Ailing Telecom Sector

What is the issue?

\n\n

\n
- Tata Teleservices has announced a Rs 275 billion loss in 2017-18 as highlighted in a recent report.
\n
- This is indicative of a larger trouble in India's telecommunications sector.
\n

\n\n

How is the telecom sector performing?

\n\n

\n
- Tata Teleservices' loss was partly due to a write-down following the transfer of its wireless business to Bharti Airtel.
\n
- Even so, this sets a new record for corporate India.
\n
- The second-highest such loss is also in telecommunications and also in 2017-18.
\n
- Reliance Communications lost Rs 239 billion in the same financial year.
\n
- Many other players have exited the sector, leading to significant job losses.
\n
- These underline the troubled state of India's telecommunication sector.
\n
- Only the disruptive new entrant, Reliance Jio, has a healthy financial position.
\n
- Even this is due to the funds being pumped in from the cash-rich group.
\n

\n\n

What are the concerns in the sector?

\n\n

\n
- **Competition** - There has been a consumer-friendly race in the recent period to make data cheaper.
\n
- Consequently, past drawbacks and the current unbalanced competition have distorted the market.
\n
- It has also hampered the growth-focused investment.
\n
- **Policies** - The overall policy in the sector has neither helped its growth nor been consistently in favour of consumers.
\n
- There is a continuing concern of inconsistency and arbitrariness in the policy.
\n
- There have been some questionable regulatory decisions that are likely helping the newcomers.
\n
- It is making it easier for a cash-rich entrant to seek dominance.
\n
- But existing firms will also need to make investments if India is to have a healthy telecom sector.
\n

\n\n

\n
- **Approach** - The government’s view of the sector has become focused on its ability to provide non-tax revenue.
\n
- It is missing to see the sector as an engine of growth or provider of essential services.
\n
- This flawed approach has indeed led to the current impasse.
\n

\n\n

What lies ahead?

\n\n

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

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

\n\n

\n\n

Source: Business Standard

\n

