

COVID-19 PANDEMIC: AN OPPORTUNITY OR ROADBLOCK FOR MOBILE PHONE INDUSTRY TOWARDS THE ECONOMIC GROWTH OF INDIA

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Abstract

India is one of the largest markets in the electronics sector and is expected to reach a turnover of US \$ 400 billion up in 2022 as compared to US \$ 696 billion in 2012. The Growth of the electronic industry leads to socio-economic development which helps the country to achieve a CAGR of 29.4% from 2015-2020. To push the growth there are so many initiatives which are taken by the government like “Make in India” and “Digital India” and a special focus on schemes like the Modified Special Incentive Package Scheme (M-SIPS) and Electronic Development Fund (EDF). As per the IBE report, the market is projected to grow tremendously due to the high demand for communication and broadband equipment’s, including mobile handsets, this segment is also likely to drive the demand for electronic products. This research paper has attempted to understand the impact of a pandemic on the growth of the mobile phone industry as well as on the socio-economic growth of the country.

Keywords: Mobile phone Industry, GDP contribution, Internet users, Pandemic effect

1.Introduction

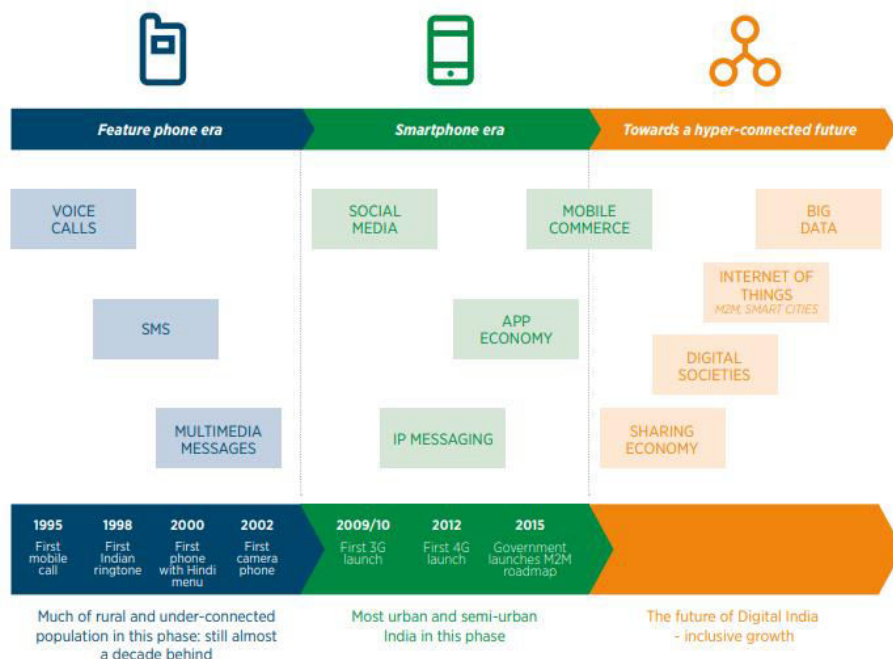
India is the second largest technology driven country in the electronic sector which has a high technology penetration rate of around 15% in 2017. The Consumer Electronics market plays an important part of it because of advanced technology, increasing disposable income, and smart driven technologies. This sector is divided into six major parts includes mobile phones, tv, refrigerator, air conditioner, music system, washing machines.

Today smartphones have become an important part of life. They move from the conventional voice communication role to an essential entertaining device. Now a day’s mobile phones are used not to keep in touch but also used in expressing one’s thoughts, surf the net, play games, social networking, and even managing their finances. With the changing paradigm shift in the telecommunication sector, the mobile phone industry becomes the fastest growing industry in the world. With the advanced technology and boom in the telecom sector, the mobile handset industry has become the hottest segment for manufactures. Every quarter approximately thirty billion smartphones are sold in India and this percentage increase with the increase in the demand for mobile phones. As per IDC and Ericsson Mobility report, mobile subscriptions in India are expected to rise to 1.4 billion by 2021. In 2018 Indian smartphone market grew by 14.5 percent with a shipment of 142.3 million units and expected to reach 829 million by 2022. Mobile phones changed the face of society and bring a new wave of technology.

2. Objectives of the study:

- 2.1 To study the overview of the mobile Phone industry.
- 2.2 To study the impact of the mobile phone industry on the economic growth of the country.
- 2.3 To study the effect of the pandemic on the mobile phone industry.
- 2.4 To classify the drives and challenges faced by the mobile phone industry after the pandemic.

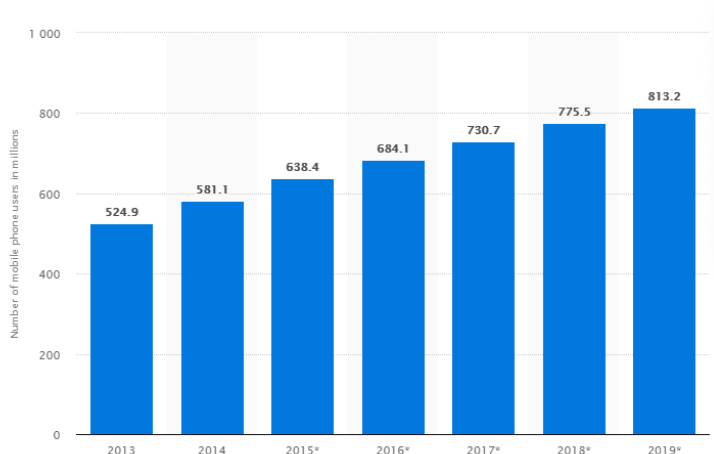
3. Evolution of Mobile Industry in India



Source: www.gsmaintelligence.com

4. Reasons for Growth of Mobile Phone Industry:

Number of mobile phone users in India from 2013 to 2019 (in millions)



Details: India; eMarketer; 2013 to 2015

4.1 One of the top players in the world: India becomes the second largest smartphone market in the world in terms of sales. As per IDC, 39million smartphones were sold in the country between July and September 2017 which is 21 percent more than the last year. Even when the global smartphone is falling, India witnesses an increase of 29 percent increase.

4.2 Major contributor to the world’s mobile subscribers: India is the major contributor of mobile subscribers than the US and second after China. Around 500 million new smartphone users add to the current position.

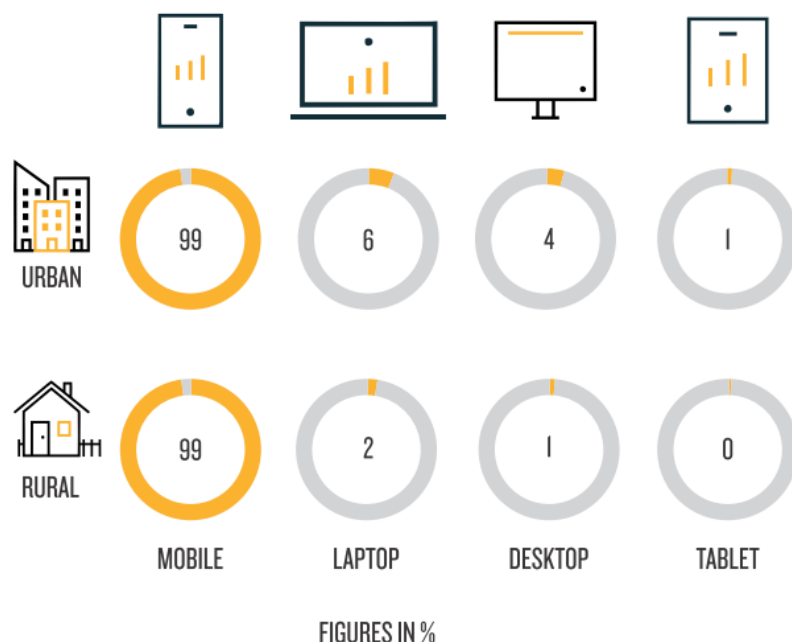
4.3 Promoting regional languages: Promoting content in regional Indian languages is driving the use of the mobile Internet in India. Regional languages are more preferred by the users as compared to English, as per the study by KPMG and Google. There was a 47 percent rise in the consumers of regional languages in 2016 as compared to 2015 which was earlier 127 million.

4.4 Initiation of the digital payment era: Post-demonetisation in November 2016, the usage of digital payment solutions such as e-wallets and biometric-based payments systems shot up. In fact, in six months, total digital transactions in India rose 23 percent, from 22.4 million to 27.5 million.

According to a Google-BCG study, the Indian digital payments industry is poised to grow to \$500 billion by 2020, accounting for 15 percent of the GDP. And smartphones have played a vital role in enabling this growth.

4.5 Introduction of 5G spectrum and bandwidth: With the 4G network coverage across the country so many operators like Vodafone, Airtel improved their existing network and planning to launch 5G in the next few years so that it can increase the usage of mobile broadband by a large number of people. The Ministry of Telecommunications recently set up a platform for the operators to launch 5G in India by 2021.

Devices Used to Access Internet



Source: www.cms.iamai.in

4.6 Availability of more mobile solutions: Now, a day's mobile has become one of the ways to connect. They have become an easy way to connect with laptops, desktop, tablets, etc., not only youth even each age group is now using mobiles. With more app's, new feature smartphone, high-end technologies not only urban people are more inclined towards phone even rural is also highly demanding the mobiles.

4.7 E-commerce and mobile commerce: India is expanding the e-commerce and mobile market, with end season sales and heavy discounts offered by the e-commerce companies which will increase the market for the new users. It was estimated that by 2020, India will have an estimated 702 million smartphones in use and that mobile phones will emerge as the preferred device for online shopping, accounting for 70 percent of the total online shopping.

4.8 Made in India and Digital India: Government schemes and programs like Digital India, launch in 2015 government is planning to drive a large socio-economic change in the society. A program like Make in India provides a huge platform for mobile phone companies to bring innovations and provide low-cost phones to consumers.

4.9 Increase in Urban size: Increase in the facilities available in the urban area, attracts so many people towards the urban area which increases the population of the urban area. Increasing disposable income and lifestyle more and more customers are spending on smartphones.

4.10 Decrease in the Prices of Smartphones: With the increasing competition among the operators and increasing pressure of sales has pushed the prices of the smartphone down significantly. An increase in the market size increased the number of players in the market.

5. Mobile Phone industry and Economic Growth

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS

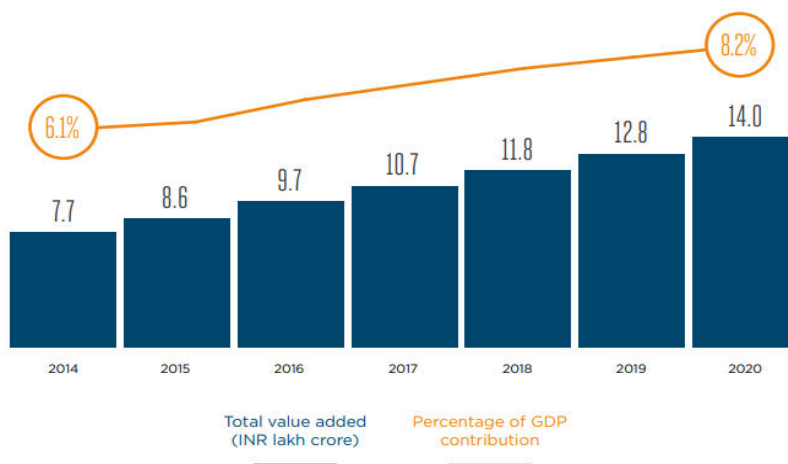
From APRIL 2000 TO SEPTEMBER 2017

S.No.	Sector	Amount of FDI inflows		%age of Total inflows
		(In Rs. Million)	(In US \$ Million)	
1	TELECOMMUNICATIONS			
	TELECOMMUNICATIONS	314,228.23	6,272.79	1.76
	RADIO PAGING	272.98	5.93	0.00
	CELLULAR MOBILE/BASIC TELEPHONE SERVICES	411,623.22	8,181.83	2.29
	OTHER (TELECOM)	964,775.23	15,569.29	4.36
	Sector Total	1,690,899.67	30,029.84	8.40

Source: www.dot.gov.in

- In 2017 mobile sector surge an FDI Inflow of 2.29 percent as compared to the overall sector inflow which is 8.40 percent.

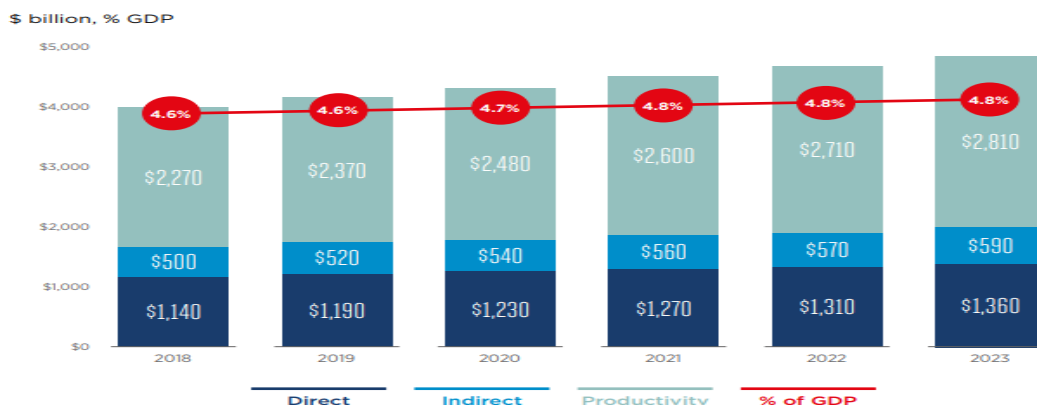
Outlook to 2020



Source: GSMA Intelligence

- In 2014, the mobile industry is contributing 6.1 percent growth in the country’s GDP and which was expected to rise by 8.2 percent by 2020 as per The Mobile economy 2015

The global economic contribution in GDP of mobile will increase by almost \$850 billion by 2023



Source: GSMA

- y 2023 global contribution in the world's GDP on the mobile industry is 4.8% which is increasing from 2018 which is 4.6%.
- Production of mobile handsets reached approximately Rs 1,32,000 crore in 2017-18 as compared to 2014-15 which was Rs 1,89,000 crore.

6 Major Impairments of Mobile Industry

6.1 Innovation and acceptability: with the changing time, mobile phone companies bring so many developments in mobile handsets, which have fallen short of being revolutionary. Bigger screens, large size, battery back-ups, faster processor, high res cameras all are the innovations. It is also seen that new end technologies like face recognition, wireless charging like features are failed to attract new users for the mobile companies. These features cost high to companies which brings the huge cost for the consumer which leads to less demand for the mobile.

6.2 Lack of Universal Standards: There are no set mobile phone tech standards for the manufactures. Many manufacturers as per their ease bring changes in the phones like wireless charging solutions as a microcosm. Wireless power consortium "Qi" powers brands like Apple, LG, Haier, and other brands. In the same manner, Air Fuel Alliance is the standard for brands like Samsung and Huawei.

6.3 Frauds and Privacy: Today's digital lifestyle prompted consumers the huge use of mobile smartphones which also bring security and privacy concerns. Users linked their social networking, e-mails financial information with their devices. A loss or theft of a phone brings threats of fraud and privacy concerns for the users. New features like biometrics, master prints are the way to protect the security but potentially hackers can find a way to crack them.

6.4 Quality assurance and Manufacturer defects: A recent study shows that failure rates on Android phones increase 25 percent world-wide while iOS devices are at 12 percent. This result the consumer inconvenience and cost to retailers. The battery fault in Samsung Galaxy note 7 is an example of the faulty quality. Quality and warranty assurances given by the companies ensure consumer to buy a phone but when fault comes returning a phone to the company create a huge cost to the company.

6.5 Battery Issues: Early smartphone adopters may recall adjusting to the relatively short battery lives of smartphones compared to the last generation of mobile phones that smartphones replaced. The old and popular Nokia 3310 could sometimes survive on standby for a whole week without needing a charge.

Today, the battery issue persists. Even larger-capacity batteries struggle to last a full day. However, to be fair, all new hardware components – including the bigger screen, more sensors, and various connectivity options – contribute to battery drain. An alternative view is to improve charge times. Most modern phones take an hour or two to charge from the full drain.

7. Covid-19 and Mobile Phone Industry:

India is one of the major players in the mobile phone industry as a lot of people are shifted to features based handset but over the past couple of months' lot of things has changed as the Covid-19 outbreak has been declared as "pandemic" and globally it impacted not only health of the people as well the economies of the countries. So many sectors and industries are feeling the heat, the Indian smartphone sector also seems heavily impacted by this.

Due to lockdown people are staying at their homes, shops were closed in the period of march-June, offices are closed so all these factors badly impacted the offline as well online sales of the mobile phones. As per the reports Indian smartphone industry falls by 13% due to this pandemic.

The outbreak of Covid-19 has impacted mobile phone sales in 2020 in three ways:

- Disturbance in normal life dampens the demand from consumers and businesses.
- The slowdown in supply chains hinders mobile phone manufacturing and distribution.
- The impact on the global economy will continue even after the outbreak is over.

Overall, COVID-19 has a substantial impact on the Indian mobile phone market in 2020, with supply chain disruptions and lower consumer demand for the next few quarters.

8. A Pandemic: An Opportunity or roadblock for the mobile phone industry

There is no doubt that the mobile phone industry is facing a roller coaster ride in 2020, due to delay in production, shipment problems, and weak economic environment but its future remains bright as life returns to normal and things are going in a positive direction which will lead future opportunities for the mobile industry as follows:

- In the era of digital technology, one thing is clear that internet connectivity and smart devices came as extremely valuable belonging for the people and businesses in this pandemic time. So, this will make us believe that the mobile phone industry will bounce back very quickly as the macroeconomic situation improves.
- In this tough time, mobile phones have become a blessing for the people, students are attending schools online, offices are closed but still, companies are running just because of features phones.
- In the duration of lockdown, people are paying their bills online, book their gas connection online, and other so many things which earlier they were doing physically.
- Positively, the demand for mobile phones will grow by 12% in 2021, almost reaching the levels seen in 2019, with smartphone sales outpacing 2019 by a good 4%. Even better, in 2022, as the economy recovers, delayed purchases will deliver another boom: 13% growth to almost 2 billion phones.
- The other reason for shining the mobile market is 5G technology which delivers much faster speed and capacity than the previous technologies.
- There will be 1.9 billion smartphone shipments worldwide in next few years which brings a CAGR of 1.2% .AS per the report of IDC and Ericsson Mobility report, mobile users in India are expected to rise by 1.4 billion by 2021. With Government initiatives like Made in India, the domestic mobile manufacturing industry is expected growth by \$19.40 billion as compared to \$13.5 billion in 2016-17.
- By 2023 Indian mobile accessories market is expected to grow at a CAGR of over 10 percent which inclines consumers towards advanced, safe, and secure accessories.
- As per the report by DoT and the Department of Industrial Policy and Promotion mobile industry is expected to produce 8,00,000 more jobs in the next few years.
- The number of internet subscribers in the country is expected to double by 2021 to 829 million and overall IP traffic is expected to grow 4-fold at a CAGR of 30 percent by 2021.
- The Indian Government is planning to develop 100 smart city projects, where IoT would play a vital role in the development of those cities.
- The National Digital Communications Policy 2018 has envisaged attracting investments worth US\$ 100 billion in the telecommunications sector by 2022.
- The Indian Mobile Value-Added Services (MVAS) industry is expected to grow at a CAGR of 18.3 percent during the forecast period 2015–2020 and reach US\$ 23.8 billion by 2020. App downloads in India are expected to increase to 18.11 billion in 2018 and 37.21 billion in 2022.

Conclusion

With the emergence of government initiative like digital India, Made in India brings low-cost high features smartphone which will meet the need of rural and middle-class users. Among various challenges faced by the sector, the right opportunities, right collaborations, right partnership, and better service package make a road for the economic growth of the country. Right policies and implementation will trigger the bundled of services to customers which leads to their satisfaction and growth.

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