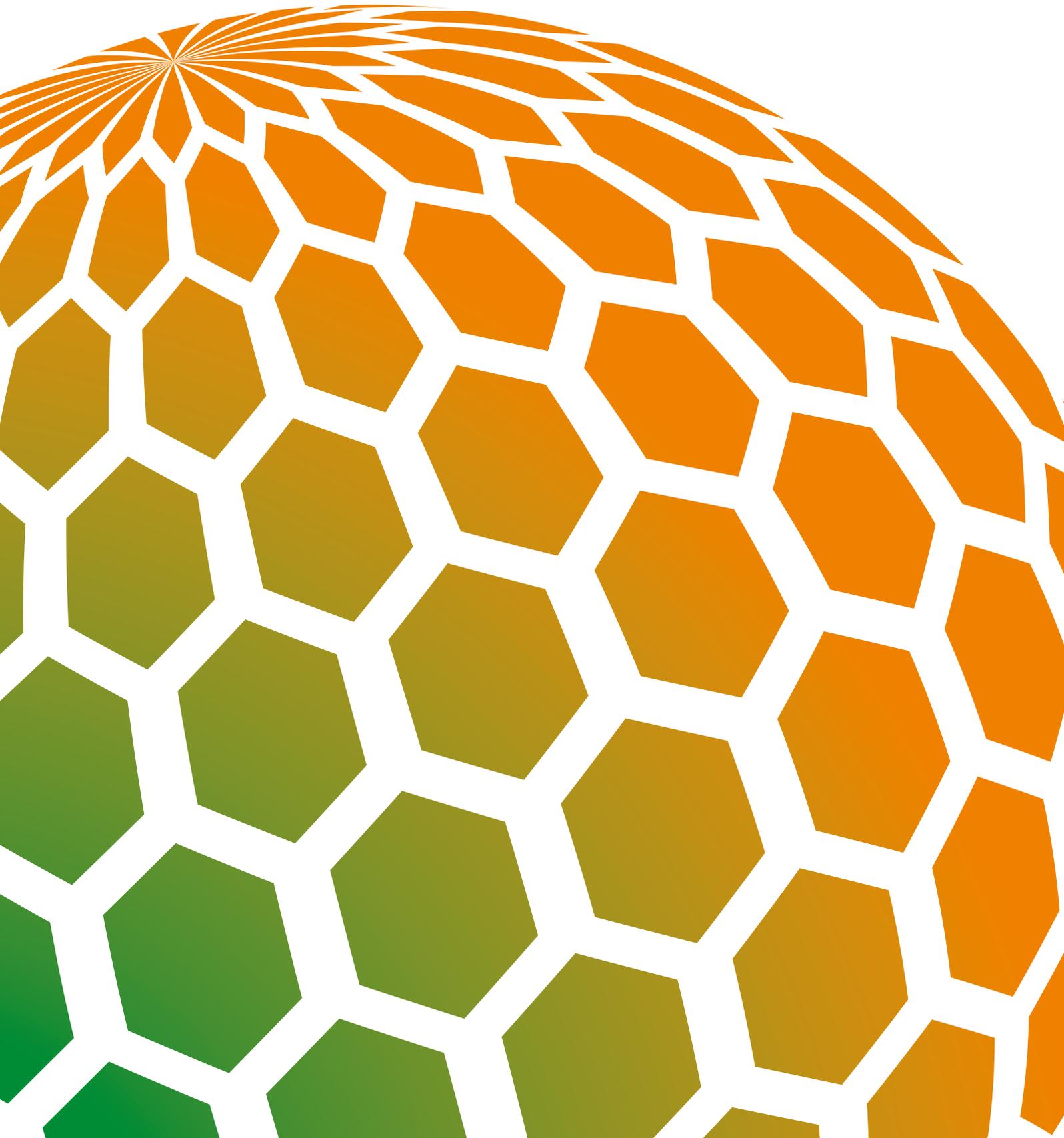




The Mobile Economy India 2013





The **GSMA** represents the interests of mobile operators worldwide. Spanning more than 220 countries, the **GSMA** unites nearly 800 of the world's mobile operators with more than 230 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers and Internet companies, as well as organisations in industry sectors such as financial services, healthcare, media, transport and utilities. The **GSMA** also produces industry-leading events such as the Mobile World Congress and Mobile Asia Expo.

For more information, please visit the **GSMA** corporate website at www.gsma.com

or **MOBILE WORLD LIVE**, the online portal for the mobile communications industry, at www.mobileworldlive.com

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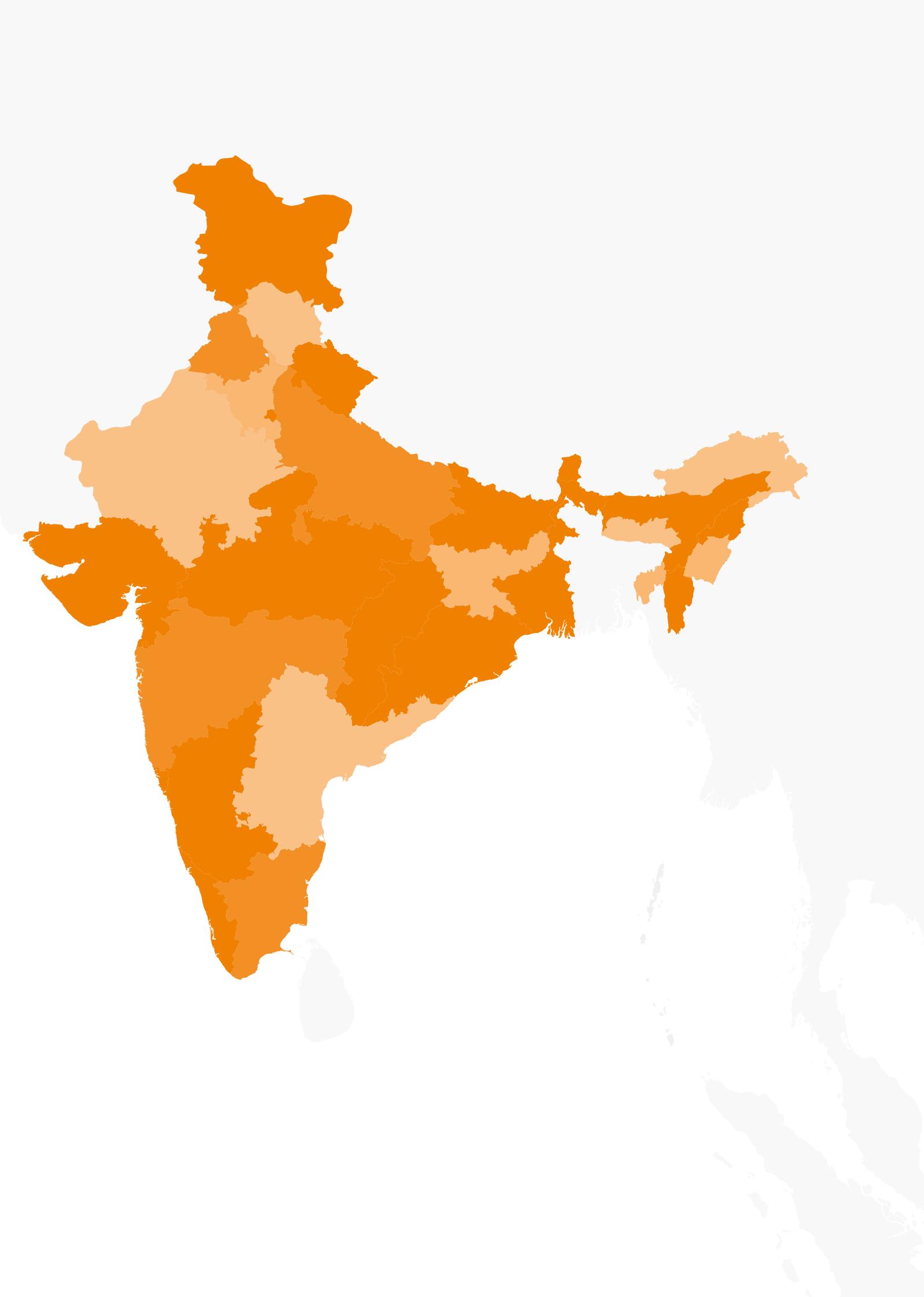
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The report provides an overview of the situation in India as of October 2013, with numbers used from GSMA Intelligence. BCG has not independently verified all of the data and assumptions used in these analyses, although we have attempted, where possible, to test for plausibility. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions. Further, BCG has made no undertaking to update these materials after the date hereof notwithstanding that such information may become outdated or inaccurate.

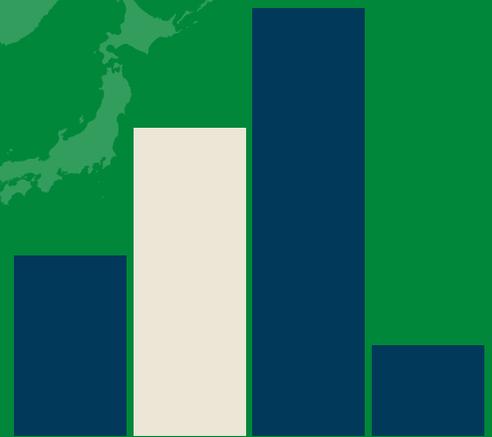
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EXECUTIVE SUMMARY

India's position in the region



Second largest market by mobile connections and unique subscribers in the world



1/4 of all mobile connections in the APAC region

Sustainable Development in India: 2012 and 2020



GDP



2012



2020

+408%



Employment

2012: 28 LAKH



AN INCREASE TO
41 LAKH
BY 2020



Public Funding

2012
48,000
CRORE

2020

1.8
LAKH CRORE



Infrastructure

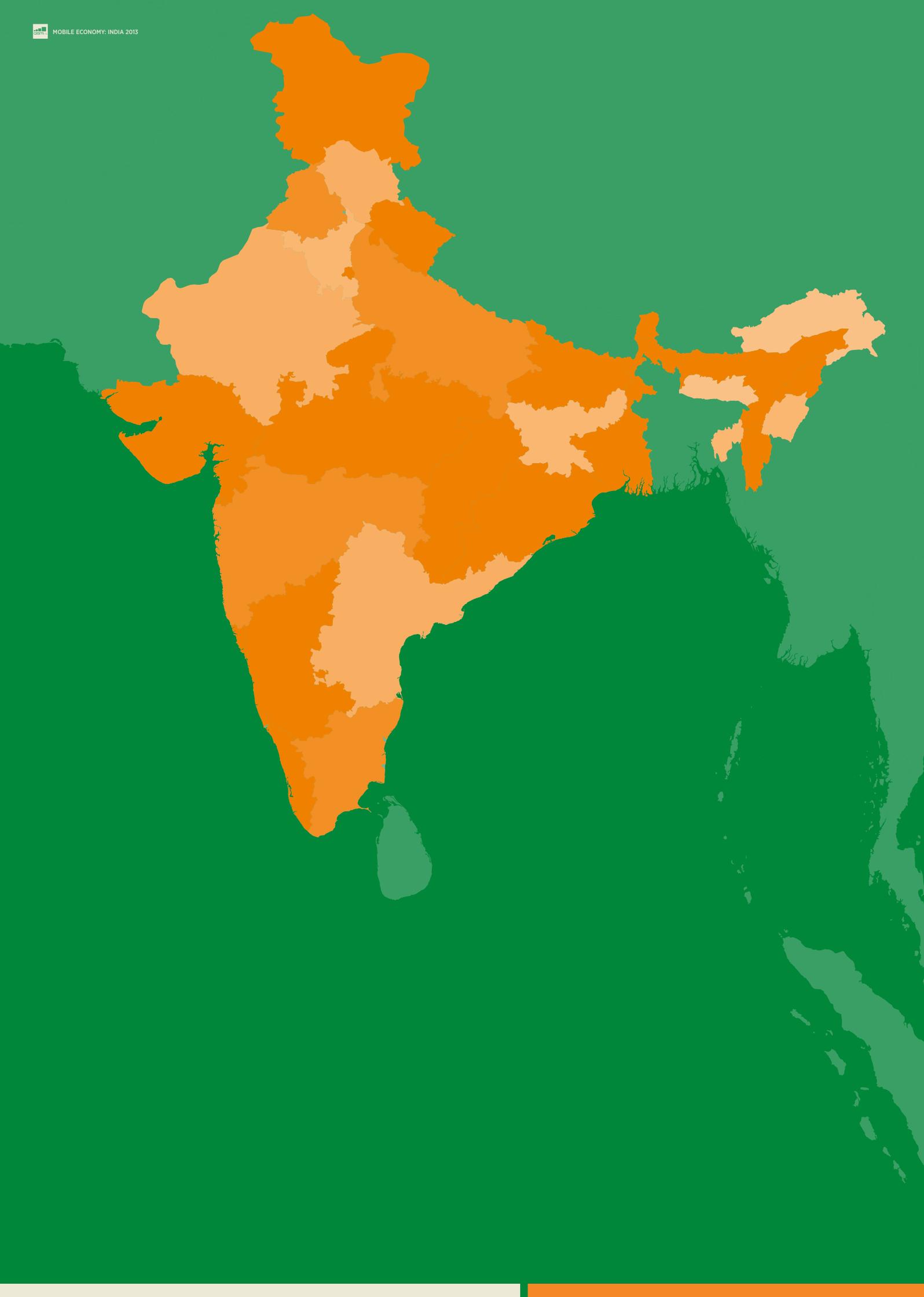
11,800
CRORE

2012

48,300
CRORE

2020

+409%



1.

Executive Summary

India's citizens rely on mobile technology and mobile-enabled services to a degree that few would have predicted only a few years ago. With nearly 900 million mobile connections across the country, India represents a quarter of all mobile connections in Asia Pacific, and this figure is expected to rise to 1.16 billion by 2017.

While a large majority of the mobile services available in India are based on 2G technology, the country has seen the adoption of 3G accelerate in recent months. With improved spectrum pricing and management, growth of mobile broadband service is expected to continue, with 3G and 4G adoption projected to increase by 31% between 2013 and 2017.

The mobile sector makes an enormous economic contribution to the country, through direct employment; by enabling an ecosystem of mobile product and service providers; and through the productivity gains that mobile technology delivers across the whole of India's economy. Combined, these contributions amounted to 5.3% of GDP in 2012. In terms of employment, the mobile ecosystem contributes directly to 730,000 jobs and an additional 2 million jobs when points of sale and distributors are included.

By 2020, mobile could contribute almost Rs21.6 lakh crore (US \$400 billion) to India's GDP, creating 4.1 million additional jobs, and generating significant contribution through infrastructure investment (Rs48,300 crore/US \$9 billion) and public funding (Rs1.8 lakh crore/US \$34 billion).

Nevertheless, India still lags behind the world's major economies in mobile maturity and penetration. Network investment by mobile operators is held back by low tariffs due to the market conditions, an unusually high level of competition, and the financial burden caused by government policies that channel funds away from the sector, such as the high cost of access to spectrum. Indian operators are amongst countries that have the highest debt and lowest profitability ratios in the Asia Pacific region. This affects their ability to upgrade consumer services, meet demand in highly populated urban areas and expand networks to provide coverage to people living in rural areas.

Mobile can only bring about transformation in the Indian economy and society if the right visionary policy framework is put in place. With the upcoming elections the time is right to make this happen.

India is lacking a regulatory environment that allows the sector to surge ahead and deliver the full, transformative power of mobile to all. To do this, the government must design policies and regulations — working with the mobile industry — that maximise long-term private sector investment. In order to invest, the industry needs clarity on the direction and the overall economic and regulatory environment that will be put in place to support this path.

Only with a sustainable mobile industry will India be able to achieve the vision described in the country's National Telecommunications Plan — “to provide secure, reliable, affordable and high-quality converged telecommunication services anytime and anywhere for accelerated, inclusive socio-economic development.”

Increased penetration of mobile technology in India will bring with it many socio-economic benefits. In agriculture, mobile solutions improve yields and provide greater access to markets. Greater access to healthcare and reduced mortality are facilitated by mobile solutions, while mobile technology brings financial services to rural and underprivileged communities. Meanwhile, with mobile solutions, education for all is a goal that is increasingly within reach.

Government has an important role to play in all of these areas by removing barriers to the integration of mobile solutions in an increasingly connected world.

The vast potential of mobile to enhance development can only be realised if the mobile sector itself is allowed to prosper. To this end, three regulatory policy areas require particular attention:



SPECTRUM MANAGEMENT

The government is encouraged to allocate and release more harmonised spectrum for mobile according to international guidelines, and in larger blocks that prevent unnecessary market fragmentation. Currently, on average, around 60% of the spectrum that is of relevance and interest to mobile operators is yet to be allocated, while large blocks of spectrum, internationally identified for mobile, continue to be occupied by other sectors. An important factor in releasing mobile spectrum more effectively is to set reserve prices for spectrum auctions more conservatively, in alignment with international benchmarks and local market conditions. The recent proposals by TRAI to significantly reduce reserve prices are a step in the right direction. To increase the efficiency of spectrum use, the government is also urged to clear the way for market-driven sharing and trading of spectrum resources.



UNIVERSAL SERVICE OBLIGATION FUND (USOF) LEVY

With one of the world's highest universal service levies, at 5% of operating revenues, India's USOF has a poor performance record and a large accumulation of yet unspent funds and would benefit from a review. Taxing the sector so heavily for this purpose is highly unproductive and creates another financial burden on the industry. Instead, the government would be better served by fostering public-private partnerships for the implementation of projects and seeking alternative funding sources as part of a thorough review of the USOF policy.



BALANCED AND EVIDENCE-BASED RADIO FREQUENCY EXPOSURE REQUIREMENTS

The government has responded to public concern about the health risks of radiofrequency (RF) exposure by adopting regulation that goes beyond global norms. This increases network costs and can reduce the quality of service that consumers experience. Best practice for RF limits, based on International Commission on Non-Ionizing Radiation Protection (ICNIRP) and endorsed by the World Health Organization, should instead be followed. The Government also has a role to play in communicating the state of the science to citizens, to allay concerns about RF exposure.

By systematically pursuing public policy that increases certainty, acknowledges market realities, and removes regulatory barriers to investment and innovation, India's government stands to achieve so much in the coming years. But these outcomes can only be attained through openness and collaboration with industry, as all have the shared goals of maximising the benefits of mobile for all.



For the full report on Mobile Economy:
India 2013 please visit the GSMA website at
www.gsma.com/mobileeconomyindia

