

BSNL: A journey from top performer to worst performer

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Abstract

Objective: A case study on the institutional factors responsible for deteriorating performance of BSNL has been undertaken in this work.

Methodology: Time series data on subscribers' base, profit, loss and market share have been used in the study. Since the data on the qualification of employees and infrastructure sharing are not published by any agency, they were collected under Right to Information Act (RTI) from BSNL office at District Alwar in the state of Rajasthan (India). Mostly descriptive statistical analysis has been used to analyze the data and to present findings.

Findings: Apart from the common problems faced by any public sector unit due to the co-existence of private players, BSNL had to face other institutional problems also. One of them is qualification of technical staff. BSNL is the unique example of a technical driven industry, where a lot of non-technical staff is working at the positions of technical requirements. For instance, there wasn't any phone mechanic (PE) with any technical degree or diploma. Similarly 33.3% of junior engineers (JE) did not have any formal technical education. On a basic level the problem with such non-technically qualified engineers, that too at higher positions, is that the other technical staff finds it difficult to comprehend or communicate them the problems at hand.

Application/Improvement: Since a technical driven company cannot compete without qualified engineers, the policies should be directed towards the placement of surplus employees based on their qualification.

Keywords: BSNL, Employee, Profit, Technical education.

1. Introduction

In the initial years after India's independence, the government department called Department of Telecommunication (DOT, hereafter) took to provide telecommunication services for the country. It was by 1986 that the government of India reorganized DOT and established MTNL to refurbish telephone services in two of the biggest metropolitan cities –Delhi and Mumbai. However, in rest of the country the telephonic services were still being provided by DOT. Later after the adoption of LPG policies in 1991, GOI started selling equity shares of MTNL and VSNL (also established along with MTNL to provide international telecommunication services) but later it started selling the shares of VSNL even to private operators like the Tata Group. In 1999, a very significant decision was taken, the bifurcation of DOT into DOT and DTS. The role of DOT was curtailed to issuance of licenses and policy making while the DTS was established only to provide telecommunication services. Thereafter within a year, in 2000, DTS was further corporatized and renamed BSNL. That is how government owned company MTNL was confined to provide telephonic services in Mumbai and Delhi, while BSNL undertook the same task for the rest of the country.

This was the time when BSNL was doing well compared to many other PSUs which can be understood by the Headlines of one of the famous English daily [1] says, "BSNL tops profit-making PSUs, SAIL tops losers list". While in a passage of a decade, another famous English daily [2] reiterates just the opposite, "ONGC highest profit-making PSU, BSNL worst performer". The question is what went wrong through these 10 years that a top performer was converted into the worst one. It does require a detailed analysis to track down the pinnacle's fall. The study is divided into four sections. Section 2 deals with growth and performance of BSNL. Section 3 discusses reasons of falling profit of BSNL. Section 4 & 5, focuses on the case study of Alwar district in Rajasthan. Last section deals with conclusions.

2. Growth and performance of BSNL

In the last 15 years the Indian telecommunication industry has gone through a phenomenal change; the total number of subscribers has increased by 20 fold during this period. However, while the number of wireless subscribers increased by more than 90 folds, the relative share of wire line kept on falling.

Table 1. Market share of service providers

| Subscriber | Dec 2002 (in millions) | | | 2007-08 (in millions) | | | 2014-15 (in millions) | | |
|------------|------------------------|----------|-------|-----------------------|----------|-------|-----------------------|----------|-------|
| | Wire line | Wireless | Total | Wire line | Wireless | Total | Wire line | Wireless | Total |
| BSNL | 34.4 | 0.9 | 35.3 | 30.9 | 42.0 | 72.8 | 16.4 | 77.2 | 93.6 |
| MTNL | 4.5 | 0.3 | 4.8 | 3.6 | 3.7 | 7.4 | 3.5 | 3.5 | 7 |
| Total | 39.9 | 10.8 | 50.6 | 38.9 | 286.9 | 325.8 | 26.5 | 969.9 | 996.4 |
| Subscriber | Dec 2002 (% of total) | | | 2007-08 (% of total) | | | 2014-15 (% of total) | | |
| | Wire line | Wireless | Total | Wire line | Wireless | Total | Wire line | Wireless | Total |
| BSNL | 86.4 | 8.2 | 69.7 | 79.3 | 14.6 | 22.4 | 61.9 | 8.0 | 9.4 |
| MTNL | 11.3 | 2.7 | 9.5 | 9.3 | 1.3 | 2.3 | 13.2 | 0.4 | 0.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: TRAI Report 2002-03[3], 2008-09[4]& 2015-16[5]

The overall trend of telecommunication industry is reflected in the growth of BSNL too. A comparison of the number of wire line and wireless subscribers in 2002 and 2014 shows that in a difference of this period the wireless subscribers increased 85 folds while wire line subscribers fell to ½ of its original level. What comes as a stark surprise is the declining share of BSNL among wire line subscribers because it already had the huge landline infrastructure to meet the requirement.

Table 2. Profit /Losses of BSNL

| Head/ Year | 2001 | 2002 | 2006 | 2008 | 2014 |
|---|-------|-------|-------|-------|---------|
| Income from services | 11596 | 24299 | 36139 | 32360 | 27242 |
| Other income | 102 | 2681 | 4038 | 5694 | 1402 |
| Total revenue | 11698 | 26980 | 40177 | 38053 | 28644 |
| Expenditure | 10669 | 20461 | 31907 | 33636 | 37486 |
| Profit before taxation | 1030 | 6852 | 8447 | 4452 | (-8842) |
| Profit for the year after taxation (loss) | 747 | 6312 | 8940* | 3009 | (-8234) |

*after tax is higher due to negative amount of deferred tax

**values in parentheses are losses

Source: BSNL Annual Reports 2013 to 2016 [6] and BSNL Balance Sheets 2001-2014 [7]

Till the year 2006, BSNL was progressing by profit parameters but in the following years it swiped into a loss making unit, especially for the last few years. In the first half of the 2000s, the main reason for its increase in profit was the expansion of telephonic services all over the country. It was in the later half that BSNL started losing its monopoly due to tough competition with private players despite the fact that its landline infrastructure reached even to the remote areas for so long a time.

The advent of the 2010 decade, the company was drowned in heavy losses and bore the same fate in years ahead. The whole unrealistic scenario compels us to contemplate on what exactly went wrong with BSNL and look for possible reasons for their falling profit and share in the market.

3. Reasons for declining profit

One of the most common argument cited by trade unionist of PSUs, is unhealthy practices adopted by private players i.e. damaging BSNL cables to disrupt telephonic as well as internet services [8-10]. A question of theft and damage of MTNL and BSNL telephone cables was raised in the parliament also on December 16, 2016. Other reasons cited for poor performance of BSNL in particular and all PSUs in general are poor corporate governance, slow decision making and lack of incentive to high decision making body of PSUs.

However, a detailed case study [11] on BSNL, held lack of appropriate corporate governance responsible for poor performance by BSNL. It explains:

“Economic reforms and liberalization have converted BSNL and MTNL, from state owned monopolies to players in a highly competitive market with no social or commercial objectives. They will have to run like other private sector telecom companies if they are to survive and prosper. The government’s existing Navratna, where a limited autonomy is granted on the basis of size, profitability and a nominal listing, is not appropriate for SOES competing fiercely with the private sector. These firms need autonomy not because they are making profits on the basis of their monopoly position but because they have to compete on an equal footing with private sector. All parts of the government, starting from the prime minister and extending to various government committees, recognize the need for autonomy with appropriate corporate governance. The requirement is a competent board with adequate powers. The role of the board is likely to be more crucial than even in the case of private companies. Given the historical legacy, this will acquire a complete break from the current system of SOES on to either an independent agency or in the interim to the finance ministry. In the absence of corporate governance, the only alternative will be privatization.”

In a written reply in parliament on 1st march 2016, telecom minister himself said, “The increase in revenue of BSNL and MTNL in comparison to some private telecom companies is less due to reasons including less aggressive market skills of PSUs as compared to private companies, legacy manpower and delay in augmentation of mobile telecom network by the firms”[12]. It is undoubtedly true that BSNL and MTNL do not adopt conjuring tricks or indulge in such loathsome ways through various deceptive schemes just to attract customers. They do not get down to luring the young customers into cheap masked schemes and neither believes in taking advantage of the unaware or ignorant customers.

This is the main reason why a large proportion of the population that chooses a hassle-free life and does not wants to waste time on comparing various complicated schemes, is still loyal to BSNL/MTNL. The interesting factor about the market is that if services provided by a company are expensive or poor in quality, costumers quickly abandon it, especially when portability of number has become easier. But the transparency and honesty of BSNL and MTNL are the only parameters to be grateful for that despite of such poor marketing it is still tying up customers and in fact the decline in customer base happens but only at a slow rate. Despite this advantage of people’s trust, the poor performance of BSNL compels us to contemplate.

4. Case study of BSNL Alwar (Rajasthan)

In 2016, a lot of information was collected through interviews of various officials of BSNL in Alwar District of state of Rajasthan. For some information, particularly to obtain official records from BSNL-Alwar, Right to Information act was used. Alwar was chosen as purpose of study due to it closeness to national and state capital, comparatively better agriculture and industrial development, abundance of plain areas, comparatively literacy, and inviting huge investment due to falling in national capital region (NCR). The purpose of this brief introduction is to narrate the fact that the choice of district is not deliberately a backward one, where the importance BSNL is very high and most other operators are dependent on BSNL due to their underdeveloped infrastructures. One of the reasons why other districts and states were not considered for the study was time and money constraints.

While one single district of any state may not be fully representative of all problems in BSNL at pan India level, but it will at least provide some insight on deep rooted problems which are same in all regional BSNL offices.

There were mainly 8 telecom operators—Bharti, Reliance, Vodafone, Tata, Idea, Aircel and BSNL, working in Rajasthan and particularly in Alwar District. On an average distribution of infrastructure (IP) borrowed and lent by a particular telecom company should be close to 6/7 (85.7%) and 1/7 (14.3%) respectively. Interestingly infrastructure provided by BSNL alone to other 6 private operators is higher even than combined infrastructure provided by other 6 operators to BSNL. Table 1 shows that out of total sharing IPs, BSNL owns 53.5% while, other private operators jointly own only 46.5%. Though, proportion of BSNL providing infrastructure to other private operators is high in both urban and rural areas, but its share is exorbitantly high in urban areas, where cost of land is very high to develop infrastructure. It is clear from the Table 3 that 81% of sharing IPs, BSNL is net provider in 81.3 % cases.

It raises question why other operators are not interested in developing permanent infrastructure. A company whose share in total subscribers is just 7% (please recheck), is biggest IP provider to other private operators (more than 50% of total IP infrastructure in Alwar). The reason lies in the fact that these private operators do not want to invest in infrastructure, instead they prefer to rent in the same. For instance the rent of one IP in Alwar district is around rupees 16000 per month, but if network doesn't work even for a single day, BSNL is bound to pay around rupees 2000 per day to that particular private operator. In the time when technology is fast changing, these private operators do not find it profitable to invest in infrastructure, especially when they are getting everything at a negligible price.

Table 3. Infrastructure (IP) lent and borrowed by BSNL Alwar from other private operators as on 01.10.2016

| IP provided/borrowed | Share in total IP (number) | | | Share in total IP (%) | | | Ideal share |
|--|----------------------------|-------|-------|-----------------------|-------|-------|-------------|
| | Rural | Urban | Total | Rural | Urban | Total | |
| IP provided by BSNL to other private operators | 10 | 13 | 23 | 37.0 | 81.3 | 53.5 | 14.3 |
| IP borrowed by BSNL from other private operators | 17 | 3 | 20 | 63.0 | 18.8 | 46.5 | 85.7 |
| total towers | 27 | 16 | 43 | 100 | 100.0 | 100.0 | 100 |

Source: Obtained through RTI, Annexure 2

5. Unproductive employees in Alwar

One cause that did not come up in mainstream academic and public discourse is the qualification of technical staff. BSNL is unique example of a technical driven industry, where a lot of non-technical staff is working at the positions of technical requirements. It is because when BSNL was founded, a lot of non-technical employees of parent departments (DOT, DTS) were transferred to BSNL, which is a highly technology driven industry. Thus, BSNL was expected to keep pace with the fast changing technology. More so, the majority of employees in these two companies were non-technical and they were not just given the task of non-technical work but technical work also. A lot of junior technical officers (JTO) are working without a degree of technology or even of science. This trend was not just limited to JTO, but even at many higher positions like senior divisional engineer (SDE, now re-designated as SDO) and divisional engineer (DE, now known as AGM), such that even the esteem post holders were not qualified with degrees in technology as shown in Table 4.

Likewise, in many instances, higher officials in a district i.e. DGM, did not have any engineering degree or diploma, especially when they were not directly recruited through Indian engineering services. On a basic level the problem with such engineers that too at higher positions is that the other technical staff finds it difficult to comprehend or communicate them the problems at hand. Not only that but even the non-technically qualified employees at lower levels of a technical work like a lineman would also find trouble when dealing with the public. This is the reason why most linemen find themselves unable to configure a modem/router of companies other than provided by BSNL. Due to this lack of knowledge and training, even installing a new internet connection becomes a chaotic task for them.

Whenever a complaint regarding internet is registered, such staff finds themselves in a helpless state since they fail to discover the solution to tackle certain problems. They are trained in a set pattern and any deviation from the same leaves them no recourse. Even when they sincerely wish to look through the problem, they fail to relearn and handle the technicalities. Hence, these employees shouldn't be simply blamed of unwilling to learn as it is almost impossible for non-science students to grasp the base knowledge of science at a later stage in life.

Table 4. Percentage of employees having degree or diploma in engineering in Alwar District as on 01.01.2015

| Designation / Post{1} | No. of employees in BSNL Alwar as on 01.01.2015{2} | No. of employees with degree/diploma in engineering as on 01.01.2015 {3} | $((2)/(3))*100\{4\}$ |
|--|--|--|----------------------|
| LM (lineman) | 4 | 0 | 0 |
| PM (Phone Mechanic) | 146 | 0 | 0 |
| TTA/JE (Telephone technical assistant/junior engineer) | 50 | 33 | 66 |
| JTO (Junior Telecom Officer) | 23 | 19 | 83 |
| SEO/SDE (Sub-divisional Officer/engineer) | 16 | 12 | 75 |
| DE/AGM (Divisional Engineer/Assistant General Manager) | 5 | 0 | 0 |
| DGM (Deputy General Manager) | 2 | 1 | 50 |
| GM (General Manager) | 1 | 1 | 100 |

Source: Information Obtained through RTI , Annexure 1

High officials of BSNL maintained that there wasn't any fault in the government decision making since the formation of BSNL, however as some junior level young engineers explained: "The appointment or promotion of people of non-engineering background especially in posts embarked for engineers, have on the one hand created shortage of engineers who are instrumental in an industry like BSNL, and on the other hand it affected the decision making at ground level as non-engineers were unable to understand the technical problems. The BSNL is expected to earn profit in the future as most newly recruited employees are from engineering background especially for last few years and the old employees are getting retired (December, 2015). "However, the same junior officers expressed displeasure over the controversy of picture of Prime minister in the advertisement of JIO, a new mobile serve launched by Reliance industries. According to them it not only gives wrong message and discourages the BSNL employees, who, they believe never allowed to run on the profit motive.

6. Conclusions

Though BSNL has tried to rectify all these problems for last few years but it seems the damage has already been done as the reputation of these companies have already been tarnished. The government is to be blamed on a great extent as it has kept the competition thriving for these firms against the private sector and expects them to innovate and keep pace with the fast changing technology when the employees are allotted not based on need of these PSUs but as per the government's own sweet will. In such a trying situation if we expect BSNL to earn profit equal to their private counterparts, it would be like expecting a utopian world where consumerism should be expected to root out completely. However, that is just a distant or rather impossible reality for these companies, especially when even for promotion purposes they are compelled to invest, advertise and fund particular schemes chosen selectively by the political class.

7. Acknowledgement

Author is thankful to some of the concerned officers of BSNL for providing valuable inputs.

Annexure 1

Annex-I (237)

| DESIGNATION | Number of people employed in BSNL alwar District on 01.01.2003 | Number of people employed in BSNL alwar District on 01.01.2009 | Number of people employed in BSNL alwar District on 01.01.2015 | Degree / Diploma in Engg on 01.01.2003 | Degree / Diploma in Engg on 01.01.2009 | Degree / Diploma in Engg on 01.01.2015 |
|--|--|--|--|--|--|--|
| LM (Including LI(O), SI(O) and Line Staff) | 31 | 11 | 4 | NA | NA | 0 |
| PM | 179 | 177 | 146 | NA | NA | 0 |
| T.T.A/JE | 37 | 35 | 50 | NA | NA | 33 |
| J.T.O | 43 | 26 | 23 | NA | NA | 19 |
| S.D.E | 24 | 17 | 16 | NA | NA | 12 |
| DE/AGM | 9 | 8 | 5 | NA | NA | 0 |
| DGM | 3 | 2 | 2 | NA | NA | 1 |
| Sr. GM | 1 | 1 | 1 | NA | NA | 1 |

Received
JChm
04-10-2016
4/10/16

11/10/16
सहायक महाप्रबन्धक (प्रशासन)
भारत संचार निगम लिमिटेड
कमर्श महाप्रबन्धक दूर संचार जिला
अलवर-301001

Annexure 2

Annex-2



Bharat Sanchar Nigam Ltd.

(A Govt. of India Enterprise)

OFFICE OF GENERAL MANAGER, TELECOM DISTRICT, ALWAR-301001

To

DGM-I Cum CPIO,
O/o GMTD, Alwar.

No:-BW-1/RTI/Planning/5

Dated at Alwar the, 28-09-2016.

Sub:-Reg. Reply of RTI application reg. Mobile towers.

With reference to above cited subject the required informations in R/o planning cell based upon the informations received from CMTS wing are furnished as under:-

| Sr. No. | RTI Application Question | cut-off dates 01-01-2003 | cut-off dates 01-01-2009 | cut-off dates 01-01-2015 |
|---------|--|-----------------------------|-----------------------------|-----------------------------|
| 3 | Numbers of mobile towers in rural area of Alwar Distict. | 5 | 86 | 141 |
| 4 | Numbers of locations in rural areas of ALWAR DISTRICT where BSNL is providing its infrastructure (IP) to other private operators on following cut-off dates (a) 01-01-2003 (b) 01-01-2009 (c) 01-01-2015 | nil | nil | 7 |
| 5 | Numbers of locations in rural areas of ALWAR DISTRICT where BSNL is sharing/using infrastructure of the other privaters on following cut-off dates (a) 01-01-2003 (b) 01-01-2009 (c) 01-01-2015 | nil | 4 | 17 |

29/09/16
(Vishram Meena)
AGM (NP-CFA)
O/o GMTD Alwar
0144-2342101

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