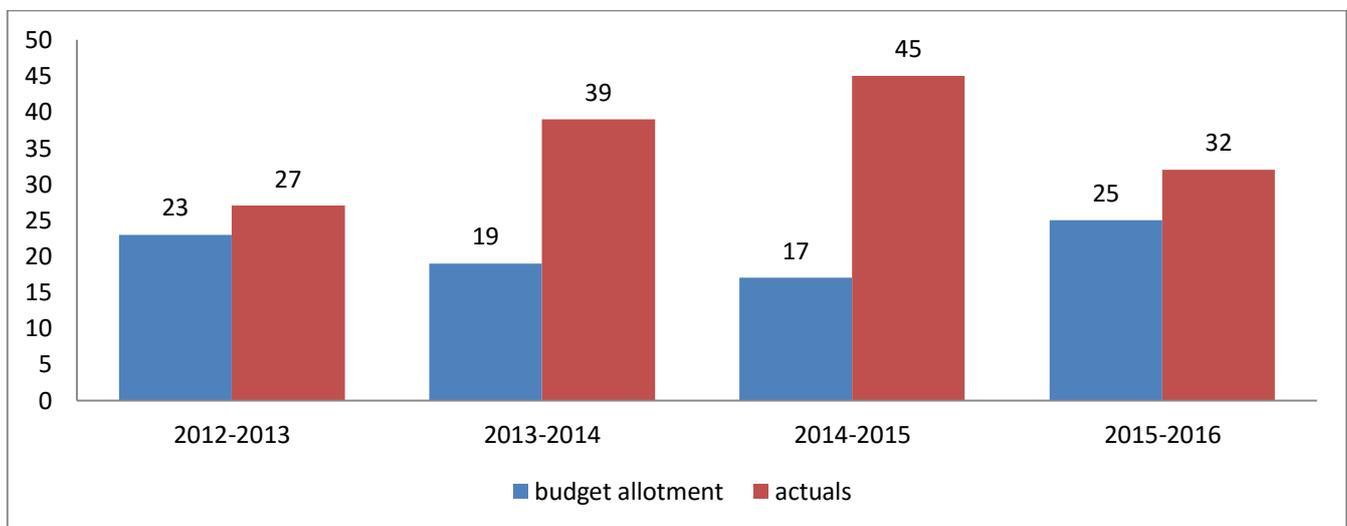
Interpretation: In the year 2012-2013 the travel expenses was Rs.505 thousands and the budget allocated for it is decreased to Rs.178 thousands and in next year it has been decreased to Rs.189 thousands in the year 2013-2014. The allotment was in decreasing way than the actuals in the year 2015-2016 because no increase in the previous years.

6. Printing:



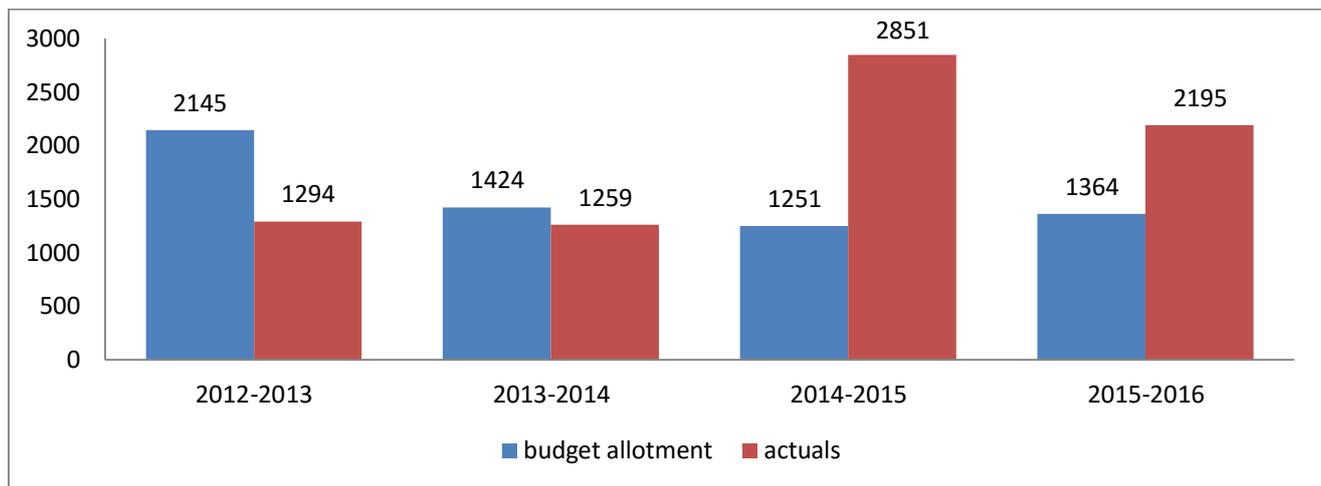
Interpretation: In the year 2012-2013 the printing expenses was Rs.72 thousands and the budget allocated for it is increased to Rs.179 thousands and in next year it has been decreased to Rs.21 thousands in the year 2013-2014. The allotment was in decreasing way than the actual in the year 2015-2016.

7. Postal Expenses:



Interpretation: In the year 2012-2013 the postal expenses was Rs.27 thousands and the budget allocated for it is decreased to Rs.23 thousands and in next year it has been decreased to Rs.19 thousands in the year 2013-2014. The allotment was in decreasing way than the actual in the year 2015-2016.

8. General Expenses:



Interpretation :In the year 2012-2013 the general expenses was Rs.1294 thousands and the budget allocated for it is increased to Rs.2145 thousands and in next year it is high compared to the actual in the year 2013-2014.The allotment was low than the actual in the year 2015-2016 because no increase in the previous years.

VI. FINDINGS

1. The study is concerned with the budgeting process of Telecom sector. The findings are with reference to data is collected, Organized, analyzed and interpreted.
2. There is an increase in the investments during 2014-2015 as compared to the previous year in 2013.
3. The budget process takes a long time due to this there is an effect on revenue.
4. Budget Allocation is not in proper way, as Available assets are not properly utilized.
5. Budgeted funds are mostly used for employee's salaries only.

VII. SUGGESTIONS

1. There should be an improvement in reduction period of working process at Telecom sector. As it is taking long time.
2. The company has to focus on cost control and cost reduction to a greater extent as its remunerative and administration expenditure is substantially high and it has adverse revenue effect on the profitability of the company.
3. Efficiency and competency in managing the affairs of the company should be maintained.
4. The assets of the Telecom sector should be effectively utilized which will improve the efficiency of the company.

VIII. CONCLUSION

The comparative study of actual and expected budget depicts that financial department working is good, as expected expenditures are lower than the projected amount in budget. Telecom sector is facing the capital problem because of which financial position There is very cut tough competition among the private telecom companies on the level of new trend of advertising to attract a major part of Customers. The entry of more private players in the telecom Sector have expanded the product segment to meet the different level of the requirement like 3G, Broadband, phone line, cable connection in on wire line to provide of the customers. It has brought about greater choice to the customers.

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