With rural telecom penetration currently at about 30 per cent, these areas will trigger the next phase of growth in the sector. Realising this, operators are expanding their rural networks and taking initiatives to bring subscribers in these areas on to their networks.

According to industry experts, the key demand drivers for mobile telephony in rural areas will be services like micro banking, information services, commodity trading, health and education services, regional entertainment and location-based applications. Hence, operators are aiming to provide relevant content to rural customers including value-added services (VAS). The launch of 3G services has also led to an increased focus on rural-specific content. They are also tying up with handset manufacturers to offer affordable 3G handsets.

tele.net takes a look at some of the recent initiatives by major telecom operators to drive rural penetration...

BSNL

State-owned Bharat Sanchar Nigam Limited (BSNL), which accounts for 15.3 per cent of the rural subscriber base, has taken several initiatives to increase telecom and broadband penetration in these areas over the past few years. Though the operator ranks fourth in terms of rural market share with 39.63 million subscribers, it has the widest network coverage among all service providers. Moreover, in terms of rural wireline services, BSNL still leads the market with a 99 per cent share and 8.84 million subscribers.

In order to expand its broadband services, in May 2011, the company signed up with the Universal Service Obligation (USO) Fund under the latter's Rural Wireline Broadband Scheme. Under the contract, BSNL aims to provide wireline broadband connectivity in rural and remote areas. It will provide 888,832 wireline broadband connections offering speeds of 512 kbps to individual users and government institutions by 2014. The USO Fund subsidy will help the operator provide new connections, customer premises equipment and PCs. By 2014, the operator plans to provide broadband services to 250,000 village panchayats.

BSNL has also been brought in to support the USO Fund's pan-Indian wireless broadband

scheme. The programme envisages providing seamless mobile wireless broadband coverage to about 550,000 villages at a minimum speed of 512 kbps. Subsidy for rolling out this initiative will be provided to two operators in each service area. One slot will be reserved for BSNL, while the other will be awarded through a bidding process.

BSNL continues to expand its reach to the remotest parts of the country where none of the private operators has managed to mark a presence yet. It is setting up 500 base transceiver stations in rural Bihar, Chhattisgarh and Jharkhand. A total of 31 districts will be covered under this plan, including some of the most backward areas in terms of telecom development. BSNL has also taken initiatives like sending collection vans to rural areas to facilitate bill payment.

However, the PSU's rural operations have been the key reason for the Rs 18.66 billion losses reported for 2009-10. As the company continues with its rural services despite the financial non-viability, the government has decided to provide financial support to BSNL. The Department of Telecommunications (DoT) plans to support the ailing operator through an annual subsidy of about Rs 30 billion from the USO Fund for rural operations.

Bharti airtel

The country's leading private telecom operator, Bharti airtel leads in terms of rural mobile market share. The company has a 23.4 per cent share in this market with 60.85 million subscribers. The operator, which has 39.07 per cent rural subscribers in its overall customer base, is looking to increase its rural reach further. In April 2010, the operator signed a $1.3 billion deal with Ericsson for the deployment of a converged network to expand its rural coverage.

For rural-specific services, the operator has launched customised SIM cards in these areas. In August 2010, it launched the airtel Krishi Cards initiative and other campaigns to create awareness about agriculture-based SIM cards. The initiative was aimed at increasing customer convenience and providing farmers with agriculture-related information.

In early 2011, airtel entered into a joint venture (JV) with the State Bank of India (SBI) to offer banking services to the country's unbanked population. The JV aims to leverage SBI's banking strengths and airtel's mobile penetration to add value to the banking and financial services

sector.

Idea Cellular

Idea Cellular has maintained its focus on rural subscribers. This market contributed over 40 per cent to its total revenues at end-2010.

The operator's rural coverage increased from 15,000 villages in 2006 to 300,000 villages at end-2010. The company also has the highest share of rural subscribers as a percentage of total customers (49.73 per cent) among GSM operators. Two out of every three new subscribers of the operator are from non-urban markets.

Idea's focus on rural markets is also evident from its 3G strategy. While peers like Bharti airtel, Vodafone Essar and Reliance Communications (RCOM) launched services in the metros before going to small towns and villages, Idea is doing exactly the opposite. It is targeting semi-urban and rural subscribers in the initial phases of its 3G rollout. The company believes that 3G will provide quality broadband access in rural areas while growth in the metros and urban centres will be slow as these regions already have access to high speed internet based on fixed lines as well as wireless networks.

Idea has also taken a number of initiatives on the VAS front including an agreement with VAS provider handygo for launching a rural information service, Behtar Zindagi. The service provides rural subscribers information related to weather, livestock, mandi prices, fishery advisory, and finance as well as health-related schemes, and is priced at Re 1 per minute. For providing the latest and reliable updates, handygo has partnered with organisations including Care India, Aviva Life Insurance, the India Meteorological Department, INCOIS and Hariyali Kisan Bazaar. The VAS offerings of the company are available in the Maharashtra, Goa, Gujarat, Uttar Pradesh (West) and Andhra Pradesh circles.

RCOM

RCOM has been focusing on bringing affordable services to its users and bridging the

urban-rural digital divide has been one of its key objectives.

In this context, the Reliance Anil Dhirubhai Ambani Group (ADAG) has achieved success in making telephony available and affordable in rural areas. Currently, RCOM has 10.4 per cent share of the rural subscriber base.

The operator has taken several initiatives on the rural front. In March 2011, it launched a rural VAS initiative, Behtar Zindagi, in partnership with handygo. Keeping in mind the targeted consumer segment, the service has been priced at Rs 30 for 30 days.

In January 2011, the operator launched a JV company, KRIBHCO Reliance Kisan Limited (KRKL), in partnership with KRIBHCO, a cooperative society. KRKL was formed with the aim of synergising the strengths of KRIBHCO, which has a robust marketing network in rural India, and Reliance ADAG. The JV's key focus areas are catalysing teledensity growth, and providing state-of-the-art telecom products and services in rural India.

KRKL aims to create a distribution model that will cover 72 per cent of the rural population through its network of over 25,000 cooperatives, 6,300 member cooperatives and 60 Krishi Seva Kendras. The company believes that KRKL will emerge as one of the most significant milestones in increasing rural teledensity for RCOM.

Other players

Other players have also been focusing on increasing rural telecom coverage. Tata Teleservices Limited has partnered with handygo to launch a rural VAS initiative, Behtar Zindagi. In March 2011, Uninor launched Soochna Shakti, a value-added service that aims to provide employment opportunities for rural women. This VAS application, which has been rolled out as a pilot project under a DoT-USO Fund initiative, will deliver information, expert advice and news alerts on health, education, self-employment and finance.

Vodafone Essar, which has the third highest number of rural subscribers among Indian operators, claims to have 65 per cent network coverage in rural India. In an effort to boost rural

telecom, the operator has launched solar-powered mobile handsets in areas that lack access to grid power. The VF 247 solar-powered handset, priced at Rs 1,500, was launched in July 2010. Also, in January 2011, the operator entered into a partnership with ICICI Bank to provide mobile banking services to the masses, especially in rural areas.

Clearly, rural telecom coverage has become a key focus area for operators. Going forward, this trend is likely to gain momentum with telecom companies trying to increase 3G and wireless broadband uptake in these areas.

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