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EVOLUTION AND CORPORATE GOVERNANCE IN INDIAN TELECOM SECTOR-AN OVERVIEW

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ABSTRACT

The telecommunication sector has changed notable growth by reducing transaction costs, enhanced internet speed, allowing free national calls, changing life standard of the societies, services, and brands. Telecommunication sector has gone through the 4G technology in India. It has massively changed the market structure and has increased the competition among the telecom companies. India's telecom sector is one of the fastest-growing markets in the world. This paper explains the telecom sector evolution and role of corporate governance in two sections. The telecom sector has undergone a huge change over the years because of the introduction of telecom reformation policy by the Government of India. A new telecom policy which was formed with the needs of modern technology like 5G, Machine to Machine interface, Internet of Things and other features. Corporate Governance provisions and norms becomes the need of this sector for fulfilling requirements of the market.

Key Words: Corporate Governance, Corporate Strategies, Overall Corporate Governance

INTRODUCTION

In the current economic reforms, Telecom sector has formed an important story, in the scenario of competitive edge shared by the public and private players in telecom sector, on the one hand, and the regulated environment. The policy makers had realized early that without a globally competent and efficient telecommunication system, the process of globalization of the economy would not be completed. Hence, this was the first sector that got perfect attention during the post reforms period and also resultant outstanding results. From a traditional and inefficient working system, the telecom sector has emerged as innovative and technological based system of international standard in last decade. Telecommunication sector provides world class quality as required for the success of this policy. Therefore it was inevitable to give the highest priority to the development of the telecommunication sector in the country. Hence the private sector was initially invited to take part in the manufacturing of telephone equipment. Policy makers also hold information that private investors were more interested in providing telecom services than manufacturing the equipment.

During telecom reforms phase in 1994 there were 3 public sector undertakings (PSUs) in the fixed service sector, Department of Telecommunication (DoT), MTNL and VSNL of these namely, DoT operated in all parts of the country except Delhi and Mumbai. MTNL operated in Delhi and Mumbai and VSNL providing international telephony. Reforms in the Indian telecom sector have taken place within the frame work of two telecom policy statements, the NTP 1994 and NTP 1999. To govern the activities of the private telecommunication sector and to protect national interest and to further liberalize the sector, the Government of India initiated the National Telecom Policy in the year 1994.

SECTION-I

Reforms in Indian Telecom Sector

India, like many other countries of the world, has adopted a cumulative approach to telecom sector reforms through privatization and competitive environment in different segments of the telecom

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market. To start with, in 1992 India introduced private competition in value-added services followed by opening up of cellular and basic services for local area. The Telecom Regulatory Authority of India (TRAI) was constituted in 1997 as an independent regulatory set up in this sector. Competitive environment was also introduced in national long distance and international long distance telephony at the start of the current decade.

The Government of India (GOI) took policy initiatives keeping in view the practical realities and implemented them in stages. Historically, the reform process began in the 1980s with the entry in 1984 of private players in the manufacturing of customer premise equipment and corporatization of domestic telecom operations in two metros Delhi and Mumbai. Corporation for international services was established in 1986 and of the Telecom Commission with full government powers in 1989. The piecemeal reforms executed in the 1980s were indeed steps towards loosening bureaucratic control but continued to retain a monopolistic flavor. The policy initiatives taken during the 1990s constituted the second, but the most important, stage of the reform process as the transition from monopoly to competition was accomplished. This was done through three major policy initiatives beginning with the deregulation of the sub-sector of valueadded services in July, 1992, followed by the issuance of two major policy instruments: the National Telecom Policy, 1994 (NTP94) and the New Telecom Policy 1999 (NTP99)

National Telecom Policy 1994 and its implementation

This policy document represented the first attempt to quantify policy objectives and provide a target for telecom development in India. The policy document laid down specific targets, such as expansion telephone service and provides it on demand by 1997, coverage of all villages by 1997, provision of PCOs in urban areas for every 500 persons by 1997 and introducing all international value added services by 1996. Hence, the policy for the first time allowed private companies registered in India to participate in the provision of basic telephone services subject to stipulated conditions.

The new shifts in the telecom sector created interest of world players and investors, both Indian and foreign, evinced keen interest in being partners in telecom development. However, the implementation of the policy did not match the euphoria it created and delivered mixed results. Physical targets were unrealized, particularly for rural telephony.

The NTP94 has considerable emphasis on protecting consumer interests and ensuring healthy competition in the sector. The implication of this policy was to establish the institution of regulator for the telecom sector. This helps in provide fast base and curb delays in the registration process. Only in 1997 did the GOI enact a law -- the Telecom Regulatory Authority of India Act 1997 (TRAI Act 1997) -- leading to the establishment of an independent statutory Regulatory Authority for the telecom sector, with well defined process, functions, powers and responsibilities to encourage competition, ensure a level playing field, and promote and protect consumer interests.

New Indian Telecom Policy 1999

The enunciation of a New Telecom Policy 1999 responded to the far-reaching changes taking place in the telecom sector worldwide as well as to the inadequacies of NTP94. The NTP99 further liberalized the scope of cellular mobile service, fixed service, and cable service, including the terms and conditions of licenses and operational aspects. Interconnection had been a key concern among service providers and had given rise too many disputes.

The NTP99 policy describes that interconnection shall be permitted between service providers in the mobile and basic service segments. This policy also covered all the issues in such other areas as the resolution of problems facing the existing operators, the restructuring of the Department of Telecommunications, spectrum management, universal service obligations and the role of the regulator.

Communication Convergence Bill, 2001

The Communication Convergence Bill, 2001 defined some progress towards providing shape to the telecom sector in India. Although introduced in Parliament, this Bill made little headway and lapsed before it could be enacted into law. Much later, vide a government notification dated January 9, 2004, broadcasting and cable services have been covered within the definition of "telecommunication service" as defined in TRAI Act, 1997, as amended in 2000. This has covered the regulations of broadcasting and cable services provider under the jurisdiction of the telecom regulator, and disputes arising in respect of these services under the purview of the appellate body in the telecom sector. However, notwithstanding the ushering in of competition through these policy instruments, the sector has encountered many disputes, some minor and some major in nature, which have impeded the growth of the telecom sector from time to time.

SECTION-II

Corporate Governance in Indian Telecom Industry

In the global setting, the telecommunications industry has experienced some changes during the last few years, in areas such as fixed telecommunications, GSM and interconnections. The result of these changes has led to a fall in service charges coupled with increased flexibility, functionality and the overall attractiveness of the services. Introduction of new technologies has changed the role of mobile services, leading to a significant increase in mobile penetration, which now exceed fixed line communications. As the telecommunications market has reached the point of saturation, companies have introduced differmentation strategies by services, which in turn have led to a broadening range of new products.

Another key characteristic of the industry is the requirement for substantial investment in equipment transmission facilities (wire, optical fibre lines or wireless facilities), and terminals (subscriber equipment). The high investment provides an effective barrier of entry to new entrants in the sector. Further, the high required investment has led to a limited number of players within the market with sharp competition among them. Another specific characteristic of the telecommunications industry is also its plays important role in the society. For many years it has been viewed as investor of essential public services.

This competition for market share, as well as increasing number of users, the GSM services tariffs went down dramatically. The companies continued the processes of innovation of existing services and implementation of new products. Economy of positive scale as well as economy of scope was played a crucial role for their business success. Thus, the generic strategies that were chosen by the major telecommunications market players, led by foreign strategic investors and local entrepreneurs, can be defined as differentiation strategies.

In 2018, the country was under an audit crisis- auditor of over 204 listed firms resigned due to citing vague reasons such as lack of adequate information and preoccupation with other assignments. Such concerns of auditors raises serious questions over the standard of corporate governance in India and also highlights the fact that when the going gets tough, auditors can safely exit with reasons.

Most of the companies are managed like family businesses and some of them thrive only because of the family nature with orgnisation structure. There are, however, lines that cannot be crossed – siphoning or fraud should be unacceptable.

Need of Corporate Governance in Indian Telecom Sector

Corporate Governance (CG) has grown very importantly in the last one decade and is now taken as a significant attribute for telecom sector. "Poor" CG and "lack" of transparency of financial transactions have been identified as some of the major causes of the financial crisis in Asian countries. Thus, we need major improvement in secrecy and transparency, both "accounts" and "public disclosure," becomes imperative. Nowadays, disclosure about CG is a fundamental area of the modern corporate regulatory framework, which encompasses providing information by a company to the public in a variety of means.

In this way the problem of corporate misconduct, ensuring 'sound' CG is believed necessary for protecting the interest of investors' confidence and good performance. In this respect of growing number of scandals/thefts and the subsequent spread in media and public becomes the main cause of

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loosing wealth of corporate sector these days, that's why corporate governance becomes the major highlighted area around the globe for creating trust in the telecom sector. In India, the question of Corporate Governance has come up mainly in the wake of economic liberalization and deregulation of industry and business as well as the demand for a new corporate ethos and stricter Compliance.

Importance of Corporate Governance in Indian Telecom Sector

In recent years, the orgnisational structure of companies has changed with various levels and types. Banking Sector, Public financial institutions, mutual funds, etc. are the single largest shareholder in most of the companies. So, they have effective control on the management of the companies. They force the management to use corporate governance. That is, they put pressure on the management to become more efficient, transparent, accountable, etc. Misuse and misappropriation of public money are happening everyday in India and worldwide. It is happening in the stock market, banks, financial institutions, companies and government offices. In order to avoid these scams and financial irregularities, many companies have started corporate governance. Today, there are many takeovers and mergers in the business world. Corporate governance is required to protect the interest of all the parties during takeovers and mergers.

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