



## Telecom Sector crisis

### What is the issue?

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Despite its considerable place in the Indian economy, the telecom sector is under stress due to mounting debt and other issues.

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### How significant is the telecom sector?

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- Telecom sector has greatly contributed to the increased GDP growth rate that India has had over the last few years.

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- The sector has contributed around 6% to the GDP and it is expected to increase to an even more significant level.

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- This is given the rising mobile phone subscribers and those accessing the Internet via phones.

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- Also, government's ambitious plans like Digital India and Smart-cities are dependent on this sector and its sound financial health.

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### What is the present scenario?

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- Despite its importance, the sector is currently witnessing its worst phase ever.

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- There is a cumulative debt of around Rs.5 lakh crore in the telecom sector.

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- Also, the revenues are constantly falling down, further worsening the debt crisis.  
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- Telecom service providers pay as much as 30 per cent of their revenues in taxes and levies for spectrum and operating licences; the tax component alone being 15 %.  
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- The increased 18% under the GST regime has made the services more expensive at a time when it should have been reduced.  
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### **How has the government responded?**

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- The sector's rising debt and falling revenues will impact broadband penetration and act as a drag on growth.  
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- Responding to this, the government recently formed the Inter-ministerial Group (IMG) to look into the issues.  
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- The IMG recommended a number of short-term and long-term measures which include -  
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- 1. lowering levies such as i) annual licence fee, ii) spectrum usage charges (SUC), iii) GST.  
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- 2. deferring of spectrum auction to the next fiscal.  
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- 3. more time for payment of auctioned spectrum.  
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- 4. cut in interest rates.  
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### **What are the concerns?**

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- Despite some bold recommendations, the IMG seems to have addressed only

the debt issues of the sector.

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- The licence fees and spectrum usage charges are more pressing issues that need immediate relief to free the sector of the financial struggle.

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- Despite India's telecom tariffs being some of the lowest, telecom service providers are unable to raise tariffs.

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- This is because of the high competition prevailing in the sector at present due to over-the-top operators and coming in of new technologies.

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### **What is to be done?**

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- The need of the hour is for the government to see the sector as an essential service and not a revenue generator.

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- The annual charges should be rationalised so as to cover only the administrative expenses; the other source being money from spectrum auctions.

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- Government should ensure a regulatory environment which facilitates innovation and investment, and addresses the financial woes of the sector.

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**Source: BusinessLine**

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