



## India's Telecom Space

This editorial is based on [“Don't Wait for a Distress Call”](#) which was published in Indian Express on 25/11/2021. It talks about the significance of the Telecom Sector in the Indian Economy.

In July 2021, India celebrated three decades of its “big-bang” economic reforms of 1991, one that catapulted the country from being a socialist economy with a heart but no trickle-down, to a market-oriented economy with a mind and a little trickle-down.

In the pre-1991 period, the principal modes of redistribution were taxation and public sector operations. In the post-1991 period, it has been a combination of taxation, technology, smartphones and the associated [Direct Benefit Transfers \(DBTs\)](#).

While the sources of growth in the Indian economy are aplenty, there are very few that have potentially addressed the twin objectives of growth and inclusion, one of them being the [Telecom sector](#).

### Telecom Sector and Economic Growth

- **Telecom Sector and India:** India is currently the **world's second-largest telecommunications market** with a subscriber base of more than 1.20 billion and has registered strong growth in the past decade and a half.
- **Telecom's Contribution in Economic Growth:** Telecom is the **second highest revenue earner** for the government, after income tax. The [Digital India programme](#) is also almost completely dependent on the telecom sector.
  - Every 10% increase in investment in telecom, for example, leads to a 3.2% increase in [GDP growth](#) for India.
  - Indian telecom has played a **critical role in building the country's digital infrastructure**.
    - By June 2021, there were 768 million mobile broadband subscribers, almost double the number of subscribers three years ago.
  - Mobile data traffic increased at a [Compound Annual Growth Rate \(CAGR\)](#) of 44% during 2018-21.
    - This has largely driven the proliferation of content services, **e-commerce, ride-hailing, hyper-local, e-education and e-healthcare services**.
- **The Jan Dhan-Aadhar-Mobile (JAM) Trinity for Inclusion:**
  - Mobile phones have become a means for sophisticated financial integration, as shown by the expanding usage of pre-paid payment instruments and mobile banking.
  - The [Jan-Dhan Yojana \(JDY\)](#) attempts to **include the marginalised and unbanked** through technology.
    - As of October 2021, a total of 440 million bank accounts have been opened and more than 310 million RuPay cards have been issued under the scheme, indicating the large unmet demand for banking services.
  - The **Aadhaar identity card is envisaged as the sole KYC proof**, besides serving as the **backbone for Direct Benefit Transfer (DBT)** when linked to bank accounts.
  - This JAM trinity ties the Aadhaar number to an active bank account, making income

transfers predictable and targeted.

- Aadhaar-linked bank accounts have **increased efficiency and reduced leakages.**

- **Recent Reforms in Telecom Sector:** Recently, the Government of India has approved a number of structural and process [reforms in the Telecom sector](#).
  - Besides providing immediate **relief on payment of licence fee** and penalties due to the government, the package **increased FDI limits, extended licence tenure** to 30 years from 20, **removed charges on spectrum-sharing** and proposed timelines for spectrum auctions.

## Issues Faced by the Telecom Sector

- **Issues With Telecom Policy:** Reforms in India, more often than not, happen on the back of a crisis. The same is also true for the telecom sector.
  - Although digital investments have had a salutary effect on inclusion and growth, they have done so in intermittent bursts, simulating a wave-like motion.
  - The benefits of digitalisation could have been much larger and more widespread, **had the telecom policy been more predictable and less erratic.**
- **Telecom, A Heavily Indebted Industry:** From the past few years, the government has been struggling to bail out the heavily indebted industry, the proximate reasons for which are:
  - An intense and debilitating price war
  - Unreasonable definition of [Adjusted Gross Revenue \(AGR\)](#)
  - Extractive spectrum auction regime
- **Possible Duopoly in Telecom Market:** Over the last 20 years, the telecom sector has turned out to be a graveyard for over two dozen companies, leading to massive erosion of value for stakeholders.
  - India's telecom market is at the **brink of becoming a duopoly** with two of four key operators struggling to stay afloat.

## Way Forward

- **Pool of Capital to Buy the Spectrum:** The government could form a pool of capital to buy the spectrum from telcos, and lease it back for short periods for a share of the telcos' revenue, **relieving them from the urgency of spectrum payment fees.**
- **Special Zero-Coupon Bonds:** The administration should **accept special zero-coupon bonds** worth the entire amount due from telecom companies that have AGR funding issues, at a discount to face value, based on the comparable sovereign bond yield at the time of issue.
  - The zero-coupon structure would mean that telecom companies will have **no immediate interest costs, thus easing pressures on cash flows** without tariff increases.
- **Increasing Competition, Eliminating Duopoly:** It is imperative to have adequate competition in the market, and a duopoly would hardly ensure it.
  - It is **critical to have at least three private players** in telecom.
  - **Bringing down spectrum usage charge (SUC)**, a relic from an era when spectrum was allotted (bundled with a licence to operate), is only logical and fair in a regime when spectrum is being auctioned at high prices.
  - An **integrated view for telcos, with innovative solutions**, is the need of the hour.

### ***Drishti Mains Question***

Indian telecom has played a critical role in building the country's digital infrastructure. Discuss.