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RESEARCH ARTICLE

MARKETING MANAGEMENT IN THE STATE OWNED ENTERPRISES OF MIZORAM

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Abstract

This paper analyses the marketing management practices and their implications for the SOEs in the state of Mizoram. The success and continuous growth of an enterprise depends heavily on marketing ability. Finance, operations, accounting and other business functions will not really matter if there isn't sufficient demand for products or services so the company can make profit. The five state-owned enterprises under study are incorporated as government companies with the objective of marketing a product or a service. They are, therefore, obligated to create customers and meet their needs satisfactorily. The objective is to analyze the marketing practices so as to find the reasons for failure and look for possible solutions.

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Introduction:-

Public enterprises have two dimensions, "public" and "enterprise" dimension (Ramanadham, 1984). "Public" infers public accountability to be productive, contributing and serving the need of the society at large, which implies the responsibility to be an "enterprise", an organ that produces results and profits as commercial undertaking of the enterprise. As such, public enterprises are business units that operates for the benefit for the society and the government. Because its purpose is to create a customer, the business enterprise has two—and only these two—basic functions: marketing and innovation. Marketing and innovation produce results, all the rest are "costs." (Drucker, 1986). Marketing is the distinguishing, unique function of the business. A business is set apart from all other human organizations by the fact that it *markets* a product or a service. Any organization in which marketing is either absent, or incidental is not a business and should never be managed as if it were one (Drucker, 1986).

Mizoram lies in the border-tip of India's North-east. It is one of the most industrially backward States in the country. The Government of Mizoram through its industrial policies identified agro-based industries, handloom and handicraft industries, sericulture industries, electronic industries, village and cottage industries and selected consumer industries as priority industries to be developed in the State. Consistent with this, the Government of Mizoram set up five SOEs which are government companies registered under the Companies Act, 1956. However, these SOEs have failed to achieve the objectives for which they have been incorporated. Recommendation for improvement of performance or closure of the enterprises has been given by the Comptroller and Auditor General of India (CAG) in the year 2000 and again in 2005. The SOEs suffer from poor managerial efficiency which has an adverse impact on the financial and operational performance.

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Literature Review:-

Narain (1981) aims to provide an account of the organization structure in five major public enterprises, the study gives an interesting and useful insight to the organizational set up of this huge giants with emphasis on the role and responsibilities of the head office.

Saraswathy Rao (1986) attempts to present a panorama of different aspects of State Level Public Enterprises, particularly in Andhra Pradesh. The book consists of 15 chapters divided into five sections, each dealing with one broad area. The book adds to understanding of the working the SLPEs in the State.

Glynn (1987) distinguishes three categories of public sector accountability namely political accountability, managerial accountability and legal accountability.

Mishra, Ravishankar and Nandagopal (1989) present a macro analysis of State Level Public Enterprises (SLPEs) in 24 States of India, and outline policy implications for the control systems and management to upgrade the performance of these enterprises.

Gedam (1995) provides a comprehensive theoretical discussion, pros and cons of several concepts, merits and demerits etc. of public enterprises. It deals with the performance evaluation of public enterprises, particularly 48 public enterprises under the department of Heavy Industries and Public Enterprises, Government of India.

Bhatia, B.S. and Batra, G.S. (2000) highlight some studies on the restructuring of public enterprises from international perspective and the Indian perspective covering the CPSUs and SLPEs.

Ganesh (2010) in his study on the SLPEs analyses their performance and prospects. A state-wise analysis of the SLPEs relating to the 28 states including Mizoram has been prepared but the figures used for the Mizoram state owned enterprises was rather sketchy.

Objective:-

This article focus on the marketing management of the state owned enterprises. The five state-owned enterprises under the present study are incorporated as government companies with the objective of marketing a product or a service. ZIDCO markets financial services, ZOHANDCO is involved in handlooms and handicrafts, MIFCO markets processed fruits and food products, ZENICS is engaged in providing communication and technical services and MAMCO provides primary and intermediary services for agricultural markets. They are, therefore, obligated to create customers and meet their needs satisfactorily. The objective is to analyze the marketing practices so as to find the reasons for failure and look for possible solutions.

Research Methodology:-

Scope of study: The study covers all the five state owned enterprises in the state of Mizoram, namely,

- * Zoram Industrial Development Corporation Limited (ZIDCO)
- * Mizoram Handlooms And Handicrafts Corporation Limited (ZOHANDCO)
- * Mizoram Food and Allied Industries Corporation Limited (MIFCO)
- * Zoram Electronics Development Corporation Limited (ZENICS)
- * Mizoram Agriculture Marketing Corporation Limited (MAMCO)

Data sources:

The study is based on primary as well as secondary sources of information. First, an intensive review of literature was undertaken to familiarise with the various aspects of the public sector philosophy and management, to identify the research problem, to evolve appropriate methodology and to formulate a conceptual framework for the study.

Results And Discussion:-

It was envisioned that Mizoram being industrially backward and predominantly agriculturally oriented, a nodal agency be set up to promote the food and fruit processing activities as well as the handloom and handicrafts, to create a market within and outside the State, and a finance corporation that would finance these activities. Accordingly, the state owned enterprises ZIDCO, ZOHANDCO, MIFCO, ZENICS and MAMCO were incorporated and to give greater credibility and autonomy, they were apparently created as government companies.

Mizoram Handloom and Handicrafts Corporation (ZOHANDCO):

ZOHANDCO was primarily set up to develop, aid, advise, assist, finance, protect and promote the interest of the handloom and handicrafts units in the State and to provide them with capital, credit means of resources and technical and managerial assistance. In the initial years, the purchase and sales of handloom raw materials and finished goods were the main activities of this enterprise. The sales emporium in the capital city was set up on rented basis at the heart of the commercial locality of Aizawl city, i.e., in Zarkawt till 2007. The emporium was closed and shifted to the main building in Chaltlang areas in October, 2007. In June, 1990 ZOHANDCO's second emporium was opened in the premises of Industries Quarter, Chanmari, Lunglei (the second largest district) and looked after by a marketing assistant. The SOE now has its own building in which the emporium operates since February, 1992 at Venglai, Lunglei.

To serve the needs of the weavers in Mizoram, ZOHANDCO started Raw Materials Depot at Venghlui, Aizawl in the last quarter of 1990. Different kinds of handloom raw materials and decorating materials were stocked and sold to the weavers at cheaper rates than the open market. The poor weavers were given credit facility. On submission of the finished product which had been made from the raw materials that had been supplied to them, the cost was adjusted. Later, the depot was shifted to Zarkawt area in 1996, then to the main office building located at Chaltlang area in 1998 so as to reduce the operating cost. The raw material depot still runs in name but the purchase of raw materials and stocks for weavers is discontinued due to lack of finance.

ZOHANDCO also started crafts development center under the sponsorship of Development Commissioner(D.C), Handloom and Handicrafts, Ministry of Textiles, Government of India in 1990 with Rs. 3.75 lakhs, this was started in the same building of the Raw Materials Depot in Venghlui, Aizawl. Raw materials for crafts were collected from interior parts of Mizoram and were supplied to the craftsmen in Aizawl and surrounding areas at cheaper rates, the finished products were purchased by ZOHANDCO and marketed through the various emporiums and trade exhibitions which were organized within and outside Mizoram. The SOE also started producing on its own by employing skilled and semi-skilled muster roll workers. In the earlier years, ZOHANDCO had ten sales emporium which were strategically situated. The three surviving emporium at present are the emporium in the main office building, the Lengpui airport emporium which is rented free of cost (sponsored by D.C) and Thenzawl emporium which is barely functioning. The emporium in Kolkata had been set up by leasing for seventy five years a place in Maniktala Civic Centre by paying Rs. 2.76 lakhs, it was closed down due to unsuitability of the place for business operation. An emporium was then set up at Mizoram House, Salt Lake city in which the goods were sent once, it exists in name only as of now. Marketing and Production related activities were taken up by ZOHANDCO with the setting up of : creation of work shed cum housing; Computer Aided Textile Design Centre (CATD); Common Facility Centre (CFC); setting up of semi power loom; skill development training; making of brochure and catalogue; organization of exhibitions and exploration of the North East States of India for marketing potentials.

ZOHANDCO adopted more than five hundred weavers and more than three hundred crafts persons for whom funds for workshed-cum-housing were applied and received from the D.C. with a share of it contributed by the state government. CATD was started in 2001 with the help of the Ministry of Information Technology, New Delhi to cater to the designing of textiles, but the project was abandoned due to inadequate supply of materials and insufficient instruction and/or dissemination of the required knowledge from the supplier side. Under the sponsorship of DC, CFC was set up in 2002 at Zuantui Industrial Area, the building was constructed by ZOHANDCO's own resource and the required machines were received free of cost from DC but sadly the machines were not working properly and cannot be utilized by the weavers. A semi power loom was set up at Zuantui to facilitate more production of textiles and in fact, two staff members had undergone training for operating the machine. However, the machines were supplied late, incomplete and inoperable. The skill development training, on the other hand, has been regularly carried every year, instilling skills and providing training materials and tools. The brochures and catalogues have been provided as an advertising tool to collect orders. In fact, the state enterprise has received quite a number of orders from the foreign countries, unfortunately the constraint in finance has disabled them from responding to such orders. ZOHANDCO has been organizing different kinds of exhibitions like District Level Exhibition, Special Handloom Expos., Crafts Bazar and Local Level Marketing Exhibitions. ZOHANDCO has also explored the North Eastern States in handloom and handicrafts marketing.

At present, the marketing activities have come to an almost complete halt, the sales emporiums are in name only, with some old stock. In few cases where there were sanctions from the DC, training is conducted and state exhibitions are conducted as and when the corporation get funds for such events from the central government and

State government. The primary objective had been generation of income through the sales of handloom and handicrafts but since there has been no refurbishment in terms of finished products, the SOE has not been able to engage in marketing of handlooms and handicrafts since they do not have any stock to sell. The middle managers have commented that the inadequate finance from the government is the main reason for such a dismal situation.

Mizoram Food and Allied Industries Corporation Limited (MIFCO):

MIFCO is engaged in processing and preservation of food, fish, fruits and vegetables. The concept of a Food and Allied Industries Corporation emerged from the aspiration of the Government of Mizoram to harness the limited resources available in the State, and nurture its potential for the welfare and well-being of its people. This corporation functions as a nodal agency to promote and develop agro and horticultural-based processing industries in Mizoram endeavoring maximum and optimum utilization of the available resources and manpower of the State, and to optimally utilize the available business opportunity and create facilities by infusing proper technology in processing of agro-products. The SOE, however, has ceased to be a nodal agency in 2008, the primary reason being the constant inability of the state government to meet the matching contribution of the central government funds for projects undertaken. The Industries Department is the acting nodal agency as of now. The industries/activities that come within the purview of MIFCO are food & vegetables processing industries (including freezing and dehydration); food grain milling industries; processing and refrigeration of poultry and meat products, and financing of any food and allied industries. MIFCO has high potential as a major fruit and food processing enterprise, the products particularly passion fruit is highly demanded by other parts of the country. The fruit processing is the major activity of the corporation which has an open market, the more supply the more the demand and as such, there has been an attempt to broaden the prospect. The SOE started in 2008 a pork processing plant which was to be followed by beef and poultry, which also have a ready market.

MIFCO offers a variety of fruit and food products which have gained popularity and demand over the years. The problem is not the creation of demand as the demand is greater than the supply. The promotional activities are extremely limited. The food products are of three varieties, namely, baibing, produced as cans and pickles; bamboo shoots, produced as cans, and pickles and meat products (pork products in seven varieties). The fruit products are of three varieties, namely, orange, produced as squash and ready to serve (RTS); pineapple, produced as squash, ready to serve (RTS) and tidbits; and passion fruit, produced as squash and ready to serve (RTS). In addition, bottles, caps, chemicals etc. are also sold.

MIFCO has frequently participated in exhibitions within and outside the state. MIFCO operates its sales at its regd. Head Office, Canteen Square, Aizawl from where MIFCO products are sold and distributed to the authorized dealers in various places of Mizoram, Kolkata and New Delhi. MIFCO has also participated in India International Trade Fair at Pragati Maidan, New Delhi year after year. On 20 November, 2009, an Agreement was signed between MIFCO and M/s Shimla Hills Offerings Pvt. Ltd. (SHOP) for exclusive marketing agency for exports/sales of MIFCO products in India and abroad. A 100% buy back of products, specially passion fruit juice concentrate, an agreement with such guarantees can put Mizoram as a center point of fruit and food processing market if effectively managed.

Table 1:- Sales Performance of MIFCO from 2004-05 to 2009-10.

Year	Sales(Rs.)	Increase/Decrease	Turnover(Rs.)	Expenses(Rs.)	Loss (Rs.)
2004-05	781,509	+ 6.4%	1,265,981	12,526,580	11,260,599
2005-06	1,402,262	+ 79.4%	1,993,370	12,763,612	10,770,243
2006-07	1,299,420	-7.33%	4,806,900	12,966,860	8,159,960
2007-08	1,692,508	+30.25%	16,058,000	19,688,000	3,630,000
2008-09	4,078,562	+141%	45,141,000	51,208,000	6,067,000
2009-10	5,057,377	+24%	13,357,000	29,839,000	16,482,000

* The turnover is given as the sales plus other miscellaneous income (non-commercial)

Source: Annual Reports 2004-10

As shown in the Table 1, The sales performance of MIFCO shows an increasing trend from 2004-05 to 2009-10 excepting for the year 2006-07 which shows a decline of 7.33% in sales. However, due to different constraints, the production has been much below capacity which has resulted in continuous losses as shown in the table. Another factor that contributes to the loss is the huge unbalanced cost of the personnel and administrative expenses. The 141% increase in sales in 2008-09 is mainly due the enterprise effort to increase production and the advertising

campaign through television and radio, and the introduction of the meat products. However, the expenses have increased accordingly and therefore the overall performance was still below the desired level. In fact, the loss incurred in 2009-2010 reached Rs.1.64 crore which is indeed a large amount of loss. MIFCO is the only SOE in the state that has any worth mentioning sales activity and as it is, the enterprise is operating at much lesser than the production capacity, and supply is much below the demand for the product.

Zoram Electronics Development Corporation Limited (ZENICS):

ZENICS was set up to foster the growth of electronics industry in Mizoram. Accordingly, various projects have been drawn up such as Test and Repairing Centre for Personal Computers and Consumer Electronics, Cable TV Networks, Components Bank, Assembling Colour TV as pilot project, and Computer Training Centre. None of these projects proved commercially viable due to lack of adequate technical and managerial skills, and lack of service and market orientation. The Computer Training Centre, Component Bank and Consumer Electronics Training Centre are barely sustained and have been the only revenue earners for ZENICS. The enterprise has been acting as an agent to the government for provision of services at certain times but this has been only for specified purposes, out of which certain percentage has been received as a service charge.

The marketing activities of ZENICS comprises the provision of services such as: computer education to government employees and private individuals; providing repair of electronics goods like TV, video, inverter etc.; supply and maintenance of computers and peripherals to government departments; responding to quotations for supply of computers and peripherals; and other necessary works given by the State government.

The sales performance as per the unaudited balance sheets provided by the enterprise is shown in Table 2.

Table 2:- Sales Performance of ZENICS from 2006-07 to 2009-10 (in Rs.).

Year	Sales & services	Turnover	Expenditure	Loss
2006-07	844,826	1,609,363	8,518,852	6,909,489
2007-08	484,385	598,977	7,502,902	6,903,925
2008-09	373,700	443,147	7,068,861	6,625,714
2009-10	306,750	379,472	2,811,716	2,432,244

* The turnover is given as the sales & services plus other miscellaneous income.

Source : Unaudited balance sheet for the years 2007-10

The revenue generated through sales was not sufficient to meet the expenses. The income generation is mostly from the tuition fees and service charges on government special projects such as the voters cards. ZENICS primarily acts as an agent for the government as of now, with a few projects that have been laid out through the Information Communication and Technology Department. The marketing activities are thus limited to the provision of training on computer application and supplies from time to time to the other government departments.

Mizoram Agriculture Marketing Corporation Limited (MAMCO):

Agricultural marketing plays an important role in uplifting the economic condition of farmers and thereby developing the economy of the State. But due to the absence of efficient and effective marketing system farmers are facing problems in disposing off their produces at a profitable and reasonable price. In order to guide, assist, regulate and support the cultivators and provide them a platform from where they can perform marketing activities, the Government of Mizoram set up the Mizoram Agriculture Marketing Corporation Limited (MAMCO) on the 26th February, 1993 under the Companies Act 1956. As noted, MAMCO was set up with the objectives of procuring, storage, transportation etc. of agricultural produce, thereby rendering a valuable service to the cultivators and the economy as a whole.

MAMCO is thus, basically a trading agency that acts as an intermediary between the farmers and the buyers particularly outside the State. It also provides licenses and buy the produces so as to export them with outside customers when there is surplus production. MAMCO functions as a corporation under the Trade and Commerce Department. The department has given MAMCO the work of construction of mini markets and primary markets in various districts of the state specially in the rural areas on contract basis. This work has given the corporation valuable revenue, to remain as the only one of the two enterprises that has not struggled to meet the administrative expenses.

However, the CAG Report (2004) has stated that there was a revenue loss of Rs. 51.09 lakh incurred due to exemption of contemplated clause for realization of service charges from contractors under Market Intervention Scheme. During April 1999 to March 2002 MAMCO marketed 19586.91 MT of ginger, 585.43 MT of Chilli, 16.38 MT of cotton and 246.08 MT of sesame under Market Intervention Scheme by engaging contractors. As per Clause 2 of the agreement made with the contractors, service charge at the rate of Rs. 0.25 per kg was to be realized. The CAG observed (April 2003) that the company did not realize the service charges amounting to Rs. 51.09 lakh. In reply MAMCO while admitting the audit observation (July 2003) stated that the service charges were not collected as per directives of the State Government and assured that comments of the Government would be furnished to audit. Thus, by extending undue favor to the contractors by exempting service charges, MAMCO incurred a loss of revenue of Rs. 51.09 lakh. This matter was discussed with the concerned manager who confirms the statement and apparently, there has been political intervention that has led to the decision. This example is specifically stated to point out that these enterprises are often rendered helpless and 'profit-less' due to the political interference.

However, MAMCO and ZENICS are the only state enterprises that have actually earned a profit throughout their corporate lives, MAMCO finalised its accounts for the year 1994-95 during October 2002 to September 2003 and earned profit of Rs. 0.28 lakh. It earned profit for two successive years, but no dividend was declared (CAG Report 2003). MAMCO under the direction of the Trade & Commerce Department has taken up various initiatives for making agriculture business and production a profitable trade. Six wholesale agricultural assemblage markets and fifty rural primary markets have been constructed for marketing the agri-horticultural products.

Zoram Industrial Development Corporation Ltd(ZIDCO):

Zoram Industrial Development Corporation Limited (ZIDCO) was incorporated in February 1978 to develop industrial areas and promote entrepreneurship by providing aid, assistance and finance to industrial undertakings, projects or enterprises in the State of Mizoram. Activities of ZIDCO focus on promotion of industries in the State by giving assistance in various forms. Thus, this corporation provides financial and technical assistance to industrial units. In its endeavor to accomplish the objectives so outlined it has provided various kinds of loans to different sections of the public. The recent activities of the enterprise include: setting up of Integrated Infrastructural Development Centre (IIDC); providing assistance to bamboo processing units under Bamboo Flowering and Famine Combat Scheme (BAFFACOS); extending housing loan to government employees and multistoried car parking complex at Aizawl under finance from HUDCO; setting up of Call and Training Centre in collaboration with Public Soft Corporation (PSC); and recovery of loans.

ZIDCO has financial tie up with various financial institutions (FIs) such as Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), National Minorities Development & Finance Corporation (NMDFC) and Housing and Urban Development Corporation (HUDCO) and the State Financial Corporation (SFC).

The performance of ZIDCO is marred with very poor results, with hardly any successful completion of projects or a full recovery of loans extended. To quote a recent example, ZIDCO set up a Call and Training Centre without safeguarding its financial interest resulting in the closure of the Centre with an infructuous expenditure of Rs.1 crore. The CAG Report (2010) stated that is due to the non-appraisal of the project evaluation such as credit worthiness, margin money, repayment capacity and marketing of the products before disbursement of the loan. The activity of financing various industrial projects by providing term loan is becoming more and more competitive day-by-day. Operating in liberal and global environment, the SOE is exposed to various kinds of risks. Therefore, effective risk management is essential for achieving financial soundness and profitability. ZIDCO is primarily exposed to credit risks, i.e. risk of defaults in repayments by the borrowers, risk of fluctuation in interest rates, organizational deficiencies, delays, fraud, system failure etc. Although risk cannot be eliminated, it should be managed/ mitigated through internal controls. The CAG Report (2010) observed that the SOE had not prepared any manual prescribing procedures and guidelines in this regard. The provision of financial services is a part of marketing that requires a high rate of precision in decision making and risk management, failure of which can result in huge financial loss.

Marketing Management Implications:

The marketing system in the state owned enterprises is minimal as can be discerned from the foregoing discussions on their various activities. As pointed out, only two (MIFCO and ZOHANDCO) of the five enterprises deals with the products, whereas the rest are basically service providers. And of the two producers, ZOHANDCO has more or

less rendered itself inactive due to various constraints, financial and otherwise. It is also discernable that the state enterprises are in dire need of strategic marketing management that could actually lift them out of the vicious circle of no capital - no production - no profit jargon. There is a ready market for the products that these enterprises are dealing with, this is apparent from the fact that the private sector enterprises that are engaged in the same products and services are striving and growing at an accelerated pace. In fact, this is the reason why they have been started in the first place, because there is a ready market that accepts the products and services. Since its inception, for example, the marketing of MIFCO products has never been a problem for the corporation, the problem lies in the production which has been under capacity and not being improved to the desired level. The constraint in production gives rise to the unprofitable pricing, the cost of production being very high the enterprises sells at much below the cost price. The state enterprises if backed with an effective strategic marketing plan could opt for loans from financial institutions even if the government is unable to meet the financial requirements.

In the fast paced world of competition and technological development, it is unfortunate to observe that many state enterprises are still applying the oldest and obsolete selling concept. The satisfaction of customers' needs should be the primary driving force of all activities for any firm. However, the customer seems to be the last on the list of priorities in the state enterprises under the study.

A few points on marketing activities with respect to the state owned enterprises are discussed below:

Market Research:

The SOEs under the study have not undertaken any kind of market research and analysis of the market, consumer behavior, competition etc. in a systematic way.

Marketing Strategy:

The primary problem with all the state enterprises is that they do not have proper approach to marketing. A systematic and scientific approach is definitely required for the state enterprises if they are ever to achieve any level of profit.

Marketing Plan:

The marketing strategy should be interpreted and made into marketing plans which are easily understood and measurable. The corporation has to be more proactive in undertaking entrepreneur training and motivation programmes..

Marketing Mix:

Integrated marketing programme that incorporates the perfect blend of the important marketing elements (product, price, place, promotion) is an essential part of any marketing plan. MIFCO, ZOHANDCO and MAMCO have separate Marketing & Sales Departments and therefore, these SOEs are particularly responsible for chalking out a suitable marketing programme. The emphasis is on the satisfaction of customers and consequently the creation and delivery of value so as to create and sustain the market.

Conclusion:-

The general perception of the failure of state owned enterprise is the lack of proper financial management, which is true to a very large extent. However, there are some equally important factors that contributes to its downfall, which is clearly indicated by the discussions presented in this paper. The marketability of the products are obvious, yet the lack of proper applications of marketing principles has led to the failure of what could have be a lucrative business enterprise. The CAG Report (2007) of MIFCO states that the sale of products was confined to the state and it has not explored the possibilities of expanding the market beyond the state. The enterprise has not evolved any marketing strategy on professional lines nor attempted to increase its market through advertising, market survey, etc. MIFCO, thus, failed to create public awareness for its products in the market. This was attributable to insufficient production which the enterprise was unable to raise to its installed capacity. This also shows the apathy of the government to the development and promotion of food processing. Further, the SOE did not fix any annual target for the sales. In the absence of setting up targets for sales and expenditure, the actual performance of sales *vis-à-vis* the cost could not be analysed in audit. The CAG comment illustrates the fact that the reasons for failure are manifold and interrelated. However, the primary concern here is the application of the principles of marketing and on that note, the state owned enterprises have failed miserably as even a sales target for each year has not been properly chalked out. In the present business environment, failure to apply even the simple marketing principles is a

sure road map for failure. Once marketing, which is the only function that actually earns revenue for the enterprises is not taken care of, the probability for corporate sickness is the only guarantee.

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