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BSNL- Road Ahead

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Abstract

Liberalization has brought many challenges for the Government of India enterprise in Telecom Sector i.e. Bharat Sanchar Nigam Limited (BSNL). BSNL known as Department of Telecommunications had been a near-monopoly during the socialist period of the Indian economy. During this period, BSNL was the only telecom service provider in the country. In spite of owning extensive and robust network across India and having leadership position in the telecom space till 2008, the present situation has become tough for state owned operator BSNL. Now BSNL is struggling to maintain the tempo and its foothold in the industry. Over a few past years the company's position is being deteriorated. BSNL's market share in 16 out of 22 circles not by a significant margin due to poor performances over past two to three years. In August 2010, more than 2 lakh BSNL land line subscribers got their lines disconnected. While a good many mobile subscribers are also shifting to other service providers because of many reasons. The market has opened up for telecom services and every company is struggling to capture maximum share of the growing market. Different strategies are being formulated to ensure the growth in customer base. In this paper, we have carved out a comprehensive study pertaining Indian Telecom market and position of BSNL in the Indian Telecom sector.

Keyword: BSNL, Liberalization, Globalization

Introduction:

According to Department of Telecommunication (DoT), India's strong telephone network is the second largest wireless network in the world. India is also the fastest growing telecom market in the world with an average addition of over 18 million connections every month in the network; the mass market growth in India is led by the mobile segment. This growth in the telecom sector is attributable not only to the proactive and positive policy initiatives of the Government but also to the entrepreneurial spirit of the various telecom service providers both in public and private sector. Being first telecom services company fully owned by Govt of India, BSNL has installed Quality Telecom Network in the country & now focusing on improving it, expanding the network, introducing new telecom services with ICT applications in villages & winning customer's confidence. Today, it has about 43.74 million line basic telephone capacity, 8.83 million WLL capacity, 72.60 million GSM capacity, 37,885 fixed exchanges, 68,162 GSM BTSs, 12,071 CDMA Towers, 197 Satellite Stations, 6,86,644 Rkm. of OFC, 50,430 Rkm. of microwave network connecting 623 districts, 7330 cities/towns & 5.8 lakhs villages. Growth of Telecom Network in India (PSU & Pvt) BSNL is the only service provider, making focused efforts & planned initiatives to bridge the rural-urban digital divide in ICT sector. In fact there is no telecom operator in the country to beat its reach with its wide

network giving services in every nook & corner of the country & operates across India except New Delhi & Mumbai. Whether it is inaccessible areas of Siachen glacier or North-Eastern regions of the country, BSNL serves its customers with a wide bouquet of telecom services namely Wireline, CDMA mobile, GSM mobile, Internet, Broadband, Carrier service, MPLS-VPN, VSAT, VoIP, IN Services, FTTH, etc. The company has vast experience in planning, installation, network integration & maintenance of switching & transmission networks. Since its inception, BSNL has been facing challenges. One major challenge is the competition faced by it from the liberalized telecom environment. The liberalization or globalization process had started as early as 1992 when pace was set by introduction of Economic Reforms. The formulation of National Telecom Policies (NTP-1994 and NTP-1999) as guided by the main principles enshrined in Economic Reforms has led to the licensing of telecom services to private companies. These telecom operators or service providers have rolled out all kind of telecom services e.g. basic landline telephone service, cellular or mobile services, and WLL and Internet services. The market has opened up for telecom services and every company is struggling to capture maximum share of the growing market. Different strategies are being formulated to ensure the growth in customer base. BSNL has also been conscious of this fact and hence introduced marketing as a major management function. During its early days as a sole provider of telecom services, there has been no marketing worth its name. With this background in mind, authors have tried to investigate the major changes that BSNL has undergone since it is confronted with the competitive era thrown open by the new regime.

The Spread and the Diversity

The main flagship service of BSNL at the time of its formation was land line services also called POTS i.e. Plain Old Telephones and their number was hardly 20 Million. But launch of variety of services under the licensing regime by the private operators took BSNL by surprise. Some of the services launched by them were:-

1. Basic telephone service on landline and wireless (WLL)
2. Mobile telephony /Cellular phones on GSM or CDMA techniques
3. Internet services and Internet telephony also called web phone services
4. ISD and NLD licensing for international and national calls
5. Broadband and lease-line services for corporate houses and
6. IP based services for VPN and CUG networks of big companies having all India presence

In response to the threat perceived by BSNL it has rolled out similar kind of services at a much larger scale. This could be possible due to wide spread telecom infrastructure throughout India at the disposal of BSNL. This infrastructure has been built up mainly during the last 100 years. This includes:

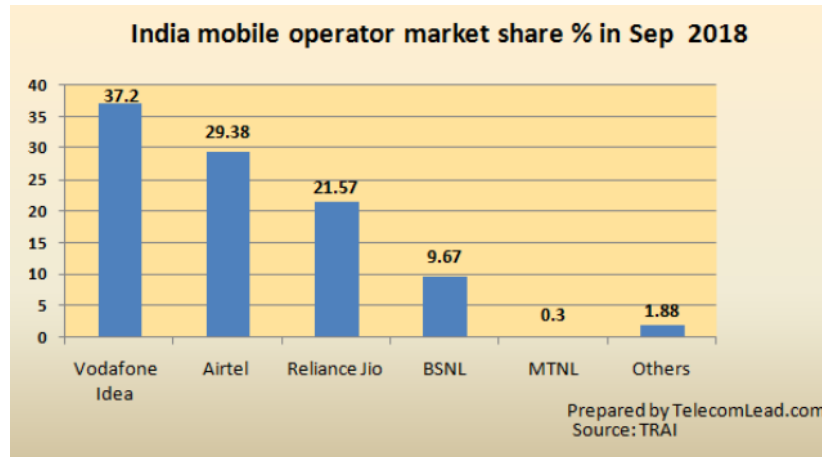
1. Telecom land and buildings
2. Telecom installations such as telephone exchanges, transmission equipment, Transmission towers and telegraph equipment
3. Telecom network, which includes underground transmission cables, local telephone cables, overhead cables and wires and subscriber equipment (mainly telephones). Local network is also called last mile access network.
4. Satellite communication equipment i.e. earth stations and radio/wireless equipment.

This infrastructure has been one of the many strengths of BSNL that has not let it down so far in spite of a fierce competition thrown open by the private companies during at least last five years. Other strengths of BSNL are:

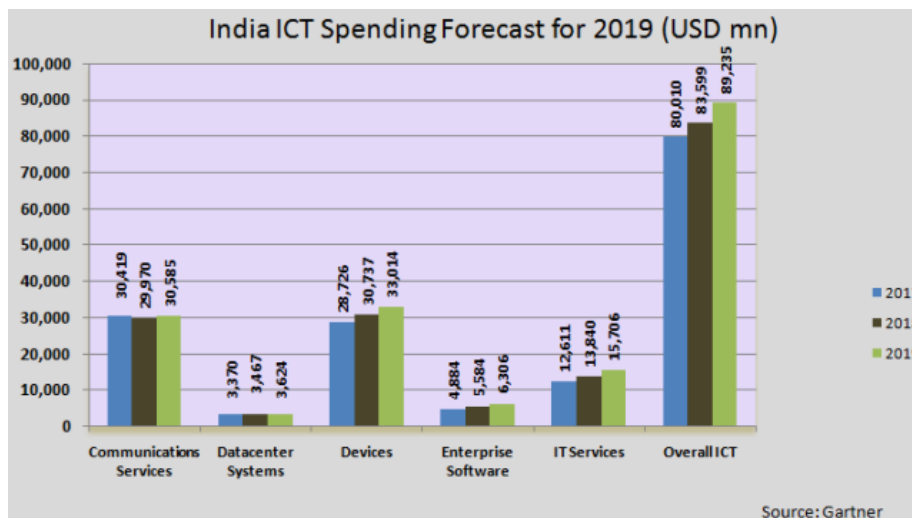
1. Trained pool of employees in the country,
2. Very large network in urban as well as rural areas,
3. Availability of huge bandwidth on OFC cable for high speed data network,
4. Well established rules and procedures,
5. Large size of distribution and service network supported by postal department,
6. Accessibility through PCOs and franchisee network.

Market Share:

India’s mobile phone customer-base touched 1,169.29 million in September 2018 from 1,167.44 million in December 2017, analysis of TRAI data indicates. The addition of 2.15 million in 9-months of the year shows that telecom operators have also removed their in-active or loss making customers. The removal of subscribers from mobile network has resulted into complaints from some of the consumers.



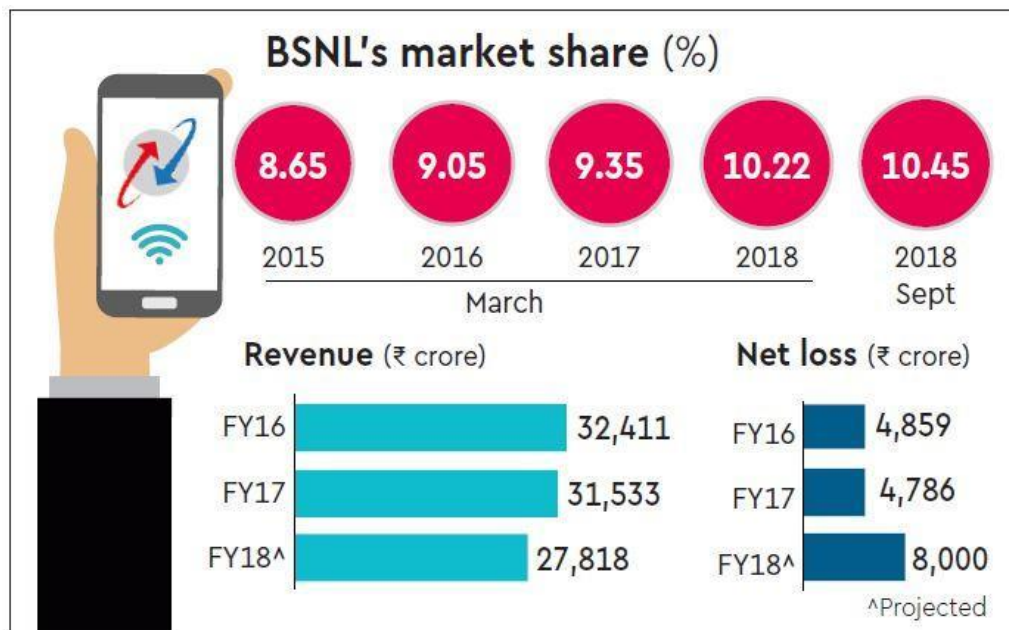
Airtel indicated that it may remove 70 million customers in phases in a bid to improve its revenue and profit. Vodafone Idea has increased its wireless subscriber base to 434.95 million in September 2018 from 409 million in December 2017. Airtel ended the September quarter of 2108 with 343.52 million as compared with 290.11 million subscribers in December 2017. Reliance Jio has 252.25 million in September 2018 as compare with 160.09 million in the end of 2017. BSNL is the fourth largest telecom operator in India with a subscriber base of 113.04 million in September 2018 as against 107.91 million in December 2017. Airtel lost its dominant position as the number one operator to Vodafone Idea. Indian mobile service providers will start shifting their 2G and 3G customers to 4G network in phases. This will be one of the major developments in 2019 and will be part of the strategy to gain more in the mobile data market .India has more than 5 lakh mobile towers with over 20 lakh BTS. The addition of cell towers ensured improvement in voice services in several states.



India’s communication services spending will grow at 2.1 percent in 2019 as against an expected 1.5 percent drop in 2018. The revival will be supported by growth in the mobile ARPU of Indian telecom operators such as BSNL, Bharti Airtel, Vodafone Idea and Reliance Jio. India’s communication services spending will grow at 2.1 percent in 2019 as against an expected 1.5 percent drop in 2018. The revival will be supported by growth in the mobile ARPU of Indian telecom operators such as BSNL, Bharti Airtel, Vodafone Idea and Reliance Jio. Indian communication service spending will reach \$30.585 billion in 2019 from \$29.970 billion in 2018 from \$30.419 billion in 2017. The growth in Indian communication service spending in 2017 was 7 percent despite tough competition among mobile operators – driven by the entry of Reliance Jio in September 2016.



India telecom sector may slash 60,000 plus jobs by the end of the current financial year as a result of consolidation. Telecom consolidation is forcing mobile operators, infrastructure providers, tower companies and associated retail units to optimize their staffing, Economic Times reported. The reduction in telecom service revenue — 10 percent drop in gross revenue in June quarter of 2018 as per TRAI — is forcing telecom operators to look for more job cuts in coming quarters. Indian telecom market has become a 4-operator-market in 2018 as telecom operators such as Aircel, Reliance Communications, Telenor, Videocon and Tata Teleservices have decided to exit or sell their business to rivals.



Financially, things are not improving as BSNL is expected to report a loss of around Rs 8,000 crore for FY18, compared to Rs 4,786 crore in FY17. The board is expected to meet in the next few weeks to take stock of the financial numbers. It posted a loss of Rs 4,859 crore in FY16. The company has been focusing

on improving the customer market share for the past few years and not laying too much emphasis on revenue. “If we focus too much on increasing revenues in such competitive times, we may end up losing both — the customers as well as revenues,” This, however, does not mean that BSNL will continue to incur losses forever. The telco feels that by next year when consolidation stabilises, it will start improving financially. As a result of the focus on customers, BSNL’s sales of new SIM cards has increased to 25.5 million in 2017-18 compared to 18.3 million in 2015-16. The company has also managed to reverse attrition of customers from its network. For the past three years, customers porting out from BSNL has been lower than customers porting-in. Even in 2018-19, despite the tough market conditions, the telco has managed to port-in almost as many subscribers as porting-out.

Conclusion:

The technological transformations along with digital initiatives are designed to create a competitive advantage for the industry while empowering citizens. Telecom acts as a backbone for multiple key sectors of the economy and with the ongoing explosion in data, the outlook for the sector remains positive. As per the IBEF telecom industry sector report, India will emerge as a leading player in the virtual world by having greater than 700 million internet users of the 4.7 billion global users by 2025. The industry, in collaboration with the government and regulatory bodies has been playing its part for development of the sector as well as furthering the government’s welfare initiatives. However, for the industry to contribute in the process more effectively, certain key steps would require to be taken to ensure efficiency as well as sustainability. Currently in BSNL almost 60% of the firm’s revenue goes into salary of staff, which is in sharp contrast to private players which pay around 10% of revenue as staff cost. However, things may improve in next three years when 35% of staff will retire. In order to check its staff costs, BSNL has now adopted an outsourcing model. BSNL is also laying much emphasis on next generation technologies like 5G. The company has already partnered with Ericsson to develop 5G use cases, knowledge sharing on technology concepts and innovation trends, including 3GPP standardisation progress.

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