

Ailing Telecom Sector

What is the issue?

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- Tata Teleservices has announced a Rs 275 billion loss in 2017-18 as highlighted in a recent report.

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- This is indicative of a larger trouble in India's telecommunications sector.

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How is the telecom sector performing?

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- Tata Teleservices' loss was partly due to a write-down following the transfer of its wireless business to Bharti Airtel.

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- Even so, this sets a new record for corporate India.

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- The second-highest such loss is also in telecommunications and also in 2017-18.

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- Reliance Communications lost Rs 239 billion in the same financial year.

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- Many other players have exited the sector, leading to significant job losses.

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- These underline the troubled state of India's telecommunication sector.

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- Only the disruptive new entrant, Reliance Jio, has a healthy financial position.

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- Even this is due to the funds being pumped in from the cash-rich group.

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What are the concerns in the sector?

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- **Competition** - There has been a consumer-friendly race in the recent period to make data cheaper.

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- Consequently, past drawbacks and the current unbalanced competition have distorted the market.

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- It has also hampered the growth-focused investment.

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- **Policies** - The overall policy in the sector has neither helped its growth nor been consistently in favour of consumers.

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- There is a continuing concern of inconsistency and arbitrariness in the policy.

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- There have been some questionable regulatory decisions that are likely helping the newcomers.

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- It is making it easier for a cash-rich entrant to seek dominance.

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- But existing firms will also need to make investments if India is to have a healthy telecom sector.

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- **Approach** - The government's view of the sector has become focused on its ability to provide non-tax revenue.

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- It is missing to see the sector as an engine of growth or provider of essential services.

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- This flawed approach has indeed led to the current impasse.

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What lies ahead?

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- The communications sector has played a significant role in the past to drive Indian growth.

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- If India is to once again come close to double-digit growth, telecom is a significant sector to focus on.
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- There is thus a need for a competitive market structure in the telecom sector.
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- Companies have to be incentivised to continually improve service quality to ensure that consumers are benefited.
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- Administrative discretion that is facilitating opportunities for corrupt dealings has to be minimised.
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- These are essential reforms to alter the state's approach to the telecommunications sector and ensure its beneficial contribution.
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Source: Business Standard

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