

Financial Evaluation of a Premier Sports Administrative Body (BCCI) in India



Ramroop K. Sharma
Assistant Professor (CES),
Dept. of Accounting & Financial
Management,
The M. S. University of Baroda,
Gujrat, India

Abstract

Sports means all forms of usually competitive physical activity or games which through casual or organised participation aim to use, maintain and improve physical ability and skills simultaneously providing enjoyment to participants, and entertainment for spectators. Sports is considered as an important component for the all round development of the human beings. It is playing a vital role in creating healthy competition and promoting good relationship within the communities. Achievements in sports at national and international level are a matter pride. As modern sports has become highly competitive, mainly due to increasing awareness, availability and use of modern infrastructure, advanced and scientific equipments as well as adequate societal support. Among many sports, cricket is more popular in India and a premier sports administrative body for promoting the sports of cricket in India is the Board of Control for Cricket in India (BCCI) which is working dynamically and relentlessly. This paper makes financial evaluation of the BCCI. Period of the study is five years i.e., from 2010-11 to 2014-15 and secondary data are used. The findings suggest that BCCI has a little excess liquidity which results into idle cash. Further, profitability of BCCI is declining. The best source of income is T 20 competitions. All these findings have managerial implications.

Keywords: Financial Evaluation, BCCI, Sports of Cricket.

Introduction

Financial evaluation is necessary to ascertain success of any organization so as in case of the BCCI. In order to get tangible benefits, a wise planning and implementation is required with respect to its financial resources, investment and revenue to enable the organization to render services effectively and efficiently. As the modern approach of financial management is concerned with not only raising of funds but also effective utilisation of funds, therefore, it is necessary that (i) BCCI has sufficient funds, (ii) it properly utilizes funds, (iii) it makes profits and (iv) ensures welfare of members of the organisation. Unlike ancient times, today, sports play an import role. It is also opted as a career choice. Both central and statement governments have sports departments and policies in place to supporting such endeavors.

Aim of the Study

To make financial evaluation of the BCCI, based on profitability and liquidity.

The Role of Board of Control for Cricket in India

The BCCI was established in the year, 1928, headquartered at Mumbai. It has registered as a Society under the Societies Registration Act, 1860 and the Tamil Nadu Societies Registration Act, 1975. The BCCI is also a full member of the International Cricket Council and the Asian Cricket Council. The BCCI is a non-profit organization and the primary objective is to promote, develop and control the game of cricket in India. In consonance with the objective, it has to adhere with the required regulations and accordingly, the Board shall be comprised of (a) president, (b) five vice-presidents, one from each zone, (c) an honorary secretary, (d) an honorary joint secretary and (e) an honorary treasurer. The affairs of the Board shall be managed by a working committee consisting of: (a) the president, (b) the honorary secretary, (c) the honorary joint secretary and (d) the honorary treasurer. The working committee shall have all the powers of the Board and authority, and discretion to do all acts and things except such acts as directed or required to be done by a general meeting of the Board. BCCI conducts cricket matches for both men's cricket and women's cricket such as Test Cricket, One Day Internationals, Twenty 20 (T 20), Indian Premier League (IPL), Senior Domestic, Junior Domestic,

Ranji Trophy, Other Trophies, Inter State, Inter Zonal, Inter Zonal University Championship, Inter State T 20 and Under 19. Historically, the British army took on the English settlers in the first recorded cricket match in India in 1751.

National Sports Policy Initiatives

Physical education, games and sports have been receiving attention over successive plans. However, it was only after India hosted the IX Asian Games in 1982 that "sports" became as a subject of policy. National Sports Policy, 1984 was the first move for developing an organized and systematic framework for the development and promotion of sports in the country, and the precursor of the present National Sports Policy, 2001. The salient features of the policy are: 1. broad-basing of sports and achievement of excellence; 2. up-gradation and development of infrastructure; 3. support to National Sports Federations and other sports bodies; 4. strengthening of scientific and coaching support to sports; 5. special incentives to promote sports; 6. enhanced participation of women, scheduled tribes and rural youth; 7. involvement of corporate sector in sports promotion; and 8. promote sports mindedness among the public at large.

Research Methodology

The study is based on case study approach and secondary data are used. Main source of data is annual reports which were downloaded from website of the BCCI for the financial years from 2010-11 to 2014-15. Ratio analysis is used as a total for financial evaluation because ratios are better indicators than absolute figures. Though, it is a powerful tool for financial analysis but it has own limitations.

Data Presentation and Analysis

Liquidity Ratios

Liquidity ratios establish relationship between current assets and current liabilities. Such ratios are used to evaluate a firm's ability to meet short term obligations as and when due.

Current Ratio

It is also known as working capital ratio and it shows rupees of current assets available for each rupee of current liability. It is a crude measure of liquidity because it does not consider liquidity of individual components of current assets as well as their quality. Traditionally, the recommended or standard current ratio is 2. It is calculated as current assets divided by current liabilities.

Table 1: Current Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Current Assets (Rs. Crores)	2463.17	3245.92	2076.95	1856.58	2836.01
Current Liabilities (Rs. Crores)	1392.33	1782.78	1766.9	1685.86	2832.64
Current Ratio	1.7691	1.82071	1.17548	1.10127	1.00119

Source: Computed from annual reports.

Table 1 shows that current ratio is decreasing over the five years approximately from 1.76 to 1.0. Therefore, current assets are reducing day by day. This may be due to the fact that BCCI being a service rendering organization and there may not be more current assets in terms of debtors and stock.

Quick Ratio

This ratio is also known as liquid or acid test ratio. It measures the firm's capacity to pay off current

obligations immediately. It is a more rigorous test of liquidity than current ratio. It considers the assets which can be converted into cash immediately or without a loss of value. It is used as a complementary to current ratio. It excludes inventories from current assets. Traditionally, quick ratio of 1 is recommended. It is calculated as quick assets divided by quick liabilities.

Table 2: Quick Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Quick Assets (Rs. Crores)	Inadequate Details	2273.17	2076.23	1855.48	2834.83
Quick Liabilities (Rs. Crores)	Inadequate Details	1782.78	1766.9	1685.86	2832.64
Quick Ratio	-----	1.27507	1.17507	1.10061	1.00077

Source: Computed from annual reports.

As per Table 2, quick ratio for the year 2010-11 is not calculated as no adequate classification of assets is given the annual report. Over the remaining four years, this ratio is showing decreasing trend and in the last year of study it is almost 1. Hence, BCCI has satisfactory liquidity provided its current assets do not include much amount of debtors.

Cash Ratio

It is also used along with current ratio. Here cash and bank has been considered as components of current assets. It is calculated as absolute liquid assets divided by current liabilities.

Table 3: Cash Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Absolute Liquid Assets (Rs. Crores)	Inadequate Details	1359.76	1188.36	1340.97	2159.42
Current Liabilities (Rs. Crores)	Inadequate Details	1782.78	1766.9	1685.86	2832.64
Cash Ratio	-----	0.76272	0.67257	0.79542	0.76233

Source: Computed from annual reports.

As per Table 3, cash ratio shows fluctuating trend from over the four years, and it remains on an average approximately 0.75. As recommended ratio is 0.5, therefore, BCCI has more than required liquidity.

Profitability Ratios

Profitability ratios dictate the firm's efficiency of operations.

Net Surplus to Total Net Income Ratio

It indicates the efficiency of the firm after considering all expenses and income taxes. It is calculated as net surplus divided by total net income.

Table 4: Net Surplus to Total Net Income Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Net Surplus (Rs. Crores)	189.73	382.36	319.11	525.95	166.87
Total Net Income (Rs. Crores)	581.29	849.44	1017.31	1139.36	1266.41
Net Surplus to Total Net Income Ratio	0.32639	0.45013	0.31368	0.46162	0.13177

Source: Computed from annual reports.

As per Table 4, net surplus to total net income ratio is exhibiting fluctuating trends over the years of the study and it ranges from 0.32 to 0.13. In the last year i.e., 2014-15, surplus ratio is substantially low.

Major Income Ratios

These ratios indicate the major source of income from sports activities of the BCCI.

International Income Ratio

It indicates the income earned from operating international sports activities in comparison with total income. It is calculated as international income divided by total income.

Table 5: International Income Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
International Income (Rs. Crores)	194.1	213.45	216.02	193.52	120.78
Total Income (Rs. Crores)	581.29	849.44	1017.31	1139.36	1266.41
International Income Ratio	0.33391	0.25128	0.21234	0.16985	0.09537

Source: Computed from annual reports.

Table 5 details international income ratio which shows decreasing trend over five years from 0.33 to 0.09. More importantly, it is reducing which is not a good sign for promoting cricket internationally and for financial viability of the organization.

IPL Ratio

This ratio shows proportionate share of income from conducting IPL cricket matches in relation with total income. It is calculated as IPL income divided by total income.

Table 6: IPL Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
IPL Income (Rs. Crores)	118.76	265.14	150.03	334.86	126.17
Total Income (Rs. Crores)	581.29	849.44	1017.31	1139.36	1266.41
IPL Ratio	0.2043	0.31214	0.14748	0.2939	0.09963

Source: Computed from annual reports.

From Table 6, it is clear that IPL ratios are fluctuating over the years i.e., from 0.20 to 0.09 and in last year it is lowest. So, conducting IPL matched does not fetch consistent income to the BCCI.

T 20 Ratio

It discloses the income earned from T 20 cricket matches as compared with total income. It is calculated as T 20 income divided by total income.

Table 7: T 20 Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
T 20 Income (Rs. Crores)	48.29	47.63	278.88	327.5	742.8
Total Income (Rs. Crores)	581.29	849.44	1017.31	1139.36	1266.41
T 20 Ratio	0.08307	0.05607	0.27413	0.28744	0.58654

Source: Computed from annual reports.

According to Table 7, T 20 Ratio shows increasing trend over the years of the study i.e., from 0.08 to 0.58 and therefore it is a good sign and it leads to increase in profitability of the organization.

Fixed Assets Management Ratio

It indicates the relative efficiency with which the firm utilizes its resources in order to render services.

Fixed Assets Turnover Ratio

It shows the firm's ability to generate income per rupee of investment in non-current assets. The ratio shows the relative efficiency of using fixed assets. It is calculated as total income divided by total fixed assets.

Table 8: Fixed Assets Turnover Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Income (Rs. Crores)	581.29	849.44	1017.31	1139.36	1266.41
Total Fixed Assets (Rs. Crores)	67.72	62.39	15.47	14.52	14.46
Fixed Assets Turnover Ratio	8.58373	13.615	65.7602	78.4683	87.5802

Source: Computed from annual reports.

In Table 8, as fixed assets turnover ratio is increasing from 8.58 to 87.58, it signals an increase in income generated by the organization through the efficient use of fixed assets. Further, it sharply increases from 13.61 in the year 2011-12 to 65.76 in the year 2012-13 which is good for the BCCI.

Coverage Ratio

It is designed to relate the financial charges of a firm and its ability to service them.

Interest Coverage Ratio

It is one of the most traditional ratios of the coverage ratios. Higher the interest coverage ratio, safer is the interests of long term creditors because even if Earnings before Interest and Taxes (EBIT) fall, firm will be able to meet its commitment on account of interest charges. It is calculated as EBIT divided by total interest.

Table 9: Interest Coverage Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
EBIT (Rs. Crores) (Income-all expenses except interest)	688.28	388.05	329.83	548.4	201.83
Total Interest (Rs. Crores)	9.98	5.69	10.72	22.45	34.96
Interest Coverage Ratio	68.9659	68.1986	30.7677	24.4276	5.77317

Source: Computed from annual reports.

In accordance with Table 9, interest coverage ratio is reducing over the five years period from 68.96 to 5.77. However, the decline is sharp in the last three financial years. So, ability of BCCI to repay interest over the years is reducing and approximately it is six times in the year 2014-15.

Expenditure Ratio

It shows proportion of expenditure in relation to total expenditure of the firm.

Cricketing Expenditure Ratio

It shows direct expenditure incurred in cricketing activities in relation with total expenditure. It is calculated as cricketing expenditure divided by total expenditure.

Table 10: Cricketing Expenditure Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Cricketing Expenditure (Rs. Crores)	253.62	338.38	551.17	516.83	928.21
Total Expenditure (Rs. Crores)	391.56	467.08	698.2	613.41	1099.54
Cricketing Expenditure Ratio	0.64772	0.72446	0.78942	0.84255	0.84418

Source: Computed from annual reports.

Table 10 reveals increasing trend in cricketing expenditure ratio over five years period and such an increase is more in the first three years than last two years. More cricketing expenditure shows that the focus of BCCI is on cricketing activities.

Funds Ratio

It shows availability of general and earmarked funds in relation with the total liability of the enterprise.

Funds to Liabilities Ratio

Higher the funds to liabilities ratio indicates more availability of funds in proportion with total liabilities. It is calculated as funds divided by liabilities.

Table 11: Funds to Liabilities Ratio

Particulars	Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
Funds (Rs. Crores)	1138.56	1525.53	1855.04	2403.08	2604.33
Liabilities (Rs. Crores)	2530.89	3308.31	3621.94	4088.94	5436.97
Funds to Liabilities Ratio	0.44987	0.46112	0.51217	0.5877	0.479

Source: Computed from annual reports.

Table 11 shows that funds to liabilities ratio shows an increasing trend in first four years i.e., approximately from 0.44 to 0.58 and it is decreasing in the last year to approximately 0.47. It shows that on an average 50% funds are available to meet liabilities.

Findings

To sum up findings:

1. BCCI has more than required liquidity despite of having a slightly low current ratio. It should ensure that if there are much idle cash or bank balance, it should invest in short term marketable securities.
2. In the last year i.e., 2014-15, surplus ratio is very low.
3. International income is reducing over the years.
4. Income from IPL matches is not consistent over the years.
5. Good amount of income is generated by conducting T 20 cricket matches. It leads to increase in profitability of the organization.
6. Increasing fixed assets turnover ratio signals higher efficiency of use of fixed assets which is commendable.
7. Though interest coverage ratio is reducing over the years, the ability to pay interest is adequate and it is six times in the year 2014-15.
8. More cricketing expenditure shows sustainability and focus of the BCCI on cricketing activities.
9. Analysis shows that approximately on an average 50% funds are available to settle liabilities of BCCI.

Conclusion

The BCCI has good liquidity position. It has also used fixed assets efficiently. However, the profitability of BCCI is declining which is a matter of concern. Moreover, with respect to accounting practices, there exists inadequate disclosure of current assets in annual reports for the years 2010-11 and 2011-12.

Recommendations

Though, BCCI is a non-profit organization, it should strive to increase the profitability in order to sustain and promote sports of cricket and thereby welfare of all concerned and the community members.

To achieve this, the BCCI can revamp IPL sports activities. The idle cash can also be invested in short term marketable securities to earn income. Also, the idea of increasing frequency of T 20 cricket match competitions can be explored. It should also prepare and disclose more detailed financial statements with proper classification of financial items in its annual report.

References

- BCCI, *Annual Report 2010-11*, retrieved from <http://www.bcci.tv>
- BCCI, *Annual Report 2011-12*, retrieved from <http://www.bcci.tv>
- BCCI, *Annual Report 2012-13*, retrieved from <http://www.bcci.tv>
- BCCI, *Annual Report 2013-14*, retrieved from <http://www.bcci.tv>
- BCCI, *Annual Report 2014-15*, retrieved from <http://www.bcci.tv>
- BCCI, *History*, retrieved from <http://www.bcci.tv/about/2016/history>
- BCCI, *Rules and Regulations*, retrieved from <http://www.bcci.tv/about/2016/bcci-rules-regulations>
- Government of India, Ministry of Youth Affairs and Sports, *Annual Report 2014-15*, pp. 100-101, retrieved from <http://yas.nic.in/sites/default/files/Annual%20Report%202015%20English.pdf>
- Gupta, Shashi K., & R. K., Sharma, *Management Accounting Principles and Practice*, 11th Revised Edition, Kalyani Publishers, New Delhi, 2010.
- Tulsian, P.C., *Tulsian's Financial Management for CA-PCC/IPCC & Policy A Self Study Textbook*, 1st Edition, S. Chand & Company Ltd., New Delhi, 2010.
- Van Horne, James C., *Financial Management & Policy*, 12th Edition, Prentice-Hall of India Private Limited, New Delhi, June 2002.
- <http://tsne.org/blog/why-evaluation-important-your-nonprofit>