

## ANALYSIS OF FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR UNDERTAKINGS IN UTTAR PRADESH (A CASE STUDY OF UPSRTC)

---

Dr. Rajeev Shukla\*  
Rabin Singh\*\*

### ABSTRACT

*Road transport is the most popular mode of transport among the general public. In India, road transport services are provided to the public by State Road Transport Undertakings (SRTUs). They operate their services based on business principles. Their practice is motivated to provide profitable transportation services to the public. But in recent years, SRTUs have suffered heavy losses. This study focuses on evaluating the financial performance of UPSRTC. It discusses the various components of the capital structure, total income and total expenses, and analyzes its share in the total. This article is an important tool by which a corporation can improve their economic and financial viability, which in turn increases their profit.*

---

**Keywords:** Transport, Financial, Cost, Performance, Evaluation, Capital, Income.

---

### Introduction

Today, the development of industry, the great noise, new knowledge and its operation, various consumer goods, social tolerance, eloquence and high civilization, everything that we see in our environment goes to the modern sources of transportation. Which made moving fast, affordable, regular and reliable. Traffic is an important link in trade and commerce between the country and foreign countries. The invention of science, the development of culture and civilization and commerce are in the hands of the best means of transportation, which are a true mirror of the development of every caste and civilization.

### Profile of UPSRTC

Uttar Pradesh State Road Transport Corporation (UPSRTC) is a public sector passenger road transport corporation. It is headquartered in Lucknow (U.P.). UP On 15 May 1947, Government Roadways began passenger road transport services for the first time on the route between Lucknow and Barabanki. After the Road Transport Act was passed in Parliament in 1950, the U.P. State Roadways was renamed as Uttar Pradesh State Road Transport Corporation (UPSRTC) on 1 June 1972. The corporation is divided into 20 regions to provide efficient and speedy services to urban and

---

\* Professor, Vidyant Hindu P.G. College, Department of Commerce, University of Lucknow, Lucknow, U.P., India.

\*\* Research Scholar, Vidyant Hindu P.G. College, Department of Commerce, University of Lucknow, Lucknow, U.P., India.

rural areas. In addition, each region is divided into functional units called depots. The corporation has a total of 116 depots. Currently, the corporation operates approximately 12,194 fleets in its own state and neighboring state.

### Review of Literature

Review of literature is concerned to the study of previous research work in the field of chosen research problem and other problems related transportation.

- **Chandra Mahesh** (1980), has studied on a projection of traffic of Karnataka State Road Transport Corporation (KSRTC), Bangalore. In this project he studied about traffic projections viz.- number of passengers, passenger's kilometers travelling, verified kilometers and fleet size have been projected. He adopted five growth models of forecasting and then based on forecast error analysis selecting of best model.
- **Ravichandran N. and Surya Prasad MVN** (2005), were analyzed about declining of financial performance of Gujrat State Road Transport Corporation (GSRTC).
- **Bisnoi M.K. and Ms. Sujarta** (2010), studied the economic profitability and productivity of Haryana State Road Transport Undertakings. They have found that total factor of productivity was decreasing since 1988-89 to 2006-07. The profitability of HSRTC were decline during the study period.

### Objectives of the Study

- To study the capital structure of UPSRTC.
- To analyze the trend in traffic revenue and non-traffic revenue of UPSRTC.
- To analyze the trends in costs of UPSRTC.
- . Profit/Loss Study of UPSRTC
- To give some important points for improving the profit of UPSRTC.

### Methodology of the Study

Following are the methodology adapted for the present study:

#### Study Period

This study covers an eight-year period from 2009-2010 to 2016-2017. The choice of period has no meaning except for the consistent availability of data.

#### Source of Data

The study is based mainly on secondary data. Information on different forms of capital structure, different cost components and operational performance is obtained from the publication " State Transport Undertakings Profile and Performance " published for the course of the Central Institute of Road Transport [CIRT], Pune.

### Discussion

#### Capital Structure of UPSRTC

The success of any organization depends on its own capital structure. Adequate capital is essential to the success of an organization. That capital is not the lifeblood of the current organization. Like the flow of blood, power and energy in the body to various organs, capital is also considered as a resource of organizational skills and power. Transport corporation is also an organization that must act according to business principles. Therefore, in this study it is necessary to examine the capital structure of UPSRTC. The efficient operation of a transport corporation largely depends on its financial structure. During the period under investigation, it is seen that the capital structure of UPSRTC is built from the following sources:

- Financial contribution from the state government and the central government.
- Internal sources [general and other reserves]
- External sources:
  - Loans, Debenture and others
  - Short-term liabilities [including short-term provisions and loans]

**Table 1: Capital structure of UPSRTC (Rs. in crore)**

Year	In figure					Percentage to Total					Increasing/ Decrease to the previous year(in %)
	Share of State Govt. and Central Govt.	Internal Sources  General and Other Reserves	External Sources		Total	Share of State Govt. and Central Govt.	Internal Sources  General and Other Reserves	External Sources		Total	
			Loans, Debentu res and Others	Current Liabilit ies				Loans, Deben tures and Others	Current Liabilities		
2011	369.13	---	243.09	1047.34	1659.56	22.24	0.00	14.65	63.11	100	---
2012	391.89	122.13	252.39	1098.43	1864.94	21.01	6.55	13.53	58.91	100	11.00
2013	414.66	135.31	288.71	1192.92	2031.60	20.41	6.66	14.21	58.72	100	8.20
2014	492.02	153.24	256.89	1239.85	2142.00	22.97	7.15	11.99	57.89	100	5.15
2015	569.39	186.39	246.49	1333.44	2335.71	24.38	7.98	10.55	57.09	100	9.07
2016	727.86	196.79	161.71	1280.01	2366.37	30.76	8.32	6.83	54.09	100	1.29
2017	826.19	279.71	202.01	1364.95	2672.86	30.91	10.46	7.56	51.07	100	12.95

Source: STUs Profile and Performance, CIRT Pune (2010-11 to 2016- 17)

Provisions relating to capital provided to transport corporations are described in Sections 23 and 24 of the Road Transport Corporations Act, 1950. Under Section 23(1) of the said Act, the relevant State Government and the Central Government shall from time to time provide the transport corporation with a capital investment in accordance with a mutual agreement of its share of the capital investment. Table 1 clearly shows that in 2011, this additional capital was 369.13 crore rupees, which increased to 826.19 crore in 2017. It increased by 123.82 percent in 2017 compared to 2011.

The internal resource has an important place in the capital structure after the capital contribution of the state and national government. These funds include retained earnings, sinking fund, general reserves and other funds. In eight years, the UPSRTC study made a loss in five years since inception and made a small profit in the following three years. Thanks to this position, there is no question of repossession benefit. It is clearly seen from Table 1 that internal resources of Rs 122.23 crore in 2012 increased to 279.71 crore in 2017. In other words, it can be said that the growth of internal resources in the mentioned period was 129.03 percent.

It is always beneficial for any business to rely on its own internal sources rather than external sources to generate capital. In 2011, the size of that fund was 243.9 crore rupees, which decreased to 202.01 crore rupees in 2017. This resulted in a 16.90% decrease in 2017 compared to 2011.

As for short-term liabilities, it can be seen from Table 1 that it somewhat after a while increased. In 2011 it was 1047.34 crore rupees which was increased to 1364.95 crore in 2017. This resulted in a 30.33% increase in 2017 compared to 2011.

The study presented in Table 1 suggests that the total capital of UPSRTC gradually increased during the study period. Total capital in 2017 was 2672.86 crore compared to 1659.56 crore in 2011. It increased by 61.06 percent during the survey period. The share of current liabilities in the total capital of UPSRTC is the highest on average at 58.30 percent during the period under review. On the other hand, the smallest part consists of internal sources, with an average percentage of 6.11. Second, it averages 23.63 percent for state and central government holdings.

#### **UPSRTC Total Revenue**

The main objective of the state government behind the establishment of the transport corporation is to provide passengers with an efficient, sufficient, regular, affordable and decent bus service. For these purposes, the corporation must generate sufficient income. The income of the transport corporation can basically be divided into two parts:

- **Traffic Revenue**

They are generated from the following sources:

- Although the transport corporation receives income from many sources, their main source of income is the passenger fare.
- If the goods carried by passengers exceed a certain limit. The transport corporation will charge extra fare from the passengers.
- Income received from Unticketed passengers in the form of fines.

- **Non-traffic Revenue**

The non-traffic revenues of the bus corporation are as follows:

- Income from various kiosks such as bus station rent.
- Revenue for the corporation through advertising and promotions.
- Income received from bus station clock room.
- Income from the sale of non-operating buses and useless spare parts.

### Cost Analysis

The costs of the transport corporation can be analyzed by the following Score:

- Personal expenses
- Material costs
- Taxes
- Loan interest
- Miscellaneous and others
- Payment for bus rental .
- Depreciation of buses and other Assets.

**Table 2: Average Percentage of Various Costs in Total Cost of UPSRTC**

(In Percentage)

S.No.	Various Item of Cost	Average Percentage
1.	Personnel Cost	33.10
2.	Material Cost	36.10
3.	Taxes	10.75
4.	Interest on Borrowings	01.02
5.	Misc. and Others	01.13
6.	Payment to Hire Buses	12.61
7.	Depreciation on Buses and other Assets	05.19

Source: STUs Profile and Performance, CIRT Pune (2009-10 to 2015-16)

The average percentage of different cost in the total cost is given in table 2. It is clear from the table that material costs take the first place in total costs. In second and third place are personal costs and bus payment to hire bus. After that, in fourth, fifth, sixth and seventh places are taxes, depreciation, miscellaneous expenses and interest respectively.

**Table 3: Total Cost Per Effective Km**

(In Rs.)

Year	Total Cost Per Effective Km	Index
2009-10	15.26	100.00
2010-11	20.54	134.60
2011-12	20.84	101.46
2012-13	22.14	106.24
2013-14	24.58	111.02
2014-15	26.07	106.06
2015-16	18.06	69.28
2016-17	28.62	158.47

**Earning of Profit/Loss by UPSRTC**

In relation to all transport corporations, section 22 of the Central Road Transport Act, 1950 clearly states that the operation of the corporation must be based on commercial principles. The business principle means that the corporation must make a profit. It is often argued that the main purpose of a public corporation is not to make a profit in this idea. We also agree with this statement. But if the corporation is not making a profit, it is not advisable to run the corporation at a loss.

**Table 4: Profit/Loss Earned by UPSRTC**

(Rs. in Crore)

Year	Total Revenue	Total Cost	Profit/Loss	Increasing/ Decreasing to the Previous Year
2009-10	1708.97	1657.02	(-) 51.95	---
2010-11	2112.89	2074.40	(-)38.49	25.91
2011-12	2358.55	2323.99	(-)34.56	10.21
2012-13	2611.95	2529.36	(-)82.59	(-)138.98
2013-14	3099.47	2968.03	(-)131.44	(-) 59.15
2014-15	3271.28	3275.24	3.94	103.01
2015-16	3370.50	3386.40	15.90	303.55
2016-17	3965.98	3868.80	97.18	511.19

Source: STUs Profile and Performance, CIRT Pune (2009-10 to 2015-16)

**Profit/Loss Earned by UPSRTC**

Most of the road transport corporations in the country have been operating at a constant loss for the past several years. UPSRTC is no exception in this situation. Table 4 clearly shows that during the seven years of the study period, the corporation was in loss in the first five years and in profit in the last three final years. The maximum amount of loss in 2012-13 during the study period was Rs 131.44 crore and the minimum amount in 2011-12 was Rs 34.56 crore. In 2014-2015, 2015-2016 and 2016-2017, the corporation made a profit of 3.96, 15.90 and 97.18 crore respectively. The main reason for the performance of the last three years is the acceleration of the rapid growth of income compared to expenses.

**Table 5: Profit/Loss per Bus per Day (on Road) of UPSRTC**

(In Rs.)

Year	Total Revenue per Bus per Day (on Road)	Total Cost per Bus per Day (on Road)	Profit/Loss per Bus per Day (on Road)
2009-10	5661	5838	(-) 177
2010-11	6934	7063	(-) 129
2011-12	7627	7741	(-) 114
2012-13	8026	8288	(-) 262
2013-14	8726	9113	(-) 387
2014-15	9830	9819	11
2015-16	10009	9963	46
2016-17	10323	10027	253

Source: STUs Profile and Performance, CIRT Pune (2009-10 to 2016-17)

Profit/Loss is shown per bus per day on road as per table 5. It is clear from the table that the corporation has made a loss during the five years of its establishment, the highest being Rs.387 in 2013-14 and the lowest being Rs.114 in 2011-12. In the last three years, the corporation earned a profit in this item has been rupees 11,46 and 253 respectively.

**Suggestions**

- Buses are the most important resource of any transport corporation; therefore, the corporation must always keep them in good condition for driving.
- Old buses should be replaced with new ones, because the operating costs of old buses are very expensive.
- Fare must be based on cost.
- The corporation's operations must be based on business principles and efficient management system.
- The corporation should try to avoid revenue leakage.

**Conclusion**

- During the study period, UPSRTC has the largest share of current liability in its capital structure, which ranged from 54.09 percent to 63.11 percent. On the other hand, the lowest part is the general reserve and other reserve fund. It averaged between 6.55 to 8.32.
- The corporation's total revenue per effective kilometer was Rs. 14.87 Rs. 29.34 during the study period. It increased by 97.31 percent in 2015-16 compared to 2009-10.
- The total cost of UPSRTC was studied in seven parts which are personnel cost, material cost, taxes, loan interest, miscellaneous and other costs, payment to hire bus and depreciation respectively.
- The cost of materials is the largest part of total costs and the lowest part of interest during the research period, which averaged 36.10 percent and 1.02 percent respectively. The second largest part is personnel costs and it averaged 33.10 percent during the seven years of study period.
- UPSRTC incurred losses during the eight-year period under review, except for the last three years. During this period, Rs. 34.56 crore to Rs.131.44 crore. So, we can say that the corporation earned an average of Rs. 67.81 crore per year at the beginning of five years. In 2014-15, 2015- 16 and in 2016-17 the corporation earned a profit of Rs. 3.94 crore, 15.90 crore and Rs. 97.18 crore respectively.

**References**

1. Chand Mahesh (1980): "Traffic Projections for Karnataka State Road Transport Corporation (KSRTC)", *Journal of Transport Management*, March 1981, Vol. 4, No.5, pp. 17-26.
2. Rao Rajeshwar (1982): "Management Effectiveness in Transport Operations- A case study of Delhi Transport Corporation" *Lok Udyog*, July 1982, pp. 11-21.
3. Devashayam M.G. (1983): "State Transport Making Undertakings Profitable", *Economic Times*, 2<sup>nd</sup> December, 1983.
4. Sudarshanam, Padam (1990): *Bus Transport in India: The structure, Management and Performance of Road Transport Corporation*, Ajanta Publication, New Delhi.
5. Chandra Rajesh (1991): "Financial Performance of Delhi Transport Corporation: A Social Accounting Approach" *Nagarlok*, January-March, 1991, pp.17-35.
6. Kulshrestha D.K. (1994): *Transport Management in India*, Mittal Publication, New Delhi, 1994.
7. Ravichandran, M.V.N. Surya Prasad (2005): "Reviving Gujrat State Road Transport Corporation: An Agenda for Action" W.P. No. 2007-03-05, IIM-A.
8. Bishnoi N.K. Sujarta (2010): "An Analysis of Profitability and Productivity of Haryana State Road Transport Undertaking (HSRTU)", *ENVISION- Apeejay's Commerce and Management Journal*, pp.32-41.
9. "State Transport Undertakings Profile & Performance (2009-10 to 2016-17)", Published by the Central Institute of Road Transport, Pune.

