REVIEW OF RESEARCH

ROLE OF CELL PHONE SERVICES IN RURAL MARKETING DEVELOPMENT OF INDIA

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ABSTRACT:

The Indian rural market with its broad demand base has been able to show the marks of ripeness in terms of opportunities to the marketers all over the country. The 1990's are clearly indicating that rural markets. As far as role of cell phone services in rural marketing development is concerned, there is no village in the country where one cannot find mobile phone. The factors contributing to the growth of rural marketing are the growing rural population, growth in rural incomes, the Govt. investment in rural development programme, the mass communication media-widely doordarshan. Further this paper discusses role of cell phone services in rural marketing development of India.

KEYWORDS: *Cell Phone, Information Technology, Rural Market, Telecommunication Service.*

INTRODUCTION:-

India's 21.59 million-line telephone network is the largest in Asia. 3rd largest among emerging economies (after China and Republic of Korea) and the 12th largest in the world. Today, India has 22 private companies providing cellular services in 18 telecom circles and 4 metro cities (Delhi. Mumbai. Chennai and Kolkata). Ever since their introduction, cellular services have shown a fair growth with the subscriber base crossing the 1 million mark by the first quarter of 1999. India has adopted the Global System of Mobile Communication (OSM) for provision of cellular services.

Allen & Johnson (1995) made a study on the impact of telecommunication on the quality of life of Americans. Again the same authors jointly with others (1998) examined how rural business is affected by the telecommunication linkage. Andrew and Pet kov (2003) thought of the application of systems approach to the different stakeholders. Armstrong & Fuhr (1993) studied cost considerations for rural telephone service. Cronin & Herbert (1994) tried to quantify the inequities in the benefits and costs of telecommunication across stakeholders groups. Hollifield et al (2000) visited on the effects of rural telecommunications self development projects on local adoption of new technologies.

While examining to what extent the farmers have adopted electronic communication they concluded that telecommunication may supplement the traditional methods Of Information rather than replacing them. Torero et al (2003) in identifying the willingness to pay for the rural telephone service concluded that the householders have more capacity to pay. Wolak (1996) assessed the impact of reduction in cross subsidy in telephone service pricey. Alleman et al (1991) conducted a study on the potential impact of telecommunication in the South Africans economic development. Allen et al (1993) undertook a study on rural economic development using information age technology in Nebraska. Allen and Koffler (1999) analysed the

state initiative in V.S. South for the implementation of Telecommunication Act. Dymond & Oestman (2002) made a study on the financing of telecommunication development in a liberalized environment. Stolft & Sussman (2001) Wohlbruae & Levy (2001) reexamined that how the rural community could be benefited through participating in telecom technology?

TELECOMMUNICATION SERVICES IN INDIA

The telecommunications industry was state- owned until 1991, when the Department of Telecommunications (DoT) began the process of introducing private participation in the sector by inviting bids for non-exclusive licenses to provide cellular mobile services in the four metropolitan service areas (Delhi, Mumbai, Koilcata and the erstwhile Chennai service area). The ascent to competition was gradual. Entry became unrestricted with effect from 2003 when the Universal Access Service License (UASL) was introduced, although spectrum remains an effective constraint for mobile operations and its availability is not guaranteed with the UAS license. The number of UAS licensees per service area ranges from 12-14 currently, indicating intense competition.

The fixed or basic services market followed a similar trajectory with duopoly being the preferred model to start with. Competition in this market was slow to take off because the incumbent government operator was dominant in this segment. Private interest therefore initially focussed towards the mobile market, where there was no incumbent provider to deal with. Bharat Sanchar Nigam Limited (BSNL), the corporatized service provision entity was carved out from the DoT in 2000 by which time the mobile market had become attractive. In any case, UAS licenses issued in 2003 offered operators the flexibility to provide both the traditional 'fixed' and mobile services.

Through the 1990s, all long distance traffic had to be routed through DoT, a policy naturally aimed at reducing the impact of private entry on the incumbent government monopoly. Gradually unrestricted entry was permitted for national long-distance (NLD) calls in August 2000. Currently, there are two publicly-owned and 14 private NLD operators. The NLD license is issued for 20 years and can be extended once for ten years. From 2006, entry requirements have been reduced for NLD operators' entry fees from Rs 1 billion to Rs 25 million, and license fees from 15% to 6% of Adjusted Gross Revenue (AGR). In addition, the mandatory roll-out obligations for NLD licenses were removed on December 14, 2005.

Deregulation of the international long-distance (ILD) segment has continued since the privatization of Videsh Sanchar Nigam Limited (VSNL) in February 2002. Licenses for ILD services are issued initially for 20 years, with an automatic extension for five years. Like the NLD sector, there is no limit on the number of service providers. There are nine private and one public ILD service providers; private operators account for more than 90% of market share. In January 2006, a new ILD license agreement reduced entry fees from Rs 250 million to Rs 25 million, and license fees from 15% to 6% of AGR. Further, there are no mandatory roll-out obligations for ILD service licensees except to have at least one switch in India.

RURAL NETWORK EXPANSION

In 1996, the total number of phones in India were 119.3 lakh of which 27.03 lakh was in rural areas. The teledensity both in urban and rural areas was very low by any standard despite continuous efforts by the Government to increase telecom penetration. With a view to provide greater access to telephones, a policy to encourage PCOs was made. As a result, despite having lower telecom penetration than many other countries, general public had some sort of access to telephones for making urgent and essential calls. It was around this time that the Department had a general policy to provide at least one phone in every village. As a result, almost 5 lakhs out of the 6 lath villages had a public phone by the end of 1990's. Telecom policy drawn in 1994 and 1999 brought up policies for improving the dismal telecom scenario. In 1999, it was proposed that teledensity in rural areas should reach atleast 4 % by the end of 2010 with a view to bring about inclusive growth and provide better connectivity in all areas of the country.

Mobile telephone services were introduced in the country in 90's. Initially due to the exorbitantly high tariff both for outgoing and incoming calls, mobile telephones were a luxury and status symbol with practically no presence in rural areas. There was a gradual reduction in tariff, resulting in a very slow increase in the mobile telephone numbers. The rate of adoption of mobile telephone increased only after some major policy initiatives of the government which helped in bringing down the tariffs. Around this time, licencing conditions also mandated that all licencees should roll out services in rural areas within a stipulated period.

However, the roll out of mobile services in rural areas was not on expected lines. It was realized that the roll out of telecom services in the rural areas was not happening because this was a loss making proposition for the operators.

In 2004 when the government draw up the Bharat Nirman Programme to address the issues of lack of various facilities in rural areas, telephone service were also included under this on realizing that in modern times this constituted a basic need for rural populace. Under Bharat Nirman, it was proposed to establish a VPT in all the villages uncovered till then with this facility. More than 60000 villages have been covered under this programme so far.

A scheme was launched by USOF to provide subsidy support for setting up and managing 7871 number of infrastructure sites! towers (since revised to 7387) in 500 districts spread over 27 states for provision of mobile services in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage. Villages or cluster of villages having population of 2000 or more and not having mobile coverage have been taken into consideration for installation of the tower under this scheme. The infrastructure so created shall be shared by three service providers for provision of mobile services. The agreements signed with the successful bidders in May 2007. As on 31.8.2010, 7206 towers have been set up under this scheme. The remaining towers are under different stages of installation.

Due to this programme and the rapidly increasing competition amongst mobile operators on account of the Government's policy to increase competition in all areas, tariffs have come down substantially and are now practically the lowest in the world. Teledensity has also increased rapidly surpassing all projections.

In 2009, it was felt that broadband should be given much greater push as this was one area of telecom connectivity which had no substantial growth especially in rural areas. Thus, while formulating Bharat Nirman-Il, relating to telecom to ensure provision of broadband services to all Gram Panchayats numbering about 2.5 lakhs by 2012. It has also been proposed to achieve a rural teledensity of 40% by this time. At present the teledensity of the rural areas is about 26% and about 97000 Gram Panchayats have been provided with broadband facility.

Out of a total number of 98 lakhs broadband connections in the country at present, only about 6 lakh are in the rural areas. USOF has given financial support for a scheme for provision of wireline broadband in about 28000 locations covered by wireline telephone exchanges of BSNL to provide about 9 lakh broadband connections within three years in rural areas.

Department of Information Technology has undertaken a programme to set up 1 lakh Common Service Centres throughout the rural areas of the country.

A liberal policy enabling the private sector's involvement has completely transformed the telecommunication sector of the country.This is the fastest growing sector in the recent years. The teledensity, which represents the number of telephone per 100 persons in the country, was as high as 77 by October, 2012. With the exponential growth of mobile telephony, consequent on easy access and affordability, the number of landline telephones declined from 32.17 million in March, 2012 to 30.95 million in March, 2013. The wireless telephone now account for 96.70 percent of all telephones. The share of private sector in the total number of subscribers was placed at 86.1 percent in October, 2012. With the announcement of Broadband Policy in 2004, several measures have been taken to promote broadband penetration in the country. As a result, by March 2012, there was 22.86 million internet subscribers, including 13.79 million broadband subscribers. The broadband subscribers increased to 14.81 million in October, 2012. The efforts are on to increase the penetration of broadband, particularly in rural with the objective of promoting rural telephony, the central government constituted a Universal

Service Obligation Fund (USDF) and, through this fund, 7310 towers were set up by the end of November, 2012. Under another scheme for Village Public Telephones (VPT), about 98.0 percent villages have been covered by the end of November, 2012.

The telecom sector in Bihar also grew tremendously during the last few years. By March 2012, there was 460.10 lakh telephone connections in Bihar, of which around 90 percent were under private operators. In 2012-13, the number of telephone connections increased to around 547 lakh, registering an increase of around 19 percent over the previous year. This is despite a drop in number of BSNL connections by about 8 percent. However, the private operators have successfully maintained the rising trend in providing connections, and increased their share to around 92 percent of the total number of connections during the year.

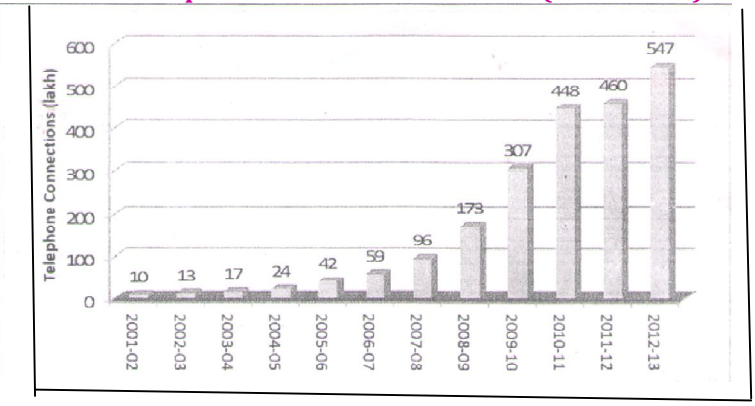
There has been a substantial rise in teledensity in the country in recent years, though it remained heavily tilted towards the urban areas. In 2011, the urban teledensity at all-India level worked out to 163.13 as against 35.60 in rural areas. In 2012, both the urban and rural teledensity increased to 169.55 to 39.22 connections respectively. In 2013, however, it registered a drop in urban areas by about 20 connections, along with a modest increase by about 2 connections in rural areas. Thus, the year 2013 witnessed a drop in total teledensity by about 5 connections at all-India level. It is further observed that, during 2013, though nearly all the states registered a decline in both urban and total teledensity , most of the states(including Bihar) showed an increase in rural teledensity. It is worth mentioning that though Bihar remained at the bottom in respect of rural and overall density. It was ahead of many developed states like Gujarat, Haryana, Maharastra, Punjab and Tamil Nadu in terms of urban teledensity.

Table 1: Telephone Connections in Bihar (2001-2013)

Year	BSNL				Private Operators			Total
	Landline	W.L.	Mobile	Total	Landline	Mobile	Total	
2001-02	8.05	0.40	0.08	8.53	—	1.15	1.15	9.68
2002-03	9.66	0.79	0.76	11.21	—	1.84	1.84	13.05
2003-04	11.10	0.89	2.58	14.57	—	2.58	2.58	17.15
2004-05	12.89	0.98	4.05	17.92	—	5.65	5.65	23.57
2005-06	17.38	1.30	9.28	27.96	—	14.18	14.18	42.14
2006-07	9.86	1.53	12.68	24.07	—	34.5	34.5	58.57
2007-08	9.73	1.88	16.3	27.91	—	68.03	68.03	95.94
2008-09	9.63	2.38	26.92	38.93	0.05	133.69	133.74	172.67
2009-10	9.61	2.82	43.44	55.87	0.10	251.25	251.35	307.22
2010-11	9.66	2.84	55.82	68.32	0.13	379.5	379.63	447.95
2011-12	3.80	2.84	41.47	48.11	0.10	411.89	411.99	460.10
2012-13	2.17		42.23	44.4	0.15	502.02	502.17	546.57

Source: BSNL and TRAI Reports

Chart 1: Telephone Connections in Bihar (2001-2013)



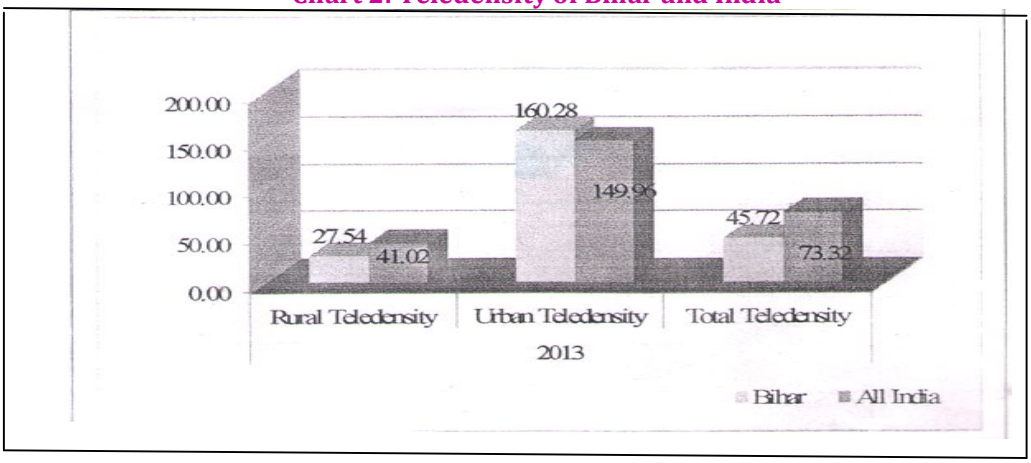
Source: Economic Survey, 2013-14, Govt. of Bihar, p.128

Table 2: Teledensity of Major Indian States

Service Area	2012			2013		
	Rural Teledensity	Urban Teledensity	Total Teledensity	Rural Teledensity	Urban Teledensity	Total Teledensity
Andhra Pradesh	39.21	189.26	80.87	41.83	169.00	77.19
Bihar	25.58	196.24	48.9	27.54	160.28	45.72
Gujarat	53.89	145.51	91.14	53.12	136.39	87.23
Haryana	55.92	153.97	89.42	56.78	113.51	76.44
Karnataka	44.08	185.62	97.22	43.00	170.38	91.24
Kerala	61.94	237.08	106.61	61.93	196.11	96.09
Madhya Pradesh	25.9	130.37	53.81	30.91	115.09	53.55
Maharashtra	52.03	147.56	96.8	52.64	128.64	88.56
Odisha	35.24	215.58	65.84	38.72	164.01	60.21
Punjab	64.59	180.95	113.13	66.90	152.31	102.99
Tamil Nadu	56.2	164.4	116.61	66.33	139.94	108.17
Uttar Pradesh	31.98	161.32	60.93	33.34	137.69	56.83
West Bengal	43.42	171.45	79.91	42.01	138.03	69.43
All India	39.22	169.55	78.66	41.02	149.96	73.32

Source: Telecom Regulatory of India

Chart 2: Teledensity of Bihar and India



Source: Economic Survey, 2013-14, Govt. of Bihar, p.130

To Provide general access to rural population for wireline broadband facilities at affordable rate, BSNL has planned for 1000 Broadband Kiosks in Rural Telephone Exchange of Bihar with the support of Universal Service Obligation Fund (USOF) of the central government. The BSNL has installed 392 such Rural Broadband Kiosks, till September, 2013 in the state.

The BSNL, through its 595 Rural Telephone Exchanges with DSLAMs in Bihar has already provided 6357 wireline broadband connections till September, 2013. It has devised affordable and special USO tariffs suitable for rural public. The modems are offered free and no security deposit for broadband plan are taken from customers in the rural areas. The BSNL is making sincere efforts to bridge the digital divide between the urban and rural areas in Bihar.

The contribution of Indian telecom sector to the growth of India's economy is immense. It is directly contributing more than 1.5 percent GDP of the country, has, a multiplier effect on growth because of connecting the people and business around it. Studies have found that every one percent increase in teledensity, there is a three percent jump in the growth of Gross Domestic Product (GDP). Therefore, its importance to the rapidly growing economy of India can hardly be over emphasized.

The teledensity which was 2:32 percent in March 1999 increased to 12.7 percent in March 2006 and 52.74 percent in March 2010 and further to 62.5I percent in October2010. Thus there has been continuous improvement in the overall teledensity of the country. The rural teledensity which was above 1.21 percent in March 2002 has increased to 24.31 percent in March 2010 and further to 29.25 in October 2010. The urban teledensity has increased from 66.39 in March 2008 to 119.45 percent in March 2010 and stands at 140.06 percent at the end of October 2010.

Mobile communication already accounts for about half of all telephone connections. From only 54.6 million telephone subscribers in 2003, the number increased to 621.28 million at the end of March 2010 and further to 742.13 million at the end of October 2010 showing an addition of 120.85 million during the period from March 2010 to October 2010. Wireless telephone connections have contributed to this growth as the number of wireless connections rose from 3.57 million in March 2001 to 13.29 million in 2003, 101.86 million in March 2006, 584.32 million in March 2010 and 706.70 million at the end of October, 2010.

The liberalization efforts of the Government are evident in the growing share of the private sector. The private sector is now playing an important role in the expansion of telecom sector. The share of private sector in total telephone connections is now 84.42 percent as per the latest statistics available for October, 2010 as against a meagre 5 percent in 1999.

The rural Telephone connections have gone up from 3.6 million in 1999 to 12.3 million in March 2004 and further to 200.77 million in March 2010. Their share in the total telephones has constantly increased from around 14 percent in 2005 to 32.75 percent at the end of October 2010. The rural subscribers have grown to 243.04 million at the end of October 2010. The wireless connections have contributed substantially to total rural telephone connections; it stands at 233.95 million in October 2010. During 2010-11, the growth rate of rural telephones was 21.05 percent as against 18.69 percent of urban telephones. The private sector has contributed to the growth of rural telephones as it provided about 84.27 percent of rural telephones during October 2010.

The government is now looking forward to achieving the target of 1 billion by the end of 2015. Rural telephony continues to be the thrust area of the government. It is recognized that provision of affordable telecom services in rural areas enhances the ability of people to participate in market economy, which, in mm improves their productivity and contributes to their earnings. In view of the present growth, 40 percent rural teledensity is expected by 2014.

As a result of various government measures the broadband subscribers grew from 0.18 million in 2005 to 8.8 million as on March 31, 2010 and about 10.34 million, at the end of the October, 2010. Internet subscribers grew from 9.2 million during QE June 2007 to 17.96 million during QE September 2010.

Indian telecom industry manufactures a complete range of telecom equipment using state of the art technology. During the last five years several renowned global telecom companies have set up their manufacturing base in India. The production of telecom equipment in value terms is expected to

increase from Rs.4,88,000 million during 2008-09 to Rs.5,35,000 million in 2010-2011. Exports increased from INR 4,020 million in 2002-03 to INR 1,35,000 million in 2009- 10 accounting for 26 percent of the total equipment produced in the country and it is expected to increase to Rs 1,50,000 million in 2010-11.

Entry of the private firms has resulted in unprecedented growth in telecom sector. Greater participation of foreign investor has also helped in growth of the sector. Mobile phones are new called fourth screen –the first three being cinema, TV and computer. It is more affordable, assessable and very mobile. And this has opened a new opportunity in mobile business.

CONCLUSION

Rural marketing is an evolving concept and as a part of any economy has untapped potential. There is no doubt that great divide between Urban India and Rural Bharat. There are geographical, demographical, statistical and logistical differences. However, a silent transformation has already begun. Developments in telecommunications have changed the lives of millions of people during the last decade as never before. Telecom connects people across length and breadth of the country or respective income bracket and if provides immense benefit to all in the society.

No doubt, telecom industry is seen as a prime mover of the modern economy. Earlier, mobile was considered the symbol of status and had limited access mainly to the urban areas. But now, with the increasing number of mobile subscriber across the world, it is accessible to all and had become the necessity of the people. It is not remained the means of communication, but it is providing to be an effective tool of transforming living standards and life styles of human lives. Cell phones are being effectively used in rural markets and the present growth is noteworthy.

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