Literature Review

The operations of the petroleum marketing companies or the three Oil Marketing Companies (OMCs) are well known in the media. Any article, news or feature that mentions the petroleum industry cannot but help referring to the challenges being faced by the oil companies.

1) **Media:** The coverage in the media is not only substantial but also fairly in-depth with several recipes being thrown in by the odd commentator on how to rectify the situation. Newspapers and Television channels as well as select websites can be taken as some of the primary sources of literature available to us. In this larger set the subset of Business Dailies are perhaps more important. Unlike general newspapers which provide general broad spectrum coverage the business dailies are more oriented towards a more Economics oriented coverage.

2) **Capital Markets:** Since all the three oil marketing companies IndianOil, BPCL and HPCL are listed entities they are traded on a daily basis. The fluctuating share prices of the three companies are also a determinant of image perception of the companies.

3) **SCOPE:** The Standing Committee on Public Enterprises is an industry body that consists of all PSU companies. The various deliberations by the Committee through its website, journals and conference reflects the concern that is espoused on the fluctuating fortunes of the OMCs.

4) **PETROFED:** The Petroleum Federation is an independent lobby group consisting of all private and public sector companies in the energy sector. It periodically organises conferences, meets and strategy forums to discuss the various challenges faced by the sector.

5) **Internal/External Stakeholders of OMCs:** An important source of information could be a cross section of employees working in the OMCs.

6) **Advertisements released by Government of India:** There are Advertisements released by the OMCs on behalf of the Government before and after price hikes justifying and supporting the same. Such advertisements have also been released to prepare the audience for shifts in pricing. An analysis of the Advertisements will provide insight on the strategy of the OMCs in address the perception of the customers.

7) Rekha Attri and Manvinder Singh Pahwa, “A Comparative Study of Brand Building Activities of Oil Marketing Companies in India with Their Western Counterparts.” The Indian market is dominated by Public Sector Oil Marketing Companies in the marketing of petroleum products and the customer behavior that has intrigued the marketers has been lack of customer brand loyalty. Today marketing of petrol has changed from what it was and petrol is on its way to transformation from being an “undifferentiated commodity” to a “branded product”. This paper does a comparative analysis of brand building activities of oil marketing companies in India with their
western counterparts. This analysis would help identify opportunities for Indian oil marketing companies to increase their brand equity. JEL Classification: M31, M37, C12, Accepted Paper Series Date posted: January 9, 2012. Available at SSRN: http://ssrn.com/abstract=1981618

8) Rekha Attri and Manvinder Singh Pahwa, *Prabandhan & Taqniki, Management Research Journal, Vol. 6, August 12, ISSN No. 09748563, pp. 29-36, “Learning for Public Sector Oil Marketing Companies in India to Manage Business in Turbulent Times.”* The Indian market is dominated by Public Sector Oil Marketing Companies in the marketing of petroleum products and the customer behaviour that has intrigued the marketers has been lack of customer brand loyalty. Today marketing of petrol has changed from what it was and petrol is on its way to transformation from being an “undifferentiated commodity” to a “branded product”. This paper analyses the brand building activities of the top five oil marketing companies in the west and identifies the opportunities and learning for Indian oil marketing companies to manage their business in turbulent times. Accepted Paper Series available at SSRN: http://ssrn.com/abstract

9) Varun Rai, “Adapting to Shifting Government Priorities: An Assessment of the Performance and Strategy of India’s ONGC.” This paper attempts to unpack the dynamic of the government-ONGC relationship. Focusing specifically on how government ownership and control has influenced ONGC’s performance and strategy, this paper makes four main arguments. Available at SSRN: http://ssrn.com/abstract=1594998 or http://dx.doi.org/10.2139/ssrn.1594998.

10) Dipankar Dey IBS, *Sustainable Energy Watch, 2006, “Energy and Sustainable Development in India”.* The initial findings indicate that India during 1990 and 2002 has failed to achieve any noteworthy progress in the management and development of energy sector especially in the areas of cleaner and renewable energy. Absence of a holistic energy policy and increasingly greater reliance on road transportation are making the situation worse. More funds should be allocated towards rapid upgradation and expansion of India’s railway infrastructure. Imposition of enhanced road taxes for transport vehicles appears necessary. The training and promotional expenses towards this would be less compared to the amount of subsidy they pay each year to sell kerosene to the underprivileged section of the rural and urban India. Date posted: May 30, 2006. Available at SSRN: http://ssrn.com/abstract=905089

11) Jeremy Carl, Stanford University, “Program on Energy and Sustainable Development”. The study explores the role of energy in India’s foreign policy strategy and examines the wide gap between India’s need for a strategic energy policy and the government of India’s inability to put such a policy into practice. JEL Classification: Q48, P16, P11, L50, D78 Date posted: May 7, 2009 Available at SSRN: http://ssrn.com/abstract=1400184 or http://dx.doi.org/10.2139/ssrn.1400184.

12) Richard John Masilamani, BIMTECH; There are three key parties involved in the process and who are affected by decisions on pricing and subsidies. They are the consumers, oil companies and the government. The OMCs sell fuels to the end
consumers. The government subsidizes the consumers through administered low price under the pretext of welfare measures. Since the OMCs are advised to sell their produce below cost, the government compensates 33% of the under recoveries through subsidies and issue of oil bonds thus creating a subsidy tangle. This paper seeks to unravel the puzzle of oil prices and clarify on various complexities present in oil prices as well as to objectively position India on the world map. In order to decode the oil mystery, we from the perspective of all three stakeholders viz. – the government, consumers and OMCs. JEL Classification: D40, P22, Available at SSRN: http://ssrn.com/abstract=1594997

13) Sebastian Morris, IIMA, Management Working Paper, ‘Efficient Subsidisation of LPG: A Study of Possible Options in India Today’. The budget contained an announcement that the central government would actively explore the option of using an appropriate form of the ‘food stamps’ or an alternative scheme to improve the efficacy and reduce the cost of the current system of administration of food subsidies. The announcement provides an opportunity to discuss the issues of subsidy on account of LPG and device a system of subsidisation based on ‘LPG Stamps’ or some other scheme to improve the efficacy of subsidisation and remove the large distortions created by the current system. JEL Classification: H5, H4, H24, O2, Q4, Date posted: February 9, 2011. Available at SSRN: http://ssrn.com/abstract=1756510 or http://dx.doi.org/10.2139/ssrn.1756510

14) Sebastian Morris, IIMA, Economic and Political Weekly, Cost and Time Overruns in Public Sector Projects: Delays and cost overruns in Public Sector investments can raise the capital-output ratio in the sector and elsewhere, bringing down the efficacy of investments. Yet there are no estimates of the delays and cost overruns, and of their opportunity cost. This study arrives at rough estimates of the delays and cost overruns, and the opportunity cost in terms of the extra ‘capital X time’ that is used up. Cost overruns (at 80%) and the extra ‘capital X time’ incurred (about 190%) are very large; even after removing the increase due to inflation! The reasons for the same are also identified and rated. The Government’s ad hoc approach in according high priority to certain sectors - oil and natural gas, and petroleum - while perhaps overcoming the problem in these sectors have compounded the problem elsewhere, particularly in the infra-structural areas - railways, coal and steel. JEL Classification: O5, H4, H0, Date posted: January 27, Available at SSRN: http://ssrn.com/abstract=655103

15) Sumit K. Majumdar University of Texas, Dallas, “Why Privatize? The Decline of Public Ownership in India and its Impact on Industrial Performance”. This article examines patterns of decline in the public ownership of the corporate sector in Indian industry over a twenty five year period, 1973-74 to 1997-98, to assess whether a transformation in ownership has taken place and whether the boundaries of the state as a participant in industry have significantly declined. Simultaneously, the resources of the state can be better spent on actively encouraging investment activities rather than in undertaking divestment activities. JEL Classification: L33, G34, G32, P31 Date posted:
February 28, 2006 Available at SSRN: http://ssrn.com/abstract=885432 or http://dx.doi.org/10.2139/ssrn.885432

16) Prasoon Agarwal, IIM, “Energy Price Regulation in India: The Case of Natural Gas Sector”. Energy price regulation is an important policy issue in the context of any developing nation, including India. The prices are controlled by the government, and these pricing mechanisms have resulted in distorted market structure. It is believed that the existing pricing policy for Natural Gas in India has constrained the growth of natural gas market in India, leading to a large unmet demand, primarily from the heavily subsidized power and fertilizer sector. Date posted: February 6, Available at SSRN: http://ssrn.com/abstract=1548435 or http://dx.doi.org/10.2139/ssrn.1548435

17) Selvam Jesiah, (IASMS), Privatisation of Public Sector Undertakings in India: Is it Justified?, This paper examines various causes for privatisation in India. The paper calls for further research on comparative performance of enterprises in their pre-privatisation and post privatisation era in order to significantly substantiate the reasons for privatisation in the country. JEL Classification: L33, H22, H68, P12 Available at SSRN: http://ssrn.com/abstract=1142189

18) Vibhooti Malhotra University of California, Berkeley - School of Law ; National Law University, Jodhpur Mukul Aggarwal, NLUJ, March 16, 2011 Journal on Governance, Forthcoming, Independent Directors on Public Sector Boards: Perspectives on Appointment Procedure and Role. The concept of independent directors has been successfully imported into corporate governance norms of India. This paper focuses the discussion on independent directors appointed in public sector enterprises. It highlights the urgent need for overhaul due to increasing financial market participation by PSU and considers the incumbent government’s disinvestment policy. JEL Classification: G30, G38 Date posted: March 24, 2011. Available at SSRN: http://ssrn.com/abstract=1788284

19) Peter Cramton University of Maryland - Department of Economics Steven E. Stoft Global Energy Policy Center January 14, 2010, The Economists’ Voice, Vol. 7, No. 1, Article 3, Price is a Better Climate Commitment Abstract: Developing countries reject meaningful emission targets (recent intensity caps are no exception). This prevents the Kyoto Protocol from establishing a global price for greenhouse gas emissions and leaves almost all new emissions unpriced. This paper proposes a new pair of commitments – a commitment to a binding carbon-price target and to a Green Fund financed by a form of carbon pricing. The result is price mechanisms that neither requires developing countries to accept emission caps nor requires industrial countries to accept carbon taxes. Date posted: December 26, 2009; Last revised: February 20, 2010. Available at SSRN: http://ssrn.com/abstract=1527268 or http://dx.doi.org/10.2139/ssrn.1527268
20) Richard John Masilamani, Shiva Kumar, Birla Institute of Management Technology (BIMTECH) April 23, 2010, Pricing of Major Petroleum Products in India

Abstract: There are three key parties involved in the process and who are affected by decisions on pricing and subsidies. They are the consumers, oil companies and the government. Since the OMCs are advised to sell their produce below cost, the government compensates 33% of the under recoveries through subsidies and issue of oil bonds thus creating a subsidy tangle. Oil Taxes: There is a fairly widespread perception that the government is over taxing oil products but trying to portray a picture that they are losing money through sales of petroleum products. This school of thought argues that oil is taxed highly in India. This paper seeks to unravel the puzzle of oil prices and clarify on various complexities present in oil prices as well as to objectively position India on the world map. In order to decode the oil mystery, we from the perspective of all three stakeholders viz. – the government, consumers and OMCs. JEL Classification: D40, P22 Date posted: April 26, 2010. Available at SSRN: http://ssrn.com/abstract=1594997

21) Rustam Singh Thakur, Hidayatullah National Law University, Disinvestment in the Petroleum and Mining Sector: A Critical Analysis

Abstract: The previous decade, which ushered in the new economic policy tailored towards liberalisation, saw a momentous shift in the policy towards government owned and controlled enterprises popularly known as Public Sector Undertakings [hereinafter PSUs]. The earlier protectionist regime gave way to a scenario wherein the State, realising the need for withdrawing from economic activities, began handing over the control of these PSUs to private bidders. In Part III we shall assess the constitutionality of disinvestments in these crucial sectors in the background of the right to life and the right to subsidized oil and gas. Part IV concludes the discussion and seeks to provide an insight into whether PSUs in the petroleum and mining sectors can be disinvested. Date posted: November 7, 2011 Available at SSRN: http://ssrn.com/abstract=1955447 or http://dx.doi.org/10.2139/ssrn.1955447


Abstract: This paper examines the economic impact of regulation in industrial and developing countries. This paper - a joint product of the Office of the Chief Economist and Senior Vice President, Development Economics and the Advisory Group, Latin America and the Caribbean Technical Department - was produced as a background paper for World Development Report 1997 on the role of the state in a changing world. Available at SSRN: http://ssrn.com/abstract=615039

accelerating crusade against regulation have re-ignited a potent coalition of industry lobbyists, traditional conservatives, and grassroots Tea Party activists. The politicians speak in generic terms for public consumption: “the nation is broke,” “big government is bad,” “regulation costs trillions.” Finally, if left alone, health, safety, and environmental agencies could accomplish great things. Six “protector agencies” with the mission to safeguard people and natural resources from the hazards of the industrial age are the focus of the essay. In the descending order of size include the Environmental Protection Agency (EPA), the Food and Drug Administration (FDA), the Mine Safety and Health Administration (MSHA), the Occupational Safety and Health Administration (OSHA), the National Highway Traffic and Safety Administration, and the Consumer Product Safety Commission (CPSC). Date posted: October 29, 2011 ; Last revised: November 8, 2011 Available at SSRN:

24) Claudio A. Agostini Universidad Adolfo Ibañez Eduardo Saavedra ILADES - Alberto Hurtado University August 30, 2009, Estudios Públicos, Vol. 113, Fall 2009. The Oil Industry in Chile (La Industria del Petróleo En Chile) This article describes and characterizes the oil markets and liquid by-products in Chile from the viewpoint of industrial organization. The authors suggest a framework law that should protect competition in the industry and freedom of entry to market segments that can function competitively, under appropriate oversight by the antitrust authorities and minimum sectorial regulation. JEL Classification: L11, L22, L40, L72 Accepted Paper Series, Date posted: February 9, 2010,. Available at SSRN: http://ssrn.com/abstract=1549868

25) Valeria Budinich, Ashoka: Innovators for the Public. August 31, 2005, Market-Based Strategies Serving Low-Income Populations, Abstract: The market dynamics of low-income market segments defy the traditional business logic that is applied to mid- and high-income segments: pricing strategies aim at the lowest possible price, the delivery infrastructure must be capable of handling a significant number of small transactions, promotion strategies require a considerable amount of consumer education, and even the needs and values of consumers are, in many senses structurally different. Business, particularly those whose products and services address basic human needs, can enter low-income market segments more effectively and with deeper social impact through partnerships with highly innovative citizen sector organizations. Also, CSOs can scale their impact significantly by learning to leverage the infrastructure and experience of businesses while advancing their social missions. Communities would be better served if an increasing number of new actors compete and collaborate to deploy solutions that maximize the value added to the poor. Date posted: April 24, 2007, Available at SSRN: http://ssrn.com/abstract=982171 or http://dx.doi.org/10.2139/ssrn.982171

26) Aneel G. Karnani, University of Michigan - Stephen M. Ross School of Business, Ross School of Business Paper No. 1035 , California Management Review, Forthcoming, Fortune at the Bottom of the Pyramid: A Mirage. Abstract: The popular ‘bottom of the pyramid’ (BOP) proposition argues that large companies can make a
fortune by selling to poor people and simultaneously help eradicate poverty. While a few market opportunities do exist, the market at the BOP is generally too small monetarily to be very profitable for most multinationals. At the same time, the private sector can play a key role in poverty alleviation by viewing the poor as producers, and emphasize buying from them, rather than selling to them. JEL Classification: I30, M10, Date posted: July 14, 2006. Available at SSRN: http://ssrn.com/abstract=914518

27) Aneel G. Karnani, University of Michigan - Stephen M. Ross School of Business, October 2007, Ross School of Business Paper No. 1096. Romanticizing the Poor Harms the Poor, Abstract: A libertarian movement that emphasizes free markets to reduce poverty has grown strong in recent years. It views the poor as ‘resilient and creative entrepreneurs and value-conscious consumers’. This romanticized view of the poor is far from the truth and harms the poor in two ways. First, it results in too little emphasis on legal, regulatory, and social mechanisms to protect the poor who are vulnerable consumers. Second, it results in overemphasis on microcredit and under-emphasis on fostering modern enterprises that would provide employment opportunities for the poor. More importantly, the libertarian proposition grossly under-emphasizes the critical role and responsibility of the state for poverty reduction. JEL Classification: M10, I30 Last revised: December 13, 2007, Available at SSRN: http://ssrn.com/abstract=1008333 or http://dx.doi.org/10.2139/ssrn.1008333

28) Einar Hope, Norwegian School of Economics (NHH) - Department of Economics, March 1995, World Bank Policy Research Working Paper No. 1442. Energy Price Increases in Developing Countries: Case Studies of Colombia, Ghana, Indonesia, Malaysia, Turkey, and Zimbabwe: Six case studies show that raising energy prices to eliminate subsidies does not harm the poor, growth, inflation, or industrial competitiveness. And public revenues improve. When domestic energy prices in developing countries fall below opportunity costs, price increases are recommended to conserve fiscal revenue and to ensure efficient use of resources. Using six case studies, Hope and Singh investigate the effect of energy price increases on the poor, inflation, growth, public revenues, and industrial competitiveness. The study was funded in part by the Bank's Research Support Budget under the research project Pollution and the Choice of Economic Policy Instruments in Developing Countries (RPO 676-48). Date posted: August 2, 2004, Available at SSRN: http://ssrn.com/abstract=569215

29) Kangni Kpodar, International Monetary Fund (IMF), March 2006, IMF Working Paper No. 06/91, Distributional Effects of Oil Price Changes on Household Expenditures: Evidence from Mali. Abstract: Using an input-output approach, this paper assesses the distributional effects of a rise in various petroleum product prices in Mali. The results show that, although rising gasoline and diesel prices affect mainly non-poor households, rising kerosene prices are most harmful to the poor. Overall, the impact of fuel prices on household budgets displays a U-shaped relationship with expenditure per capita. Regardless of the oil product considered, high-income households would benefit disproportionately from oil price subsidies. This suggests that a petroleum price subsidy is an ineffective mechanism for protecting the income of poor
households compared with a targeted subsidy. JEL Classification: H2, D57, R2 Date posted: May 17, 2006. Available at SSRN: http://ssrn.com/abstract=901882

30) Urvashi Narain, World Bank, Alan Krupnick, Resources for the Future, February 1, 2007, “The Impact of Delhi’s CNG Program on Air Quality.” This paper estimates the impact on Delhi’s air quality of a number of policy measures implemented in the city to curb air pollution using monthly time-series data from 1990 to 2005. The best known of these measures is the court-mandated conversion of all commercial passenger vehicles - buses, three-wheelers, and taxis - to compressed natural gas (CNG). The results suggest that the conversion of buses from diesel to CNG has helped to reduce PM10, CO, and SO2 concentrations in the city and has not, contrary to conventional wisdom, led to the recent increase in NO2. At the same time, however, the conversion of three-wheelers from petrol to CNG has not had the same benefit, possibly because of poor technology. Another policy measure that appears to have had a positive impact on air quality is the reduction in the sulfur content of diesel and petrol. JEL Classification: Q53, R41, R48 Date posted: March 11, 2007; Last revised: November 10, 2008. Available at SSRN: http://ssrn.com/abstract=969727 or http://dx.doi.org/10.2139/ssrn.969727

31) Javier Arze del Granado, David P. Coady, International Monetary Fund (IMF) Robert Gillingham, International Monetary Fund (IMF), September 2010, IMF Working Paper No. 10/202, The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries. Abstract: This paper reviews evidence on the impact of fuel subsidy reform on household welfare in developing countries. On average, the burden of subsidy reform is neutrally distributed across income groups; a $0.25 decrease in the per liter subsidy results in a 6 percent decrease in income for all groups. Issues that need to be addressed when undertaking subsidy reform are also discussed, including the need for a new approach to fuel pricing in many countries. Date posted: February 1, 2011, Working Papers, Vol., pp. 1-23, 2010. Available at SSRN: http://ssrn.com/abstract=1750690


33) Sanjeet Singh, BBSB Engineering College & Sangeet Kaur Bangar, Baba Banda Singh Bahadur (BBSB) Engineering College May 12, 2011, Effect of Discounting on the Brand Image, Abstract: Brand image is the current view of the customers about a brand. It can be defined as a unique bundle of associations within the minds of target customers. Available at SSRN: http://ssrn.com/abstract=1839468 or http://dx.doi.org/10.2139/ssrn.1839468