

MARKETING OF RAILWAY SERVICES IN INDIA AND ITS CONTRIBUTION IN EMPLOYMENT GENERATION

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SERVICE SECTOR IN THE INDIAN ECONOMY

The Indian service sector forms the backbone of the social and economic development of the country. It plays an important role in the Indian economy, both in terms of employment potential and contribution to national income. The services sector in India has remained the most vibrant sector in terms of contribution to national and state incomes, trade flows, FDI inflows, and employment. According to the Economic Survey 2015-16, the services sector contributed almost 66.1% of its gross value added growth in 2015-16 becoming the important net foreign exchange earner and the most attractive sector for FDI (Foreign Direct Investment) inflows. Despite the slow down in the post crisis period (2010-14) India showed the fastest service sector growth with a CAGR (Compound Annual Growth Rate) of 8.6% followed by China at 8.4%. In 2014 India's services sector growth at 10.3% was noticeably higher than China at 8.0%. As per the ILO (International Labour Organization) report on "Global Employment and Social Outlook: Trends 2015" job creation in the coming years will be mainly in the service sector. Thus, the service sector is at the forefront of the rapid growth of the Indian economy.

The growth in the service sector is broad based with "Transport and communication" being the fastest growing area. A well developed transport system will support an economy in several ways:

supports the industry by increasing the efficiency of location of an industry, helps the development of urbanization, movement of production, rises the demand through movement of products, facilitates the man power, better standard of living, better education etc. Contribution of transport to the Indian economy is very significant.

Contribution of Indian Railways as a means of transport:

Indian Railways is an [Indian state-owned](#) enterprise, owned and operated by the [Government of India](#) through the [Ministry of Railways](#). It is one of the world's largest railway networks comprising 115,000 km (71,000 mi) of track over a route of 67,312 km (41,826 mi) and 7,112 stations. In 2014-15, IR carried 8.397 billion passengers annually or more than 23 million passengers a day (roughly half of whom were suburban passengers) and 1058.81 million tons of freight in the year. In 2014–2015 Indian Railways had revenues of ,634.50 billion (US\$24 billion) which consists of,069.27 billion (US\$16 billion) from freight and 402.80 billion (US\$6.0 billion) from passengers tickets

Marketing of railway services:

If we talk about the service mix based on the offerings then transportation sector will come under the offering "Major service accompanying minor goods and services". Let's take railways for instance, a trip on railways will include some tangibles items such as food, drinks and tickets,

plus the service requires a capital intensive good-Railways- for its realisation, but the primary item is the Service.

Oftenly the two terms marketing and selling are used interchangeably but they vary significantly in actual meaning. Selling focuses on products with the major end as maximising profits through sales volume whereas marketing in much broader sense focuses on customer needs and achieving the ends of profit maximization through increased customer satisfaction and hence raising the market share. Indian railways always worked on the premise that there is no competition for their services. At times, they felt that there is no need for marketing their services since the demand is much higher than the capacity. But Indian railways are competing with other modes of transport for both passengers traffic as well as freight. The railways market share of 88 percent of freight and 68 percent of the passenger business in land transport in 1950-51 has come down due to the increasing competition from other modes of transport, especially from the road transport. To regain its position and the lost market share Indian railways are taking up a lot of innovative marketing strategies which resulted in attracting more freight and passenger traffic.

From the marketing point of view there are certain issues which Indian railways need to take up with extreme urgency. This includes:

1. Matching customer requirements:

The railways have to provide higher reliability and more flexibility services, if they are serious about winning back the share that they have lost to other sectors of transport.

2. Clarifying its purpose:

The railways should stop viewing itself as a govt department and start operating like a commercial organisation, which would be financially self sufficient..

3. Adopt a contemporary business structure:

IR should start focusing on its core competencies and start empowering employees to take quick decisions.

To fulfil the above mention tasks, the railways as formed a department namely "Marketing and Sales Organisation."

MARKETING STRATEGY

The successful marketing strategies of the Indian railways are based on its marketing mix i.e. 7'Ps.The IR has a good formulated marketing consisting of product, promotion, price, place, people, process, physical evidence. The IR with its great experience of more than 150 years has known the pulse of the market and it keeps on changing according to the market and external situations.

It was considered for IR, that there is hardly any need to promote or advertise the changes made in it , the reason being that the IR are such a huge enterprise that the media any way telecast's the news about the updates in Indian Railways actumatically. It also promotes itself through its websites like www.indianrail.gov.in, www.irctc.co.in, www.trainenquiry.com, www.erail.in. It also provides an application in android windows for its users for all the information and booking.

Some of the marketing key issues include customer satisfaction, strategic alliances with other modes of transport, focus on service product, training of frontline staff in customer care and internal marketing which includes training and motivating the employees o serve customer well among others.

These innovative marketing strategies for freight and passenger services has helped the Indian Railways to generate more revenue earning opportunities and employment opportunities in the economy.

HOW THIS HAS RESULTED IN EMPLOYMENT GENERATION?

Railways as employer:

Railways function as a major employment generator in India. It is one of the world's largest railway system that is providing employment for more than 1 million people. The number of regular employees on Indian Railways as on 31.3.2015 stood at 13,26,437.

The perception of service marketing focuses on selling the services in the best interest of users or customers. It is concerned with a scientific and planned management of services which makes possible a fair sync of the interests of service providers as well as users. Marketing is a managerial process by which the products are matched with market and through with the consumer is enabled to use or enjoy the product. Thus, marketing helps in boosting the demand of the service which results in increasing the revenue and profits of the enterprise. Since a business firm generates revenue and earns profits by carrying out marketing functions, it will engage in exploiting more economic resources of the country to earn more profits. The innovative marketing techniques adopted by Indian railways will boost the demand for its goods and services. This increase in demand will motivate the policy makers and the railway authorities to increase its supply. If we work on the normal principles of economics this increase could be made possible by increased used of factors of production which includes our labour force too. Thus, these changes implicitly generates new employment opportunities in the sector. Extra workforce will be required to fill the gap and there will be the need of all categories of staff from top to bottom in the hierarch (engineers, technical and non technical staff, workers, supporting staff at all levels etc).

Not only this, the initial impetus generated in the railways sector will rotate the employment wheel for the economy as a whole since all the sectors of the economy are interconnected. This will create a sort of cumulative causation as the increased demand in one sector will generate demand of goods and services of other sectors too. For example, more railways implies introduction of either new trains or increasing the traffic carrying

capacity of existing trains. Both of the above methods will require new engines and bogies which mean increasing the demand of all those components that make up an engine or a bogie which implies boost in the demand of products and services in various industries like:

1. Manufacturing industries (new coaces etc.)
2. Construction industries (brides,tracks,platforms etc.)
3. Consumer goods industries.
4. Extractive industries (coal etc.)
5. Iron and steel (coal etc.)
6. Paint
7. Leather
8. Foam and rexyne
9. Wood
10. Sanitation Accessories
11. Catering services
12. Modern telecommunication services at stations
13. Electric services and many more to add to the list.

Greater demand of all these things means new employment opportunities in all the above mentioned areas (like: extra tickets counter at stations can be opened employing unemployed educated youth on commission basis).

This working can be explained with the help of employment multiplier principle as was given by R.F Kahn in 1931 which states that the increase in primary employment results in increase in total employment taking together the primary and secondary sector combined.

Prof. Kahn was of the view that an initial increase in employment leads to a very large increase in the total employment. All discussions on public works

prove that besides the 'original' or 'primary' employment in the public works, there will be 'secondary' employment, resulting from public works. Secondary employment is that which occurs in consumption goods industries as a result of the primary employment in public works.

As the workers are employed, they get income which increases aggregate demand and it leads to expansion of output in consumer goods industries, which in turn, leads to more employment, more demand for goods and machines and so on.

The prosperity and development of the industrial sector leads an expansion of tertiary activities like banking, insurance, trade etc. Suppose 2 million persons are employed in the construction of roads, they demand more consumer goods, thereby raising the demand in consumer goods industries; this will lead to additional employment in such industries.

Additional income will flow to the additional workers employed in consumer goods industries who again demand more goods and services thereby giving a fillip to secondary employment of six million workers and raising the total employment to 8 million workers giving us the employment multiplier equal to 4, being the ratio of the total increase in

employment to the initial increase in employment (i.e., $\frac{8}{2} = 4$).

Kahn's employment multiplier is shown by the letter K, ΔN_1 is the primary increase in employment and ΔN_2 the total increase in employment, then employment multiplier (K) will be:

$$K = \Delta N_2 / \Delta N_1$$

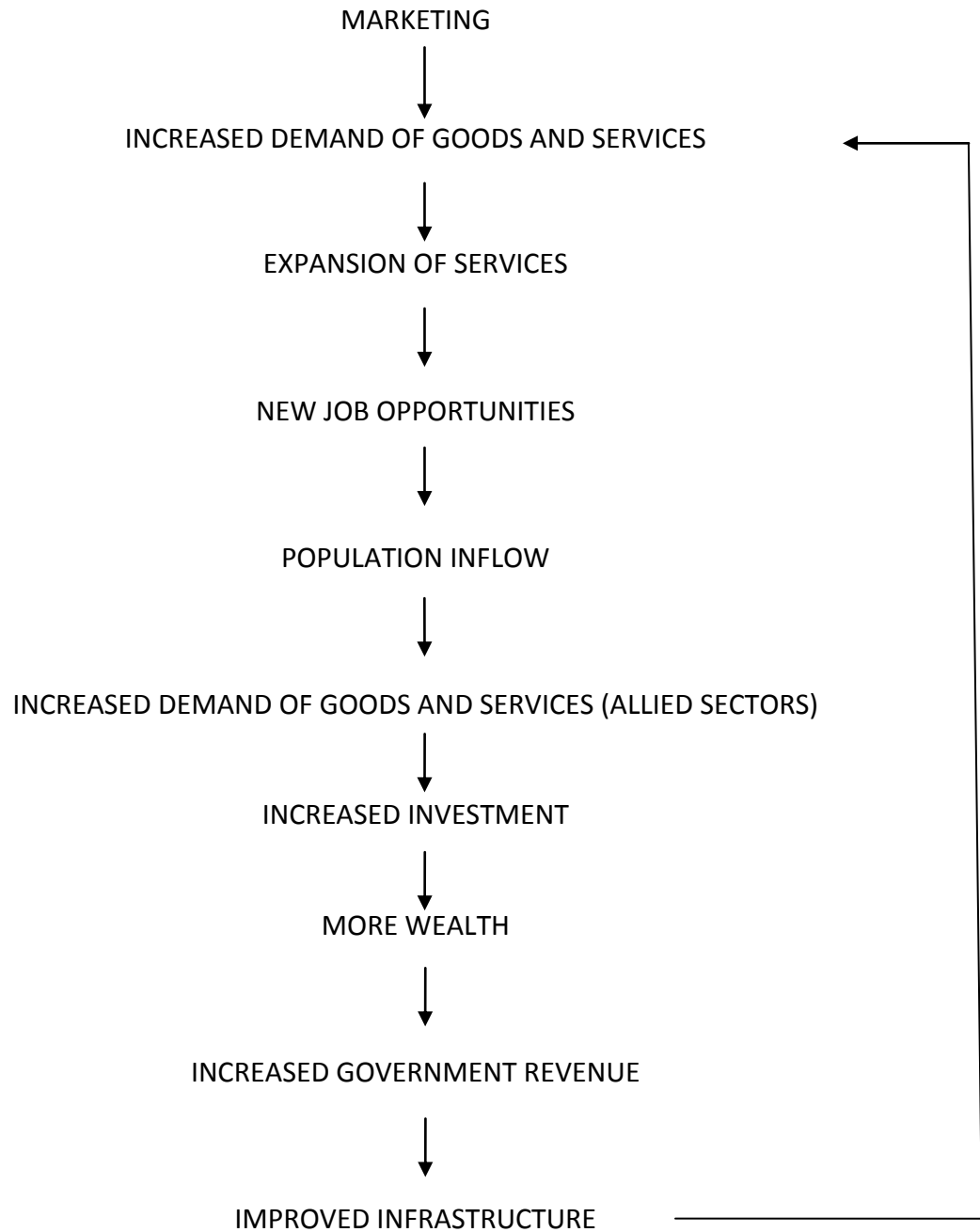
Or

$$K \Delta N_1 = \Delta N_2.$$

In our case we can treat railways as primary sector and all the allied and the complimentary industries as secondary sectors. To further expand the field of impact we can include the consumption goods industries too along with the investment goods industries as all those new people who will get employment through this mechanism will generate their own new demand in consumption goods industries as the income earned by them will be spend on items of consumption goods thereby creating further employment opportunities in the sector.

The above discussed cycle which leads to opening of new avenues for employment generation results in overall economic prosperity leading to a better quality of life for all.

Diagrammatic Representation of the Employment Generation Cycle



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