Mobile Phone Charges GDP Growth

While the usage of the device has moved beyond voice call, growth is linked to cellphone penetration

RAJESH SHUKLA

Over the last few decades, the Indian economy has witnessed a significant transformation. From being primarily an agricultural economy, the services sector has overtaken and has become the leading contributor to growth. Within the services sector, the communication sector has grown at an astonishing 25.7% from 2000-01 to 2008-09. Even during the financial crisis years of 2008-09, while other sectors slowed down, the communication sector continued its forward march. While communication sector comprises of many verticals, the importance and role of telecom subsector and services is well-known. Rising per-capita incomes, introduction of affordable handsets and lowest call rates have all led to an explosion in the subscriber base with roughly 700 million mobile subscribers belonging to all population strata.

Longitudinal analysis established a causal relationship between higher mobile teledensity in Indian states and higher economic growth (Kathuria et al, 2009). Findings reveal that every 10% increase in mobile penetration rate leads to a 1.2% increase in GDP. Furthermore, the results suggested that there are important network effects that magnify the economic impact of mobiles on development when the level of mobile penetration exceeds a critical mass of around 25%. In states with penetration levels above 25%, the growth dividend is estimated to be higher at 1.3%.

The analysis of the usage patterns for cellphones finds in part marked differences between the countries. Although the median number of years owning a cellphone is lowest for India (two years) — it is between five and eight years for the other countries — study participants from this country are among the heaviest users of cellphones, both for talking and other purposes (such as SMS or email).

When participants from India were asked, "On an average workday, how often do you use your cellphone for talking to somebody on the phone?" the median number of cellphones calls for India is 10, which is more twice as often as for the US (Wiedemann et al, 2010). Weekend use of cellphones for talking is more frequent than workday use in all countries except Japan, but still, the study participants from India and now also from the US are the most frequent users. Participants from the US are also among the most frequent users of cellphones for talking as well as other purposes, while for other countries, there are differences with regard to the purpose of using a cellphone. Only participants from Brazil, Germany and the Netherlands are consistently among the less frequent users of cellphones.

More recently, in January 2011, NCAER Centre for Macro Consumer Research (NCAER-CMCR) has undertaken a survey-based research using questionnaire and a series of focused group discussions (FGDs) in four rural-urban clusters — Delhi, Kolkata, Chennai and Lucknow — to determine the economic and social impact of cellphones.

Participants in the survey belong to various socio-economic groups including agriculturalists, private salaried employees, self-employed (for example, rental car business), students with temporary occupations (such as salesmen and surveyors) and unemployed youth.

None of the participants in various FGDs felt that income was a main criterion for determining the usage of mobile phones. Neither did they believe that ownership was restricted to a particular occupation or gender or educational level, implying that mobile ownership cut across economic, social and demographic categorisation.

A striking feature that came out during the FGDs was the ownership of multiple SIMs, especially among the younger age group. It is interesting to note that the individuals were well aware of the competing service providers and their offers. In fact, one of the reasons for multiple ownership was precisely to take advantage of cost differentials among service providers.

The key benefits of owning mobiles that the various groups recorded were: communication with family members and relatives at affordable prices. The cost of travel, especially the time taken to reach these places, has largely reduced due to this easy communication. Coordination with family members when somebody is out on work becomes easier. Smooth running of business operations in terms of ordering supplies, taking orders or bookings from clients, etc, have greatly reduced time for operational aspects, especially for logistics, and have increased the clientele. For example, self-employed people such as tea and food stall owners and chemists mentioned that they could contact their suppliers, and their clients, in turn, could contact them on cellphone, making the operation larger and easier to coordinate.

In contrast, the younger lot used the mobile as an entertainment device by using MP3 player or listening to FM radio for music and fun, and using the camera. However, only 20% of the participants played games on the mobile. It was also interesting to note that they were extremely interested in knowing if there were any facilities through the mobile phones that could save their time in doing activities such as paying bills or accessing their bank accounts, etc.

The data also reveals that users who reported an improved network with friends and relatives due to mobiles are much more likely to receive help in an emergency. A vast majority of the respondents reported that mobiles are the most preferred medium for receiving information. This is significant in rural areas where distribution of social security benefits and information on government programmes are plagued with poor delivery and asymmetric information.

The pervasiveness and impact of mobiles was emphasised during the FGDs when participants regularly expressed how "It would not be possible to slip into a life without mobile" and how mobiles had become "A way of life".

(The author is director at NCAER-CMCR)