

State Market Partnership: Management of Power Distribution Sector in Maharashtra State (India): A Study of GTL Franchise in Aurangabad City

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The State Market Partnership is an old phenomenon popularized in the era of globalization. The world economy has shifted from the welfare economy to market economy because of state sectors not performing their role effectively, efficiently and economically which caused huge economic loss for the state. The developed countries in the world including America, England ... was in search of finding a way which would reduce the economic loss to the state. They came to conclusion that state market partnership is one of the important alternatives to overcome this problem.

[Key Words: State Market Partnership, GTL Franchise]

Introduction

The wave of Globalization has brought about sea changes in the world economy. The welfare state has got the great set-back throughout the world. The world economy has shifted from the welfare economy to market economy mainly because of the political ideologies of Margaret Thatcher and President Ronald Reagan, which are popularly known as Thatcherism (1979) and Reaganism (1980). Margaret Thatcher was the Prime Minister of England. After observing the state affairs, she observed the expenditure on welfare activities is unproductive. The working of Public Administration was not result-oriented due to numerous reasons and there was a huge economic loss to the state. The public / state sector, earlier known as a panacea of economic development and the service provider sector to society, later became a 'white elephant' because of not performing its role effectively, efficiently and economically. The same phenomenon happened during the period of President Ronald Reagan in the capitalist country America. Both the leaders of the developed countries i.e. Thatcher and Reagan came to conclusion that the state must shun the welfare activities and should adopt the market-oriented or consumer-oriented approach in providing the goods and services to society. This paved the way for Liberalization, Privatization and Globalization (LPG). This was a paradigm shift from welfarism to marketism which caused to raise the New Right Philosophy (NRP), propagating free market as an effective social market

economy with privatization of the social security. The New Right Philosophy is considered as a failure of the Keynesian philosophy of welfare state. While shifting the state activities from welfarism to marketism a number of new terms and concepts have emerged in the discipline of social sciences- Economics, Political Science, Public Administration—etc. Obviously the social scientists have been attracted towards the study of these new terms and concepts. The changes in the world economy severally impacted the working of public administration which paved the way for introducing the policy of State Market Partnership.

The present paper is divided into two parts. The first part deals with the theoretical perspectives of state market partnership. The second part concentrates on its practice.

State Market Partnership - A Conceptual Analysis

Basically, Public and Private Administration are the distinct terms used to demark each other. Public Administration is the state-owned activity and its prime motto is service. Numbers of public sectors are introduced to serve this purpose on 'no profit no loss' basis. On the other hand, Private Administration is private-owned activity and profit is the prime motto. However, in the era of globalization the gulf between the public and private administration is slowly narrowing. The public / state sector is in many ways dependent on private / market sector for the supply of goods and services. A large share of funds currently available with the private sector comes from public / state institutions. Since the government provides funds it is 'government by contract' (Vikram Singh Dictionary 2007). This new trend of government is known as State Market Partnership.

Emergence and Need of State Market Partnership

The theory of state market partnership is old one and popularized after 1990s. The Civil Society was pressurizing for effective, economic, efficient and transparent services from the government, popularly known as 'Good Governance'. The existing bureaucratic model was a failure in providing the services effectively and efficiently to the society. The scholars and social Scientists were in search of new modes and models to provide the goods and services effectively, efficiently and economically. As a result new terms, concepts, models and mechanism arose to meet the demerits in existing service providing system and to make it more effective and efficient. The state market partnership is one of them.

As mentioned earlier there was a tremendous pressure of civil society to change in the existing service providing model demanding standard model of public procurement, which arose initially from concerns about the level of public debt and grew rapidly during the macroeconomic dislocation of the 1970s and 1980s (Wikipedia the free Encyclopedia). The government sought to encourage private investment in infrastructure, initially on the basis of accounting fallacies arising from the fact that public accounts did not distinguish between recurrent and capital expenditures. Countries like America,

England, Australia, Canada, and India. Adopted different models of state market partnership as suited to their social, economic and political environment. In India, the public services like health, roads and bridges, water supply, electricity...etc. are already in existence through state market partnership. Recently, Shri. Rakesh Sharma, the first Indian Astronaut gave speech in the annual confluence of Indian Institute of Management (IIM), Ahmedabad, saying that PSUs like Hindustan Aeronautics Limited (HAL) and Defense Research and Development Organization (DRDO) are being run like political and bureaucratic fiefdom. He further added that, there is a lack of transparency and accountability in PSUs and officers are not held responsible for poor results. He also put that, "The bureaucrats do not understand the process of manufacturing and the politicians understand even less than the bureaucrats" (Rakesh Sharma 2011). He proposed State Market Partnership model with Indian companies to these public sectors also.

State Market Partnership - Theoretical Perspective

The state market partnership is the need of the modern era. The basic idea behind the state market partnership is to make public administration effective, economical and efficient by collaborating with market sector. It is an effort to imbibe and inculcate the values of private sector into state sector which is the core theme of NPM. It is a well-known fact that private sector provides the goods and services effectively and efficiently as compared to public sector. If the machinery of Public Administration is operated by using the values of private /market sector without sidetracking the soul of public administration or retaining the characteristics of equity and equality in providing public services, it would be possible to deliver the goods and services effectively and efficiently. It also helps to lessen the financial burden on the state. At the same time the state role is reduced and only its regulatory role is likely to stay.

There are different forms of state market partnership, such as BOT, BOLT, BOOM, BOO, BOL, LOO, BOOT, RLT, DBFO, etc.

The Mechanism of State Market Partnership

State Market Partnership is operating in various fields such as health, water supply, roads and bridges, electricity, pharmaceutical products- etc. in most of the countries of the world. In India, as mentioned earlier, social marketing of condoms, oral contraceptives and oral rehydration salt (ORS), community based distribution of contraceptives through non-governmental organizations, development of workplace projects, contracting of primary health care services, water supply and electricity are being carried out through State Market Partnership. This also provides basic infrastructure for the aforesaid services. The states like Rajasthan, Bihar, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Andhra Pradesh, Karnataka, and Maharashtra have introduced the policy of State Market Partnership by using different mechanisms.

The basic principle of State Market Partnership is based on three elements (Vinod B. Annigeri Lizann Prosser, Jack Reynolds and Raghu Roy

2008). First, social marketing which means application of commercial marketing techniques to achieve social objectives. Second, social franchising¹⁷, which applies the principle and structure of franchising initiatives that are designed to bring about social change and the third, is contracting which is a legally binding written agreement between two or more parties that mutually agree to provide and receive the services.

The central motive underlying the contracting out approach is to increase competition. The World Bank Report listed five types of contracting mechanisms such as contracting in, contracting out (out sourcing), subsidies, leasing or rentals and privatization. The policy of State Market Partnership operates on these mechanisms.

Part – II Practice of State Market Partnership

State vs. Market: Prime responsibility of the state, being a custodian of society, is to fulfill the basic needs and provide necessary facilities to all the people in the state. On the contrary, the market emphasizes promotion of the individual and maximization of profit in all endeavors including public life. Thus, the phenomenon and mechanism of the state and market is opposite to each other. However, in the era of globalization, as mentioned earlier, the gulf between state and market sector is narrowing. The state is attracted towards the market values and tries to imbibe and inculcate it into the state sectors for providing goods and services effectively, efficiently and economically to the society.

Government of India has led the process of promoting State Market Partnership. It has taken crucial initiatives to operationalize, institutionalize and promote the flow of private capital for accelerated infrastructure development in the country.

Operationalization of State Market Partnership in Maharashtra State: Maharashtra is located on the western side of India covering an area of 3,07,690 sq. km. In fact, area wise, it is the third largest state and also the second largest in terms of population. It is one of the leading industrialized states, having a strong presence of Petrochemicals, Automobiles, Pharmaceuticals, Financial Services, Media and Entertainment and Textile Industries.

The Government of Maharashtra has been operating the policy of State Market Partnership since 1996, especially in the areas like Urban Transport & Roads, Urban Water Supply and Sanitation, Health, Power Supply, etc.

Management of Power Sector in Maharashtra State: The need of power in Maharashtra State was supplied by the Maharashtra State Electricity Board (MSEB), set-up in 1960, to generate, transmit and distribute power in the state. This sector was constantly in loss due to mismanagement. After an advent of LPG numerous changes have been effected to make it more effective, efficient and economical. Therefore, the MSEB has been restructured into three companies, namely, the Maharashtra State Electricity Generation Company Limited (MSEGCL), Maharashtra State Electricity Transmission Company Limited (MSETCL), and the Maharashtra State Electricity Distribution

Company Limited (MSEDCL) to generate, transmit and distribute the power in state. A brief analysis of power generation, transmission and distribution is given below.

1. **Power Generation:** The six major thermal generating stations of MSEB have been brought under control of Power Generation Company. The later stage is to invite private sector for participation in these companies, which is under process.

2. **Power Transmission:** The transmission business of MSEB is transferred to a separate Transmission Company which is wholly owned by the state government. The transmission company is responsible for transmitting power from the generating company and other sources of generation available to the state, for further supply to the distribution company.

3. **Power Distribution:** The distribution business of MSEB is transferred to the Power Distribution Company, mainly owned by the state government and privatizing it in a phased manner. In some of the metropolitan cities the power distribution system is privatized.

After restructuring the MSEB, as mentioned earlier, the MSEDCL is looking into the power distribution work in the State. However, the power distribution work in four metropolitan cities of Maharashtra State has been privatized under the managerial control of MSEDCL and hand it over to the franchises with existing infrastructure on experimental basis. These cities are Aurangabad (GTL), Bhivandi (Torant), Jalgoan (CGL) and Nagpur (Spanco).

Aurangabad City – A Case

Aurangabad is one of the cultured and developing cities of Maharashtra State. The world famous Ajanta and Ellora caves and Bibi ka Maqbara are located here. Dr. Babasaheb Ambedkar opened an educational Institution in this city. Dr. Babasaheb Ambedkar Marathwada University which was earlier known as Marathwada University is also situated at this place. Now this city is on the path of becoming an educational and industrial hub.

About GTL URJA Franchise

GTL Limited, a Global Group Enterprise, is a leading Network Service Company, offering services and solutions to address the Network of Life Cycle requirements of Telecom Carriers and Technology Providers, now has extended its capabilities to serve the power sector. The Maharashtra State Electricity Distribution Company Limited (MSEDCL) has handed over the work of power distribution in Aurangabad City to GTL URJA Franchise since 1st May, 2011 by making an agreement for the period of 15 years settling at Rs. 7,246,47 corer.

Hypotheses

- i) The theory of state market partnership has been popularized in the era of globalization.
- ii) The soul of democracy especially in the country like India is being side tracked because of the State Market Partnership Policy.

Methodology

Major part of this research paper is based on empirical research data. The quantitative and qualitative methods of research are used for testing the hypotheses formulated in this study.

Power Connections to GTL Franchise in Aurangabad City

Today, Aurangabad City has more than Twelve Lack population. Presently 2, 29,205 consumers are connected with GTL Franchise out of which 200,020 are residential, 24,184 commercial, 4,488 industrial and 513 are HT customers.

Table – 1: Break - up of Consumer Connections with GTL Franchise

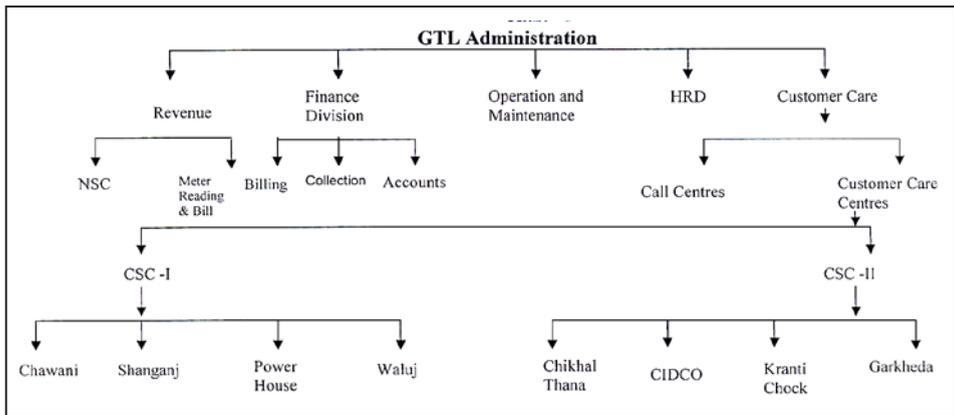
Sr. No.	Type of the Consumer	Number of consumers connected	Percentage
1.	Residential Consumers	200,020	87.27
2.	Commercial Consumers	24,184	10.55
3.	Small Industrial Consumers	4,488	1.95
4	High Tower (HT) Consumers	513	0.22
Total		2,29,205	99.99

Source: GTL Office Record

Table - 1 show that the highest consumer power connections are for residential purpose i.e. 87.27 per cent, and the lowest is high tower i.e. 0.22 per cent consumers. Obviously most of the difficulties are faced by residential consumers, being greater in number.

GTL Administration and Staffing Pattern

Employees of an organization are the backbone of all the organizations. They achieve pre-decided goals of organization by implementing the policies and programmes effectively and efficiently. In order to cater to various requirements as per tender conditions and to offer services to consumers in Aurangabad city - Urban – I and Urban – II division – they are working in 8 sub-divisions. The GTL has built a team of more than 860 employees out of which 75% are technical and 25% are managerial and others, by introducing five Administrative Sections for distribution of power in the city. These sections are New Service Connection Cell (NSC), Finance Division (FD), Operation and Maintenance (O&M), Human Resource Development (HRD), and Customer Care Centres. (CCCs). There are two customer care centres in Aurangabad city, each centre having four sub-divisions which include Chawani, Shahaganj, Power House and Waluj in CSC- I and Chikhalthana, CIDCO, Kranti Chock and Garkheda in CSC-II. At both CSCs all types of complaints are registered and forwarded to respective departments. The GTL Administrative set-up is shown in the form of Chart.



Source: GTL Office Record

Finance Division and Collection of Bills

Finance is the blood stream of organization which performs a crucial role in the overall development of organization. If the financial position is sound, the organization can provide the services effectively. The financial position of GTL Franchise depends on the collection of bills from the consumers. For this purpose the GTL has opened a separate division known as Finance Division (FD) which includes the sub-divisions like billing, collection and accounts. The billing and collection sub-divisions are directly concerned with consumers and both the sub-divisions are very sensitive and crucial for both - GTL and consumers. There are more than 30 collection operators in the city working at different places.

Taking appropriate reading and bill distribution is a major problem in Aurangabad. Readings sometimes are not taken properly, leading to charging average bills. Though number of consumers issued average bills were 60,000 the number is now reduced to about 20,000. But the problem remains unsolved even today.

The distribution of bills is another severe problem. The distribution team is not working properly, as well as the addresses are not recorded properly on the bills which results to increase in arrears. According to GTL they are taking strict measures to improve the bill distribution system. Almost 10,000 customers used to come to collect duplicate bills, which now stands it about 5000. Though the number is reduced, the problem exists even today.

Theft of Electricity

Electricity theft is one of the chronic diseases in Aurangabad city. In many areas of Aurangabad, number of cases is found in which use of power by illegal connection is noticed. This has caused a gulf between demand and supply of power and pushed into loss to the power distribution work. The official data shows that 22 per cent power theft cases are found during the last one year (May 2011 to April 2012). This shows dishonesty of the people and inefficiency of GTL office. The burden of this 22 per cent theft cases is being

put on regular consumers in the form of either this or that cess or additional charges in their bills.

The GTL franchise has opened a campaign against power thefts and taken the action against 1200 guilty consumers during the last one year.

Table – 2: Theft of Electricity

Sr. No.	Months	No of Power Thefts & Action Taken.
1	May 2011 to October 2011	406
2	November 2011	120
3	December 2011	58
4	Jan. Feb. & March 2012	512
5	April 2012	104
Total		1200

Source: GTL Office Record

Table - II depicts that from May to October 2011 there were 406 cases filed and fined by MSEDCL and from November 2011 to April 2012 the GTL has taken the action against 794 power thefts.

Consumers' Complaints Registered

Meter reading and issuing light bills is one of the important functions of GTL personnel. In order to provide effective services to the customer, their complaints should be attended to regularly. The GTL officials told that they are operating call centres 24x7 days to receive power - related complaints, whereas customer service centre is operating from 9.00 am to 5.00 pm. from Monday to Saturday.

Though, the GTL Administration is claiming that they are operating call centres for 24 hours (24x7). The consumers do not agree with this claim, saying that the GTL office does not entertain their complaints. Many times they don't take their complaint phones and if at all they take the calls they do not satisfy the consumers' queries. Even after their complaints are registered, the GTL Administration provides wrong bills, bills without meter reading and bills are not distributed in time. These are the regular problems of most of the consumers. It is clear that the GTL Franchise is not performing its role properly because it has no sufficient and skilled staff. Among various complaints regarding the meter reading and issuing the light bills, Mr. Laxman Kishan Girhe's complaint is very glaring. He had applied for getting meter to MSEDCL on 2nd March, 2011 by filling a Quotation of Rs. 2526/-. Meanwhile the MSEDCL transferred the power distribution work in Aurangabad city to GTL Franchise. Mr. Girhe put his complaint regarding getting the meter and power connection to GTL. The GTL office without taking any cognizance of his complaint issued the light bill of Rs. 12,450/- without giving the meter and power connection to him. Again Mr. Girhe complained to GTL office about his problem. Then the GTL Public Relations Officer Mr. Sameer Pathak assured him to look into the matter.

Another complaint registered by Dasa Porwad Community which organizes the 'Navratra Utsav' (a religious programme for nine days). The organizer had taken the temporary power connection for nine days by depositing Rs.10, 000/- which they do every year. After this cultural programme they disconnected the power connection and asked about the light bill, to GTL office. Then they received the bill of Rs. 5,302/- which was disproportionate to the use of power. The GTL Administration did not entertain the complaint about the extra bill. Then the organizers lodged their complaint against GTL in the Consumer Court (Grahak Manch). The Consumer Court after going through the papers and listening both sides, gave the decision that the light bill be reduced and fined Rs. 200/- to GTL office. These two examples are sufficient to focus the light on the performance of GTL Franchise and the perceptions of Consumers about its working.

Problems Faced by the GTL Office: The GTL office is suffering from numerous problems since last one year. First and foremost problem is the non-cooperation of consumers with GTL officials. People's participation is the precondition of successful policy formulation and its implementation. Most of the consumers are quite aware about their rights but not their duties which caused to create various difficulties in the working of public institutions. The GTL officials feel that people should extend their cooperation for getting better services.

Illegal power connections are another difficulty facing by GTL. In industrial and slum areas number of people do not take power connections and use power by illegal connections. To find out the illegal connections and to take action against them is a very difficult task. This is troublesome not only for GTL office even regular consumers.

Lack of awareness among the people about the proper use of power and pending bills of around 35 per cent consumers are the serious headache for GTL Franchise. The official record shows that about 10 per cent from industrial and 25 per cent consumers are defaulter and their bills are pending since long period. The GTL top officials feel that the local newspapers are making their psychological harassment by giving negative news about the working and performance of GTL Franchise. If the local newspapers plays positive role and people will cooperate to GTL personnel, it will be helpful to improve their services.

Thus, the GTL office is working with all these problems which caused to hamper the work of power distribution in Aurangabad city.

Consumers' Response and Satisfaction

The purpose of introducing state market partnership is to provide goods and services effectively and efficiently to consumers. The MSEDCL facing numerous problems like theft of electricity, lack of proper and regular meter reading, irregularity in bills distribution, personnel's negligence and their involvement in various abuses etc. attributed the loss to MSEDCL which handed over the power distribution work to GTL Franchise in Aurangabad City.

The GTL is not a magic stick that can solve all the power problems in the city in a moment. However, GTL officials opined that they are minimizing all these problems through proper coordination with respective departments and taking effective measures as well as giving proper feedback to customers.

The GTL Franchise has been trying to improve the power distribution services effectively & efficiently for the last one year by making sincere efforts. When the researcher asked the GTL officials about the negative views regarding its working in various daily local newspapers, they opined that the daily local newspapers have opened a campaign against the working of GTL Franchise. But the report in the newspapers cannot be totally groundless.

While preparing this paper interviews of 100 GTL consumers in Aurangabad city have been taken to elicit factual data and to know their perceptions about GTL power distribution services. Around 80 per cent consumers expressed dissatisfaction over the performance of GTL services. 40 per cent consumers narrated their experiences that their electrical instruments are burned because of either high or low intensity of power. 60 per cent consumers told that excess and irregular bills, bills without meter reading and irregular supply of power are their unsolved problems even today. More or less all the consumers in the city are facing the same problems as they had faced before handing over the power distribution work to GTL Franchise. This is analysed in Table – III.

Table – 3: Consumers’ Responses

Sr. No	Reasons of dissatisfaction	Number of consumers	Percentage
1	High or low power distribution	40	40%
2	Excess and irregular bills	20	20%
3	Bills without meter reading	15	15%
4	Irregular supply of power	25	25%
Total		100	100%

Source: Consumers’ Interview

It is clear from Table – III most of the consumers are not found satisfied with the working and performance of GTL Franchise either for one or other reason. For cross checking, the researcher asked similar questions about the working and performance of GTL, satisfaction and awareness of the consumers etc. to both – GTL officials and consumers. The answers to most of the questions are overlapping and diametrically opposite to each other. Then the researcher came to the conclusion that though the power distribution work in Aurangabad city is improved to some extent, due to the pressure of common people and MSEDCL, yet consumers are not satisfied with the working of GTL Franchise. When the researcher tried to look into this more deeply, he found that the GTL Office is taking rigid and firm actions against the irregularities of the consumers as compared to MSEDCL. If the consumers expect to improve the power distribution work in Aurangabad City, they should extend their cooperation positively to GTL Administration.

Conclusion

There is always wide gap between theory and practice. From theoretical point of view, the theory of State Market Partnership is, no doubt, result-oriented and provides the services effectively and efficiently to the civil society. However, the experiences regarding the state market private partnership, barring some exceptions, not only in our country, but even abroad, are not so encouraging, because over the past two decades there have been more than 1400 PPP deals signed in the European Union. (EU). Since the onset of the financial crisis in 2008, estimates suggest that the number of PPP deals closed has fallen more than 40 per cent.

Many states in India are operating the mechanism of State Market Partnership in the field of health, roads and bridges, water supply and electricity etc. Maharashtra is one of the advanced states in India, implementing the policy of State Market Partnership, especially in the field of electricity. Presently, four franchises are working for the distribution of electricity in four metropolitan cities of Maharashtra including Aurangabad city, named GTL. Monthly more than 4000 complaints are receiving to the GTL office, Aurangabad, about the working of this franchise as their performance is not satisfactory. The purpose of introducing State Market Partnership to bring efficiency and effectiveness in electricity distribution in Maharashtra in general and in Aurangabad city in particular, is not satisfactory.

Therefore, the commitment of the politicians, administrators and civil society to public interest is the key for fruitful outcome not only of the policy of State Market Partnership but also in all public institutions. Second Administrative Reforms Commission (ARC) chaired by Virappa Moily suggested, 'the public administration in India can be made more effective only by a more active, equal and responsible democracy. This is possible through electoral and democratic reforms'. It means State Market Partnership is not the remedy for this issue. Therefore, the democratic institutions in India especially at grass – root level should be geared up properly to tackle the issues which are likely to be privatized.

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