



## Indian Telecommunication Sector The Changing Trends

**Manpreet Kaur**

Assistant Professor Lyallpur khalsa college Jalandhar

### ABSTRACT

*Indian Telecommunication sector is one of the fastest growing sector in the world meeting up with the global standards. It has changed the way of people to communicate by valuing their every second. This sector has covered a long journey from fixed phones to cellular services, from public sector's monopoly to private sector's inclusion. This paper attempts to analyse these shifting patterns from wireline to wireless and from wholly Government ownership to entry of private incumbents with the promise of quality services which also introduced competition in the market. Data has been collected from various sources, DOT Reports, TRAI Reports, websites etc.*

**KEYWORDS :** Telecommunication, wireline, wireless, Public, Private

Communication, an important and significant part of economic infrastructure, directly contributes in production and distribution process of economy. Telecommunication is the easiest way to communicate in such a fast world where people want to value their every second.

The Indian Telecommunication network is the second largest network in the world after China. The country is having 971.01 million telephone connections, including 944.01 million wireless telephone connections as on December 31, 2014 (Annual Report 2014-15, Department of Telecommunications). This sector has emerged as one of the fastest growing market in the world with private sector dominating the market. The share of private sector in telephones is 89.15 percent upto December, 2014. (Annual Report 2014-15, DOT)

In this paper, an effort has been made to explore the changing trends of Indian Telecommunication sector by comparing the growth and performance of the public and private incumbents of this sector and analyzing the shifting patterns from wireline to wireless services.

### Objectives of This Paper

1. To accentuate the history of Indian telecommunication sector as a government monopoly.
2. To compare the growth and performance of public and private sector of Indian telecommunications.
3. To highlight the changing trends of customers from wireline to wireless.
4. To make comparisons of market share of public and private sector and to explore the reasons behind the dominating sector's growth.

This paper is organized into three sections. Section-I discusses the brief history of Indian telecommunication sector before the entry of private players. Section-II analyzes the effects of liberalization and different national telecom policies on telecommunication sector of India and entry of private sector in the market. Section-III highlights the changing trends by making various comparisons in Indian Telecommunication sector.

### Section 1

The telecommunication sector has been working in India for more than a century. Telephone services were started in India in 1881 and the telecommunication sector remained a public monopoly upto the middle of 1980's. In 1985, Private sector was allowed to manufacture telecommunication equipments for the first time. Department of Telecommunications (DOT) was also established in 1985 and it was the sole provider of domestic and long distance services. In 1986, two wholly government owned companies Videsh Sanchar Nigam (VSNL) for international telecommunications and Mahanagar Telephone Nigam Limited (MTNL) for telecommunication services in some of the metropolitan areas were formed but other rural and urban areas remained under regulation of DOT. (Government of India, Handbook of BSNL). Later on, major share of VSNL was purchased by TATA company.

Telecommunication sector was entirely government owned market

of very small size till 1990's. Due to lack of funds and competition in such a market, call charges were very high i.e. that were never in the favour of a consumer. Public monopoly of telecommunication market was such a situation where the customers were left with no choice but to accept whatever was given by the monopoly service provider. Consumer could not exert their preferences (Shanthi, 2006).

### Section-II

In 1991, a severe economic crisis engulfed India. At that hard time, under the congress government headed by P.V. Narsimha Rao, the then finance minister, Dr. Manmohan Singh introduced the policy of liberalization, privatization and globalization. Telecommunication sector is one of the major beneficiaries of such a government policy. This policy gave a start to the entry of private players in telecommunication sector. This measure was adopted by the government of India with a view to increase the flow of investments to priority sectors. This has happened in the area of telecommunication that large funds are invested by private sector which raised the competition, to such a level that ultimate benefit has been reached to the consumer in the form of lower tariff rates of telecommunication services. With liberalization which means to reduce unnecessary restrictions and controls on business units which are imposed by the government many domestic and foreign companies have started their business of telecommunication services in India. It helped a lot in improving the quality of services being provided.

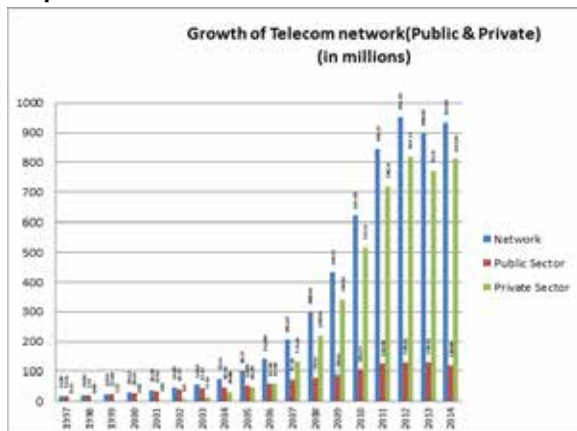
The complete opening of the telecommunication sector for private players was done in 1990's when National Telecom Policy (NTP) 1994 was introduced followed by the formation of Telecom Regulatory Authority of India to act as a regulator to facilitate the growth of telecommunication sector in 1997. With NTP 1999, cellular services were launched and in 2000, department of telecommunications (DOT) became a corporation named Bharat Sanchar Nigam Limited (BSNL), which means it is still under government's control but it has to arrange its funds of its own.

### Section-III

At present, there are types of players in telecommunication services in India 1) State owned companies like BSNL, MTNL. 2) Private Indian owned companies like TATA Tele services, Reliance Infocomm, Bharti Airtel and 3) Foreign Invested companies like Idea cellular, Escotel, Vodafone.

Two types of services are provided by telecommunication sector 1) Basic Services 2) Cellular services. Basic services include fixed services like national and long distance and international long distance services. The state owned BSNL and MTNL are having almost 90 percent of revenue from these basic services. The private sector is relatively limited to urban area and accounts for only about 5 percent of such subscriptions but now this share is increasing. (Mapsofworld.com, 2009)

**Graph-I**



**Source: Annual Reports, Department of Telecommunications**

No other sector of the economy has shown such a high rate of growth. From the meager number of 14.88 million telephone subscribers in 1997, the number has grown to 205.87 in 2007 and reached to 933.02 million in 2014 as shown in the graph. This growth mainly owes to the entry of private players in telecommunication sector. As depicted in graph, private sector was just at 0.34 million in 1997, graph to 134.48 million in 2007 and reached to 812.94 million in 2014.

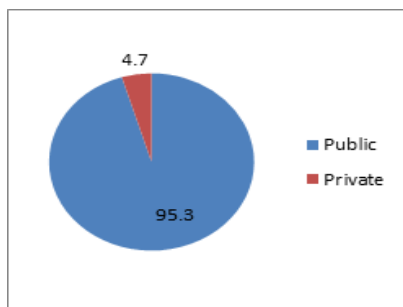
Private sector is mainly growing fast in wireless services which on the main front includes cellular services. The cellular services can be divided into two types which use wireless technology i.e. global system for mobile communication (GSM) and code division multiple access (CDMA). GSM services are being provided by all the public and private companies but only Reliance and TATA Teleservices among private players and BSNL and MTNL from public incumbents also give access to CDMA. (mapsofworld.com, 2009) The terms 'Mobile' and 'Wireless' are most commonly used terms today and considered as synonyms. But actually the mobility is of two types i.e. user mobility and device portability. User mobility refers to a user who has access to the same telecommunication service at some different place also. Device portability means that the communication device moves with or without a user. As far as devices as concerned, the term wireless is used. The wireless can be GSM as well as CDMA (Lee, 1998).

The entry of private and foreign players in telecommunication sector has changed the way of communication of people. With liberalization, the share of private players in total telephone connection is increased. The share of public sector has declined from 95.3 percent in 1998 to 10.85 percent in 2014 as against at the share of private players in total telephone connections has increased to 89.15 percent in 2014 as against less than 5 percent in 1998.

**Graph-II**

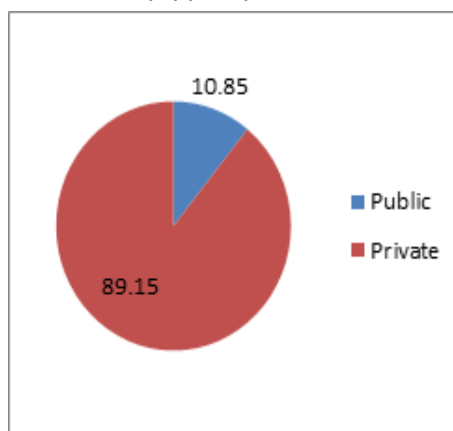
Public and private sector's market share in terms of subscriber's base

**Market share (%) (1998)**



**Private sector : 4.7%**  
**Public sector : 95.3%**

**Market share (%) (2014)**



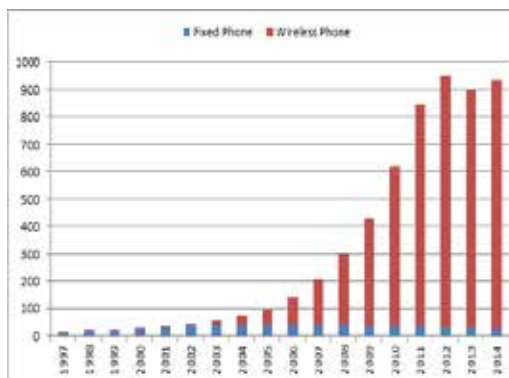
**Private sector : 89.15%**  
**Public sector : 10.85%**

**Source: Annual reports, Department of Telecommunications.**

The composition of telecommunication sector has also been changing as a result of such policy changes. The wireless services are taking place of wireline services, the number of wireless subscribers are growing at a compound annual growth rate (CAGR) of 57.1 percent per annum since 2004. (Annual report, DOT)

**Graph-III**

Fixed line telephone and wireless phones



**Year ending 31<sup>st</sup> March**

**Source: Department of Telecommunications, various Reports.**

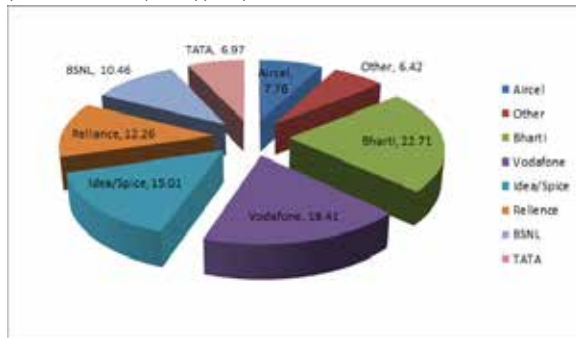
It is clear from the graph that wireless is now more popular with the consumer. Starting from mere 0.34 million in 1997, wireless phones (including WLL) increased to 165.09 million in 2007 and reached to 904.52 in 2014. Whereas fixed telephones or wireline service are at 4.54 million in 1997, reached upto 41.42 in 2005. But afterwards the trend reversed and the number started declining. A large number of wireline telephone connections (1.20 million) were disconnected in one year (from 2005 to 2006) and the number further decline to 40.23 million in 2006 and to 28.50 million in 2014.

The growth of wireless services has been substantial with wireless subscribers growing at a compound annual growth rate (CAGR) of 42.7 percent since 2007. Wireless has overtaken wireline. Wireless phones have increased as they are preferred because of their convenience and affordability. As a result, telephones today have come within the reach of a common man (Annual report DOT). In terms of market share of wireless services, lion's share is again in the hands of private players whereas public sector is ruling the market in case of wireline services.

**Graph-4**

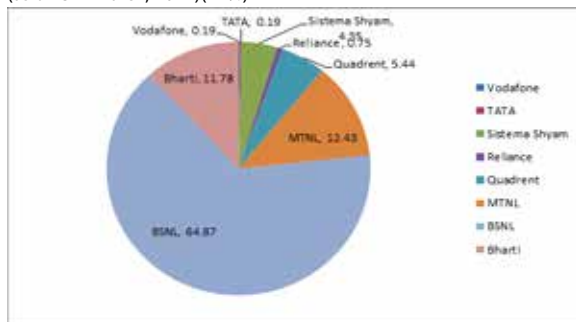
Market share of wireless services providers

(as on 31<sup>st</sup> March, 2014)(in %)



**Graph-5**

Market share of wireline services providers  
(as on 31<sup>st</sup> March, 2014)(in %)



**Source: Annual report, 2013-14 TRAI**

Graph 4 and 5 clearly shows that wireless market is ruled by private with major share and public sector is having only 10.46 percent. But wireline market, is still dominated by public sector.

**Conclusion:**

The trends in the Indian telecommunication sector are entirely changed. People do not have time to wait in this busy world. They want to make their every second worth of. They need privacy also. These reasons attribute to the shifting or changing trend from wireline to wireless. Before 1991 reforms, when telecommunication sector was a pure government monopoly, to have a telephone connection was not less than a dream. But in the present era, one can not imagine a man without phone. No doubt, such kind of transformation corroborate the sharp growth of this sector but it is because of the changed composition of this sector. In 1980's, there were wide gaps between the demand and supply of telephones. A person had to wait for at least 4-5 years to be included in the list of telephone users. But now the trend is reversed. One has to just show his interest to have a connection, company itself take the responsibility to provide him all the necessary information and service at his door. This changed trend owes to the competition introduced by the entry of private players in the market.

**References**

1. Lee, W, C.Y.(1998) Mobile cellular Telecommunications Analog and Digital Systems, second edition.
2. Das p and srinivasam P.V. (1991) "Demand for telephone usage in India" Information Economics and Policy, Vol II, Issue 2 July P:177-194
3. Shanthi NM (2006) "CRM in telecom: Concepts and cases" ICFAI University Press, 206-226 pages
4. Edelson, L (2007) "Investment India: A hot destination", the verdict
5. Telecom 2009: Saga of Growth 2009, Ministry of communication & information technology (PIB Press release) (Government of India)
6. Position paper on the telecom sector in India (2009) department of economic affairs, Ministry of finance
7. Mapsworld.com, 2009
8. Government of India: Indian Telecom Industry Regulatory framework by BSNL (2010) D & B
9. Department of Telecommunications (DOT) Annual reports
10. Telecom Regulatory Authority of India (TRAI) Annual reports