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AN ANALYSIS OF FINANCIAL PERFORMANCE OF MAHARASHTRA STATE ROAD TRANSPORT CORPORATION (WITH SPECIAL REFERENCE TO 2007-08 TO 2012-13)

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Abstract

This research study is focus on analysis of financial performance of MSRTC. It is properly known as State Transport. This paper analyzes six year (2007-08 to 2012-13) financial performance by using t-test. MSRTC provide lots of services to passengers as a social obligation and another side fare rates not increase, diesel prize also increasing day by day therefore it become responsible to MSRTC goes in predicament. MSRTC plays very vital role in providing services to the passengers (society) and majority of peoples travels from MSRTC buses because it is secure & well enjoyable than other private vehicles. But here government should support to MSRTC & its employees also by providing funding. In the year of 2012-13 it gone in loss so that help is necessary to recover it. Because Road Transport is one of the most important modes of transport and it has close relation with human life. It is essential for development of public/nation.

Introduction

Transport plays an important role in the economic development and social integration of the country by creating employment opportunities and sustaining economic activities. Transport is the channel of social and economic interaction involving the physical movement of people and goods. The quest for service quality has been an essential strategic component for service firms like buses attempting to succeed and survive in today's competitive environment.

Road transport is the key to the development of economy. A good road network constitutes the basic infrastructure that accelerates the development process through connectivity and opening up of the backward regions to trade and investment. It provides connectivity to remote areas; provides accessibility to markets, schools, and hospitals; and opens up backward regions to trade and investment.

Survey of Literature:

Moh. Akbar Ali Khan(1988) done comparative study during the period of 1973-74 to 1984-85 among MSRTC, APSRTC & GSRTC under titled "Financial Performance of MSRTC". On the basis of this research study when the three corporations capital recovery is compared, it is found that MSRTC may be ranked first for its better percentage of cash generation, APSRTC may be ranked second & the last rank may be given to GSRTC for its poor performance. Revenue capital ratio of MSRTC showing higher capital turnover ratio confirms that this corporation has shown overall better asset utilization position compose to APSRTC & GSRTC. Manisha Karne and Anand Venkatesh, (June 2003) says, MSRTC financial performance has shown a marked deterioration. They examine the issue of splitting MSRTC into smaller regions to find out whether it would actually help in its financial recovery. Also they examine the profitability of improvement in financial profitability by means of enhanced input productivity. They show & suggest important policy implications on the main problems facing by corporation are falling load factor, deteriorating quality of service due inadequate replacement of fleet, customer dissatisfaction & losses due to non-adoption of cost minimizing techniques for factors solution. A very few research have done on financial performance of MSRTC as well as on other corporations also. And these methods, techniques are helpful to analysing the financial performance of MSRTC. Shilpa M. Trivedi (March 2010), may be concluded that GSRTC having very poor profitability. Due to underutilization of current as well as fixed assets, the revenue is not sufficient to cover even gross profit. Negative ratios indicate inefficiency in its operation. Besides, GSRTC could not efficiently utilize the funds supplied by its

creditors as well as owners. Moreover, it can not earn return on shareholders fund but instead suffers heavy losses.

Objectives of the study

- To analyze the financial performance of Maharashtra State Road Transport Corporation.
- To identify & examine the problems relating to the requirements of funds faced by MSRTC.
- To study of services providing by MSRTC as a social obligation.

Hypothesis of the study

Null Hypothesis: There is no significance difference between the Net Profit Ratio of MSRTC over the time of period.

$$H_0 : \mu = 1$$

Alternative Hypothesis: There is significance difference between the Net Profit Ratio of MSRTC over the time of period.

$$H_0 : \mu \neq 1$$

Research Methodology

This study is based on both, primary & mostly on secondary data.

Primary Data: It is collected by the views & opinion of the concerned officials of MSRTC which is taken into accounts while analyzing the research work. Here will not use the sample study.

Secondary Data: It is collected from the various types of published reports, annual reports of MSRTC, Journals, Articles, audit reports, Newspapers, Periodicals relating of transport industry, Bus depot, Books, etc.

Limitation of the study

- 1) This study is limited only for Maharashtra.
- 2) Period of the study is for the year 2007-08 to 2012-13.

Introduction of MSRTC

Road transport has close relation with human life. It is essential for development of any nation. It assumed importance during the period of industrialization. Before independence, there had been continuing road passenger transportation business in unorganized system. Private businessman ignored security & services of passengers. There was exploitation of passengers. Therefore for country's development government established "Maharashtra State Road Transport Corporation" as per the provision in section 3 of RTC act 1950. Before this establishment MSRTC named was Bombay State Road Transport Corporation, which was established under provision of the 1948 Act.

Maharashtra is one of the few States where passenger transportation has been completely nationalized. MSRTC carried out an ambitious expansion plan by laying down the principle of linking each and every village by bus service. MSRTC's principal slogan is "Where there is a road there is a bus service". This approach has been responsible for extensive route network in the entire state of Maharashtra. MSRTC has made significant contribution by creating a good road transport infrastructure for developing the rural economy in the state.

Organizational Structure of MSRTC

Central Office	1
Regional offices	6
Divisional Offices	30
Central Workshops	6
Depots	248
Bus Stops	4277
ST Stands	540
Buses	17500

Routes	16698
Employees	1,04,000
Drivers	33000
Conductors	33000

MSRTC runs one Printing press at Kurla, Vidyavihar, Mumbai for printing of tickets and other stationary, it runs Education centre also.

It is not only working in the area of providing transport facility to passengers but it also provides service of carriage of parcels, cargo, courier and Allied Material by using the carriage of buses.

Financial Performance of MSRTC

Financial performance of an enterprise gives an idea of the nature & size of funds employed in the organization. The financial performance also indicates the inter relationship of difficult components to each other & to the aggregate. These elements influence the cost of capital employed in the organization which influences cost & prices & consequently determine the minimum require rate of return on investment.

To know & study the financial performance of MSRTC, here have to see the current financial performance of it. That given below of the year 2011-2012 & 2012-2013 in amount of crore.

Particular	2011-12	2012-2013
Revenues (from passengers & other)	5600.25	6095.79
Expenditures (staff cost including welfare, diesel, ta interest, other expenses)	5541.09	6483.96
Profit/loss (Revenue-Expenditure)	59.16	-388.17
Prior Period Adjustments	4.81	-40.66
Net Profit/Loss (Profit/loss + Prior Period Adjustments)	63.97	-428.83

Now there is net loss (428.83 crore) for the year 2012-13 to MSRTC. It earned profit from last few years but in 2012-2013 it gone in predicament. This is essential to study to find out problems where & by which factors it suffering the loss.

The present study is very wide which will covers all aspects affecting the financial performance such as long term & short term sources of finances, cost of capital, cost & income activity, impact of social obligation, capital structure, material efficiency, bus fare, liquidity, profitability, cash generalization ability, results of corporation policies & operations in monetary term & overall financial health given the period of the study.

In India the states and city transportation is managed by Respective State Governments. MSRTC is one of them. It provides valuable services & safety to the passengers. But it has been facing various problems of different types. Such as accident, fares, timings, competition from private bus /taxi autorikshaw, Burden of social obligations etc. by these reason it goes in predicament.

Inability (due to political compulsions) to link the price of the service to the increase in the input cost due to fuel, spares, depreciation, and wages. The price of diesel has increased year after year but the fare structure has not been revised with the similar pattern. Not only the cost of diesel and fuel has gone up but the cost of salary and wages has also gone up substantially. So naturally there is an imbalance between the cost incurred and the revenue generated.

Net Profit Ration (Percentages) in MSRTC From 2007-08 to 2012-13 (Rs. in Crore)

Sr. No.	Year	Net Profit	Net Revenue	Ratio
1	2007-08	159.23	3869.55	4.11
2	2008-09	117.98	4196.19	2.81
3	2009-10	77.88	4370.12	1.78
4	20010-11	70.68	4950.23	1.42

5	2011-12	63.97	5600.25	1.14
6	2012-13	-428.83	6095.79	-7.03
Average		10.15	4848.69	0.70
S D		218.04	865.57	3.94
C V %		2148.18	17.85	562.86

The ratio shows decreasing trends during the period 2007-08 to 2012-13. The net profit ratio high only in the year 2007-08 & it directly goes in minus position in the year 2012-13 that is very high loss.

A study of time wise variance of net profit ratio of GSRTC would be of interest. This may be studied by applying t-test.

Null Hypothesis: There is no significance difference between the Net Profit Ratio of MSRTC over the time of period.

$$H_0 : \mu = 1$$

Alternative Hypothesis: There is significance difference between the Net Profit Ratio of MSRTC over the time of period.

$$H_0 : \mu \neq 1$$

Level of Significance = 5 percent

Critical Value = 2.571

Degree of Freedom = 5

t-test presented in the following table

X	S D	C V %	df	't' ratio Calculated Value	't' ratioTable Value
0.70	3.94	562.86	5	-4.25	2.571

Since the computed value of t-test (-4.25) is more than critical value (2.571) so H_0 is rejected. And we can conclude that, there is significance difference between the Net Profit Ratio of MSRTC over the time of period.

Conclusion

Any country's development or any industrial development is possible only with the help of communication and transportation. Especially with reference to the movement of people into cities in rural and semi urban areas happens to be road transport. The main users of roads are private and public vehicles but the fact remains, public vehicles largely used by 80% of middle class and lower class people provided by Government of Maharashtra that is Maharashtra State Road Transport Corporation.

MSRTC is providing various services such as passes, tours, yatra (festivity services), parcel, couriers & other goods transport, computerized reservation facility, amount get by MSRTC to injurious person in the accident, public fixed deposit scheme also have in MSRTC, MINI bus services, ladies employees, passenger gathering movement, journey as you like, accident prohibited solution & travel protection, employees training, security campaign help to accidental people, public court, air conditioned bus service, cleanliness of buses, etc.

These above all factors are responsible to increase the expenditure side of MSRTC and diesel prize increasing, bus fare rates does not increasing so how it earn profit. That understood after saw the net profit of the year 2012-13 have in minus position. Here is the need of government support to MSRTC. And also this paper found somewhere has mismanagement of MSRTC.

Suggestions

The MSRTC should follow strict rules, regulations & measurement for detection & prevention of leakage of revenue. Therefore the incidence of leakage of considerable sum of revenue is saved. Audit of way bills, rotation of conductors in duty charts, proper disciplinary action, counseling of conductors are few measures to control the leakage of revenue.

The state government should reimburse the losses stated in annual accounts & audit reports in the form of a subsidy.

Corporation has been increasing number of operating routes without any commercial considering & it experiencing operational losses. Therefore, whenever the corporation prepare new routes at that time it is suggested to conduct viability study at operational level & also considered route-wise commercial viability. By this help reduce the operational losses & increasing operational profits of MSRTC.

MSRTC should prepare bus route income per day, cost per kilometer, remuneration of conductor/driver per day, fleet maintenance expenses, diesel expenses, staff expenses, operational expenses, etc. Therefore it should be prepare cost reduction strategies & cost benefit analysis.

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