

CHAPTER - VI

CONCLUSION

In the foregoing chapters we examined physical and financial performance of GSRTC at aggregate level as well as at the divisional level. Moreover the performance - both physical and financial of various SRTCS have been examined in the earlier chapter. In this chapter the main findings of the study policy suggestions and area for further research are presented and suggested respectively.

The chapter - II deals with Physical performance of GSRTC for the period 1960-61 to 1994-95 and the following results are obtained. The physical performance of GSRTC is examined in terms of various indicators e.g. bus staff ratio, percentage of fleet utilization, kms. per litre of oil, inverse of breakdowns per 10,000 kms, inverse of accidents per lakh kms. vehicle utilization per bus per day, passenger carried per bus per day and effective kms. per staff. It is observed that each indicator of physical performance experienced positive significant growth rate over a period of time except bus staff ratio. More fluctuations are observed in inverse of breakdowns per 10,000 kms and inverse of accidents per lakh kms as compared to other indicators of physical performance. The least fluctuations are observed in case of percentage of fleet utilization over a period

of time. The overall physical performance of GSRTC is examined through estimating the single index of physical performance considering above mentioned indicators through method of ranking, method of indexing and method of principal component. The overall physical performance of GSRTC shows an improvement till 1987-88 irrespective of the method applied. However deterioration in physical performance is observed from the year 1988-89. The physical performance is also examined in terms of load factor, average duty performed per crew per day in kms. and life of new tyres till scrapped. The percentage of load factor is consistently high from 1960-61 to 1992-93 and it has deteriorated during 1993-94 and 1994-95. However the crew utilization in kms and average life of tyre till scrapped have improved over a period time. The quality of service provided by GSRTC is examined in terms of various categories of accidents and punctuality in departure and arrival of various services. It is observed that the share of major accidents in total accidents has increased significantly from 13.32% in 1965-66 to 53.77% in 1994-95. It is also seen that the percentage of regularity with respect to departure and arrival was very high right from its inception and it has marginally increased with the passage of time. The structure of the staff employed has also undergone a change over period of time indicating increase in the share of traffic staff in total staff.

The study of "Financial Performance of GSRTC" [Chapter - III] leads to the following main conclusions. The earnings and expenditure both in money term as well as in real term have

increased with the passage of time. However the growth in real earning and expenditure is less than the same in earning and expenditure at current prices GSRTC incurred losses during majority of years under consideration. It incurred profit during 1962-63, 1963-64, 1964-65, 1965-66, 1969-70 and 1988-89 to 1992-93 in money term where as profit in real term is incurred by GSRTC only during 1990-91 and 1992-93. The average earnings in real term [deflated by FI index] both with respect to effective kms. and passenger kms. experienced an increasing trend, where as negative trend is observed when average earning is deflated by CPI and WPI. However marginal earnings in real term did not experience any trend. In the total earnings of GSRTC operating revenue constitutes the major share. The structure of expenditure of GSRTC has also undergone a change over a period of time both in money term as well as in real term. The share of personnel expenditure and of material expenditure in total expenditure has increased over a period of time. The Government of Gujarat has imposed high passenger tax and therefore estimating profit before passenger tax, it is found that the losses have turned into profits. Moreover various types of concessions granted by GSRTC have increased not only in the absolute terms but its share in total revenue has also increased from 0.57% in 1964-65 to 11.24% in 1991-92 and has declined to 6.78% in 1994-95.

The estimation of social surplus produced per employee by GSRTC indicates that it has increased both in real term and in money term. However the same turned out to be negative in real term during 1993-94 and 1994-95. The elasticity of earning

during majority of the years was less than one which indicates that it is necessary on the part of GSRTC to improve its physical performance and thereby to bring about fall in the cost per km. and at the same time increase in earnings per km. which also requires upward revision in fare. The value added per employee at constant price has also increased constititently during 1975-76 to 1992-93 though it has declined during 1993-94 and 1994-95.

The expenditure per passenger km. in real term [AC at constant price] is estimated and the negative trend is observed which supports the hypothesis that public utility industries are decreasing cost industries. The elasticity of demand for passenger transport with respect to fare charged by GSRTC is estimated through regressing index of passenger km. on the ratio of fare index to consumer price index. Moreover the same is estimated for each year using the simple formula of elasticity. It is observed that it is not only negative but less than one during 1987-88 to 1994-95. This tends to suggest that the demand for passenger transport is inelastic and increase in fare rate by GSRTC can lead to increase in revenue of GSRTC and there by improvement in financial performance of GSRTC. The pricing policies are discussed and it is found that the fare per passenger km. is less than average cost as well as marginal cost. It implies that if fare is linked with average cost, it may bring about improvement in financial performance of GSRTC. Moreover the fare charged by GSRTC is less than break even cost. All these recommends upward revision in fare charged by GSRTC.

Moreover it is observed that the personnel cost per km. is largely affected by personnel productivity as well as consumer price index where as material cost per km. is influenced by material productivity and material price index. The demand for passenger transport [i.e. passenger km.] is regressed on per capita income in real term, population and FI index and it is seen that with the increase in per capita income and population the demand for passenger transport increases. The profit per km. in real term is influenced by occupancy ratio, vehicle productivity as well as material productivity.

In the same chapter various types of services provided by GSRTC is examined and it is found that the share of ordinary services and express services taken together is not only high but it has increased with the passage of time in terms of share in total effective kms. operated, passenger carried and total revenue. Not only that but the performance of luxury services in terms of above said indicators has not only deteriorated in relative term but also in the absolute term. The study also suggests that the relative fare has also under gone a change over a period of time.

The study of "Physical and Financial Performance - Divisionwise Analysis" [Chapter - IV] for the period 1985-86 to 1994-95 throws light on performance of various divisions of GSRTC. The study makes it clear that the size of various

divisions differ from each other mainly in terms of number of fleet in divisions, strength of staff, number of passenger travelled and effective kms. operated. The Ahmedabad, Mehasana, Rajkot divisions are bigger as compared to other divisions, The size of Kachchh and Bharuch divisions is relatively small as compared to other divisions. However it should be pointed out here that the variations among different divisions in terms of above said indicators have not changed significantly over a period of time. The physical performance of various divisions is examined in terms of bus staff ratio, percentage of fleet utilization, kms. per litre of oil, number of breakdowns per 10,000 kms., vehicle utilization per bus per day, passenger carried per bus per day and effective kms. per staff. It is observed that the bus staff ratio is more or less identical for all divisions of GSRTC and it has remained more or less constant over a period of time for all divisions. As far as the percentage of fleet utilization is concerned, it has improved for almost all divisions and the relative position of division has changed with the passage of time. Looking at the kms. per litre of oil, it is found that it has not improved for all divisions. However the number of breakdowns per 10,000 kms. has increased for almost all divisions. The dispersion in case of indicators of physical performance among various divisions did not experience any trend. The single index of physical performance is estimated for all divisions for the years 1985-86 and 1994-95 through method of ranking, method of indexing and method of principal component. In the year 1985-86, the divisions like Bhavanagar, Junagadh and Kachchh performed well as compared to

other divisions where as the least performance is observed for Surat and Baroda divisions. In the year 1994-95, the best performance is observed by Junagadh division where as Surat division performed very poorly.

The financial performance of these divisions is examined in terms of earning and cost per km. both at current price as well as at constant price for the period 1985-86 to 1994-95. It is revealed that the divisions like Kachchh, Amreli, Palanapur, Bhavnagar and Himmatnagar are more efficient as the cost per km. was low as compared to other divisions. It should be noted here that the cost per km. among various divisions has diverged over a period of time. Examining the earning per km., it is found that the divisions like Palanapur, Bhavnagar, Kachchh, Rajkot and Bulsur earned relatively higher amount per km. as compared to other divisions. The study also shows that divisions like Palanpur, Mehasana, Himmatnagar, Godhra, Nadiad, Rajkot, Amreli, Junagadh and Kachchh incurred profit during majority of the years. The Baroda and Surat divisions show losses even after allowance is made for taxes.

The study also shows that the earning per km. and cost per km. in real term has a declining trend for all divisions for the period 1985-86 to 1994-95 where as margin per km. in real terms did not experience any trend for all divisions.

The margin per km. in real term is regressed on index of physical performance for 1985-86 and 1994-95 and the cross section study experience positive impact of physical performance on financial performance of the division.

The "Physical and Financial Performance - A Comparative Analysis Among SRTCS" [Chapter - V] throws light on physical and financial performance of different SRTCS in India during 1985-86 to 1994-95. The chapter makes it clear that the size of different SRTCS in terms of number of fleet held, number of passenger travelled, effective kms operated and strength of staff. The study reveals that the Maharashtra State Road Transport Corporation was biggest in terms of number of buses held, strength of staff and effective kms. operated where as Tripura Transport Corporation was smallest in terms of above said parameters. It is also found that the size of various SRTCS have diverged in 1994-95 as compared to 1985-86. The relative performance of SRTC varies with indicator of physical performance e.g. TRPTC stood first in terms of bus staff ratio in 1985-86, where as APSRTC stood first in terms of percentage of fleet utilization and kms. per litre of oil. The variations have declined among SRTCS with respect to bus staff ratio, passenger carried per bus per day, number of breakdowns per 10,000 kms and number of accidents per lakh kms. This shows that for remaining indicators the dispersion has increased among SRTCS with the passage of time. The estimation of single index of physical performance shows that KnSRTC, GSRTC, APSRTC, RSRTC and PRTC remained first five SRTCS in terms of overall physical

performance where as in the bottom group we find SRTCS like TRPTC, CSTC, BSRTC, ASMSTC & MPSRTC.

The structure of expenditure differs from SRTC to SRTC at a point of time and has undergone a change over a period of time. However it should be noted here that the share of personnel expenditure and of material expenditure in total expenditure is very high for almost all SRTCS. The structure of revenue in terms of share of operating and non-operating revenue is more or less similar for all SRTCS, suggesting higher share of operating revenue in total revenue. It is also observed that APSRTC and RSRTC incurred profit during both the years 1985-86 and 1994-95 whereas KSRTC incurred profit in 1994-95 only. The cross-section study indicates that the improvement in physical performance is essential to bring about improvement in financial performance. The elasticity of earning did not turn out to be positive for all SRTCS. In 1994-95, it was positive and greater than one only in case of APSRTC, KnSRTC and KSRTC. The performance of PRTC was best in terms of social surplus per employee and value added per employee in 1994-95. Moreover the study also indicates that the fare per passenger km. for express and ordinary services differ significantly among SRTCS in India.

POLICY SUGGESTIONS :

The present study suggests that the physical performance of GSRTC has deteriorated after 1987-88 and therefore some steps are required to be implemented to bring

about improvement in physical performance by GSRTC. The deterioration in financial performance of GSRTC is partly due to the low fare charged by GSRTC. The present study supports the RBI recommendation¹. "While some of the State Governments have enhanced the revenue outlays on developmental purposes like education and food subsidy programmes efforts to recover the cost of these services remain tardy. These would exacerbate the existing pressure on the revenue budget particularly on account of the unsatisfactory financial performance of State Electricity Boards, State Road Transport Undertakings and Irrigation Boards in respect of which user charges have remained below the costs and rates of returns on investment in case of the first two institutions have been negative. It is pointed out that the rationalization of the motor vehicle tax and the passenger fare tax system would for example be important for the financial viability of State Road Transport Undertakings [SRTUs] in respect of which large part of the revenue of gain from fare revision are simply reverted back to the State Government.

It is already pointed out in earlier chapters that the Tenth Finance Commission² also recommends that the SRTUs should be compensated for the social obligations imposed on them as a matter of state policy and the fare should be cost based and fare revisions being done promptly.

1. Reserve Bank of India : "Finances of State Governments : 1995-96 - An Overview", Reserve Bank of India Bulletin, December, 1995, P. 1001.

2. Government of India : Report of the Tenth Finance Commission [1995-2000], December 1994, Pp. 12-13.

Moreover the performance of divisions like Baroda, Surat, Ahmedabad etc. is very poor. It is, therefore, essential on part of GSRTC to examine the factors which are responsible for this and to bring about improvement in the performance of these divisions.

AREA FOR FURTHER RESEARCH :

The present study is limited to the examination of physical and financial performance of various divisions. The division has number of depots and therefore it is equally essential to examine the size and physical and financial performance of various depots and changes their over a period of time.

Moreover, in the present days of liberalization and privatization, the detailed study on privatization of Road Transport Corporation in general and Privatization of GSRTC in particular will fill the lacuna in the existing literature.