

Marketing Management of Public Sector Enterprises: A Study of BCCL in India

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Abstract

Bharat Coking Coal Limited (BCCL) is a subsidiary of Coal India Limited with its headquarters in Dhanbad, India. It was incorporated in January, 1972 to operate coking coal mines (214 in number) operating in the Jharia and Raniganj Coalfields and was taken over by the Government of India on 16 October 1971. The company operates 81 coal mines which include 40 underground, 18 opencast and 23 mixed mines as on April 2010. The company also runs 6 coking coal washeries, two non-coking coal washeries, one captive power plant (20 MW), and five by-product coke plants. The mines are grouped into 13 areas for administration purposes. This paper studies the marketing management of Bharat Coking Coal Limited.

Keywords: Marketing, BCCL, Coal field, Customer Relationship, Public Undertaking

I. Introduction

BCCL is the major producer of prime coking coal (raw and washed) in India. Medium coking coal is produced in its mines in Mohuda and Barakar areas. In addition to production of hard coke, BCCL operates washeries, sand gathering plants, a network of aerial ropeways for transport of sand, and a coal bed methane-based power plant in Moonidih. Central public sector enterprises (henceforth, referred to as PSEs) have been established, managed, and controlled by the Government of India as government companies (under the Companies Act or statutory corporations under the specific statutes of Parliament). In these enterprises, the Central Government holding in paid up share capital is more than 50%. The government has used these public enterprises as an instrument for attaining self-reliant economic growth, and over the years they have played an eminent role in the sustainable growth of Indian economy. The importance of public sector in the Indian economy has been recognized since 1948. The public sector in India, since then, has experienced a phenomenal growth both in terms of number and volume of investment. The government has made sustained efforts to break the vicious circle of poverty and underdevelopment by setting up public sector enterprises or by nationalizing certain key industries.

II. Public Undertaking and Economy

Historically, PSEs assume significant importance to India's economy, in both pre- and post-independence period. In the pre-independence era, the PSEs were confined primarily to select sectors including railways, posts and telegraphs, port trust, ordnance factories, etc. Post-independence era was characterized by an agrarian economy with a weak industrial base, regional imbalance in economic development, low level of savings, inadequate infrastructure facilities, and considerable inequality in income and levels of employment; thus, the development of public sector enterprises was identified as a key driver for self-reliant economic growth in the absence of significant private capital. Consequently, the Industrial Policy Resolutions 1948 and 1956 laid emphasis on constituting public enterprises by the Central Government for industrial development in the core sectors. As a result of the initiatives taken during the five-year plans, the role of PSEs in terms of contribution to the Indian economy has increased manifold. The number of PSEs as of 31 March 2009 was 246, with a total capital employed of nearly Rs. 5.3 lakh crore, 1 raised to 260 on 31 March 2012, with a total capital employed 13.43 lakh crore as against 5 PSEs having a total investment of Rs. 29 crore on the eve of the First Five-Year Plan (April 1951).

With the onset of economic reforms in 1991, the Government initiated a systemic shift to a more open economy with greater reliance on market forces and a larger role of the private sector including foreign investment. Accordingly, the PSEs were exposed to competition from domestic private sector companies as well as large multinational corporations. Given the competitive environment, the PSEs undertook significant initiatives for

upscaling technologies and capacities in order to operate at par with the private counterparts in the liberalized economy. The continued focused efforts towards achieving excellence have helped several of the PSEs to become self-reliant and to play a critical role in building the Indian economy.

It may not be out of context to mention that many of today's success stories in the developing world began life as state-owned enterprises (SOEs). Thomson, and Elf were SOEs for a long time, as were Rolls-Royce and British Aerospace in the UK. In the Indian context also, consequent to the initiatives taken during the five-year plans, the role of central PSEs in terms of contribution to the Indian economy has increased manifold. Originally, the activities of the public sector enterprises were limited to a definite field of basic and key industries of strategic importance. There were certain fields where the private enterprises were shy to operate as they involved huge investment and risk. It was the public sector alone which could build the capital-intensive infrastructure such as power, transport, etc. Since then the ideological objective of capturing the "commanding heights" by the public sector appears to be fulfilled. It not only has succeeded in creating the necessary infrastructural base for sustained industrial growth but also has tremendously boosted the technological capabilities.

The public sector enterprises have firmly established the foundation for the construction of a self-generating industrial economy. During the planned era, the public sector has diversified its activities to cover a wide spectrum of industries. Today, the public sector in India has entered into the production of consumer goods such as bread, paper, watches, scooters, T.V., cement, and drugs. Some of the researchers are of the view that the public sector should now enter the fields of distribution and rural development as well. Since inception, PSEs have been the mainstay of the Indian economy and were set up with the mandate to:

1. Serve the broad macroeconomic objectives of higher economic growth.
2. Achieve self-sufficiency in the production of goods/services.
3. Facilitate long-term equilibrium in the balance of payments.
4. Ensure stability in prices and create benchmarks for prices of essential items.
5. Promote redistribution of income/wealth and balanced regional development.
6. Create employment opportunities.

IV. Public Enterprises and Industrial Development The industrial development of a country necessitates a strong infrastructural base. This foundation is provided by the development of capital-intensive industries and the basic infrastructure. Historically, in India, the private sector neither had the zeal nor the capacity to invest in such infrastructural activities. From this point of view, the public sector in India has earned a magnificent record. The State has successfully implemented various schemes of multipurpose river projects, hydroelectric projects, transport and communication, atomic power, steel, etc. It has significantly contributed in the fields like nuclear power or steel technology, aeronautics, defense materials, ship building, etc. In the pre-independence period, a major problem was regional economic disparities. There were certain areas with heavy concentration of industrial activity. On the other hand, there were certain backward areas which went without industries. Industrial development was highly lopsided. States such as Maharashtra, West Bengal, Gujarat, and Tamil Nadu were industrially developed, while states like Orissa, Assam, Bihar, and Madhya Pradesh were highly backward. Besides, industries used to be gravitated towards the metropolitan areas, rather than the smaller towns. As stated earlier, this has led to imbalanced economic development; from social point of view, it is as bad as underdevelopment. Through the extension of PSEs, the government desired to remove such regional imbalances. The State, consequently, participated in the industrial growth of the less developed areas by setting up public enterprises in those areas. While locating new public enterprises, the claims of the relatively backward areas have been given due consideration. The policy of dispersal of industries aims at removing regional disparities. A conscious attempt has been made in the successive five-year plans to accelerate the development of relatively backward areas.

The growth of the public sector has led to the expression of gainful employment opportunities. In addition to the primary effect in creating employment opportunities, public sector investments also have a multiplier effect on other sectors of the economy. This has a beneficial effect on the total employment position. In 1960–1961, the number of people employed in public enterprises was only 1.82 lakh. This figure rose to 7.01 lakh in 1971–1972 (excluding casual workers) involving an increase of 385%. In 2011–2012, the number of working population in these industries stands at 13.98 lakh (Public Enterprises Survey 2004–2005 and 2011–2012).

PSEs undoubtedly, since inception, have extended their eminent contribution in bringing up the industrial base for the holistic development of Indian economy. For ensuring that the Indian economy continues to scale new heights and emerges as an economic superpower, it is imperative for the PSEs to continue to demonstrate global competitiveness and achieve market leadership. As highlighted earlier, the empowerment of these enterprises by the Government has been a key enabler which has helped them in overcoming some of the operational constraints,

critical for successful functioning of these organizations. PSEs, in turn, have also given their contribution to the government under the various heads (as per Public Enterprises Surveys 2011 –2012 and 2007 –2008) besides complying with social responsibilities assigned to them; the select list includes the following:

1. PSEs share in India’s gross domestic product (GDP),
2. Contribution to the Central Exchequer,
3. Contribution to foreign exchange earnings,
4. Contribution towards employment generation in the organized sector, and
5. Growth in market capital.

While the principles underlying some of the above interventions are already reflected in the existing guidelines for managing PSEs in India, there is an urgent need for implementing them in a time-bound manner so that Indian PSEs can be key beneficiaries from emerging economic opportunities both in India and globally.

V. Marketing Management and BCCL

Marketing, more than any other business activities deals with customers. Although there are a number of detailed definitions of marketing perhaps the simplest definition of marketing is managing profitable customer relationship. We can distinguish between a social and a managerial definition for marketing. According to a social definition, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others. As a managerial definition, marketing has often been described as “the art of selling products.” But Peter Drucker, a leading management theorist, says that “the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.

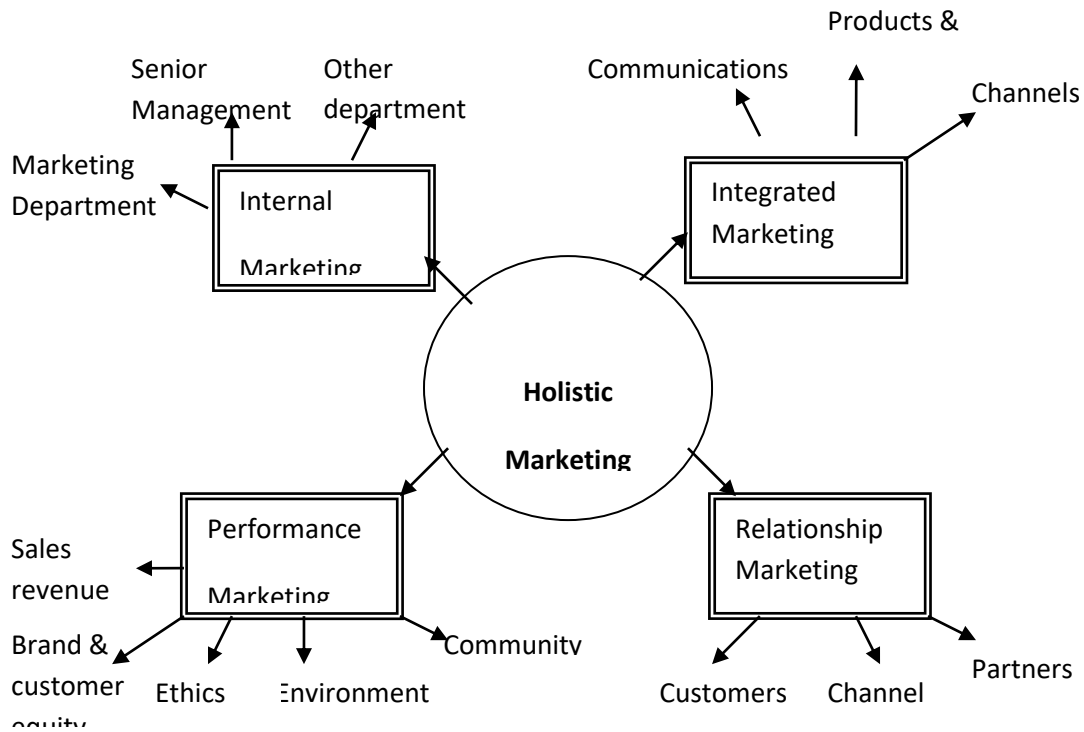


Figure : Holistic Marketing Dimensions

VI. Conclusion

The public sector enterprises in the Indian economy are to play an important role that needs no emphasis. They account for over 22 % of the country’s GDP, around 6 % of the total employment in the organized sector, and over

20 % of direct and indirect tax collections (2011 –2012). A number of PSEs also serve critical functions of furthering the socio-economic objectives of the government and ensuring stability in prices of key products and commodities.

The public sector in India has always played a dominant role in shaping the path of the country's economic development. Visionary leaders of independent India drew up a road map for the development of public sector as an instrument for self-reliant economic growth. The public sector has provided the much-required thrust and has been instrumental in setting up a strong and diversified industrial base in the country. Keeping pace with the global changes over a period of time, the PSEs in India also have adopted the policies like disinvestment, self-obligation/MoU, restructuring, etc. The marketing management of BCCL is customer oriented.

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