

A STUDY OF THE IMPACT OF PRIVATIZATION ON INDIAN TELECOM INDUSTRY

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Abstract: The current research sheds light on the impact of privatization in the telecom industry in India. Privatization is the process of switching the authority from the government to the private sectors. Privatization in the process that has huge impact on the telecom sectors in India. Ranges of growth opportunities are being provided in the telecom industries through the privatisation process. In the telecom industry privatisation is significant as it provides the customer satisfaction in the telecom industries. The data are collected from the sample of 23 managers and directors from the renowned companies of the telecom industries. The researcher has used the 5% significant level for the data analysis as well as the survey results of the concerned research work. 0.05% significant level is useful in this research as it helps in reducing the type I and type II errors in the study. Thus, the null hypothesis is rejected by the researcher and the alternate hypothesis is being accepted. Privatisation thus provides positive impact on the telecom industries as well as the economy of the developing country India.

1. INTRODUCTION:

Development of telecommunication is significant in inducing the economic process of the states. It has been observed in India that the telecommunication sector is monopolized since the process of independence. The current research studies the impact of privatization of the telecom industry in India. Telecommunication sector of India has witnessed a huge growth after it had opened to the personal sector. The developments within the telecommunication have helped in the alternate sectors in their operation. The privatisation of the telecommunication industry helped India to grow in all aspects. The current research will shed light on the advantages and disadvantages of privatisation of the telecom industry.

2. OBJECTIVES

The key objective of the research is to study the impact of privatisation of the telecom industry in India. However other objectives of the research includes

- To investigate the evolution of the Indian telecommunication trade
- To review the long-term effect on the growth opportunities due to privatisation
- To critically contribution of privatisation in the Indian telecommunication industry and its relative growth
- To recommend the possible ways through which the privatisation can be enhanced in the Indian telecommunication industry

3. HYPOTHESES :

The concerned study helps in the evaluation of the impact of privatisation in the Indian telecom industry. Two hypothesis are being made HO is the null hypothesis whereas H1 is the alternate hypothesis

H0: Privatisation poses no significant impact on the Indian telecommunication industry

H1: Privatisation poses a positive impact on the Indian telecommunication industry

4. LIMITATIONS OF THE STUDY :

The concerned research is limited by the money and time constraint. Along with that the geographical location has also limited the research work done by the researcher. The researcher did not get much time to research in the other nation, thus the research is barricade the study only to India. The researcher is not being able to access all the websites as it is need to be purchased. The researcher also have the limited money thus, research was not taken to the depth.

5. REVIEW OF LITERATURE :

Introduction: Telecommunication sector is mostly formed by the collection of the market reforms that can be applied worldwide. The current literature review will highlight the concept of privatisation. Moreover, the literature will also be based on the contribution of the privatisation on the telecom industry.

Concept of privatisation : The process of transfer of the ownership, business or any property from government to the any of the private sector is called privatization. The government declines to be the owner of the entity or the business that leads to the privatisation in telecom industriesⁱ. The process by which the publicly traded company is taken some people is call referred as privatisation. In the case when the company became private, the last name of the company is used by the private limitedⁱⁱ. It has been observed that privatisation is considered in bringing more efficient as well as objectivity to the companyⁱⁱⁱ. On the other hand, the government company is not concerned about all this

Variations in privatisation: Privatisation is applied in three various methods in order to increase the activities in the private sectors in providing the public services. The three methods are:

- Choice of private sector based on the financing and production of the service- in this case, the overall responsibility of the services is being switched to the public sector to the private sector^{iv}. Along with the individuals select from public sectors
- Choice of public sector and financing with the production in private sector for the services that are being selected- in this case joint activity of the public and private sectors are being provided the consumers choices and pay for the quantity of the service through government^v. This is followed by the private forms to produce the desired amount.
- Deregulation system in the private firm in providing the services- in this case, privatization reduces the regulatory restrictions that are imposed in the probate forms^{vi}.

The contribution of privatisation to the telecom industry

Privatisation helps in the many reforms in the telecom sectors. It has been observed that infrastructure poses issues in the development of the countries^{vii}. The issues are seen both in the meeting goals as well as improvement of the services. Thus the international investments are hindered in the telecommunication industry. It has been observed in the research that every sector have its own possibilities and problems. Thus, policies need to be segregated in order to initiate reforms one of the major reforms in the telecom industry would be the privatisation. This helps in imposing the goals for the development^{viii}. In countries such as India, political as well as the economical scale has made telecommunication industry a monopoly. Thus, privatisation can help in eradicating the issues in the structure of the telecom industries in India.

High returns on the investment are expected from the telecom industries after the privatisation. This is used to the reason that 90% of the telephone lines are connected in a country for the communication. In case the investment in the telecommunication industry is not being properly made then it leads to the inadequate service to the customers^{ix}. In Spite of having high potentials for both the private and social returns, there is the number of advantages in the telecom industry sector. Telecom sector is being characterized by the gross underinvestment with the use of technological advancements^x. Thus, privatisation also contributes in providing huge investment in this sector making the customers more satisfied.

Summary

Thus, it can be summarised that privatisation is the transfer of the governmental authorities to the private sector. This has ranges of benefits in the telecommunication industries. All the sectors are being connected such as transport, utilities, professional service providers and government administration. Thus, the economy of India is generated from the telecommunication industry as it is the important source of revenue.

6. RESEARCH METHODOLOGY :

The data has been collected from the sample of 23 people that are randomly selected from the management group of the 6 renowned telecommunication sectors. The analysis of the data collected from the survey is being done through the descriptive as well as the inferential statistical approaches. With the help of descriptive statistics, collected data is being properly described. Measures of central tendency help in measuring the standard deviation among the chosen population from the telecommunication industry. The managers and directors of six renowned telecommunication companies are being surveyed namely Airtel, Vodafone, BSNL, Tata, VSNL, and Reliance. The inferential statistics helps in reaching the conclusion that is useful in the chosen sample. Moreover, the researcher has 5% significance level for analyzing the collected data from the survey. 5% significance level is suitable for the concerned research because it reduces the chance of having the type I and types II errors. Inferential analysis of statistics is appropriate from the Chi-square test. These observations are used in order to draw an inference in the population mean. This will help in proving the hypothesis and meet the research objectives (*Refer to appendix 1*).

7. RESULTS :

Categories	Classification	Number of participants	Percentage %
Age	Below 25	3	13
	25-35 years	10	43
	35-45 years	6	26
	45 and above	4	17
Sex	Male	12	52
	Female	11	48
Position in the telecom companies	Managers	10	43
	Directors	13	57
Total		23	100

Table 1: Demographic details
 (Source: Created by Researcher)

Number of participants/Details on public relations effects	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	frequency
A. deregulation	1	1	1	1	1	0	1	1	1	0	1	1	0	1	0	1	1	1	1	1	0	1	1	18
B. governmental rules restrict organizational function	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	20
C. telecommunication industry has scope of improvement in privatisation	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	23
D. privatisation will affect corporate governance	1	0	1	1	0	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	1	1	1	19
E. acquiring benefits of globalization	1	1	1	1	1	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	21
F. privatisation requires huge investment	1	1	0	1	1	0	1	1	1	1	1	0	1	1	1	0	1	1	0	1	1	1	1	18
G. privatisation helps in gaining customer satisfaction	1	1	1	1	0	1	1	1	1	1	0	1	1	0	1	1	1	0	1	1	1	1	1	19
H. privatization has impact on the organisational structure and culture	1	0	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	20
	7	6	7	8	5	6	7	7	8	7	7	6	7	7	6	5	7	7	7	7	7	7	8	8
	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	

Table 2: Frequency Table
 (Source: Given by researcher)

Hypothesis testing: the researcher has tested the hypothesis using the Chi-Square test. The null hypothesis is proved when the privatisation failed to have any impact upon the telecom industries of India. However, it can be proved that the telecom industries have significant growth opportunities with the process of privatisation.

Observed (O)	Expected (E)	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
7	8	-1	1	0.125
6	8	-2	4	0.5

7	8	-1	1	0.125
8	8	0	0	0
5	8	-3	9	1.125
6	8	-2	4	0.5
7	8	-1	1	0.125
7	8	-1	1	0.125
8	8	0	0	0
7	8	-1	1	0.125
7	8	-1	1	0.125
6	8	-2	4	0.5
7	8	-1	1	0.125
7	8	-1	1	0.125
6	8	-2	4	0.5
5	8	-3	9	1.125
7	8	-1	1	0.125
7	8	-1	1	0.125
7	8	-1	1	0.125
7	8	-1	1	0.125
7	8	-1	1	0.125
8	8	0	0	0
8	8	0	0	0
				5.875

Table 3: calculation of the Chi-Square test

(Source: created by the researcher)

From the above table, it is identified that $\chi^2 = 5.875$

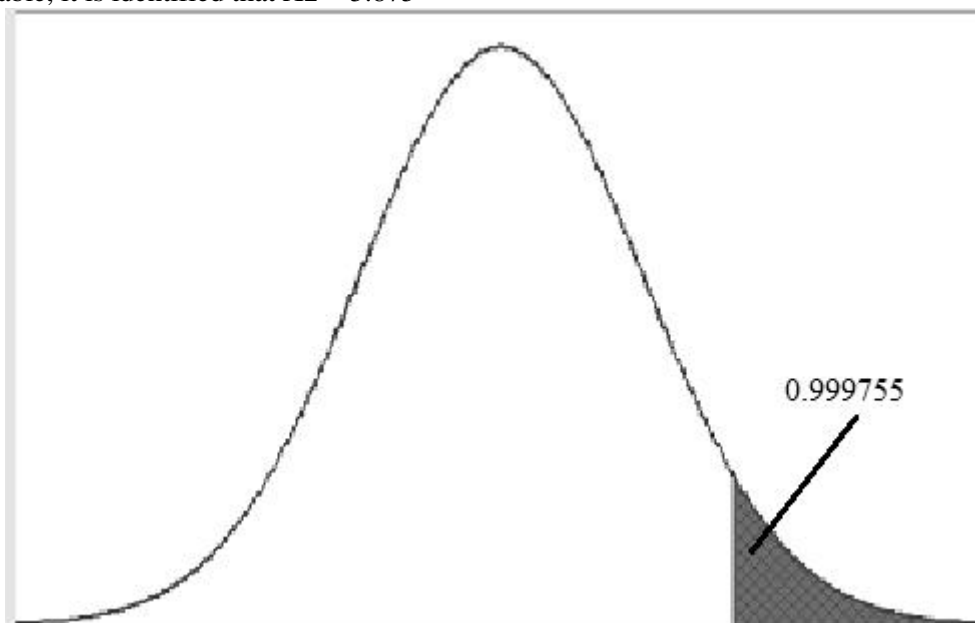


Figure 1: Chi-Square graph

(Source: created by the researcher)

Number of participants (n) = 23

Thus, Degree of freedom (n-1) = 23-1= 22

Thus, P - Value= 0.999755

8. CONCLUSION:

Based on the above discussion, it can be concluded that the privatization has a positive impact on the telecom industries of India. Privatization in telecom industries in India requires an investment which can lead to the customer satisfaction in the same field. Moreover, opportunities can be gained from the privatization that can have the positive impact on the growth of the telecommunication industries. In spite of the ranges of constraints, the formulations of the

deductions have been established the alternative hypothesis. Modern technologies in the process of privatization have further enhanced the growth of the telecom industries in India.

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APPENDICES

Appendix 1

Survey questionnaire

1. Do you think deregulation can be a suitable process for any organisation ?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

2. Do governmental rules restrict organisational function and profitability?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

3. Do you think telecommunication industry has scope of improvement in privatisation?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

4. Do you agree privatisation will affect corporate governance of telecommunication industry?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

5. Does privatisation help in acquiring benefits of globalization?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

6. Do you agree in the fact that privatisation requires huge investment in telecommunication sector?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

7. Does privatisation helps in gaining customer satisfaction in telecom industries?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

8. Do you think that privatisation has impact on the organisational structure and culture in telecommunication industry?

Options	Total respondent	Response
Yes (1)	23	
No (0)	23	

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