



## **CAUSES FOR DISRUPTION OF GOVERNMENT ORIENTED BSNL TELECOM COMPANY WITH REFERENCE TO GWALIOR CITY, INDIA**

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### **ABSTRACT**

The purpose of this paper is to analyze the factors which made the customers of BSNL to churn to other telecom operators in India. Impact of theoretical study of previous research papers, Newspapers and online reports were used for first objective. The second objective was explored through qualitative research analysis using semi structured interviews to systematically collect and analyze the data in order to generate a model for Factors analyzing customer churn towards other telecom operators than government oriented BSNL. For this, 530 customers were randomly selected who were different telecom users. Further grounded theory approach has been used to code the verbatim (indicates recording of interviews in the exact same manner as responded by the interviewee) and further propose a model. Impact on Indian telecom industry was analyzed through theoretical study and factors influencing customer churn were analyzed. Seven factors arose through axial coding which is tariff; speed of internet data, brand endorsement, value added services, image of service provider, brand image and innovative company.

Originality/Value: Reliance Jio is a relatively new operator in the market which has taken the market by surprise and has brought a revolution in the Indian markets. Not a lot of work has been done on this, and this study provides new insights and literature.

Reliance Jio, Churn, Qualitative study, Indian telecom Industry.

### **INTRODUCTION**

In 2021, India is gearing up for the adoption of 5G technology, with the government announcing the technology spectrum auction (Ahmed, 2021), and Purwar has to oversee both companies' smooth transition to 5G technology. But before getting into the 5G space, Purwar has to address multiple challenges, from the crunch of skilled staff due to recent voluntary retirement adopted by 90,000 employees (Jain, 2020) to losing customers to the competition, fund shortage (Abbas, 2019), wage delays, dragged vendor payments and similar strategic

issues.

India has the world's second-largest telecom network in terms of telephone subscriber base, with a total of 1,187.90 million users registered by the end of February 2021 (Telecom Regulatory Authority of India, 2021). Strong consumer demand and reformist policies of Government of India have resulted in the rapid growth of telecommunication companies. It has ensured availability of telecommunication services to consumer at affordable prices. The rising interest of young consumers in digital gadgets globally, has created opportunities for the telecommunication providers (Khizindar et al., 2015). Total subscribers in both wireless and wire line (in million) in India has been shown in Figure 1.

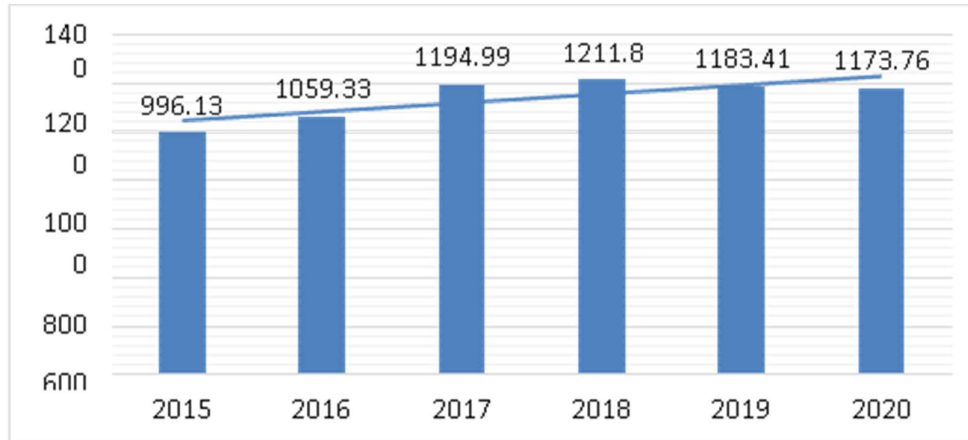


Figure 1 Total subscribers in India wireless+wireline (in million)

The total number of mobile subscribers in India dipped to 1155.15 million (TRAI 2020) in financial year 2019-20 as compared to 2018-19 which were 1161.17 million (Figure 2).

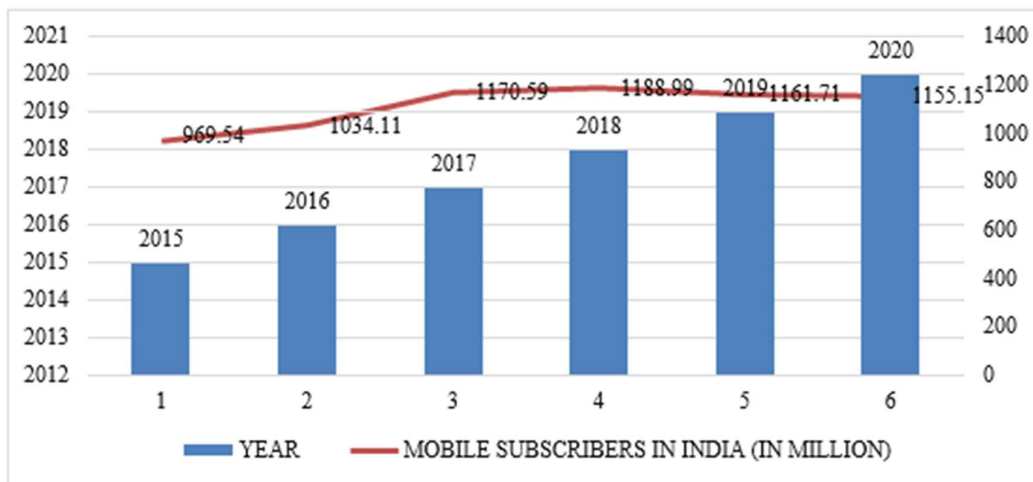


Figure 2 Mobile subscribers in India (in million)

## REVIEW OF LITERATURE

Paul (2011) has mentioned that Bharat Sanchar Nigam Limited would be subjected to extra financial liabilities like license fees, corporate tax, dividend payment, etc which were not

possible to erstwhile DOT.

Varadharajan Sridhar (2011) highlights the unique cost structure, tariff regulation, and universal service obligations of basic telecom services. It dwells upon the different stages of spectrum allocation and management, including third generation and broadband wireless services. The trade-off between competition and industry efficiency due to limited spectrum availability and fragmentation is well emphasized.

Kanchan Bhatia and Prashanth Jain (2012) concluded that the performance appraisal system helps to increase organizational effectiveness as appraisal encourages high level of performance, identifies employees with potential, rewarding performance equitably and determined employees need for development. These all activities support organisational strategic orientation and achieve organizational effectiveness. In private sector the principle measure of successful performance is profit. Public agencies, on the other hand, have no such universal and widely accepted performance measures of success. However, performance is judged against the goals their programmes and weathers the desired results and outcomes have been achieved.

R.C. Upadhyaya and Vashundhra Sharma (2012) in their Research Article on ‘A Comparative Study of the Telecommunication Service Providers BSNL and Airtel Operating in Gwalior Division India’ concluded that after analyzing the performance, they found that the Wireless services provided by the Airtel are more satisfactory than the services provided by the BSNL. The performances in case of Wire line and Broadband services are almost similar in both the companies and there is need to improve the performance of BSNL in case Wireless services.

M. Yadagiri & B. Rajaram (2018) in their research article “ANALYSIS OF OPERATING PERFORMANCE OF BSNL” Calculates to assess the operating performance of BSNL segment wise in terms of revenue, total income, operational income, operating expenses total expenses, employee benefit expenses, administrative, operating and other expenses, profit before tax, tax expenses and profit after tax.

M. Dhanabhakyaam and Swapna Kurian (2012) in their Research Article “Profitability Analysis of Bharath Sanchar Nigam Limited (Bsnl)” calculated the Net Profit Ratio, Return On Assets Ratio, Return On Equity, Earning Per Share and Cash Profit Ratio from the year 2001-02 to 2010-11 and concluded that the profitability ratios shows fluctuating trends except last two years and the last two years ratios shows negative values except cash profit ratios.

N. Swapna (2012) in her Research Article “Telecommunication Sector in India – An Analysis” concluded that the telecom industry in India has witnessed a phenomenal and manifold growth over the recent years. In the country, personalized telecom access has become an essential necessity of life for a growing number of people. The telecom sector in India holds unlimited potential talking of future growth. In the nation, both Public as well as private firms are vigorously enhancing their technologies in a venture to take the telecom industry in the country to a much higher development.

Chhaya P. Patel and K. K. Patel (2014) concluded in their Research Article on the “study on Performance Appraisal System in BSNL’ that practically there was no appraisal in the organization. To be an effective tool, it has to be on the continuous basis as in the absence of continuity, it becomes a redundant exercise. The very concept of performance appraisal should be marketed throughout the organization. Unless this is done, people would not accept it, be it

how important to the organization.

Papori Baruah and Rashmi Baruah (2014) concluded in their Research Article “Telecom Sector in India: Past, Present and Future” that the growth and development of Telecom sector of India has made it a key contributor in India’s economic and social up gradation. Every functional division and service provider of Telecom Sector of the country is trying to provide world class telecom infrastructure in its area of operation to give services to its customers and so, helping the country to progress in the global scenario.

Pritish, Dr. Taruna Saxena (2015) in their Research Article on “An Analysis of the Indian Telecom Industry” concluded that the Indian Telecom Industry contributes significantly to the overall socioeconomic development of India. It is an essential tool for the growth of the nation and the various telecom service providers offer voice and data services to the customers across different regions of the country including both urban and rural areas thereby facilitating the growth of this industry.

Anshu Gupta (2015) in his Research Article “Financial Performance Evaluation of Telecommunication with special reference to BSNL” concluded that the BSNL follows aggressive policy of managing liquidity & company has sufficient liquidity assets to satisfy its short term liabilities. After overhauling the five years balance sheets of BSNL and all conditions, the author concluded that BSNL is facing the capital problem because of which financial position of BSNL are affected. Financial position of BSNL was good in 2004 comparative to present year. Working process of BSNL takes long time because of which BSNL is not being able to progress. The earned profits were more in the year 2005 but year by year company is in a situation of downward profits. The profits of the company are decreasing year by year due to maintaining high liquidity.

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### **TELECOM INDUSTRY’S RISING DEMANDS**

The ever-increasing customer base has been attributed to the inflow of enormous investment in the form of FDI in this sector. The FDI in the telecom sector has been recorded to a total of USD

37.62 billion, which is the third-highest in terms of percentage of total FDI inflows Government of India (2020). The number of mobile phones sold in India rose from 150.33 million in 2010 to

241.95 million in 2020. Also, the first quarter of FY21 saw a 16.6% y-o-y increase in customer spending on telecom services, of which 75% was on data services despite a lack of offline recharges during the COVID-19 restrictions. Scholars have identified that network and sales service quality is amongst the primary attributes of the existing and new prospective customers (Ranaweera and Neely, 2003). With the advent of 4G technologies, the last decade has changed the perspective of a typical telecom customer demanding simple voice-based service to that of content-driven services like video calling, OTT platforms, mobile banking, to name a few.

A recent study suggests that the customer is now more informed and invested in gathering the

service and product details (Devadatta, 2017). The customers are more impressed by service providers, which empower them with exposure to maximum promotions and information, giving them the flexibility and ease to customise their services. Thus, the telecom sector is looking into the phenomenon of “customer-managed services”. This way of empowering the customers is taking the customers’ experience to a new level of satisfaction while helping the telecom sector grow further by increased consumption of services, resource utilisation and improved profit margin.

### **COMPETITORS STATUS**

Currently, BSNL stands at the number one position for having the highest market share (subscriber base) in the wireline telecommunication services, whereas it has fourth in the wireless telecommunication sector. In the wireless sector, BSNL is behind Reliance Jio, Bharti Airtel and Vodafone-Idea.

Vodafone Idea Ltd.

Idea and Vodafone merged on 31st August 2018 and were named as Vodafone Idea Limited with a customer base of 394 million. In which Vodafone had 41% and Idea had 35% of total customer share. The main reason behind their merger was the launch of Reliance Jio in September 2016. As the company offered various freebies and slashed the tariff which were cheapest in the world. The merger took place with about estimated cost of US \$ 23 billion in March 2017. However, in the early days of the announcement of merger the market did not show response which resulted in dropping of share to Rs.

81.80 on September 2017 from Rs. 97.70 on March 2017. For the first time in last 15 months Vi was able to add 1.7 million subscribers in January 2021 and was ranked at third position with customer base of 286 million. (TRAI 2021).

Reliance Jio

Reliance Jio is leading on top with a whopping customer base of 410.7 million by January 2021 (TRAI 2021). Reliance Jio revolutionized the telecommunication industry and proved their tag line to be true “Jio jee bharke” which meant “live life to the fullest”. All it started with the freebies and the concept of per day 1 GB data where the competitors were lagging behind by giving only 1 GB data per month. The cost of that data dropped down to Rs.5/GB with free calling and free 100SMS per day for all their prime members which in turn led to many mergers and acquisitions in the sector. Their revenue was reported as Rs. 17,481 crore with a profit of Rs. 2844 crore for the second quarter of FY2021 increasing from Rs. 16557 in Q1. Singh (2016) reported, “it does not offer 2G or 3G service, and instead uses only voice over LTE to provide voice service on its 4G network RJIO (2019).”

Bharti Airtel

Although, it has been very much surprising for their competitors yet it is true that Airtel is growing strong day by day as it added 5.9 million subscribers for the month of January 2021 whereas the top notch Reliance Jio was able to add only 1.9 billion customers (TRAI 2021). Airtel continued to remain at 2nd position with 344 million subscribers followed by Vodafone Idea with 286 million subscribers. However, Airtel have maximum number of active subscribers i.e. 97% followed by Vodafone Idea with 90% whereas Reliance Jio is only at

79%.

**Bharat Sanchar Nigam Limited**

Bharat Sanchar Nigam Limited BSNL is an Indian government enterprise and a telecommunication service provider. It provides mobile voice and internet services through its nationwide telecommunication network across India. As of 31 January 2021, BSNL Mobile has a subscriber base of 122.10 million, making it 4th largest telecommunication network in India. They were leading in terms of broadband operator in wire line segment with 7.69 million subscriber base followed by Airtel with 4.64 million.

Service Providers	2015-16	2016-17	2017-18	2018-19	2019-20
Reliance Jio(*)	n/a	108.68	186.56	306.72	411.53
Bharti Airtel(\$)	251.24	273.65	304.19	325.18	343.27
Vodafone	197.95	209.06	222.7	394.84(^)	284.78(^)
Idea	175.07	195.37	211.21		
Bsnl(~)	86.35	100.99	111.68	115.74	125.88

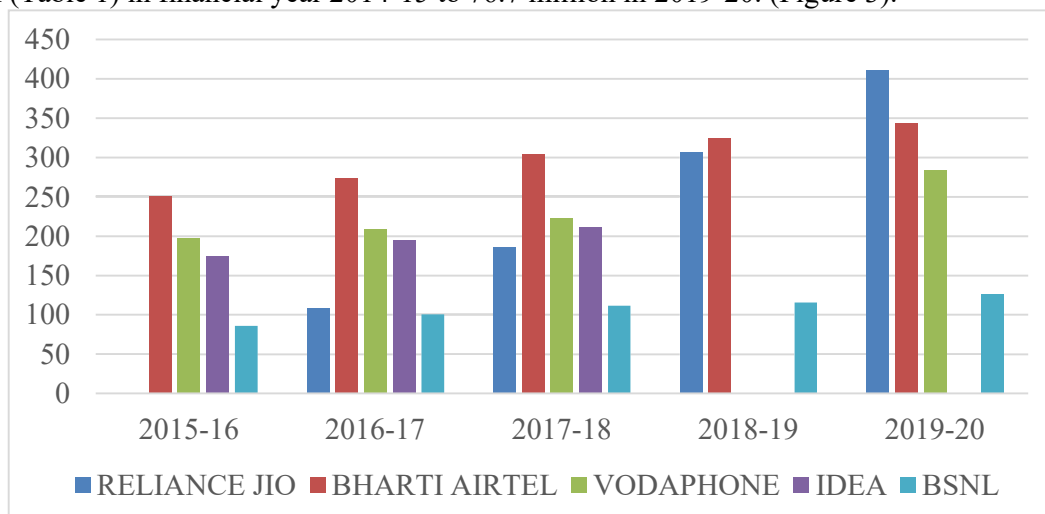
Table 1: Comparison of Telecom operators

(\*) M/s Reliance Jio Ltd launched their commercial services in 2016-17.

(\$) M/s Telenor and M/s TATA have merged with M/s Bharti Airtel w.e.f 14th May, 2018 and 6th February, 2020 respectively.

(^) M/s Vodafone and M/s Idea Cellular merged their commercial service w.e.f 31st August, 2018. (~)M/s BSNL includes customers of vno operators.

The growth of wireless internet subscribers in Madhya Pradesh is 61.08 million i.e. from 15.62 million (Table 1) in financial year 2014-15 to 76.7 million in 2019-20. (Figure 3).



Year	Wireless internet subscriptions(M.P.)
2015	15.62
2016	19.42
2017	23.73
2018	24.89
2019	40.37
2020	76.7

Table 2: Source: -<https://dot.gov.in/sites/default/files/Annual%20Report%202020-21%20English%20Version.pdf>

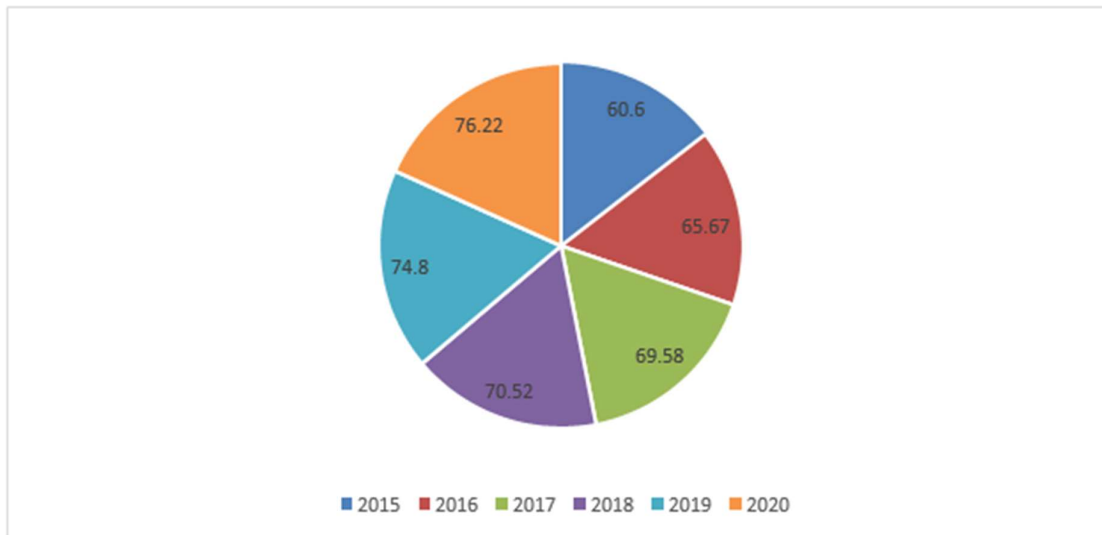


Figure 4

		Graded CS Mean				Total	
		Better	Excellent	Fair	Good		
Service Provider	Airtel	Count	31	20	42	58	151
		% Within Service Provider	20.5%	13.2%	27.8%	38.4%	100.0%
		% Within Graded CS Mean	25.2%	25.0%	28.8%	32.0%	28.5%
		% Of Total	5.8%	3.8%	7.9%	10.9%	28.5%
	Reliance Jio	Count	45	34	49	59	187
		% Within Service Provider	24.1%	18.2%	26.2%	31.6%	100.0%
		% Within Graded CS Mean	36.6%	42.5%	33.6%	32.6%	35.3%
		% Of Total	8.5%	6.4%	9.2%	11.1%	35.3%
	Voda Idea	Count	38	17	43	39	137
		% within Service Provider	27.7%	12.4%	31.4%	28.5%	100.0%
		% within Graded CS Mean	30.9%	21.3%	29.5%	21.5%	25.8%
		% of Total	7.2%	3.2%	8.1%	7.4%	25.8%
BSNL	Count	9	9	12	25	55	
	% within Service Provider	16.4%	16.4%	21.8%	45.5%	100.0%	
	% within Graded CS Mean	7.3%	11.3%	8.2%	13.8%	10.4%	
	% of Total	1.7%	1.7%	2.3%	4.7%	10.4%	
Total	Count	123	80	146	181	530	
	% within Service Provider	23.2%	15.1%	27.5%	34.2%	100.0%	
	% within Graded CS Mean	100.0%	100.0%	100.0%	100.0%	100.0%	

	% of Total	23.2%	15.1%	27.5%	34.2%	100.0%
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**Table 4: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.125 <sup>a</sup>	9	.039
Likelihood Ratio	11.065	9	.037
N of Valid Cases	530		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.30.

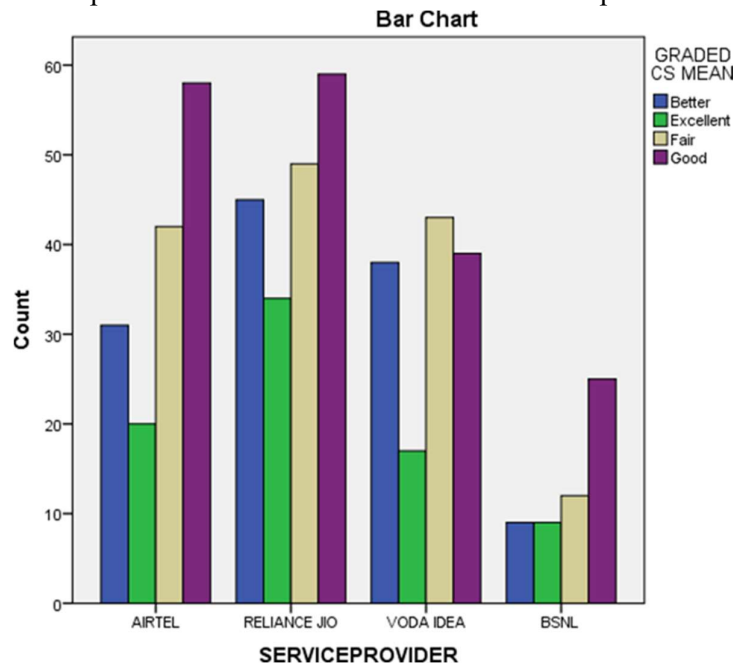


Figure 5

## HURDLES FOR BSNL

### Merger with MTNL pending

At present, both BSNL and MTNL are ailing due to their cash crunch, declining customer base, fierce cost-cutting competition from private players rolling out superior 4G services PAN India (Tripathi, 2019). To revive BSNL and MTNL, the government approved a four step process in November 2019, covering a capital investment of INR 70,000 crores (USD 960 million), merging the two telecoms. It was the third attempt to merge the companies. The first attempt was made in 2002 when the Telecom Ministry proposed that the merger would bring synergy between the companies. However, the attempt was unsuccessful due to large-scale opposition by the employee union. The second attempt was made in 2015 by the government. It commissioned IIM Bangalore to carry out a feasibility study of the merger and suggest a strategy to merge. However, it never got materialized either. As per the latest revival plan approved by the government, the four steps include – adjustment towards GST, voluntary retirement service (VRS) for employees, capital infusion towards 4G spectrum purchase and raising capital through sovereign bonds (Lok Sabha, 2021).

However, in the latest turn of events, in January 2021, the government deferred the merger of the two companies citing both companies' high debts as a primary reason. The telecom



ministry further noted the merger to be unfeasible and non-beneficial. The telecom ministry has implemented close cooperation and integration between the two companies (Economic Times, 2021). The situation is indeed food for thought – can two mules make a racehorse?

The revival plan lacks any comprehensive plan for the merged entity integrating the organisation's people and works culture. Whereas deferring the merger has posed some serious challenges for Purwar. The revival plan was planning a capital investment of INR 70,000 crores (USD 960 million). Without any such investment for an indefinite period, Purwar needs a plan to manage the enormous debt for both MTNL and BSNL. Furthermore, the 4G spectrum allocation as part of the revival plan has also been stalled for an unspecified period.

Leadership challenges

Both BSNL and MTNL have been criticised in the past for their inefficient leadership succession plans. In 2014, Kapil Sibal, the then telecom minister, pointed out the need for mandatory evaluation of the extension of service for the outgoing CMDs (Parbat, 2014). Furthermore, the employee union of BSNL had charged the organisation with failed HR policies due to its inability to pay its salaries (Abbas, 2021). There had also been a case when the image of MTNL got tarnished due to corruption charges against CMD R S P Sinha (The Indian Express, 2009). Sinha was relinquished from the position due to an allegation of fraud in a 2004 tender case. Both the PSU telecom companies are continually witnessing management related challenges in the tenure of Purwar as well. With the implementation of VRS for employees, the organisation is facing issues related to staff shortage at work, leading to a surge in customer complaints and more time in their resolution (Johari, 2020). It further adds up to the list of challenges Purwar is currently facing. Purwar needs to think about whether young employees should be hired at this stage. If new recruitments are made, how will it impact the revival plan of both the telecom companies?

### **Entry of new players – satellite communication**

Groundbreaking innovators are taking up the level of competition in the re communication industry to the next level. Recently Elon Musk has ventured into the field of satellite communication. Musk's company Space X plans to launch 40,000 satellites under the name of Starlink (News18, 2020). The project shall increase the Internet speed and provide extensive coverage of broadband Internet in remote locations.

### **The silver lining – 5G spectrum auction**

The Telecom Ministry had announced that both BSNL and MTNL would be allocated 5G spectrum on an administrative basis without any need for the companies to participate in the spectrum auction (The Financial Express, 2021). The 5G spectrum allocation would be similar to the 4G spectrum allocation for BSNL in 2021-22. The formal telecom auction for the private players is supposed to occur by the end of 2021 or the beginning of 2022. Furthermore, the government sees 5G technologies as a catalyst for bringing in socio-economic reforms in the country (Deloitte India, 2018). This new development can be a game-changer since BSNL see this opportunity and aspires to penetrate and proliferate into the country's remotest corners. The telecoms believe that the government should give them the best quality of spectrum available,

i.e. the 700MHz frequency band, so that the socio-economic fabric of the country could be transformed (TRAI, 2019). Now it needs to figure out how to bank on this opportunity which shall be causing substantial financial commitments to other private telecom operators but not to BSNL as they are public undertakings. The 5G spectrum shall be provided administratively (free of cost) to BSNL by the GOI.

### **Way forward and closing remarks**

With the set of challenges of the dwindling government telecoms and the opportunity of free 5G spectrum allocation, it is the task of Purwar to analyse the situation and come up with strategic steps to revive BSNL. Would Purwar be successful in turn around the declining phase of BSNL, or, for the better sake, the once strategic asset of the government needs to be shut down? What should Purwar do? Should he make a transition attempt of the telecom value chain to a telecom value network? He contemplated the strategies he needed to adopt.

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