

Rural India will wrest 40 percent of new telecom market

India's rural telecom connectivity is poised for explosive growth in the next five to 10 years, grabbing a 40 percent share of the new market, a study released Wednesday said.

"Of the estimated new 250 million Indian wireless users, in next 5-10 years approximately 100 million will be from rural areas," said the study by the Federation of Indian Chambers of Commerce and Industry (Ficci) and Ernst and Young.

The paper said operators have demonstrated they can achieve profitability by reducing fixed costs, controlling variable costs and carefully tailoring services to the requirements of their customers.

A similar model with minor customization could be emulated in the rural areas, it said.

The government will likely phase out the Access Deficit Charge (ADC) - a levy imposed on private players in rural areas - and roll out new incentives for mobile networks in rural India, the report said.

Passive infrastructure sharing and "spectrum hoarding cess" on defaulter operators who fail to meet their roll-out obligations are illustrations of proactive government initiative, it observed.

"Erecting wireless telecom towers in India's tough rural terrain is still expensive and logistically challenging, reinforcing the desirability of sharing," the paper said.

The paper also noted that the ultra-low cost handset of approximately Rs.840 (\$20) to the market with built-in subsidies, lifetime validity and minimal maintenance costs have promoted mobile usage in remote areas.

Moreover, operators could learn from business models that have been experimented across the developing world for expanding rural connectivity.

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