

# MOBILE PHONES ENABLE HIGHER AND MORE INCLUSIVE ECONOMIC GROWTH



Mobile Phone on Bike (L)

A Villager on Mobile (R)

**19 January 2009, Delhi:** A report on the socio-economic impact of mobile technology by a team of researchers led by Professor Rajat Kathuria of the Indian Council for Research on International Economic Relations (ICRIER) has found clear evidence to suggest that mobile penetration facilitates economic growth. It shows that Indian states with 10% higher mobile phone penetration will enjoy an annual average growth rate 1.2% higher than those with a lower teledensity.

Funded by Vodafone as part of a series of studies on the socio-economic impact of mobile (SIM), the report demonstrates that mobiles aid the process by which disadvantaged groups, including the low-skilled labour force, enjoy the fruits of economic growth.

Professor Kathuria, commented “We believe this analysis shows that telecommunications is a critical building block for the country’s economic development. Our work also shows that the real benefits of telecommunications only start when a region

passes a threshold penetration rate of about 25%. Many areas have still not attained that level, which indicates the importance of increasing teledensity as soon as possible. If Bihar's mobile penetration rates were similar to those of Punjab, for example, then it would enjoy a growth rate that is 4% higher than its current rate.

" A good example of the positive impact of mobile use is a henna artist who began by setting-up-shop on the pavement and now runs a successful and growing concern. He arranges his business via a mobile phone, using it to order products, take bookings and record his designs for marketing purposes.

The report also contains specific studies of how mobile devices benefit rural farmers, small and medium sized enterprises (SMEs) and the populations of urban slums. The research also showed that information via mobile, such as weather reports and market prices, has begun to have an impact on productivity for the agricultural sector. However, it also concludes that other infrastructure challenges, such as poor roads and lack of refrigerated transport, need to be addressed in parallel in order for farmers to realise the full potential of access to information via mobile.

Dr Rajiv Kumar, Director and Chief Executive of ICRIER, suggests that the research report should provide government with the analytical and empirical content to refresh the policy environment for telecommunications. He believes that this is vital in order to attract investment to the sector and to ensure this investment is used to maximum effect. In particular, he recommends that more spectrum should be made available for civilian use and policy makers should consider changing the current caps on foreign investment and the criteria for mergers and acquisitions. These changes could stimulate greater investment in Indian telecommunications, improve access to communication in poorer areas and ultimately lead to increased economic growth.

“India has a lower teledensity than many other emerging economies including China, Pakistan and Sri Lanka. We also lag far behind in terms of internet access,” said Dr Kumar. “It is therefore particularly important that in these challenging times we step up to the mark and create the appropriate regulatory environment to attract investment and sustain a world class telecommunications service. Our global competitiveness depends on this.

” The research highlighted that while mobile connections were growing at rates exceeding 10 million per month in 2008, there is considerable penetration variation within India’s borders; Delhi’s penetration rate is in excess of 100% but states such as Bihar, Orissa, Assam and Madhya Pradesh have not yet reached the critical 25% threshold. In addition, access to the internet is only around 5% nationally and in some states, such as Bihar, this figure falls to 0.1%.

Neil Gough, Director of Public Policy – Emerging Markets at Vodafone Group said, “We are pleased to have been able to fund this important study. As a company, we believe that public debate of these issues is fundamental to the development of effective regulation.

The research demonstrates that access to telecommunications acts as a catalyst to realise productivity and efficiency improvements, thereby making it possible for the benefits of economic growth to be shared amongst a greater proportion of the population.” This press release contains forward looking statements which are subject to uncertainty because they depend on circumstances that will occur in the future. No assurances can be given that these statements will be realised.