Contribution of Telecommunication Industry towards Indian Economy

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Abstract

Telecommunications Industry of India is one of the extensive and leading industries in the world. This industry connects different parts of India through different modes like telephone, radio, television, satellite and internet. The Telecom Regulatory Authority of India regulates this industry by providing a regulatory framework and favourable environment for its efficient operation. Rapid growth of telecommunications in country has been creating opportunities for many players from Asia, Europe and other parts of world. Relative assessment of efficiencies can be used to expand productivity and competitiveness. This study shows the contribution of telecom sector towards Indian economy. At the end researcher also gave some suggestions to enhance its present contribution.

Keywords: Telecom industry, Indian economy, skilled employee

Introduction

Indian Telecom Industry is considered as an essential tool for development of country on the whole by contributing towards immense growth, quick expansion and upgradation of different sectors of the country. This industry has grown greatly during the past decade owing to the unprecedented growth of wireless telephony in India and infrastructure which not only is beneficial for the industry but has positive effects on entire economy. Foremost sectors of the Indian telecommunication industry are telephone, internet and television broadcast industry which is in an ongoing process of transforming into next generation network, employs an extensive system of modern network elements like digital telephone exchanges, mobile switching centres, media gateways and signalling gateways, interconnected by a wide variety of transmission systems using fiber-optics or Microwave radio relay networks.

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Objectives:

The objectives of this study are:

- To analyze the history and evolution of Indian Telecom Industry.
- To identify the present trends in the Indian Telecom Industry and its growth.
- To study the future growth opportunities in the Indian Telecom Industry.
- To provide some suggestions for improvement in overall contribution towards economy.

History of Indian Telecom Industry

The era of telecommunication in India started from the year of 1851 with the initiative from govt. of India near the city of Calcutta now known as Kolkata. However the rapid growth in telecom industry came into picture after the year of 2002-03 onwards as the more number of service providers came into existence. Since 2002-03 there is rapid change in the technology and increase in numbers of subscribers in the Indian telecom industry till now. The following are the milestones in the Indian telecom industry

- 1851 First operational land lines were laid by the government near Calcutta.
- 1881 Telephone services introduced in India.
- 1883 Merger with postal system.
- 1923 Formation of Indian radio Telegraph Company.
- 1932 Merger of ETC and IRT into Indian Radio and Cable Communication Company.
- 1947 Nationalization of all foreign telecommunication companies to form the posts, telephone and telegraph, a monopoly run by the government’s ministry of communications.
- 1985 Department of telecommunication established an exclusive provider of domestic and long-distance services that would be its own regulator.
- 1986 Conversion of dot into two wholly government – owned companies the VSNL for international telecommunication and MTNL for services in metropolitan areas.
- 1997 Telecom regulatory authority created.
Present Position of Indian Telecommunication Industry

India is the world’s second-largest telecommunications market, with over 1.21 billion subscribers as of July 2017. Wireless segment (98.02 per cent of total telephone subscriptions) dominates the market. India is also the second largest country in terms of internet subscribers. The country is now the world’s second largest smart phone market and will have almost one billion unique mobile subscribers by 2020. Revenues from the telecom equipment sector are expected to grow to US$ 26.38 billion by 2020.

India’s telecommunications market is expected to experience further growth, fuelled by increased non-voice revenues and higher penetration in rural market. The emergence of an affluent middle class is triggering demand for the mobile and internet segments.

Strong policy support from the government has been crucial to the sector’s development. Foreign Direct Investment (FDI) cap in the telecom sector has been increased to 100 per cent from 74 per cent.

According to Department of Industrial Policy and Promotion and the Department of Telecom, the contribution of mobile industry to country’s GDP will increase to 8.2 per cent by 2020, presently which contributes 6.5 per cent to the GDP. This report also said that the mobile industry will add 800,000 more jobs. In terms of unique mobile phone subscribers, India is expected to cross the 1 billion mark by 2020. India will witness an increase in adoption of 4G services with number of 4G connections estimated to grow to 280 million by 2020 from just 3 million in 2015.

Vision 2020 – Trends and targets

Following are the set targets for telecommunication industry:

- Total number of SIM connections is expected to reach 1.4 billion by 2020 from the current 1.1 billion.
- With 646 million unique mobile subscribers, India is the second largest mobile market in the world and will add more than 300 million new unique subscribers by 2020.
- Telecom sector contribution to GDP will reach 8.2 per cent by 2020.
- Smart phone subscriptions will reach 674 million by 2020.
• Telecom sector will provide 5 million direct and indirect employment by 2020 from the current 4 million jobs.

• Wearable device market is expected to grow from 2.5 million units in 2016 to 4.1 million units in 2020.

• India has shown tremendous growth potential for IOT solutions with the market poised to reach USD 15 billion by 2020 with 2.7 billion units of connected devices from the current USD 5.6 billion with 200 million units of connected devices in 2016.

• Data growth driving operator revenues from USD 31 billion in 2016 to USD 39.7 billion in 2020 with a capex investment of USD 35 billion during the period 2016-2020.

**Areas required more attention**

There are number of issues which should be given due weightage for further development of telecommunication industry:

*Electricity-related issues*

Erratic power supplies/ non-availability of power hinder the smooth operations of telecom tower infrastructure. Around 40 per cent of the telecom towers face load shedding for more than 12 hours per day. To ensure a high degree of reliability and availability of telecom services, the tower companies have invested and deployed solution like DG sets, batteries, etc. thereby increasing the cost of services. Sharing of common resources should be reclassified to reduce the cost burden on telecom companies.

*Security protection of telecom infrastructure*

There are number of instances in which telecom infrastructure is affected by building owners to re-negotiate the commercial terms. Fibre cut is another common issue. There is a necessity for defining the security framework for telecom infrastructure assets such as fibre and telecom towers deployed across the country. This framework should allow the assets to be treated as essential infrastructure and stringent penal provisions should be in place to mitigate risk of damage to these assets.

*Lack of infrastructure status benefits*

Infrastructure benefits should be providing like:
• Availability of Funds at Concessional Rates
• Allowing higher ECB limits to fulfill Working Capital requirements
• Funding for Renewable Energy
• Extending Viability Gap Funding (VGF) facility
• Providing accelerated depreciation and tax holidays
• Lower import duties and excise exemption

Challenges related to taxation structure Levy of property tax on mobile towers. As telecom towers are connected to the ground, they are often considered as fixed assets and subjected to extra levies such as property tax. Levy of property tax on telecom towers varies in rates/amounts depending on whether it is levied by State Governments, Municipal Corporations and Municipalities. The Central government should come up with guidelines to ensure property tax is levied at uniform rates and is consistent across various state and regional authorities.

Need to Enhance Manpower Capabilities

Skilled manpower is one of the major drivers in the overall growth of the telecommunications industry. Roll out of 4G technology with an increase in data, entry of new players in the market, introduction of digital wallets, popularity of smart phone leading to consistent increase in demand for this type of technology and other developments in the industry are speculated to increase job opportunities by 20 lakhs in the year 2017 itself. Also, emerging technologies like as 5G, M2M and the evolution of ICT are expected to create employment avenues for almost 870,000 individuals by 2021. The existing manpower in the sector may not be sufficient both in number as well as in skill to cater to the upcoming demand. There is an urgent need to bridge the gap in skill which on the one hand would require identification of skilled manpower in diverse roles such as infra and cyber security experts, application developers, sales executives, infrastructure technicians, handset technicians etc. as well as on the other hand re-skilling of existing manpower working on existing technologies for them to be updated with upcoming requirements. Government initiatives such as ‘Skill India’ have been implemented for the ease of providing sufficient and appropriate manpower to the telecom sector, among other sectors. However, the Industry suggests more targeted and specialised skill development programmes that would enhance existing manpower capabilities and availability to ensure uninterrupted development of this industry as a whole.
Conclusion

The technological transformations along with digital initiatives are designed to create a competitive advantage for the industry while empowering citizens. This industry works as a backbone for multiple key sectors of the economy and with the ongoing explosion in data, the outlook for the sector remains positive. The industry, in collaboration with the government and regulatory bodies has been playing its part for development of the sector as well as furthering the government’s welfare initiatives. However, for the industry to contribute in the process more effectively, certain key steps would require to be taken to ensure efficiency as well as sustainability.

Suggestions

Following are the suggestions to increase the existing contribution of this selected sector towards Indian economy:

- By reduction in spectrum usage charge and license fees financial stress can be reduced.
- Skill development programme with a focus to this industry can reshape this industry by providing technical skilled workers.
- Preferential Market Access (PMA) policy may be revised to ensure level playing field for local and global telecom equipment manufacturers.
- Approval process for handsets may be streamlined to ensure competitive advantage does not get lost for handset manufacturers while launching new products.

These suggestions, if implemented, definitely it would help industry in coping with the financial burden presently faced, helping improve business performance as well as prepare for the next wave of growth in terms of new technologies such as IoT, M2M, 5G etc. and continue in the path of connecting the country and helping the government achieve the digital dream and inclusive development.

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