Chapter 2:

Review of literature

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Review of literature

2.1. Introduction:

The knowledge of research work carried out by earlier researchers in the past relating to the problem under study is useful and provides guidance to any researcher in conducting the research in the right direction. The review of literature also helps to adopt appropriate methodology besides, proper understanding of the concepts and analytical issues relating to the problem under study.

An attempt has been made by the researcher in this chapter to review some of the relevant studies relating to the topic of the present study. Therefore the aim of this chapter is to review the available literature briefly and identifies certain gaps in the earlier literature.

2.2. Studies on Economic reforms and impact of economic reforms:

Ahluwalia (1) while rejecting the arguments of the critics of economic reforms considered India’s efforts of liberalising its economy since 1991 as an ‘economic revolution’. He however, suggested a cautious approach towards opening up of route to foreign capital since it brings in the elements of volatility.

Ahluwalia (2) in his study on “Economic Reforms in India since 1991: Has Gradualism Worked?” state that gradualism strategy implies
a clear definition of the goal and a deliberate choice of extending the
time taken to reach it, to ease the pain of transition.

Ahuja and Majumdar (3) in their study point out that the
performance of firms in the Indian state-owned sector is characterized
by both, low performance, as well as significant and systematic
variations in the performance parameters. They claim that Indian public
enterprises are inefficient by design. Not only companies saddle by their
political overseers with non-economic objectives, they are also forced to
operate on an uneconomically large scale. In return, public enterprises
managers are favored with access to credit from state banks at
subsidized borrowing rates, so they face soft budget constraints as well.

Angelucci, Estrin, Konings and Zolkiewski (4) analyze the
effect of ownership and competition on firm performance measured by
Total Factor Productivity in three transition economies for the years
1994-1998. They find that competitive pressure is associated with
higher productivity in all three countries and competitive pressure has
stronger effects in private firms and privatization is associated with
higher performance in more competitive sector. They concluded that
there are complementarities between competitive pressure and
ownership in promoting superior firm performance.

Arun and Nixon (5) assessed the disinvestment of public sector
enterprises in India. They examine the disinvestment of shares of public
sector enterprises (PSEs) in India since 1991. The study argues that the main aim of disinvestment has been to reduce the public sector borrowing requirement at the cost of the restructuring and rationalization of PSEs in particular and the public sector in general. Alleged under-pricing of shares sold, lack of transparency, limited public support for disinvestment and the absence of a common set of objectives between the Government of India and the Disinvestment Commission have been major problems. In many respects, India provides a checklist of how not to disinvest.

Babatunde (6) study the impact of the reforms on the performance of the firms in the telecommunications sector in Nigeria. The Study reveals strong and positive relationship between economic reform and firms’ revenue and profit. The study recommends the provision of supporting infrastructure including electricity and the building of public data networks. He also stressed on the issue of poor quality of service of the telecommunications service providers.

Bhagwati and Srinivasan (7) in their study argued that the crisis of 1991 was not governed by external factors rather was only an outcome of internal causes of weak policy regimes of 1980’s.

Bhattacharyya, Lovell and Sahay (8) examined the impact of liberalization on the productive efficiency of Indian commercial banks. They point out that public owned Indian bank have been the most
efficient, followed by foreign-owned banks and private owned Indian banks. They also find a temporal improvement in the performance of foreign-owned banks, virtually no trend in the performance of privately-owned Indian banks, and a temporal decline in the performance of publicly-owned Indian banks.

Boardman and Vining (9) has compared the performance of the 500 largest non US industrial firms in 1983 including mixed enterprises, public enterprises and private enterprises and find that mixed enterprises and public enterprises perform substantially worse than similar private enterprises. They concluded that partial privatization is worse, especially in terms of profitability, than complete privatization or continued state ownership.

Carlin, Fries, Schaffer and Seabright (10) uses data from 1999 survey of 3305 firms in 25 transition countries to examine the factors that promote restructuring by firms and enhances subsequent performance measured by growth in sales and in sales per employee over a three year period. They find that competition has an important and nonmonotonic effect on the growth of sales and labor productivity with performance improving more for firms facing one to three competitors than for monopolist or firms facing many competitors. Controlling of other factors they find no significant relationship between
privatization and performance. They concluded that competition has more powerful influence on performance than ownership.

Chakraborty and Nunnenkamp (11) assess the growth implications of FDI in India. They find out that the growth effects of FDI vary widely across sectors. They find only temporary effects of FDI on output in the services sector, which attracted the bulk of FDI in the post-reform era. They suggest that FDI is unlikely to work wonders in India if only remaining regulations were relaxed and still more industries opened up to FDI.

Chakravartty (12) in his study argued that the negotiation of telecom policy must be seen as more than a problem of the absence of institutional, technological and economic resources. He also point that the politics of telecom reform in the developing world as a whole needs to be understood beyond the singular issues of access.

Chandrasekhar and Ghosh (13) in their study overview the reform policies in India as well as assess of the impacts of these policies, especially in relation to employment and incomes. They concluded that a sound industrial policy is needed to increase the productivity in the Indian economic reform policy which should be applied in line with trade and investment policies. In order to arrive at a sustainable industrial policy a greater attention towards the social relations and the social policies at enterprise and at national level is needed. They argued
therefore for a gradual process of liberalization and privatization, with the consent of all the stakeholders involved, in order to build up a solid industrial base from which India could build up a framework for better economic and social policy.

Chidambaram (14) has dealt with one chapter specifically on disinvestment in his book titled “A view from the outside-Why good economies works for everyone”. In his opinion, the two words disinvestment and privatization are not synonymous, yet they are frequently used interchangeably. The intent is to confuse. Just as public sector become an article of faith in the 1960s and 1970s, deconstructing the public sector is being currently driven by blind faith. If a public sector enterprise can compete and be successful in an open market economy, we should let it remain in public sector. All other public sector enterprises must be privatized. Privatization alone will unlock the true potential of the economy.

Cook and Kirkpatrick (15) argued that market failures are especially pervasive and damaging in developing countries. The institutional weaknesses of governments in developing countries, coupled with weak capital markets and national reliance on single commodity export, means that privatizing public enterprises will be extremely hazardous. They claim that regulatory capacity in developing
countries is very weak and that the best response to market failures will be state ownership with competition.

Dholakia’s (16) study is on “Relative performance of public and private manufacturing enterprises in India: Total factor productivity approach”. This study illustrated the performance of public enterprises in the manufacturing sector. The study has observed quite remarkable performance, especially compared to that of comparable private enterprises, if performance uses the criterion of growth of total factor productivity rather than net profitability. In fact, public enterprises in the manufacturing sector, which have been absorbing scarce national resources, have been using these resources with rapidly increasing efficiency.

Fink, Mattoo and Rathindran (17) analyses the impact of policy reform in telecommunication for 86 developing countries over the period from 1985 to 1999. The study concludes that both privatization and competition leads to significant improvements in performance. Due to the reform process, the level of productivity has increased compared to years of partial and no reform.

Ganesh (18) deals with the origin of public sector, its present status and public sector reforms. The researcher also forecast the future investment needs of infrastructure and the policy initiatives for speedy world class infrastructure development. The experiment with
disinvestment of public sector industries and reforms in banking and insurance sector are dealt by researcher very well. The need for proper regulation and empowered regulatory machinery to ensure competition and prevention of consumer exploitation is also briefly dealt with.

Goyal (19) in his study assess the impact of globalization on developing countries from the viewpoint of inward foreign direct investment. He focused on the role of developing countries, particularly from parts of Asia and Latin America, as a initiators of globalization through their own MNCs.

Gupta (20) studied privatization in South Asia and its successes and failures. He concluded that privatization of infrastructure sectors remains the key challenge confronting the economies of South Asia. Infrastructure privatization is likely to differ from that of manufacturing because of the need for regulatory oversight. She also suggests that to increase private participation, the government needs to pursue both privatization and competition policy reforms in these sectors.

Gurumurthy and Srinivasan (21) in their study on “Failure of Indian Telecom Liberalization: A Case Study” argues that private telecom operators made unrealistically aggressive bids for basic services because they overestimated the size of the Indian market. It takes the business case of an operator to show that the firm will not make even a cash profit or repay the principal of its loan for 15 years.
Jain (22) analysed the government policy towards small scale sector along with problems faced by them due to globalisation in the pre- and post-liberalisation periods. The study reveals that the problems of small scale sector are multi-dimensional especially in the liberalised environment which would further be intensified with the arrival of multinational companies and removal of quota restrictions in the textile sector. The study suggests that the government should give priority to the timely and adequate loans to the small scale industries along with time-bound promotional concessions, up-gradation of technology, marketing assistance through vigorous research and development efforts.

Jalan (23) the year 1990-1991 was the cruellest year in Indian history and the export performance of Indian economy since independence was despondent when compared with other developing countries.

Jha and Sahani (24) uses Annual survey of Industries data for the years 1960-61 to 1982-83 for four industries; cement, cotton textile, electricity, and iron and steel. For the latter two industries, their claim is primarily in the public sector while the first two are owned predominantly by private interests. They find no evidence of allocative inefficiency in general and each of them is relatively as efficient as one another.
Joshi’s (25) study is on “Overview of Privatization in South Asia”. He attempted to emphasize that the rationale for privatization and preparations for the privatization are very important to minimize the social costs and dislocations causing from such initiative. Therefore it is essential to first carry out the regulatory reform that would clarify the roles of government, workers and employers in the process of privatization. A transparent and accountable reform process would not only instill confidence among the private sector and the general public, it would also assure the workers about the fairness of the system.

Kapur and Ramamurti (26) in their study on “Privatization in India: The Imperatives and Consequences of Gradualism” argues that it was not just “vested interests” alone, but institutional structures, in particular those embedded in the judiciary, parliament and India’s financial institutions, that played an important role in the long lag between the onset of economic liberalization and privatization. They also explain causes and consequences of slow progress of privatization in India.

Kaur (27) compared total factor productivity ( ) of 15 public and 15 private enterprises from diverse sectors viz. aluminum, steel, fertilizers, engineering, drugs and chemicals, and consumer goods. The results shows that there was not much difference in the average annual growth rate of TFP between the public sector and private sector, both
being around 1.5 percent per annum. In order to estimate the impact of competition on the efficiency of the firm, average annual growth rates of PSEs operating under monopoly and competitive market environment was compared and find that PSEs operating in competitive market environment were performing far better than PSEs operating in monopoly environment. In fact monopoly experienced a negative growth rate of 3.79 percent over the period 1988-89 to 1994-95 while competitive PSEs on an average experienced a positive growth rate of 1.5 percent during the same period.

Kochhar, Kumar, Rajan, Subramanian and Tokatlidis, (28) in their study shows that India has followed an idiosyncratic pattern of development compared to other fast-growing Asian economies. They find that some of these distinctive patterns existed even prior to the beginning of economic reforms in the 1980s, and argue they stem from the idiosyncratic policies adopted soon after India's independence. They concluded that despite recent reforms that have removed some of the policy impediments that might have sent India down its distinctive path, it appears unlikely that India will revert to the pattern followed by other countries.

Kotwal, Ramaswami and Wadhwa (29) in their study surveys the literature on economic reforms and offers its own assessment of the drivers of change. The fast and stable growth accompanied by a decline
in poverty in India has raised many questions about growth drivers, Indian model; sustainability and so on. They have compared the Indian reforms experience with other developing countries in Asia and world.

Kumar and James (30) conducted a study entitled “Public sector enterprises in India”. The study is based on profitability measure of performance. They have accepted that the profitability is the key test for analyzing the performance of state owned enterprises in Kerala.

Li (31) studies the effectiveness of China’s incremental process using a data of 272 Chinese public enterprises with data from 1980 to 1989. These reform processes emphasized giving public enterprises managers greater operating discretion and additional incentives but did not involve privatization. He observed a marked improvement in the marginal productivity of input factors and total factor productivity and also finds that over 87 percent of total factor productivity growth is attributable to improved incentives, intensified product market competition and improved factor allocation.

Mahambare and Balasubramanyam (32) analysed the impact of trade liberalisation on Indian manufacturing sector. The study revealed the mixed impact of 1991 reforms on the selected manufacturing sector. Technology acquisition, efficient utilisation of resources and infrastructure development were considered some of the factors which possibly contributed to the increase in total factor productivity growth.
Mackenzie (33) studied the macroeconomic impact of privatization and argued that the proceeds of privatization should be treated as financing and not as revenue. Also the receipt of proceeds from privatization does not deserve a relaxation of the stance of fiscal policy to maintain aggregate demand.

Mathur (34) in her book titled “Disinvestment of PSEs in India” traces the philosophy and growth of private sector enterprises in India and describes recent moves towards their privatization. It is devoted to the objectives, expansion and problems of public sector enterprises in India. It also explains the disinvestment policy of government and its implementation, besides describing the procedures and modalities of the disinvestment process. In the end it summarizes the discussion and present future outlook for PSEs in India. Further she states that in dismantling the public sector, India has adopted a gradualist approach.

Mattoo and Rathindran (35) explains how the impact of liberalization of service sectors on output growth differs from that of liberalization of trade in goods. They also suggest a policy-based rather than outcome-based measure of the openness of a country’s services regime. Such openness measures are constructed for two key service sectors, basic telecommunications and financial services. They suggest that countries with fully open telecom and financial services sectors grow up to 1.5 percentage points faster than other countries.
Mayer and Strasser (36) in their study compare the policies relating to telecom reforms. They found that the liberalization of the US and EU telecom sectors has similar historical setting and the goals of reregulation. Yet, the implementation of these goals was quite different.

Meggison and Netter (37) has surveys the rapidly growing literature on privatization and made an attempt to frame and answer the key questions on the privatization theory and then describes some of its lessons on the promise and perils of selling state-owned assets. The focus of study was on to know and understand the process of “state to market”.

Mittal and Ashraf (38) analyze the competition, privatization and reforms in Indian telecom industry. They review the industrial policy and important aspects of the performance of Indian industry and point out that economic reform, the process of privatization and the need for a competitive environment seems to be necessary for the growth of the industry.

Mohan (39) studied relationship between Politics and Economic Liberalization and has argues that politics drive economics in India, especially as elections approach. He shows how two important economic policy initiatives of the coalitional government, involving tax reform and privatization, have stalled because of the political need to satisfy powerful interest groups.
Nagaraj (40) has studied the disinvestment and privatization in India and he point out that the effect of reforms in public sector has not reflected in the financial performance of the public sector enterprises. He suggest that alternative institutional arrangement for improving PSEs’ financial performance; mutual stock holding among complementary enterprises tied around a public sector bank to minimize problems of soft budget constraint, dysfunctional legislative and bureaucratic interference, and to encourage close interaction between banks and firms to promote long term economic development.

Naib (41) has analyzed disinvestment policies, procedures and practices in India from a theoretically perspective. He says that disinvestment in India was part of broader process of economic liberalization. To get inside into the impact that new economic policies had on disinvested enterprises and the way in which these enterprises responded to them, researcher provides a firm level analysis through case studies of seven partly disinvested enterprises. Impact of post reform policies on enterprises is analyzed in terms of changes in market share, cost structure, profitability and work culture. The strategic response of these enterprises is examined in terms of cost reduction measures, changes in product portfolio, restructuring innovations and institutional arrangement for diagnosing environmental changes.
Neogi and Ghosh (42) assessed to see the impact of liberalisation on the performance of four-selected industry groups, namely, (1) chemical, (2) textile, (3) non-metallic mineral products and (4) electric machinery, by using firm level data for period 1989-94. The results indicated that productivity growth and efficiency levels have not improved as per expectation during the post-reform period and the distribution of efficiency is skewed. The relationship between labour productivity and capital intensity indicated a general downfall of efficiency of the firms during the study period. The level of technical efficiency for all the industries was found to be very low and no significant improvement was observed in this level during the post reform period.

Patnaik and Chandrasekhar (43) in their study considered the crisis of 1991 purely speculative in nature caused by speculative outflows from Indian economy that continued the pressure on balance of payments despite reduction in trade deficit. A very vital, daring and worrisome feature of India’s economic reform according to them was that, there was no urgent need of bringing about structural changes in 1991 since the condition could have come under control by low conditionality of IMF loans. It was the liberalization lobby that consisted of Fund, Bank, government elements and Indian business class that made use of this unprecedented economic crisis by introducing liberalization.
Parmeswarn (44) explored the impact of economic reforms on technical efficiency using firm level data from selected industries in India. Using the technique of SFA, the study revealed that all the industries considered have registered a higher rate of technical progress in the post reform period. The effect of change in the policy environment on technical efficiency was found to be varying among industries. The study also found that firms’ involved in the international trade through export and import of raw materials and technology had a positive effect on technical efficiency.

Prasad (45) examined the impact of economic reforms on exports of India and concluded that during 1990-1991 to 1994-1995, India experienced a high growth compared to growth rates of world exports. The study also revealed that the growth in the values of exports from India was mainly due to growth in quantity of exports and not due to real increase in unit values. This showed that Indian exports were becoming more competitive in terms of prices.

Rajesh and Swamy (46) analyzed the effect of economic reforms on the manufacturing sector. They identified that a wide gap is noticed in productivity growth and efficiency aspects across the Indian states. They suggests that technological upgradation needs to be prioritized if the output of the manufacturing sector has to be improved.
The scope and coverage of Ram Mohan and Ray’s study was wide (47). To study public and private sector bank’s performance, maximization efficiency approach was used by researcher. They attempt a comparison of performance among three categories of banks - public, private and foreign and find that the public sector banks performed significantly better than private sector banks but no differently from foreign banks. The conclusion points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.

Ray (48) examined whether India’s Economic Reforms have improved efficiency and productivity for the period 1986-87 to 1995-96. They found that the states with higher capital-labour ratio and higher percentage of the urban population experienced a greater acceleration in the productivity growth rate after the reforms. They also revealed that on the average the annual rate of productivity growth has been higher in the post-reform period than in pre-reform period. However, some states have actually experienced a slowdown in the productivity growth or even productivity decline after the reforms.

Reddy (49) addressed the Liberalization and privatization of public enterprise in India. He shows that Indian policy is poised towards a structured change in the balance between state and market, openness and national self-reliance, public and private enterprise. It has elements
of privatization, in terms of wider scope for the private sector, but only marginally in terms of share transfers.

Rodrik (50) in his study demonstrate the extent to which the thinking of the development policy community has been transformed over the years. One puts faith on extensive institutional reform, and another puts faith on foreign aid. He concluded that from the diverse perspectives and an explicitly diagnostic approach it is recognized that the binding constraints on growth differ from economy to economy.

Ros (51) study the state versus private ownership using International Telecommunications Union data to examine the effects of competition and privatization on network expansion and efficiency in 110 countries over the period 1986-1995. He finds that countries with at least 50 percent private ownership of the main telecom firms have significantly higher teledensity levels and growth rates. Both privatization and competition has increased efficiency, but only privatization is positively associated with network expansion. He concluded that competition is more important than ownership in improving telecom performance.

Seetharaman (52) in his research study titled “Financial performance of public sector enterprises in India - A study of select heavy and medium engineering enterprises” has evaluated the financial
performance of selected public sector enterprises for the duration of 1975-76 to 1995-96.

Singh (53) in his study explores the uneven beginnings of FDI, in India and examines the economic and political developments relating to the trends in Industry and Telecommunication sector in India.

Sharma (54) in his study on, “Customer's Perception on MTNL Services: An Indian Viewpoint” highlighted the customer's expectation and their perceived value from the MTNL services.

Siggel and Agrawal (55) in their study report the findings of a small sample survey of manufacturing enterprises in the Delhi region regarding perceptions of the impact of economic reforms of 1990s. They find that most firms felt that the reforms were helpful by increasing access to foreign technology and making imports of capital and intermediate goods cheaper. They also felt that improvement in infrastructure and more flexible labour laws will facilitate further growth of India’s manufacturing sector.

Subramanian (56) in his study on impact of deregulation on a public sector firm explores the manner in which state-owned telecommunications equipment manufacturer Indian Telephone Industries (ITI) was affected by the radically altered market conditions brought about by the opening up of the economy and the loss of its monopoly status. ITI's experience shows that the government's market-
oriented reform programme ended up creating anything but a level-playing field for public enterprises. Deregulation had an extremely destabilizing effect on the operations of ITI. The government has eliminated its monopoly privileges and imposing new market-related constraints but has not given the autonomy to compete in the free market.

Thakur, Sharma and Raj (57) examine the trends in industrial production for the period 1950-51 to 1989-90 and 1990-91 to 2011-12. They show that industrial efficiency was relatively higher in the decade of 1950’s whereas, in the 1960’s and 1970’s there was severe retrogression in industrial growth. The period of 1980’s was marked by industrial recovery. However, the pattern began reversing themselves in 1990’s. But particularly after 2002-03, the Indian industry have started showing some signs of improvement in its performance, thus providing some evidence that these reforms seems to be working.

Trivedi (58) attempts to piece together various policy pronouncements and publicly available documents on India’s privatization to outline what appears to be the prevalent approach to privatization. He also point that Privatization is only one of the many options to improving the performance of public sector enterprises and the preference continues to be to treat it as a policy of last resort.

Vickers and Yarrow (59) shows the advantages for liberal government in owning commercial enterprises. They observed that if
political market works efficiently, competition between politicians will ensure that correct set of policies will be implemented, and politicians will seek to maximize social welfare—defined as the sum of producers and consumer surplus.

Virmani (60) viewed external sector reforms in India since 1991 as the most successful reforms. It had disclaimed the fear of ballooning of imports in post reform period, while the performance of current account and capital account, had improved significantly.

Wallsten (61) examines the impact of state ownership, control and regulation on telephone penetration rates by going back in time and examining how ownership influenced the speed with which telephone service was provided to citizens of different countries during the industries infancy. He uses the data compiled from early twentieth-century sources to test the effect of government monopoly, service, competition, and regulation on the development of the telecommunications industry in Europe during the early 1990s. He examines the effect of very stringent licensing arrangements that allowed private firms to operate but with highly insecure property rights. He finds that, countries with competition between telephone providers and whose government did not threaten to expropriate firms’ assets saw higher telephone penetration and lower prices even in rural areas. Telephone penetration is much lower in countries where service
was provided by state owned monopolies than in countries that allowed private sector. However countries that licensed firms under stringent concessions saw worse penetration rates than countries with state owned monopolies.

Wood and Kodwani (62) in their study on “Privatization Policy and Power Sector Reforms: Lessons from British Experience for India” examines the lessons of the British privatization programme for India. The discussion focuses on privatization of electricity supply industry a key sector in economic development in India. Privatization of British Electricity Supply Industry was preceded by radical changes in the industry structure and restructuring of the firms in the industry and was accompanied by a tight regulatory framework intended to promote efficiency and competition.

2.3. Studies on customer satisfaction with service quality:

With the liberalization and internationalization in telecommunication, service quality has become an important means of differentiation and path to achieve business success. Such differentiation based on service quality can be a key source of competitiveness for many Indian firms and hence have implications for leadership in such organizations. For the past few years, telephone service sector in India has been experiencing the biggest growth rate in terms of subscribers and revenues. With the increasing demands of the customer, cellular sector
has become competitive. Is this implicating on customers’ service quality satisfaction? Studying this aspect is one of the objectives of this study. Therefore review of studies on customer satisfaction with service quality is needed. Hence aim of this section is to review studies related to customer’ satisfaction with service quality in general and telecommunication in particular.

Accenture (63) carried out survey of 4189 consumers in Australia, Brazil, Canada, China, France, Germany, India, United States, and United Kingdom. More than 67% respondents confirmed poor customer services as the core reason for leaving the operators. The survey also found the rising expectations of customers in mature and growing markets.

ACSI (American Customer Satisfaction Index) (64) has detailed the purpose, history and methodological aspect of American customer satisfaction Index. The report shows that ACSI is predictive of corporate performance, growth in the Gross Domestic Product (GDP), and changes in consumer spending.

Anderson, Fornell, and Rust (65), study the relationship between customer satisfaction and productivity. They argued that trade-off between customer satisfaction and productivity is more prevalent in services than goods. They point out that linkage between
changes in customer satisfaction and changes in productivity is positive for goods but negative for services.

Berry, Parasuraman, Zeithaml, and Adsit (66) argued that SERVQUAL is an effective tool to steer organization in its pursuits of quality improvement by focusing on those areas that significantly contributes toward improvement.

Brady and Cronin (67) developed a hierarchical multidimensional model, in which they identified the fundamental attributes of mobile service quality which are composed of three main dimensions: interaction (service delivery), outcome (service product), and physical environment (service environment). Interaction quality comprises the sub-dimensions of expertise, problem solving, information, security/privacy, and customization/personalization. Environment quality can be achieved though the sub-dimensions of equipment, design, and context. Finally, outcome quality consists of the sub-dimensions of reliability, tangibles, and valence.

Brown and Swartz (68) tested the SERVQUAL model and did not support the five factor structure of the instrument. He criticized the instrument because of the generalizability of its dimensions.

Churchil and Surprenant (69) in their study on determinants of customer satisfaction find that service quality (SQ) seems to be a key driver of business success especially in the market saturation stage in
Thailand. They suggested that a firm cannot gain the competitive advantage in today’s business environment without delivering high quality service.

Cronin and Taylor (70) in their study on service quality measurement criticized the conceptualization and measurement of service quality. They illustrated that SERVQUAL confounds customer satisfaction with service quality, and proposed a performance-based measure of service quality called SERVPERF by explaining that service quality is a form of customer attitude.

Dabholkar, Thorpe, and Rentz (71) compare the SERVQUAL dimensions to their own qualitative research and propose five dimensions central to service quality (physical aspects, reliability, personal interaction, problem solving, and policy) suggesting that SERVQUAL dimensions need modification and require a hierarchical factor structure to better capture overall evaluations of service quality. They further suggest that a measure of service quality across industries is not feasible.

Gronroos (72) has developed a Nordic model for measuring service quality and divides the customers’ perception of any particular service into two dimensions, namely technical and functional quality. The model conceptualizes perceived service quality by differentiating
between what and how components of the buyer-seller interact. This is presented in chart 2.1.

Chart 2.1: Nordic Model of service quality

Hassan, Malik and Faiz (73) in their study on service quality and its relationship with customer loyalty in telecom sector of Pakistan has concluded that gaps exist between customer perceptions and their expectations. Major gap exist in network dimension followed by responsiveness and reliability. A correlation analysis shows positive significant relationships between service quality attributes and customer loyalty.

Lai, Hutchinson, Li and Bai (74) in their study to assess the SERVQUAL instrument reliability and validity and apply the SERVQUAL instrument in China's mobile communication setting. They find that the adapted SERVQUAL instrument is a valid and valuable tool to measure service quality. Service convenience is an important
additional dimension of service quality in China's mobile communications setting.

OECD (Organisation for Economic Co-operation and Development) (75) has undertaken a study in 2007 on Consumer Satisfaction in Telecommunication markets in the OECD countries. The study found imperfect information on quality and price, lack of transparency in roaming charges for international in service and contractual binding in changing the operators affect consumer behavior. The study found that quality of service and price were two major factors for switching over to new operators. The study further highlighted that major factors affecting mobile phone users’ dissatisfaction included lack of differentiation in United Kingdom, prices and quality of services in Portugal, early termination fee and unsolicited calls and inaccurate billing in United States, and lack of meeting and exceeding customer’s satisfaction in Australia.

Ozer and Aydin (76) in their study undertaken to determine the National Customer Satisfaction Index of mobile phone users based on a sample of 1950 mobile phone subscribers. The dimensions that emerged in customer satisfaction included meeting customers’ pre-purchase expectations, perceived quality (coverage, responsiveness to customers complaints, value-added services, promotional activities and their fulfillment), and complaint handling found that network quality based
on data services and voice services strongly influence customer satisfaction and loyalty with regard to the use of mobile phone.

Parasuraman, Zeithaml and Berry (77) proposed the gap model of service quality that operationalised service quality as the gap between expectations and performance perceptions of the customer.

Parasuraman, Zeithaml, and Berry, (78) developed a list of characteristics through formal surveys of customers in different industries and focus group that define service quality in general. They combined these attributes into five major dimensions of service quality, namely; tangible, assurance, responsiveness, empathy, and responsiveness. They subsequently tested these dimensions through SERVQUAL; a 22-items scale measuring customers’ expectations and perception on five dimensions to evaluate service quality.

Prahalad and Ramaswamy (79) stated that the role of customer is changing in dynamic business environment. The changing paradigm of business has made the provision of quality of services as top priority for organizations. They argued that customer-focused strategy has become a means of competitive advantage and survival for organizations.

Rudie and Wansley (80) pointed out that intense competition and rapid deregulation have led many service and retail businesses to seek profitable ways to differentiate themselves. Thus the strategy that
has been related to success in these businesses is the delivery of high service quality.

Seth, Momaya and Gupta (81) studied managing the customer perceived service quality for cellular mobile telephones based on primary data, which was collected through questionnaire by using convenience sampling method. The sample size of the study was 225. The factor analysis was used as statistical tool. This highlighted the relative importance of service quality attributes and showed that “responsiveness” is the most important dimension, followed by reliability, customer perceived network quality, assurance, convenience, empathy and tangibles. This research work contributed theoretically by proposing a tool for managers that can be used for monitoring and improvement of service quality from customers’ perceptions.

Sharma and Singh (82) in their study analyse the customers’ perception about the value added services (VAS), service quality, customer satisfaction and loyalty in telecom service providers in northern India. Further, a comparative analysis of the leading service providers has been undertaken from customers' perspective to understand the variations in satisfaction and loyalty levels of their customers. They suggest that value added services are perceived to be a strategic tool to differentiate service of one provider from the other.
Sureschander, Rajendran, and Anantharaman (83) concluded that SERVQUAL has been widely used in telecommunication industries in different cultural context with high reliability and validity.

Sutherland (84) identified a list of indicators for mobile phone quality of services. These indicators included network access, service access, service integrity, and service retainability.

Taylor and Baker (85) empirically assess the nature of the relationship between service quality and consumer satisfaction in the formation of consumers' purchase intentions across four unique service industries. The results suggest that consumer satisfaction is best described as moderating the service quality/purchase intention relationship.

Thompson (86) in his study examined the relationship between profitability and service quality and observed that delivering superior service quality appears to be a prerequisite for success, if not survival, of such businesses in the 1980s and beyond.

Van der Wal, Pampallis and Bond (87) in their study on mobile telecommunication in South Africa used SERVQUAL with some modifications. The modified instrument resulted scale reliability of 0.95.

Ward and Mullee (88) in their study on service quality in telecommunication services have used reliability, availability, security, assurance, simplicity, and flexibility as criteria of service quality. They
argued that, from customers’ perspective, it is not appropriate to separate network quality from the other dimensions of quality.

2.4. Research gap in earlier study:

It is clear from the above review of literature that:

- The total of 88 studies on economic reforms and allied subject are reviewed and most of the previous studies laid emphasis on the implementation of economic reform, impact of economic reforms, comparative performance analysis of public sector and private sector companies.

- Majority studied the economic reforms in terms of liberalisation, privatisation and globalisation.

- There have been studies on impact of economic reforms on macro level and micro level. But the studies are not recent and the economic reforms process in India has shown significant changes in recent decade.

- The periods of studies were short 3 to 5 years.

- Impact of economic reforms on MTNL was studied by very few experts and researchers.

- Not a single research study at micro and macro level had been done taking into account multi-performance indicators on MTNL.

- The need for the study in the present day context is very urgent for the very reason that so far no one has tried to study impact of
economic reforms on MTNL taking into primary data from customers. There must be a study on impact of economic reforms on public sector enterprises, taken into account fair long period and more than 3 parameters or measures, especially MTNL- a public sector enterprise which is now marching from state to market.

To sum up all the reviews, in the backdrop of gradual policy change there is need to understand the impact of economic reforms on public sector enterprises which are facing a stiff competition from the private sector companies. Therefore, in the present study efforts are made to understand the impact of economic reforms on the performance of Mahanagar Telephone Nigam Limited (MTNL).