CHAPTER I

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1.1. Telecommunication Sector

The Telecom Sector is one of the fastest growing Sectors. It offers three categories of services, namely, fixed line, wireless and cellular service. The cellular service is called as mobile service because of its nature of usage.

There are two types of mobile service networks (a) Global System for Mobile (GSM) and (b) Code Division Multiple Access (CDMA). The bandwidth of GSM varies from CDMA. The study revolves around the operators of GSM service. The service industry supports the natural economy with more than 55 per cent growth rate. Its contribution to the Gross Domestic Product (GDP) is less than 20 per cent. To hasten the growth and strengthen the Indian Economy, it is essential to study the nature of service offered. The study is enlightened to the service quality of GSM networks.

After the liberalization of the Indian Telecom Sector, 1994, the Indian cellular market witnessed a higher growth in cellular services. By 2005, there were a total of 12 players in the market with the five major players being Bharati Televentures Limited (Bharati), Bharat Sanchar Nigam Limited (BSNL), Hutchinson-Eassar Limited (Hutch), Idea Cellular Limited (Idea) and Reliance Indian Mobile (RIM). All the players except RIM offered services based on the Global system for mobile (GSM) technology.
RIM provided services based on Code Division Multiple Access (CDMA) technology as well as GSM. As competition in the telecom area intensified, service providers took new initiatives to customers. Prominent among these were celebrity, endorsements, loyalty rewards, discount coupons, business solutions and talk time services. The most important consumer segments in the Cellular industry were the youth segment and the business class segment. The youth segment was the largest and fastest growing segment and was therefore targeted by cellular service providers. Hence all the service providers concentrate on more service quality to attract new customers in GSM market.

The development of world class telecommunication infrastructure is the key to rapid economic growth and to bring social change of the country. The service quality is a playing a vital role in developing in Indian telecom sector Indian telecommunication sector has undergone a major process of transformation through significant policy reforms, particularly beginning with the announcement of National Telecom Policy (NTP) 1994 and was subsequently re-emphasized and carried forward under NTP 1999. Driven by various policy initiatives, the Indian telecom sector witnessed a complete transformation in the last decade. It has achieved a phenomenal growth during the last few years and is poised to take a big leap in the future also. Such rapid growth in the communication sector has become necessary for further modernization of Indian economy through rapid development
in Information Technology. Indian Telecommunication sector is playing a vital role in development of economic and social change in rural India. Nowadays, the rural India depends upon the mobile services for the rural people communication for their livelihood developments and other agriculture activities. The service quality is very essential for the sustainability for telecommunication in India.

Mobile phone services are the fast growing services in telecommunication industry in India. This sector is showing an inspiring growth in last few years. Land phone market has no competency to compete with mobile phone market. Land phone market faces some problems such as weak and inadequate infrastructure, corruption, long procedures, limited income of consumers etc. But mobile phone service charges in India were high before 2005 because of weak regulatory systems, restricted openness, and concentrated market orientation. Effective regulation, more openness, and entrance of competitive firms including launching a new state owned mobile phone service company foster competition in this sector since 2005. It is assumed that, currently the numbers of mobile phone subscribers are more than 46 million and expected that it will cross 90 million by 2017. Telecommunication sector of a country can tremendously affect the society with different products and services.
1.2. Growth and Development of Indian Telecom Industry

The history of the Indian Telecom sector goes way back to 1851, when the first operational landlines were laid by The British Government in Calcutta. With independence, all foreign telecommunication companies were nationalized to form Post, Telephone and Telegraph, a monopoly run by the Government of India. DoT (Department of Telecommunications) was formed in 1985 when the Department of Posts and Telecommunications was separated into Department of Posts and Department of Telecommunications. Till 1986, it was the only telecom service provider in India. It played a role beyond service provider by acting as a policy maker, planner, developer as well as an implementing body. In spite of being profitable, non-corporate entity status ensured that it did not have to pay taxes. DoT depends on Government of India for its expansion plans and funding.

1.2.1. Telecom Regulatory Authority of India (TRAI)

TRAI was founded to act as an independent regulatory body supervising telecom development in India. This became important, as DoT was a regulator and a player as well. Founded by an Act of Parliament, the main functions of the body was to finalize toll rates and settle disputes between players. An independent regulator is critical at the present situation as the sector witness’s competition. The operations of this
sector are determined as under the Indian Telegraph Act of 1885 – A
document buried in the sands of time. The next major policy document,
which was produced, was the National Telecom Policy of 1994, a
consequence of the ongoing process of liberalization.

1.2.2. The Telecom Commission

The Telecom Commission was set up by the government of India vide
Notification dated April 11, 1989 with administrative and financial
powers of the government of India to deal with various aspects of
Telecommunications. The Telecom Commission and the DoT are
responsible for policy formulation, licensing, wireless spectrum
management, administrative monitoring of PSUs, research and development
and standardization or validation of equipment, etc. The multi-pronged
strategies followed by the Telecom Commission have not only transformed
the very structure of this sector, but also have motivated all the partners to
contribute in accelerating the growth of the sector. The other entities in
the sector under the control of MoC are the two public sector
telecom equipment manufacturers, namely Indian Telephone Industries
(ITI) and Hindustan Tele printers Ltd. (HTL). Both these companies are
facing financial problems because of product obsolescence, poor
management and over staffing. Telecommunications Consultants India Ltd.
(TCIL), another PSU was founded in 1978 to undertake consultancy
services in the field of telecom.
1.2.3. **Private Participation in Telecom**

For the provision of basic services, the entire country was divided into 21 telecom circles, excluding Delhi and Mumbai (Singh et. al. 1999). With telecom markets opened to competition, DoT and MTNL were joined by private operators but not in all parts of the country. By mid-2001, all six of the private operators in the basic segment had started operating. The number of village public telephones issued by private licensees by 2002. After a recent licensing exercise in 2002, there was competition in most service areas. However, the market is still dominated by the incumbent. In December 2015, the private sector provided approximately 18 million telephones in fixed, WLL (Wireless Local Loop) and cellular lines DoT Annual Report, (2015). 72 per cent of the total private investment in telecom has been in cellular mobile services followed by 22 percent in basic services. After the recent changes, the stage is now set for greater competition in most service areas for cellular mobile over time; the rise in coverage of cellular mobile will imply increased competition even for the basic service market because of competition among basic and cellular mobile services.

1.2.4 **Tele density and Village Public Phones (VPTS)**

India's rapid population increase coupled with its progress in telecom provision has landed India's telephone network in the sixth position in the
world and second in Asia (ITU). The much publicized statistic about telecom development in India is that in the last five years, the lines added for basic services is 1.5 times those added in the last five decades. The annual growth rate for basic services has been 22 percent and over 100 percent for internet and cellular services. As Dossani (2002) argues, the comparison of teledensity of India with other regions of the world should be made keeping in mind the affordability issues. Assuming households have a per capita income of $350 and are willing to spend 7 percent of that total income on communications, then only about 1.6 percent of households will be able to afford $30 (for a $1000 investment per line). Teledensity has risen to 4.9 phones per 100 persons in India compared to the average 7.3 mainlines per 100 people around the world. The government has made efforts to connect villages through village public telephones (VPT) and Direct Exchange Lines (DEL). This coverage increased from 9.6 lakhs in March 2016 to 18.10 lakhs in December 2014 for VPT and from 90.1 lakhs in March to 106.6 lakhs in December 2005 for DELs. BSNL has been mainly responsible for providing VPTs; more than 84 percent of the villages were connected by 593601 VPTs with private sector also providing 7123 VPTs. The overall telecom growth rate is likely to be high for some years, given the increase in demand as income levels rise and as the share of services in overall GDP increases. The growth rate will be even higher due to the price decrease resulting from a reduction in cost of providing
telecom services. A noteworthy feature of the growth rate is the rapid rate at which the subscriber base for cellular mobile has increased in the last few years of the 1990s, which is not surprising in view of the relatively lower subscriber base for cellular mobile.

### 1.2.5 Foreign Participation

India has opened its telecom sector to foreign investors up to 100 percent holding in manufacturing of telecom equipment, internet services, and infrastructure providers (e-mail and voice mail), 74 percent in radio-paging services, internet (international gateways) and 49 percent in national long distance, basic telephone, cellular mobile, and other value added services (FICCI, 2003). Since 1991, foreign direct investment (FDI) in the telecom sector is second only to power and oil - 858 FDI proposals were received during 1991-2002 totaling Rs. 56,279 crores (DoT Annual Report, 2002). Foreign investors have been active participants in telecom reforms even though there was some frustration due to initial dithering by the government. Until now, most of the FDI has come in the cellular mobile sector partly due to the fact that there have been more cellular mobile operators than fixed service operators. For instance, during the period 1991-2001, about 44 percent of the FDI was in cellular mobile and about 8 percent in basic service segment. This total FDI includes the categories of manufacturing and consultancy and holding companies.
1.2.6 Tariff-Setting

An essential ingredient of the transition from a protected market to competition is the alignment of tariffs to cost-recovery prices. In basic telecom for example, pricing of the kind that prevailed in India prior to the reforms, led to a high degree of cross-subsidization and introduced inefficient decision-making by both consumers and service-providers. Traditionally, DoT tariffs cross-subsidized the costs of access (as reflected by rentals) with domestic and international long distance usage charges (Singh et. al. 1999). Therefore, re-balancing of tariffs - reducing tariffs that are above costs and increasing those below costs - was an essential pre-condition to promoting competition among different service providers and efficiency in general. TRAI issued its first directive regarding tariff-setting following NTP 99 aimed at re-balancing tariffs and to user in an era of competitive service provision. Subsequently, it conducted periodic reviews and made changes in the tariff levels, if necessary. Re-balancing led to a reduction in cross-subsidization in the fixed service sector. Cost based pricing, a major departure from the pre-reform scenario, also provides a basis for making subsidies more transparent and better targeted to specific social objectives.
1.3. **Service Quality in Indian Telecom Sector**

One of the main reasons for encouraging private participation in the provision of infrastructure rests on its ability to provide superior quality of service. In India, as in many developing countries, low teledensity resulted in great emphasis being laid on rapid expansion often at the cost of quality of service. One of the benefits expected from the private sector's entry into telecom is an improvement in the quality of service to international standards. Armed with financial and technical resources, and greater incentive to make profits, private operators are expected to provide consumers value for their money. Telephone faults per 100 main lines came down to 10.32 and 19.14 in Mumbai and Delhi respectively in 2014-15 compared to 11.72 and 26.6 in 2013-14. Quality of service was identified as an important reform agenda and TRAI has devised QOS (Quality of Service) norms that are applicable across the board to all operators (Singh et. al. 1999).

1.4. **Performance of Indian Telecom Sector Post Liberalized Period**

National Telecom Policy (1999) projected a target 75 million telephone lines by the year 2016 and 175 million telephone lines by 2020 has been set. Indian telecom sector has already achieved 100 million lines. With over 100 million telephone connections and an annual turnover of Rs. 84,000 crores,
our present teledensity is around 9.1%. The growth of Indian telecom network has been over 30% consistently during last 5 years.

According to Wellenius and Stern (2001) information is regarded today as a fundamental factor of production, alongside capital and labor. The information economy accounted for one-third to one-half of gross domestic product (GDP) and of employment in Organization for Economic Cooperation and Development (OECD) countries in the 1980s and is expected to reach 60 percent for the European Community in the year 2000. Information also accounts for a substantial proportion of GDP in the newly industrialized economies and the modern sectors of developing countries.

Videsh Sanchar Nigam Limited (VSNL) 16th Annual Report (2002) India like many other countries has adopted a gradual approach to telecom sector reform through selective privatization and managed competition in different segments of the telecom sector. India introduced private competition in value-added services in 1992 followed by opening up of cellular and basic services for local area to competition. Competition was also introduced in National Long Distance (NLD) and International Long Distance (ILD) at the start of the current decade.

World Telecommunication Development Report (2002) explains that network expression in India was accompanied by an increase in productivity of telecom staff measured in terms of ratio of number of main lines in
operation to total number of staff. Indian Telecommunication Statistics (2002) in its study showed the long run trend in supply and demand of Direct Exchange Lines (DEL). Potential demand for telecom services is much more than its supply. In eventful decade of sectoral reforms, there has been significant growth in supply of DEL.

Economic Survey, Government of India (2002-2003) has mentioned two very important goals of telecom sector as delivering low-cost telephony to the largest number of individuals and delivering low cost high speed computer networking to the largest number of firms. The number of phone lines per 100 persons of the population which is called teledensity, has improved rapidly from 43.6 in March 2001 to 4.9 in December 2002. Adam Braff, Passmore and Simpson (2003) focus those telecom service providers even in United States face a sea of troubles. The outlook for US wireless carriers is challenging. They can no longer grow by acquiring new customers; in fact, their new customers are likely to be migrated from other carriers. Indeed, churning will account for as much as 80% of new customers in 2005. At the same time, the carrier’s Average Revenue per User (ARPU) is falling because customers have.

Dutt and Sundram (2004) studied that in order to boost communication for business, new modes of communication are now being introduced in various cities of the country. Cellular Mobile Phones, Radio Paging, E-mail, Voice-
mail, Video, Text and Video-Conferencing now operational in many cities, are a boon to business and industry. Value-added hi-tech services, access to Internet and Introduction of Integrated Service Digital Network are being introduced in various places in the country.

T.V. Ramachandran (2005) analysed performance of Indian Telecom Industry which is based on volumes rather than margins. The Indian consumer is extremely price sensitive. Various socio-demographic factors—high GDP growth, rising income levels, booming knowledge sector and growing urbanization have contributed towards tremendous growth of this sector. The instrument that will tie these things together and deliver the mobile revolution to the masses will be 3 Generation (3G) services.

Rajan Bharti Mittal (2005) explains the paradigm shift in the way people communicate. There are over 1.5 billion mobile phone users in the world today, more than three times the number of PCOs. India today has the sixth largest telecom network in the world up from 14th in 1995, and second largest among the emerging economies. It is also the world’s 12th biggest market with a large pie of $ 6.4 billion. The telecom revolution is propelling the growth of India as an economic powerhouse while bridging the developed and the developing economics.

ASEAN India Synergy Sectors (2005) point out that high quality of telecommunication infrastructure is the pillar of growth for information
technology (IT) and IT enabled services. Keeping this in view, the focus of telecom policy is vision of world class telecommunication services at reasonable rates. Provision of telecom services in rural areas would be another thrust area to attain the goal of accelerated economic development and social change. Convergence of services is a major new emerging area.

Aisha Khan and Ruche Chaturvedi (2005) explain that as the competition in telecom area intensified, service providers took new initiatives to customers. Prominent among them were celebrity endorsements, loyalty rewards, discount coupons, business solutions and talk time schemes. The most important consumer segments in the cellular market were the youth segment and business class segment. The youth segment at the inaugural session of cellular summit, 2005, the Union Minister for Communications and Information Technology, Dayanidhi Maran had proudly stated that Indian telecom had reached the landmark of 100 million telecom subscribers of which 50% were mobile phone users. Whereas in African countries like Togo and Cape Verde have a coverage of 90% while India manages a merely mobile coverage of 20 per cent.

The overview of Indian infrastructure Report (2005) explains India’s rapidly expanding telecom sector is continuing to witness stiff competition. This has resulted in lower tariffs and better quality of services. Various telecom services-basic, mobile, internet, national long distance and international long
distance have seen tremendous growth in year 2005 and this growth trend promises to continue electronics and home appliances businesses each of which are expected to be $2.5 bn in revenues by that year. So, driving forces for manufacturing of handsets by giants in India include-sheer size of India market, its frantic growth rates and above all the fact that its conforms in global standards.

Marine and Blanchard (2005) identify the reasons for the unexpected boom in mobile networks. According to them, cell phones, based on Global System for Mobile Communication (GSM) standard require less investment as compared to fixed lines. Besides this, a wireless infrastructure has more mobility, sharing of usage, rapid profitability. Besides this, usage of prepaid cards are the extent of 90% simplifies management of customer base. Moreover, it is suitable to people’s way of life-rural, urban, and sub-urban subscribers.

According to Oliver Stehmann (2005) the telecommunications industry is characterized by rapid innovation in the service and the transmission market. The legally protected public or private monopolist does not have the same incentive to foster innovation that would exist in a competitive environment. Thus, state intervention based on the natural monopoly argument neglects dynamic aspects, which are crucial in the telecommunications sector.
According to *Economic Times* (2005) Indian mobile phone market is set to surge ahead since urban India has a teledensity of 30 whereas rural India has a teledensity of 1.74. It indicates that the market is on ascent, with more than 85000 villages yet to come under teleconnectivity.

According to a paper released by the Associated Chambers of commerce and Industry of India (2005), it is stated that 30% of the new mobile subscribers added by the operators worldwide will come from India by 2013. 10% of the third generation (3G) subscribers will be from India by 2015, Indian handset segment could be between US $ 13 billion and US $ 15 billion by 2016. It offers a great opportunity for equipment vendors to make India a manufacturing hub. Indian infrastructure capital expenditure on cellular equipment will be between 10 to 20% of the investment that will be made by international operators by 2015. The other proposals included setting up of hardware manufacturing cluster parks, conforming to global standards and fiscal incentives for telecom manufacturing among others.

Virat Bahri (2006) explains the viewpoint of Sam Pitroda the Chairman of Worldtel that identifies opportunities for investments in telecommunications. He analyses that there is an increasing role for telecom in e-governance in India. According to him, technology can be leveraged to take India’s development to next level.
According to Rohit Prasad and V.Sridhar (2007) this is one of the first such attempts to analyse the tradeoffs between low market power and economics of scale for sustained growth of mobile services in the country. Our analysis of the data on mobile services in India indicates the existence of economies of scale in this sector. We also calculate the upper bound on the optimal number of operators in each license service area so that policies that make appropriate tradeoffs between competition and efficiency can be formulated.

Narinder K Chhiber (2008) opines that the mobile telecommunication technology is evolving rapidly in the world as more people demand mobile services with longer bandwidth and new innovative services like connectivity anywhere, anytime for feature like T.V., Multimedia, Interoperability and seamless connectivity with all types of protocols and standards, while the 3G services are yet to fully come up.

1.5. Background for the Study

Within the last two decades, service quality has become a main concern in the business world especially in communication sector. The key to success in winning the global battle now and in future is to have high standards of service. Hence, it is helpful for service organizations to know the customer service quality perceptions in order to overcome the competitors and attract and retain the customers. Because of the globalization and liberalization of Indian economy, Indian service sector has been opened for multinational
companies. In order to overcome the competition and to retain the world class service standards, Indian companies have been forced to adopt quality management programs.

Services are defined as: the activities, which are involved in producing intangible products as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical, consultancy, repair and maintenance like occupation.

Quality has become a strategic tool in obtaining efficiency in operations and improved performance in business. This is true for both the goods and services sectors. Quality has been defined differently by various authors. Some prominent definitions include ‘conformance to requirements’ (Crosby, 1990), ‘fitness for use’ or ‘one that satisfies the customer’. According to production philosophy of Japan, quality has been defined as ‘zero defects’ in the firm’s offerings. Quality has become a strategic tool for obtaining efficiency in operations and improved business performance (Babakus and Boller, 1992).

This is true for the services sector too. Several authors have discussed the unique importance of quality to service firms and have demonstrated its positive relationship with profits, increased market share, return on investment, customer satisfaction, and future purchase intentions (Rust and Oliver, 1994). One obvious conclusion of these studies is that firms with
superior quality products outperform those marketing inferior quality products.

In services marketing literature, service quality has been concisely defined as the overall assessment of a service by the customers. Service quality is playing an increasingly important role in the present environment where there is no further scope for the companies to differentiate themselves other than the quality of the service provided by them. Delivering superior service quality than the competitors is the key for the success of any organization. But, the companies face difficulties in measuring the quality of services offered to the customers.

Because unlike measuring the quality of goods, the measurement of the quality of services offered by the companies is difficult due to the three unique features of services viz. intangibility, heterogeneity, and inseparability. Hence the only way of measuring the quality of services offered by the service provider is the measurement of the customers’ perceptions of the quality of service they are experiencing from their service providers.

Though initial efforts in defining and measuring service quality emanated largely from the goods sector, a solid foundation for research work in the area was laid down in the mid-eighties by Parasuraman, Zeithaml and Berry, (1985). They were amongst the earliest researchers to emphatically point out
that the concept of quality prevalent in the goods sector is not extendable to the services sector. Being inherently and essentially intangible, heterogeneous, perishable and entailing simultaneity and inseparability of production and consumption, services require a distinct framework for quality explication and measurement.

As against the goods sector where tangible cues exist to enable consumers to evaluate product quality, quality in the service context is explicated in terms of parameters that largely come under the domain of ‘experience’ and ‘credence’ properties and are as such difficult to measure and evaluate (Parasuraman, Zeithaml and Berry, 1985). One major contribution of Parasuraman, Zeithaml and Berry (1988) was to provide a concise definition of service quality. According to these authors, service quality means relating the superiority of the service with the global judgement of a person about it and explicated it as involving evaluations of the outcome (i.e., what the customer actually receives from service) and process of service act (i.e., the manner in which service is delivered).

In line with the propositions put forward by Gronroos (1984) and Parasuraman, Zeithaml and Berry (1985, 1988) posited and operationalized service quality as a difference between consumer expectations of ‘what they want’ and their perceptions of ‘what they get.’ Based on this conceptualization and operationalization, they proposed a service quality
measurement scale called ‘SERVQUAL’. Nerurkar (2000) analyzed the SERVQUAL (a service quality measurement scale developed by Parasuraman, Zeithaml and Berry, 1985) dimensions in India and concluded that service quality should form the basis for all customer retention strategies.

With a large population, low telephone penetration levels, a considerable rise in consumers’ income, and spending owing to strong economic growth, India has emerged as an attractive business market in the world. In case of India, the mobile telecommunication industry turned highly competitive since the government deregulated this sector. This decision of regulation opened the doors for private and foreign players to operate in the Indian market. The growth of operators in the Indian market has accelerated rapidly from one operator in public sector to fifteen operators in all over India. Consequently, the competition among these telecommunication players in India in obtaining and maintaining customers remains critical in spite of the fact that the customers have been very selective now in determining their choices based on the costs paid to receive the services and benefits obtained. In order to attract new customers and to retain the existing customers, mobile telecommunication service providers in Indian market are employing a variety of ways such as providing customers with excellent services, modern looking equipments, courteous, skilful, well trained personnel and supportive operative systems. Service providers expect that with excellent
service, customers will be satisfied and if satisfied, they will become loyal customers for the organization.

The significant growth of service providers in the field of mobile telecommunication sector has caused the appearance of buyer’s market. Buyer’s market is that type of market, where supply exceeds demand. In this situation of buyer’s market, the customers get more bargaining power. Therefore in this situation, the service providers have to be very effective and efficient in their operations because customers now have choices in determining the service provider they want. In the context of customers, the need for excellent services always keeps on changing. With the passage of time, the level of service quality also varies.

There is no guarantee that what is excellent service quality today is also applicable for tomorrow or day after tomorrow. Besides this, in the last two decades the use of technology in the delivery of services has also changed significantly. The use of latest world class innovative technology in terms of various value added services has also increased the war among service providers. To win the battle of global competition in the service industries and to be able to exist, these service providers will need to bring into play new contemporary strategies in providing service that will satisfy the continuous demanding customers. Because of this reason services marketing
and telecommunication marketing gaining prominence in marketing literature (Kotler, 2001).

The interest in services marketing research on service quality and customer satisfaction has grown tremendously. A good number of researches have been conducted by applying related theories and methods in the service industry. SERVQUAL and SERVPERF (an unweighted performance only measure of service quality developed by Cronin and Taylor, 1992) frameworks have been tested by various researchers in different service setups to get reliability and validity, and also to suggest the superiority of one scale over other. Many researchers from all over the world tried to develop different scales to measure service quality and customer satisfaction in different service environments.

Still there are continuing demands for refining the existing theories that are suitable for multifaceted service setup. One way for refining the theories is to consider variables within the existing model which are potentially powerful in making prediction about the dependent variable. As a stepping stone to this notion of refining the theories, Cronin, Brady and Hult (2000) conducted an empirical study to assess the effects of service quality, value, and customer satisfaction on behavioural intentions in the context of different service industries. They suggested in their findings that there is need to include additional decision-making variables like tangibility aspect
of service quality, customers’ expectations and quality of service environment. Also, suggested replication of similar study in another service setting.

Caruana (2002) attempted to examine the model in which service quality is linked to service loyalty via customer satisfaction. After examining this model, he suggested the need to consider the role of customer value and reputation of the company in predicting loyalty. The present study will try to address the doubts raised by the researchers like Cronin, Brady and Hult (2000) Caruana (2002) etc.

The telecommunications sector in India was liberalized in the early 1990s. Attack of private as well as foreign direct investment in the sector started afterwards. Without margins and ephemeral customer loyalty, the mobile phone service providers are now operating in a highly competitive environment. Profitability of the service providers is being curbed by factors like; revenue leakage, customer churn, and ineffective customer service. The Indian mobile telecommunication services operators are facing a number of significant challenges, because of changing dynamics:

- First, retaining existing customers mainly in a pre-paid and high churn market has become more difficult and costly.
• Second, new customer acquisition is becoming more elusive than ever as potential customers have more options to choose from and mobile phone operators offer attractive deals to lure prospect customers.

• Third, as mobile phone operators have had to incur additional cost in keeping existing customers and acquiring new ones, their Average Revenue Per User (ARPU) has declined, leading to worsening of their financial performance.

In light of above mentioned challenges, mobile telecommunication services providers need to make customer satisfaction a strategic priority. Moreover, satisfied customers have a higher propensity to stay with their existing service provider than the less satisfied ones (Cronin et al., 2000) and are more likely to recommend the service provider to others, leading to improved bottom line for the company. Thus, it is very important that Indian mobile telecommunication services operators gain a better understanding of the relationship between the performance of service quality attributes, customer value, satisfaction, and loyalty.

1.6. Need for the Study

As market growth slows on as market becomes more competitive, service providers are more likely to attempt to maintain their market share by focussing on retaining existing customers. Customer retention has been advocated as an easier and more reliable source of superior performance
(Reichheld and Sasser, 1990). To improve customer retention, service providers initiate variety of services, including programs on customer satisfaction (Jones and Sasser, 1995), complaint management. (Fornell and Wernerfelt, 1987) and loyalty (Dowling and Uncles, 1997). In understanding customer satisfaction, researchers paid attention to the management of service quality (Rust and Zahorit, 1993); developing strategies to meet current expectations, and explaining the impact of service quality on customer satisfaction (Zeithaml et al., 1996). In explaining, the link between service quality, customer satisfaction and customer loyalty, only a few studies have examined the factors leading to customer satisfaction and switching. The increasing competition in Indian spectrum of mobile industry is reducing the price of service and customers are bombarded with various services and changing tariff plans. Brand Loyalty function, like insulator for brands, which prevent competitor to grab their customers. Customer satisfaction is a decisive component for creating loyal customer base. Hence the present study has made an attempt to study the linkage between service quality, customer satisfaction and customer loyalty in mobile phone service industry in India.

1.7. **Statement of the Problem**

Cellular mobile phone communication is a tool for the beneficial use of individual including professional and businessman. Though the cellular operators have been rendering services to its customers throughout India, it
has become a target of controversy due to many reasons, such as, excess billing, disconnection while talking, cross talk while talking, high cost handset and high operating cost. Recently, the cellular operators are subject to comments and criticism for various reasons. Their services are not only commendable, but also satisfying to the consumers to some extent.

The important threats of cellular mobile service market in India are high costs of service provision, low-income among the people cannot be offered to replicate expensive telecom infrastructure, political instability, China's early liberalization, threats from WLL service providers and also from satellite phones. The customer’s expectations and knowledge of the mobile phone service are also increasing at the other hand. Hence the service providers are facing challenges, not only from the competitors, but also from their customers. The consistent updation of the service quality is the only measure to regain the existing customers and attract the new customers in order to increase their subscriber base.

In the last ten years, the mobile revolution has truly change the socio economic landscape of India and played a pivotal role in the growth and development of economy. According to cellular operator Association of India (COAI) states that India ranks between the top ten telecommunication in the world and second largest in Asia. India is also one of the fastest growing markets in mobile communications. India is home to a number of
Global mobile operators’ working with local companies and mobile market has consistently experienced very high annual growth rates.

The telecommunication sector, especially the mobile phone sector, in India is one of the fastest growing business segments of the country which provide a lot of value additional to the society with its service and creation of employment opportunities. At present there are fifteen mobile phone operators in the country – Bharati Airtel Limited (Bharti), Reliance Communications Limited (Reliance), Vodafone Essar Limited (Vodafone), Bharat Sanchar Nigam Limited (BSNL)-Govt of India owned public sector company, Tata Teleservices Limited (TATA), Idea Cellular Limited (IDEA), Aircel Limited (Aircel), unitech wireless Limited, Mahanagar Telephone Nigam Limited (MTNL) etc., All of them compete with each other to grab customers by providing wide range of services. They not only offer basic services of cell phone but also produce other value added services. Along with the normal services all of the operators are now offer internet facilities (Technology Adoption) which enable the subscribers to reach the whole world through internet easily and their services includes prepaid, post paid, internet, value added services roaming and devices. The hasty growth and development in information technology and mobile devices has made the Indian mobile phone service markets more and more competitive. It is assumed by all mobile service providers that value added services increase the customer loyalty. But does value added services fulfill
all the customer needs and it is the only factor that plays a significant role in maintaining and building up the loyalty of the customer. On the other hand according to Lee et al (2001) the mobile providers should build up customer commitment by providing good quality service to their customer.

1.8. Research Objectives

1) To examine the demographic and socio economic environments influence the different dimensions of Service Quality in BSNL Mobile Communication Service Provider in Thanjavur District, Tamilnadu, India.

2) To find out the relationship between dimensions and BSNL Mobile Communication Service Provider in Thanjavur District, Tamilnadu, India.

3) To identify the mediated effects of Service quality in BSNL Mobile Communication Service Provider in study area.

4) To suggest suitable strategic model for improving Service Quality in BSNL Mobile Communication Service Provider in India Scenario.

1.9. Research Questions

The following research questions are quite relevant to the crucial purpose of the study and seeking to understand the mediating effects of Service Quality in BSNL Mobile Communication Service Provider in Thanjavur District, Tamilnadu, India.
1) What are the various factors/service dimensions affecting Service Quality in BSNL Mobile Communication Service Provider in Thanjavur District, Tamilnadu, India?

2) What is the mediating factor (service dimension) for Service Quality in BSNL Mobile Communication Service Provider in Thanjavur District, Tamilnadu, India?

3) What are all the relationship between the Customer Satisfaction and Service Quality?

4) What are all the most influential factor(s) for Service Quality?

1.10. Proposed Conceptualized Research Model

Six dimensions were framed for this study. They are; i) Service Network Quality, ii) Technology Adoption, iii) Service Quality of Customer Care, iv) Quality of Fringe Benefit Services, (v) Brand Shifting Attitude and vi) Service Quality. Here Demographic variables, Service Network Quality, Technology Adoption, Service Quality Customer Care, Brand Shifting Attitude are independent variables and Quality of Fringe Benefit Services and Service Quality are the dependent variable. It is studied that how and what extent the independent variables make changes in the dependent variable. The proposed conceptual research model shows the process of research as follows:
1.11. Significance of the Study

The proposed empirical research is an attempt to study about the various Fringe Benefit Services dimensions and the Service Quality of BSNL mobile service providers. And on the other side, finding out the mediating factor for the service quality in mobile service providers. The present research pays its attention to identify the dimensions of Service Quality that ensures maximum satisfaction for the customers in the mobile service providers. The Customer Satisfaction is the ultimate determinant of Service Quality (SQ) and it decides the motivated loyal customers for BSNL mobile service providers.
1.12. **Structure of the Thesis**

The study is structured into five chapters organized to present the study utilizing methodology that allows it to flow from a basic introduction to empirical findings.

**Chapter I:** *Deals with a general introduction and background of the study about global, national and regional trends in Mobile Communication Services. Besides the above, this chapter gives a brief account of the institutional factors, significance of the study, statement of problem of the study, limitations of the present study and finally outlines of the structure of the study.*

**Chapter II:** *Reviews literature with respect to the Service Quality, mobile service provider’s quality and the Customers’ Satisfaction. Presents various important factors affecting the performance contained in works of several researchers, identifies the gap in past research, the previous empirical findings and thoroughly examines the models developed to analyse.*

**Chapter III:** *Presents a detailed discussion of research design, the research hypotheses to be tested and the methodology used to test the critical factors affecting performances and its hypotheses present a simple conceptual model for testing the critical dimensions.*

**Chapter IV:** *Summarizes the outcomes of the statistical and econometrical analysis that are used to test the hypotheses.*
Chapter V: Identifies the findings of the study pertaining to the hypotheses, the implications for the sector as a whole and individually, drawn from the findings of the research, recommendations for future research and conclusions of the study.

1.13. Conclusion

This chapter examined mobile service providers after Independence in India. The research problem is discussed with the objectives for the study and the variables associated with conceptual model, significance of the study are clearly defined. The next chapter the researcher will discuss the review of literature about service quality, customer satisfaction, service loyalty and customer loyalty.