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# Impact of GST on the Telecom Industry - An Empirical Study

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## Abstract

*The telecom sector, pivotal for India's economic growth, has undergone significant evolution, especially post-liberalization. Amidst this backdrop, GST implementation has garnered attention due to its ramifications on consumer costs and industry dynamics. Through a survey conducted among telecom consumers and retailers in Shivamogga district, Karnataka, this study examines opinions on GST's impact across various dimensions. Results indicate a predominantly positive perception of GST benefits, albeit with concerns regarding increased costs and tax complexities. The findings underscore the need for the telecom industry to address challenges while leveraging GST advantages effectively for sustainable growth and enhanced stakeholder understanding.*

**Keywords:** GST, Telecom Sector, Economic Growth, Government of India, Impact of GST.

## 1. Introduction:

India has undergone a remarkable economic shift from an agrarian-focused model to a knowledge-driven one. The service sector, characterized by its diversity, has propelled India to fifth place globally in tertiary sector output. Its growth surpasses that of agriculture and manufacturing, driving GDP expansion, job creation, trade, and investment. Services contribute significantly to India's economy, constituting around 60% of GDP, employing nearly 35% of the workforce, and attracting over half of foreign investment inflows. This growth trajectory, initiated in the mid-1980s and accelerated in the 1990s, stems from liberalization policies and economic reforms, fostering privatization and easing FDI restrictions. Factors such as rising per capita income, leisure time, life expectancy, product complexity, female workforce participation, urbanization, cultural shifts,

and technological advancements further bolster this growth. The service sector encompasses diverse fields like transportation, communication, finance, real estate, media, healthcare, education, IT, and hospitality, serving as the linchpin of India's socio-economic progress.

## Telecom Sector and GST

Telecommunications is one of India's fastest-growing industries, globally recognized for driving socio-economic progress. Since the liberalization era began with the New Telecom Policy in 1999, the sector has evolved significantly, particularly in wireless services. Telecommunications is now as essential as electricity and roads, playing a crucial role in overall socio-economic advancement. Mobile phone

usage has surged, leading to a decline in fixed-line subscriptions, which fell to 34.8 million by February 2011.

India's telecom sector is renowned for its innovations, including mobile applications and affordable networks, which have expanded access nationwide. As of December 2023, India ranked second globally in subscriber numbers, with 1,190.33 million telephone subscribers. Urban areas account for 662.56 million subscribers (55.66%), and rural areas have 527.77 million (44.34%). Private operators dominate the market with a 91.36% share, while public sector units (PSUs) hold the remaining 8.64%. The national tele-density stands at 85.23%, with urban areas at 133.76% and rural areas at 58.56%. India is one of the largest data consumers globally. According to TRAI, average wireless data usage per subscriber increased from 61.66 MB per month in March 2014 to 19.08 GB per month by September 2023. By 2026, India is projected to have 350 million 5G subscriptions, representing 27% of all mobile subscriptions.

In the financial year 2023, the export value of cell phones reached Rs. 90,000 crore (US\$ 10.84 billion), with electronic goods exports at US\$ 6.89 billion during April-June 2023. By 2025, India will need around 22 million skilled workers in 5G-centric technologies like IoT, AI, robotics, and cloud computing. India ranks second globally in "international mobile broadband internet traffic" and "international Internet bandwidth."

The Union Cabinet approved a Rs. 12,195 crore (US\$ 1.65 billion) production-linked incentive (PLI) scheme for telecom products. In December 2022, 42 companies committed investments totaling Rs. 4,115 crore (US\$ 502.95 million) under this scheme. The Department of

Telecommunications established a 6G innovation group to advance this technology. In the Union Budget 2023-24, the Department of Telecommunications received Rs. 97,579.05 crore (US\$ 11.92 billion), including Rs. 400 crore (US\$ 48.88 million) for R&D and Rs. 5,000 crore (US\$ 611.1 million) for Bharatnet. The sector attracted US\$ 39.31 billion in FDI between April 2000 and December 2023, with the PLI initiative for electronics manufacturing drawing Rs. 4,700 crore (US\$ 569.49 million) by September 2022.

One of the greatest impacts of the new tax reform of India has been on the Telecom Sector that means mobile bills have got more expensive. In the earlier tax regime, telecom industry had been facing various shortcomings, issues with the classification of services, cascading effect of taxation. While earlier, the service tax paid by the mobile subscribers was 15%, now after the implementation of the GST, it has increased to 18%. The 18% slab rate remains the same for every subscriber, whether the subscription is prepaid or post-paid. For the consumers, it means that there will be a hike in the post-paid bills and mobile recharge. In the post-paid subscribers, the 3% change will be reflected in their bill while for the prepaid ones, the consumers will be getting a slightly lesser talk-time than earlier on recharge of a particular amount. In other words, the effective talk-time will shrink. The telecom industry seems a little miffed with the move as due to the cut-throat competition, it was expecting a lower rate slab under the new GST regime.

## 2. Objectives and Methodology

On the lines of the above, an effort is put in the present paper to examine and analyse the functional impact of GST on the telecom company services. For this purpose,

opinions have obtained from the 100 customers and retailers of telecom companies in Shivamogga district, which is one of the industrial and investment destination of Karnataka state. For obvious reasons, this study is mainly based on the primary and secondary data. The primary data has been collected through direct interview of the concerned respondents with structured Questionnaire and simple random sampling technique used in the selection of the respondents. The secondary data collected from published sources such as textbooks, journals, newspapers, periodicals, websites, annual reports submitted by various committees or departments and commissions, etc. for the purpose of data

analysis, a few descriptive statistical tools are used.

### 3. Data Analysis and Interpretation

As already stated, an effort is put to analyse and present the opinions of respondents selected for the study on a few dimensions of GST with a special focus on the functional impact of GST on telecom services. This analysis from the point of view of (i) Gender profile (ii) Sources of awareness about GST (iii) GST benefits available to the telecom sector (iv) GST impact on SIM cards and Mobile phones (v) Opinions towards GST impact on telecom companies and international calls (vi) Challenges facing by the telecom industries.

**Table -1: Gender Profile of the Respondents**

SI. No.	Particulars	No. of Respondents	Percentage (%)
1	Male	36	36
2	Female	64	64
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Survey result

From the above table reveals that out of 100 respondents, a significant majority are female, accounting for 64% (64 respondents), while males represent 36% (36 respondents). This gender distribution indicates a higher female participation in the survey on GST, suggesting that more

women were engaged or available to respond to the survey questions. The notable difference in participation rates may reflect gender-related differences in interest, availability, or representation within the context of the survey.

**Table - 2: Sources of awareness about GST**

SI. No.	Particulars	No. of Respondents	Percentage (%)
1	Friends/Family	26	26
2	Mass media	40	40
3	Online Source	24	24
4	Others	10	10
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Survey result

The above table shows the sources of awareness about GST among 100 respondents. Mass media is the most common source, accounting for 40% (40 respondents). Friends and family follow, contributing to 26% (26 respondents), while online sources account for 24% (24

respondents). Other sources make up the remaining 10% (10 respondents). This indicates that traditional mass media plays a crucial role in disseminating information about GST, followed by personal networks and online platforms

**Table - 3: GST benefits available to the telecom sector**

SI. No.	Particulars	No. of Respondents	Percentage (%)
1	Yes	80	80
2	No	20	20
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Survey result

The contents of the table indicates that 80% of respondents (80 out of 100) believe that the telecom sector benefits from GST, while 20% (20 respondents) do not share this

view. This suggests a strong perception among the majority that GST has positively impacted the telecom industry, although a minority remains unconvinced.

**Table - 4: Increase the price of the SIM recharge and Mobile phones due to GST**

SI. No	Particulars	No. of Respondents	Percentage (%)
1	Yes	72	72
2	No	28	28
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Survey result

It is evident from the above table, that 72% of respondents (72 out of 100) believe that the price of SIM recharge and mobile phones has increased due to GST, while 28% (28 respondents) do not share this

view. This indicates that a significant majority perceive GST as a factor contributing to higher costs for SIM recharge and mobile phones.

**Table - 5: Opinions towards GST impact on telecom companies and international calls**

SI. No	Particulars	Strongly Agree		Agree		Neither Agree nor Disagree		Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%

1	GST clause make the audit procedure easy for the Telecom companies	20	20	72	72	8	8	0	0	0	0
2	GST Regime make the SIM Cards and recharge coupons cheaper	4	4	52	52	32	32	12	12	0	0
3	Leads to cheaper internet and call rates	6	6	50	50	34	34	10	10	0	0
4	GST make the tax payment complicated in the telecommunication sector especially at the time of inter-linking roaming and international calls etc	20	20	44	44	20	20	16	16	0	0
5	On overall services sector GST Implication is beneficial to common man	12	12	54	54	24	24	8	8	2	2

Source: Survey result

The table presents respondents' opinions on various GST impacts on telecom companies and international calls. 72% (72 respondents) agree and 20% (20 respondents) strongly agree that GST clauses make the audit procedure easier for telecom companies, indicating a strong positive perception. Only 8% (8 respondents) are neutral. 52% (52 respondents) agree and 4% (4 respondents) strongly agree that GST makes SIM cards and recharge coupons cheaper. However, 32% (32 respondents) neither agree nor disagree, and 12% (12 respondents) disagree, showing mixed opinions. 50% (50 respondents) agree and 6% (6 respondents) strongly agree that GST leads to cheaper internet and call rates. 34% (34 respondents) are neutral, while 10% (10 respondents) disagree, indicating varied

perspectives. 44% (44 respondents) agree and 20% (20 respondents) strongly agree that GST complicates tax payments, especially for inter-linking roaming and international calls. 20% (20 respondents) are neutral, and 16% (16 respondents) disagree, reflecting diverse views. 54% (54 respondents) agree and 12% (12 respondents) strongly agree that GST is beneficial for the common man in the service sector. 24% (24 respondents) are neutral, while 10% (10 respondents) disagree or strongly disagree, indicating generally positive but somewhat mixed opinions.

Overall, most respondents view GST as beneficial in simplifying audits and potentially lowering costs, but there are concerns about tax payment complexities.

**Table - 6: Challenges facing by the telecom industries**

SI. No	Particulars	No. of Respondents	Percentage (%)
1	Revenue Growth	52	52
2	Subscriber Growth	8	8
3	Profit Margin	34	34
4	Data Segment	6	6
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Survey result

A close observation of the table outlines the primary challenges faced by the telecom industry according to 100 respondents. 52% (52 respondents) identify revenue growth as the main challenge, indicating that over half of the respondents see this as the critical issue. Only 8% (8 respondents) view subscriber growth as a significant challenge, suggesting it is less of a concern compared to other issues. 34% (34 respondents) consider profit margin a major challenge, highlighting concerns about maintaining profitability. 6% (6 respondents) see challenges in the data segment, indicating it is the least concerning area among the options provided.

From the above analysis, revenue growth is seen as the foremost challenge for the telecom industry, followed by profit margin issues, while subscriber growth and data segment concerns are less prominent.

#### 4. Conclusion and Implications

The analysis of the respondents' opinions on various dimensions of GST's impact on telecom services provides insightful conclusions as follows.

- The survey reveals a higher female participation (64%) compared to male (36%), indicating greater engagement or availability of women in the context of GST-related queries.
- Mass media is the predominant source of GST awareness (40%), followed by friends/family (26%) and online sources (24%). This underscores the significant role of traditional media in disseminating GST information.
- A substantial majority (80%) perceive that GST benefits the telecom sector, indicating a strong positive sentiment towards GST's impact on the industry.
- A significant majority (72%) believe GST has increased the prices of SIM

recharge and mobile phones, reflecting concerns about cost implications.

- A majority agree that GST simplifies audit procedures for telecom companies (72%) and potentially makes SIM cards and recharge coupons cheaper (52%). However, there are mixed views on whether GST leads to cheaper internet and call rates, and many feel it complicates tax payments, especially for inter-linking roaming and international calls.
- Revenue growth is identified as the foremost challenge (52%), followed by profit margin concerns (34%). Subscriber growth and data segment issues are seen as less prominent challenges.

The findings suggest that while GST is perceived to offer several benefits to the telecom sector, particularly in audit procedures and potential cost reductions, there are notable concerns regarding increased prices and tax payment complexities. The telecom industry must address revenue growth and profit margin challenges to maintain sustainability and leverage the benefits of GST effectively. Enhanced communication and education on GST implications can further mitigate mixed perceptions and foster a more informed and favorable outlook among stakeholders.

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