

# IMPACT OF REGULATORY REFORMS ON THE EFFECTIVENESS & EFFICIENCY OF TELECOM SECTOR IN PAKISTAN

<sup>1</sup>Khair uz Zaman, <sup>2</sup>Shumaila Hashim and <sup>3</sup>Zahid Awan

<sup>1</sup>Department of Economics, Gomal University, Dera Ismail Khan (NWFP) Pakistan

<sup>2</sup>Department of Management Sciences, Bannu University of Science & Technology Bannu (NWFP) Pakistan

<sup>3</sup>Department of Business Administration, Gomal University, Dera Ismail Khan (NWFP) Pakistan

## ABSTRACT

This paper examines the impact of telecommunication sector regulatory reforms in Pakistan. Government and Pakistan Telecommunication Authority have taken many steps to deregulate the telecom sector. Prime objectives behind the policy of deregulation and privatization were to increase foreign direct investment in the country as well to encourage the local investors for investment and the advancement of telecom sector. As a result of regulatory reforms, license fees are reduced, thus competition has increased. Government through this policy has also encouraged foreign investors. Overall, due to fair implementation of deregulation policies number of cellular and wireless local loop subscribers, teledensity, PCOs, internet connections, area coverages have increased. SMS and call charges have also declined. Hopefully, in near future, Pakistan telecom sector will more flourish.

**Key Words:** Telecommunication, Liberalization, Privatization, Teledensity

## INTRODUCTION

Most developing countries nationalized their telecommunication services in 1960. By the late 1980, however, these countries began to reform their telecom sector in response to three interrelated issues: inefficiency of public sector firms, changes in technology making less tenable the argument that telecommunication is a natural monopoly and last one is the pressure of World Bank and other international organizations (Wallsten, 1999). Li *et al.* (2000) empirically estimated that main reasons of telecom reforms are the poor performance of public sector firms, and foreign aid mainly include World Bank telecommunication loans.

Liberalization of telecommunication sector started in 1980 in few countries. And in 1990 more than 90 developing countries adopted the policy of privatization. Latin American and Caribbean countries attracted 52 % of the total private investment in telecom sector. The Middle East found least number of private investment projects i.e.13 out of 521 projects worldwide between 1990 and 1998, with a total of US\$ 2,979 million or just 1 %. In 1998, most developing countries had exposed mobile phone services to competition. (Lzaguirre, 1999).

The main objective of this paper is to study the impact of regulator reforms on the effectiveness and efficiency of telecom sector in Pakistan. Since the policy of liberalization and privatization have the main objective to enhance the access of common man to various telecom services and to open the doors for both domestic and foreign investors for investment in telecom sector. This paper is organized as follows:

- Historical background of telecom sector in Pakistan
- Literature review
- Review of telecom deregulation policy 2003 and important regulatory reforms
- Impact of regulatory reforms
- Conclusion

## HISTORICAL BACKGROUND OF TELECOM SECTOR IN PAKISTAN

After independence, due to weak infrastructure Pakistan faced many difficulties to grow and develop its telecommunication industry. In 1947, Pakistan had only 14,000 operational telephone lines. This service was not sufficient even to meet the requirements of the government. As a part of initial reforms, in 1962 the Telegraph & Telephone services