Infra Sectors that boost Growth

What is the issue?

Now that the government has bagged Rs 1.5 trillion from the 5G auction, the question is regarding the prospects for growth.

What do findings indicate regarding the infra sectors?

- **World Bank study (2021)-** Infrastructure, especially electricity generation and telecommunications, significantly affected economic growth.
- This effect was larger more recently (1992-2017) than before (1970-1991), and developing economies experienced stronger effects than industrialised economies.
- The telecommunications and electricity factor contributed more to GDP than the transport factor.
- **Asian Development Bank publication**- The ADB publication on digitalisation and economic performance in India and China found that the internet and mobile density have a significant impact on economic growth.
- **A study at the Institute of Economic Growth and Symbiosis**- The factors that affect the highest service exports (computers, communication, etc.), were driven by tele-density, together with financial sector development, human capital, and R&D expenditure.

What are the probable outcomes of channelling the auctioned amount to BSNL/MTNL?

- **Strong telecom sector**- It will result in a strong telecommunications sector with four operators propelling growth.
- **Market position of BSNL/MTNL-** The market position of BSNL/MTNL in coverage/saturation has diminished share.
- Their responsibilities for essential services for strategic purposes is in difficult, unremunerative locations.
- It is unreasonable to expect profitable performance in competition with private operators who can cherry-pick their markets.
- **Unsustainable price cuts**- Another possible outcome is that there will be unsustainable price cuts as before, with unfair access to spectrum (announced), and unfair competition from corporations.

What alternatives are available for policymakers?

- The government can change policies to capitalise on our strengths of being imaginative and resourceful, with the capacity to perform well with good systems and processes.
- The success of NTP-99 can be repeated, by converting auction payments to revenue-

share, this time for spectrum instead of licence fees.

- This will not only enable immediate investment in networks and services, but is likely to result in substantial growth, with much higher government collections, and as a multiplier across sectors.
- Legislation can be framed to convert spectrum auction payments to a reasonable percentage of revenues, as for licences.
- The introduction of shared infrastructure through two or more mandatory consortiums led by corporate entities, with BSNL/MTNL as a strategic stakeholder ensuring national security and public interest, will enable even greater leveraging of network assets.

Reference

1. https://www.business-standard.com/article/opinion/infra-sectors-that-boost-growth-122080301890_html

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