

Stress in the Telecom Sector

What is the issue?

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Telecom sector in India is currently going through its roughest patch since mobile connectivity began.

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What are the developments in the industry?

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- Operators have bid for nearly 5-lakh crores to buy spectrum.

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- This is in addition to the annual levies accounting for almost 30% of their revenues - causing great financial stress & debt.

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- The entry of Reliance Jio, which has disrupted the market with low-cost data services, increased the industry's woes.

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- Consequently, a number of operators like Reliance Communications and Tata Teleservices have been forced to exit.

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- The crisis has also severely impacted investors, lenders, partners and vendors of these telecom companies.

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- While the impact on subscribers has been limited thanks to mobile number portability, it has been hard on employees.

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How has it impacted Jobs?

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- In the last year alone over 10,000 jobs have been lost due to cost cutting measures by the telcos.

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- The situation is expected to worsen in the next 6 to 12 months as more tele-operators are facing an uncertain future.
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- For those losing jobs, the hiring scenario in other employment-heavy sectors like IT and e-commerce is currently bleak.
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- While those in marketing or sales can move to sectors such as FMCG, those on the technical side could be left in the lurch.
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- Ironically, all this is happening at a time when the Indian telecom sector is at the cusp of a major data revolution.
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Will it impact the envisioned Data Revolution?

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- As only 40% of the country's population has internet access, there is a huge demand for telecom services going forward.
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- Telecom operators will have to invest heavily in rolling out 4G networks for which capital and human resources will be required.
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- But this can become a reality only if some immediate steps are taken both by the industry and the Centre.
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What is the way ahead?

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- Forced expensive bidding have puts operators in a financial mess, which calls for rationalising spectrum pricing.
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- Also, as big investments are needed in the sector, the annual levies need to be brought down drastically.
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- Exits and mergers need to get easier so that strong players are able to absorb weaker ones without losing asserts.
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- Operators too should start creating new revenue stream as the days of offering plain voice telephony services are over.

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- The demand for data services is set to expand rapidly in the coming years which provides an opportunity to revive the sector.

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Source: Business Line

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