

A recent report by venture capital firm Kleiner Perkins has revealed that globally, internet penetration is slackening as is smartphone growth. According to the report, "Internet Trends 2017", smartphone shipments increased by only 3 per cent in 2016 over 2015, against 10 per cent in 2015 over the preceding year.

Bucking this trend however, India has registered a significant growth in its internet user base, increasing from 54 million in June 2009 to 355 million in June 2016. This represents an increase in online penetration from 4 per cent of the population to 27 per cent during the same period. India is now the second largest country in the world, after China, in terms of internet users.

Meanwhile, the number of broadband subscribers (with internet speeds greater than 512 kbps) has risen from 99 million as of end March 2015 to 277 million as of end March 2017. The growth during this period has been fuelled largely by the launch of services by Reliance Jio Infocomm Limited (RJIL). Around 37 per cent of internet users in India are in the age group of 15-24 years, followed by around 30 per cent in the age group of 25-34 years.

Eighty per cent of the country's web traffic emanates from mobiles, which is the second highest in the world after Nigeria and well above the global average of 50 per cent. Indians spend 28 hours a week on their mobiles, which is seven times more than the hours spent on watching TV (four hours) and fourteen times more than that spent reading (two hours). Of the time spent on smartphones, 45 per cent is spent browsing entertainment, 34 per cent on search, social media and messaging, and 4 per cent on shopping.

The rise in mobile internet traffic is on account of the sharp decline in smartphone prices and falling wireless data tariffs. The average selling price (ASP) of smartphones declined from around \$250 in 2007 to less than \$150 in 2016. As a percentage of the per capita GDP, this represents a fall in the ASP of smartphones from around 25 per cent in 2007 to less than 15 per cent in 2016, which is still extremely high and puts smartphones out of reach for many citizens.

The number of smartphone shipments has grown from 1 million during the quarter ended March 2010 to 27 million during the quarter ended March 2017. This has been accompanied by a sharp fall in feature phone shipments during the same period. China-based handset vendors

currently dominate the Indian smartphone market, accounting for over 50 per cent of all smartphones sold. The other global sellers account for around 35 per cent of the market. There is intense competition amongst domestic vendors in the low-end 4G smartphone segment that has further intensified due to the entry of RJIL's LYF phones.

The annual price of 1 GB of data per month has fallen from \$53 during the quarter ended March 2014 to \$23 during the quarter ended March 2017, pegging the cost of 1 GB of data per month below 2 per cent of the GDP per capita (which is the threshold for internet affordability as per the Alliance for Affordable Internet). Further, data prices per GB have fallen from \$4.40 in March 2014 to \$1.90 in March 2017. In 2016, the incumbent operators reduced their data tariffs by around 48 per cent in response to RJIL's aggressive pricing. The price of 1 GB of data by RJIL is 17 cents. Bharti Airtel, Idea Cellular and Vodafone India together account for 60 per cent of the broadband market.

Wireless data usage has grown in tandem with the fall in smartphone prices and data tariffs. The total monthly wireless data consumption has increased from less than 200 million GB during the quarter ended March 2014 to more than 1,200 million GB during the quarter ended March 2017. Between June 2016 and March 2017, there was a nine-fold increase in data consumption, primarily because of RJIL's free data services.

Android is the dominant mobile operating system in India and the country has the highest usage of Android phones by time spent. Further, it sees the most number of downloads from the Android Play Store. WhatsApp and Facebook Messenger are the most popular Android apps, while Hotstar and JioTV are the two most popular Indian-origin apps downloaded by Android users. There has been a significant rise in the usage of bandwidth-intensive applications as well. For instance, Hotstar witnessed a fourfold growth in its number of active users as a percentage of the total users from June 2016 to April 2017. Meanwhile, China's UC Web Browser has emerged as the preferred mobile browser in India with a market share of 50 per cent, while Google Chrome has a market share of 32 per cent.

The internet revolution in India is being supported by proactive government initiatives such as Digital India, which seeks to provide high speed broadband access and facilitate digital delivery of government services. Initiatives such as Aadhaar and the Jan Dhan Yojana, applications such as Unified Payments Interface (UPI) and Bharat Interface for Money, and the November 2016 demonetisation drive have given a massive push to digital payments. The number of registered users on mobile wallet Paytm has risen from 22 million in November 2014 to 215 million in March 2017. The monthly transaction volume on UPI has grown from \$5 million in September 2016 to \$359 million in March 2017. Meanwhile, the use of Aadhaar has helped

reduce the time taken for SIM card activation from one to three days to 15 minutes. However, given the linguistic diversity in the country, a key challenge will be to provide content in local languages since around 46 per cent of internet users primarily consume local language content.

Going forward, mobile data penetration is expected to continue to grow at a significant pace on account of the increasing per capita GDP, falling smartphone prices and data tariffs, and a greater thrust by the government on enhancing the country's digital infrastructure.

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