

Financial Performance Evaluation of APSRTC

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Abstract

The bus transport becomes the prime requirement for people's mobility, as also for the movement of goods. The road transport forms an indispensable integral element of the national transportation system and contributes to the country's overall development. Passenger road transport is a public utility having sufficient influence on all the social and economic development of a country.

The Andhra Pradesh State Road Transport Corporation (APSRTC) was established on 11th January 1958. At present it has 21,469 (own and hired) buses and 1,15,898 employees. APSRTC is operating services to the neighbouring States of Maharashtra, Orissa, Chattisgarh, Goa, Karnataka, Tamilnadu and Pondyicherry.

The financial performance is an important factor which influences the finances of the organization. It is usually judged in terms of profits. The higher the profitability, the more efficient the firm is.

The objective of this research paper is to assess the financial performance evaluation of APSRTC. Based on the secondary data, collected from the APSRTC Head office Hyderabad and from RTC websites this work was assessed.

Based on different analyses of capital structure and revenue and expenditure parameters the financial performance of APSRTC was assessed in this paper and concluded with findings and suggestions.

Keywords

APSRTC, Financial Performance Bus Passenger Transport.

I. Introduction

Transport is an essential ingredient of infrastructure that plays a pivotal role in upgrading the quality of human life. The bus transport becomes the prime requirement for people's mobility, as also for the movement of goods. The road transport forms an indispensable integral element of the national transportation system and contributes to the countries overall development.

Passenger road transport is a public utility having sufficient influence on all the social and economic development of a country. Passenger road transport gathered a momentum in India with the passing of the Road Transport Corporations Act in 1950 by the Indian Parliament. The first road transport undertaking came into being in 1932 in the princely State of Hyderabad.

II. Profile of APSRTC

The Andhra Pradesh State Road Transport Corporation (APSRTC) was established on 11th January 1958. The dynamic development of AP road transport can be traced out with the formation of APSRTC. At the time of formation, the corporation had a fleet of 609 buses, 16 depots and 5081 employees.

At present it has 21,469 (own and hired) buses and 1,15,898 employees. It has a network covering 95percent of passenger road transport services operating from 202 depots, under the administrative control of 23 regions and 7 zones. APSRTC continues to occupy the prime position among the transport undertakings in the country.

The APSRTC transports around 12 million people every day, with the services rendered by the dedicated strength of 1.15 lakh

employees. This corporation has built 523 bus stations, in urban and 242 in semi-urban, totally 765 bus stations and 1880 bus shelters. The total numbers of routes offered are 7822.

Besides covering the entire State of Andhra Pradesh with inter-district, inter-city and intra-city services in all major cities, APSRTC operates services to the neighbouring States of Maharashtra, Orissa, Chattisgarh, Goa, Karnataka, Tamilnadu and Pondyicherry.

III. Objective of the Research Paper

The objective of this research paper is to assess the financial performance evaluation of APSRTC and to identify the problems concluded with suggestions. Based on the secondary data which is to be collected from the APSRTC Head office and RTC website this work was assessed.

IV. Capital Structure of APSRTC

Table 1 and 2 explains the liabilities and assets between 2003-04 and 2008-09. The total liabilities and assets in 2003-04 were Rs.3303.10 crores and in 2008-09 are Rs.4866.48 crores. Between these years the increased liabilities are Rs.1563.38 crores. During these 7 years, every year the liabilities are increasing on an average of 300 to 500 crores.

V. Total Liabilities of APSRTC

Table 1 explains the total liabilities like capital, funds, loans, current liabilities and provisions etc in detail during 2003-04 to 2008-09.

A. Capital

The equity capital of corporation Rs.133.19 crores was contributed by the State government. The equity capital of Rs.61.07 crores was contributed by the central government There is no change and additional contribution from the state government in the shape of capital during 2003-04 and 2008-09.

B. Funds

The corporation funds are Rs.1669.98 crores in 2003-04 and Rs.1823.66 crores in 2008-09. The funds are in the shape of depreciation fund, gratuity fund, SRBS (APSRTC contribution) fund, insurance fund and stores obsolescence fund. The total funds available from depreciation fund is 88 percent, from gratuity fund 8 percent, from SRBS fund-APSRTC contribution 3 percent and remaining 1 percent, is from insurance and store obsolescence funds.

C. Loans

The Corporation raised loans for its purposes from different banks and financial institutions like LIC of India, government guaranteed loans, state government loans, staff retirement benefit schemes and APSRTC staff benevolent cum thrift scheme.

The total loans raised by the corporation in 2003-04 are Rs.1040.98 crores and it was Rs.1404.47 crores in 2008-09. The increase of loans in the assessment period is Rs.363.49 crores. The loans generated from banks and financial institutions are 40 percent, from retired staff benefit scheme 19 percent, from APSRTC staff benevolent-cum-thrift scheme 14 percent, from LIC of loan India 11 percent and from guaranteed loans 7 percent.

D. Current Liabilities and Provisions

Among different liabilities and provisions, the revenue liabilities have major share; after that deposits and non dept recovery have the second and third places. The revenue liabilities in the year 2003-04 are Rs.210.59 crores and they increase to Rs.1108.81 crores in 2008-09. The increase in revenue liabilities between 2003-04 and 2008-09 is very high. It was Rs 898.22 crores.

Table: 1 Total Liabilities of APSRTC from 2003-04 to 2009-10 (Rs. in crores)

Description	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Equity Capital- State Government	133.19	133.19	133.19	133.19	133.19	133.19
Equity Capital-Central Government	61.07	61.07	61.07	61.07	61.07	61.07
Others Capital	11.97	11.19	10.73	10.26	12.26	25.36
Funds	1669.98	1660.03	1765.40	1853.59	1850.42	1823.66
Loans	1040.98	1325.89	1157.00	1095.69	1299.74	1404.47
Revenue Liabilities	210.59	409.40	434.45	875.38	891.81	1108.81
Purchases, Deposits	175.32	199.98	183.05	259.54	272.17	309.92
Total Liabilities	3303.10	3800.75	3744.89	4288.72	4520.66	4866.48

VI. Total Assets of APSRTC

Table 2 demonstrates the total assets of APSRTC. They are fixed assets, current assets, financial assistance from government, sundry debtors and receivables and net revenue appropriation account.

A. Fixed Assets

Among the total assets of the corporation the fixed assets are Rs.1971.87 crores in the year 2003-04 and they are increased to Rs.2516.46 crores in 2008-09. The fixed assets increased in these years were Rs.544.59 crores. The fixed assets are in the shape of vehicles, building, plant and machinery and land. Among these the share of vehicles was 78 percent, buildings 15 percent, plant and machinery 5 percent and land contain 2 percent.

B. Current Assets, Loans and Advances

The loans and advances in 2003-04 were Rs.155.22 crores and they were increased to Rs. 178.33crores in 2008-09.

C. Financial Assistance from the Government

In this head, the financial assistance from the government in 2003-04 was Rs.100.03 crores, in 2008-09 financial assistance received by the corporation was Rs. 178.33 crores only. The assistance in 2004-05 was Rs.95.70 crores, in 2005-06 it was Rs.75.73 crores, in 2006-07 it was Rs.59.28 crores and in 2007-08 it was Rs.42.26 crores.

Table: 2 Total Assets of APSRTC from 2003-04 to 2009-10 (Rs. in crores)

Description	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Fixed Assets	1971.87	2101.36	2138.48	2255.80	2393.11	2516.46
Current Assets, Loans, Advances	152.22	291.18	162.88	128.68	165.24	178.33
Financial Assistant from the Government	100.03	95.70	75.73	59.28	42.26	165.21
Sundry Debtors and Receivables	60.16	68.81	81.33	376.66	657.43	854.64
Net Revenue Appropriation Account	1018.82	1243.70	1286.47	1468.30	1262.62	1151.84
Total Assets	3303.10	3800.75	3744.89	4288.72	4520.66	4866.48

Source: APSRTC Annual Reports

D. Sundry Debtors and Receivables

The sundry debtors and receivables by the corporation in the year 2003-04 was Rs.60.16 crores and in 2008-09 it was Rs.854.64 crores.

E. Net Revenue Appropriation Account

In 2003-04 it was Rs.1060.04 crores and in 2008-09 it was Rs.1151.84 crores. The net revenue appropriation account is nothing but accumulated net loss, carried over from previous years to balance sheet. The total accumulated losses of corporation were Rs.1060.04 crores in year 2003-04. At Present it was nearly Rs.2500 crores.

VII. Financial Performance of APSRTC

The financial performance is an important factor which influences the finances of the organization. It is usually judged in terms of profits. Profitability is considered a proof of efficiency. The higher the profitability, the more efficient the firm is. But the lack of freedom and inability to fix the fares so as to represent the rising costs of operation to meet the need becomes a hurdle for profitability. In the presence of an obligation to run uneconomic services apart from the lack of competition, profitability becomes an inadequate

measure.

The financial performance of APSRTC is presented for a period, commencing from 2003-04 and ending with 2009-10 in Table 3 and 4 with comparing revenue and expenditure of the corporation.

VIII. Total Revenue of APSRTC

Table 3 explains that, the total revenue of the APSRTC in 2003-04 was Rs.3121.20 crores, in 2009-10 it was Rs.5206.26 crores. The revenue contains traffic revenue, subsidy reimbursement from government and non traffic revenue etc. In 7 years of working the revenue growth was Rs.2085.06 crores.

A. Traffic Revenue

The traffic revenue is the major source of the corporation which contains 89 percent of the total revenue. The traffic revenue in 2003-04 was Rs.2773.19 crores and in 2009-10 it was Rs.4398.55 crores. The increase was Rs.1625.36 crores in 7 years span. The increase is 58.60 percent.

The traffic revenue is collected through sales of tickets, contract services, postal services, mail services and from hired vehicles. Every year the traffic revenue was increased at an average of Rs.20 to Rs.30 crores.

B. Subsidy from Government

The APSRTC provides different types of services to passengers with subsidy / concession rates, based on the direction of government of A.P. The 100 percent subsidy / reimbursement from government in year 2003-04 was Rs.152.73 crores, in 2004-05 it was Rs.170.69 crores, in 2005-06 it was Rs.368.50 crores, in 2006-07 it was Rs.405.35 crores, in 2007-08 it was Rs.433.96 crores and in 2009-10 it was Rs.540.79 crores.

Table: 3 Revenue of APSRTC During 2004-2010 (Rs. in crores)

Description	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Traffic	2773.19	2937.42	3192.60	3658.19	3879.14	4237.70	4398.55
Subsidy/Reimbursement from government	152.73	170.69	368.50	405.35	433.96	469.37	540.79
Non Traffic	348.01	278.38	115.27	123.85	144.45	332.46	266.92
Total Revenue	3121.20	3215.80	3676.37	4187.39	4457.55	5039.53	5206.26

C. Non Traffic Revenue

The non traffic revenue of the corporation in the year 2003-04 was Rs.348.01crores in 2009-10 it was Rs.266.92 crores. The non traffic revenue contains different sources like subsidy concession, rents, sale of scrap vehicles, sale of scrap materials, clinical service charges, advertising fees etc. The decrease on the non traffic revenue between the years 2003-04 to 2009-10 was Rs.71.64 crores

IX. Total Expenditure of APSRTC

Table 4 explains that, the total expenditure of the APSRTC in the year 2003-04 was Rs.3,163.22 crores and in 2009-10 it was Rs.5,720.81 crores. In 7 years the expenditure was continuously increasing. The expenditure increased in the years 2003-04 and 2009-10 was Rs.2557.79 crores.

A. Personnel Cost

The personnel cost in year 2003-04 was Rs.1,313.91 crores and in 2009-10 it was Rs.2,206.95 crores. The increased personnel cost in 7 years was Rs.893.04. The personnel cost contains 38.5 percent of the total cost. The personnel cost includes salaries and allowances for staff, provident funds, gratuity, tickets printing, cleaning and sweeping charges and clerical charges etc.

B. Material Cost

Material cost includes fuel/power, Lubricants, reconditioned items cost. In the total cost, the material cost contains 31.84percent. In the Material cost the fuel cost has 82.39percent share. The total material cost in 2003-04 was Rs.1,040.64 crores and in 2009-10 was Rs.1,821.78 crores. In 7 years the increase of total cost was Rs.781.14 crores.

C. Fuel

The fuel or power expenditure cost in 2003-04 was Rs.838 crores; in 2006-07 it was Rs.1,428.04 crores and in 2009-10 it was Rs.1,501.09 crores. The fuel cost increased in 7 years of span except during 2009-10. The average increase was Rs.175 to Rs.225 crores per year. Within 7 years the increase of the fuel cost was Rs.663.09 crores between 2003-04 and 2009-10.

D. M.V.Tax

The total cost of M.V.Tax paid by the corporation to the government in 2003-04 was Rs.339.27 crores. It was increased to Rs.361.89 crores in the year 2004-05 and in 2005-06 the M.V.Tax reduces to Rs.248.96 crores. In 2005 the government reduced the M.V.Tax from 10 percent to 5 percent on city services and 12.5 percent to 7 percent on district services.

E. Interest on Borrowing

One of the important expenditures of APSRTC was paying interest on borrowings from different institutions. The interest cost of such borrowings in 2003-04 was Rs.105.22 crores and it was Rs.114.64 crores in 2009-10.

F. Depreciation

The depreciation cost on buses in 2003-04 was Rs.110.85 crores and in 2009-10 it was Rs.224.91 crores. It contains 3.93 percent in the total cost. It was increasing for the past 7 years.

G. Payment to Hire Buses

The payment cost to hire buses in 2003-04 was Rs.233.50 crores, it increased to Rs.906.19 crores in 2009-10. It has the share of 15.84 percent in the total expenditure of the corporation. The

income from hire buses in 2003-04 was Rs.225.52 in 2009-10 it was Rs.816.23 crores.

Because of hiring bus service the corporation continuously faced losses except for one year i.e. 2006-07 which was Rs.4.47 crores of profit. The losses which APSRTC faced in 2003-04 were Rs.7.98 crores and in 2009-10 it was Rs.89.96 crores.

Table: 4 Total Cost of APSRTC During 2004-2010 (Rs. in Crores)

Description	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Personnel Cost :	1313.91	1359.20	1417.28	1744.77	1585.92	1658.61	2206.95
Material Cost (Fuel)	838.00	1015.01	1258.86	1428.04	1440.17	1548.89	1501.09
Other material cost	202.64	203.02	232.38	296.67	317.34	318.15	320.69
Taxes : M.V.Tax	339.27	361.89	248.96	260.28	257.82	263.24	279.43
Interest on Borrowings	105.22	102.90	86.49	76.13	91.25	116.87	114.64
Misc. And Others	19.83	20.55	57.09	118.67	130.53	140.17	166.89
Payment to Hire Buses	233.50	262.28	275.22	206.75	322.61	691.84	906.19
Depreciation on Buses	110.85	115.79	142.87	167.90	176.24	190.96	224.91
Total Cost	3163.22	3440.64	3719.15	4299.21	4321.89	4928.74	5720.81
Profit/Loss	-42.02	-224.84	-42.78	-111.82	135.66	110.79	-514.55

Source: APSRTC Annual Reports

H. Profit / Loss

In all the assessment years from 2003-04 to 2009-10, the APSRTC faced losses in 5 years and profits in 2 years. The losses in 2003-04 were Rs.42.02 crores, in 2004-05 it were Rs.224.84 crores, in 2005-06 it were Rs.42.78 crores, in 2006-07 it were Rs.111.82 crores and in 2009-10 it were Rs.514.55 crores. The profits in 2007-08 were Rs.135.66 crores and Rs.110.79 crores in 2008-09. The profits are only because of reduced M.V.Tax.

Based on different analyses of capital structure and revenue and expenditure parameters the financial performance of APSRTC was not satisfactory.

X. Findings and Suggestions

A. Inadequate Capital

Generally the sound organization will be based on good equity capital. The capital share of the state government was very minimum 2.88 percent in the total capital and liabilities of Rs.4866.48 crores in 2008-09.

It is suggested that, the government should invest Rs.1500 crores as equity capital in the RTC in five years at Rs.300 crores for each year.

B. Dependency on Funds

The APSRTC have 37.47 percent (Rs.1823.66 crores) of funds in total capital and liabilities in 2008-09. In the total fund of RTC, the share of normal depreciation fund was 88 percent and gratuity fund was 8 percent and remain 4 percent are other funds in 2005-06.

It is proposed to reduce the normal depreciation fund and spent the same to reduce loans and current liabilities. The APSRTC should aim to build up a corpus fund over a period of five years to help to increase the revenue and to undertake capital investment. The government must enable the corporation to raise additional funds by giving guarantee to debentures and in return it will help in lowering the interest rate.

C. Increasing Loans and Revenue Liabilities

The RTC depends more upon loans and revenue liabilities. Increasing loans and revenue liabilities is a very dangerous phenomenon. The total loans are 28.86 percent and revenue liabilities are 22.78

percent in total capital and liabilities are Rs.4866.48 crores. Majority loans are from banks and LIC which were 51 percent by hypothecation of RTC vehicles.

The study suggested that, to avoid this position the government may consider about granting additional funds required to APSRTC as repayable loans. So that it would impose better financial discipline.

D. Increased Sundry Debtors and Receivables

The increase in sundry debtors is one of the dangerous problems in RTC. It was Rs.60.16 crores in 2003-04 and it increased to Rs.854.64 crores in 2008-09, which was equal to 17.56percent of total properties and assets.

It is advised that, the RTC should concentrate in collecting dues from debtors and receivables immediately. Rs.854.64 crores of amounts is not an ordinary thing. It will be useful to maintain the operating expenses throughout the state.

E. Accumulated Losses

Every year the RTC is facing losses continuously. The accumulated losses in 2008-09 were Rs.1151.84 crores. In the year 2009-10 losses were Rs.514.55 crores. In 2010-2011 year the losses were Rs.317 crores and in 2011-12 losses were above Rs.500 crores. At present, approximately the accumulated losses of APSRTC may reach up to Rs.2500 crores.

It is recommended that, A.P. government as the owner of the corporation is responsible for the losses and may provide Rs.1000 crores financial support to reduce accumulated losses.

F. Subsidy/Reimbursement of Concessions

The APSRTC announces concessions by the direction of the government of AP to different groups of people like students, journalists, physically challenged and others. It is the mere political interest of the government that has to be implemented by APSRTC as a compulsion. The government always agrees to reimburse the total concessions cost to APSRTC and hardly succeeds. The government never reimburses the subsidy properly. This is a big problem for the APSRTC.

It is suggested that, the state government should reimburse concessions subsidy total amount in three phases in the ratio of 50 percent after 6months, 25 percent after 3months and 25

percent after 3 months to RTC properly and should be cleared before the closing of financial year, so as to meet operating cost and to reduce the huge cost burden. Proper steps should be taken by the government to pay the subsidy amount to RTC otherwise it is suggested that to remove the concessions of all sections.

G. Private Bus Operators

55 percent of profits are squeezed by the private operators. There is no control over private bus transport. Owing to this, RTC is facing financial problems and losses. The extent of illegal competition from private operators on the paying routes has increased considerably in the recent past under the guard of various names such as contract carriages, tourist services etc. The government knows about the facts and effects on economic conditions of RTC. But the government officials are not serious about this, because of political influence of the private operators.

It is recommended that, the government must play a strictly regulatory and impartial role to rectify defects in Transport Act. The government may take effective steps to control illegal operations of the private bus operators and regulate the operation of private buses as well.

H. Losses Due to Bandhs and Political Rallies/ Programmes

Losses sustained by the APSRTC is related to the damage and cancellation of buses during agitations, bandhs, rallies and other social protests generally in response to particular government policies. The activists target public property especially buses at the time of agitations bandhs etc. The other forms of losses that occurred for RTC is the government / ruling party hires APSRTC buses for activities such as Praja padam, Rejeev palle bata and for other political rallies / meetings without paying to the organization.

It is proposed that, the RTC should impose severe cases on activists who is responsible for damage of the buses at the time of bandhs / agitations. RTC should not provide buses for ruling party / government activities/meetings without receiving total amount or sufficient advance for booking.

I. Reducing Non-Traffic Revenue

The non-traffic revenue like rents, sale of scrap vehicles, sale of scrap materials, advertising fees etc. shows negative trend and it is decreasing every year.

It is suggested that, there is a large scope to improve non-traffic revenue in APSRTC through launching of major advertising campaign. It should implement some measures to improve luggage revenue, introduction of parcel services and introduce of cargo buses will help for the same. RTC can introduce postal services; produce high security number plates; pay and park and commercial complexes in vacant lands of RTC in the cities to have revenue.

J. Increase in Fuel (Diesel) Cost

RTC purchases fuel for Rs. 1500 crores approximately per year. The fuel cost share was 26.24 percent in total expenditure of the RTC.

It is recommended that, tendering for purchase of diesel and by ensuring the supply of certain important input Hsd oil at controlled prices is to be implemented. RTC can establish petrol / gas bunks in vacant places of RTCs so as to raise income sources.

K. Heavy Taxes

The RTC is paying crores of rupees in the shape of taxes like

M.V.Tax, Sales Tax, VAT etc to the government. The government organizations like APZENCO, TRANSCO, CPOCL has paying VAT 4 percent only, where as RTC is paying 14 percent. RTC was paying Motor Vehicle Tax 6.6 percent.

It suggested that, the government is giving subsidy for Motor vehicle tax to the other organizations and subsidy is being paid by the government. It has to end its discriminatory tax policy by bringing down the Motor Vehicle Tax (MVT) to a uniform 6 percent of the traffic revenue, as prevalent in the neighbouring states. The Government should reduce VAT, M.V.Tax and Sales Tax on APSRTC. This will result in reducing losses.

L. Losses from Hired Buses

The payment cost to hire buses in 2003-04 was Rs.233.50 crores. It continuously increased in years and it was Rs.906.19 crores in 2009-10. It has the share of 15.84 percent in the total expenditure of the corporation.

It is advised that, as a part of calculating services wise profitability, corporation has to identify the loss gaining hired buses and they must stop or their route must be redesigned for getting profits. The profitable hired buses can be continued.

The study assures that the recommended suggestions are useful to improve financial performance of APSRTC.

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