

A STUDY ON OPERATING COST AND IT'S EFFECT ON PERFORMANCE OF KSRTC

Justin Joseph

ABSTRACT

A great transportation system has to be a boon to the city, while a bad one should be a curse. Kerala was controlled by the British East India Company for first half of the 18th century. The effects of British rule were both positive and harmful. Stressing the positive impact, the Indian economy has become more structured, allowing it to compete with other world economies. Banking, public administration, military organization, modern medicine, education, English language and literature, and road, rail, and water transportation networks all flourished. To manage the princely states of India and to export spices and other precious raw commodities to Europe, the British East India Company had a pressing need develop a public transport system in India. Sir C.P RamaswamyIyer was an Indian politician. At the time, the Minister of Travancore recognized the need for a public transportation system and believed it would be extremely beneficial to the general public. From 1936 to 1947, he served as an advisor to Sri Chithirathirunal before being promoted as Minister of Travancore. Sir C. P. gave the Kerala public road transportation system his full support, and it was opened by Shri. ChithiraThirunal Balarama Varma in 1938. During his reign, Travancore saw a slew of social improvements. Travancore became the first state in India to nationalize road transport under his leadership in 1940. Following independence, the Travancore State Transport Department was reorganized to increase efficiency and satisfy social obligations by providing improved passenger transportation and extending service. Kerala State Road Transport Corporation was founded on March 1, 1965. The Road Transport Corporation Act of 1950, the Motor Vehicle Act of 1950, which was amended in 1956 to include provisions regarding the nationalisation of passenger service, and the Motor Vehicle Act of 1988, which was amended in 1988 to include provisions regarding the collection of vehicle tax, issuing motor vehicle licences and permits, vehicle registration, and other matters, were all enacted before becoming an autonomous corporation. The Motor Accident Claim Tribunal was established to provide insurance protection for passengers in the event of an accident, and the Consumer Dispute Redressal Forum was established to address passenger complaints (CDRF). The legal framework is as follows.

INTRODUCTON

Businesses must keep track of both running expenditures and costs related with non-operating activities, such as interest payments on a loan. Both expenses are treated differently in a company's records, allowing analysts to see how costs are linked to revenue-generating activities and whether the company can be operated more efficiently.

In general, a firm's management will strive to increase earnings for the company. Because profits are decided by both the amount of revenue earned and the amount spent to run, profit may be enhanced by both growing revenue and cutting operating costs. Managers will frequently be ready to cut costs since it appears to be a simpler and more accessible approach to improving earnings. Cutting operational costs too much, on the other hand, might lower a company's productivity and, as a result, its profit. While lowering any single operating cost usually boosts short-term profitability, it can impair the company's long-term earnings. For example, if a corporation reduces its advertising costs, its short-term profits will almost certainly increase because it will be spending less money on operating costs.

However, by limiting its advertising, the company may be reducing its ability to generate new customers, and future earnings may suffer as a result. In an ideal world, businesses would keep operating expenses as low as possible while still increasing revenues. Operating costs are expenses incurred on a daily basis for the upkeep and administration of a firm.

Profits, or the net margin between revenues and costs, are commonly used to assess financial performance. Profitability is usually used as a yardstick for gauging efficiency. The more profitable the company is, the more efficient it is. However, a public sector service project such as the KSRTC is required to achieve certain social objectives in addition to economic ones. The achievement of these social goals has a direct impact on the Corporation's financial performance. As a result, an attempt is made here to evaluate the KSRTC's financial performance and demonstrate its ability to act in accordance with 'business principles.'

As profit is the difference between total revenues and total costs of any organisation, it is necessary to analyse the component parts of revenues and costs. Total 135 revenue consists of operating revenue and non-operating revenue. In the case of the KSRTC, operating revenue refers to the amount realized by the sale of services which is represented by its regular operations[^]- Operating revenue is further divided into 'revenue from passengers' and 'revenue from other sources. Other sources include items like Contract Service, Passenger Luggage, Parcel Services, etc. v Nonoperating revenue consists of those revenue receipts which do not arise out of the regular operations of the Corporation. It includes items like receipts emerging out of the sale of scrap, advertising, etc.

Similarly, operating and non-operating costs make up for the total costs of the concern. Operating costs include various expenses incurred on conducting the regular operations of the Corporation. They comprise of : 2 1. Personnel Cost 2. Fuel and Oil Cost 3. Other Material Cost 4 4. . Tax Cost 5. Insurance and Depreciation Cost Miscellaneous Cost[^] 6. 136 The main item of non-operating cost of the KSRTC is interest paid on capital contributions and other interest payments. This is included under the non-operating category as suggested by experts.

REVIEW OF LITREATURE

The journey has to continue. The KSRTC is known as the peace caravan and the movement of

comfort. The overall winner in terms of travel for travellers. The fire beams on KSRTC while the show continues. The institution's diamond core is made up of the disaster of a journey and the frazzled tempers of travellers. A mechanical person's hurry-hurry life frequently necessitates being smacked on the hue. The diversity of KSRTC's clients has been demonstrated by the company's persistence on pursuing a single-point effort. Our winning team is dedicated to offering a high-quality service at a reasonable cost to all of our customers. Every year, our highly skilled professional drivers travel millions of kilometres on a variety of highways and in a variety of weather conditions. They are the people that work on the front lines, and without their expertise, we wouldn't be able to do what we do. The journey has to continue. The KSRTC is known as the peace caravan and the movement of comfort. The overall winner in terms of travel for travellers. The fire beams on KSRTC while the show continues. The institution's diamond core is made up of the disaster of a journey and the frazzled tempers of travellers. A mechanical person's hurry-hurry life frequently necessitates being smacked on the hue.

- 1. Dr.InduVijayan (2018)** did study on the "Pricing Policy of KSRTC-A Comparative Study with Karnataka State Road Transport Corporation," and discovered that KSRTC has two types of fares: basic and minimum. In Kerala, a research organisation known as PISCO is in charge of fare adjustment. In Kerala, along with PISCO, the state government's consent is required for fare fixing, however in Karnataka, a separate committee was established just for fare fixing. According to the Managing Director of Karnataka RTC, every Road Transport Corporation should create an automated fare adjustment Committee to save losses, and it does not require government approval. According to the research, only Karnataka, Bangalore, and Maharashtra are profitable among the 55 road transport corporations, while the others are in dire straits.
- 2. Lakshmi S. N. (2017)** conducted research on the topic "Propensity to Turnover among Female Employees-A Study on Kerala State Road Transport Corporation." The researcher points out that in 1990, KSRTC introduced women participation in the conductor cadre as a provision to provide for women empowerment and gender equality. The researcher investigates the determinants of job satisfaction and organisational commitment, as well as their impact on women's turnover intentions. The findings found that an employee's age, education, work happiness, dedication to the company, and length of service all had a significant impact on their intention to leave.
- 3. Vini M.S. and Sreekrishnan. P. (2017)** did a study titled "An Evaluation of the Performance of Kerala State Road Transport Corporation-A Case Study," in which the researcher examined the corporation's financial reports from 2012 to 2016. Schedules ran, number of buses, average daily collection, average earnings per kilometre, and average earnings per bus are all variables used to assess performance. Because of its rising operational costs, the KSRTC's performance is deteriorating. The Centre for Public Policy Research (2016) published a study titled "Challenges to the Role of Private Participation in Public Transportation: A Case of Kerala," which looked into the problem of the Kerala state government ceasing to issue new inter-district bus licences in 2012.

OBJECTIVES

The study's purpose

1. To assess the KSRTC's financial efficiency.
2. To determine the rise in the KSRTC's co-relation with the revenues and expenditures over the study period.
3. Determine the factors that has influenced in KSRTC's financial performance during the research period.

HYPOTHESIS

- H01: There is no significant relationship between operating expenses and non- operating expenses of KSRTC.
- H02: There is no significant relationship between Operating Revenue and Non- operating Revenue of KSRTC.
- H03: There is no significant relationship between Total Expenses and Total Revenue of KSRTC.
- H04: There is no significant impact of Income and Expenditure on Profitability of KSRTC.

RESEARCH METHODOLOGY

The current research is descriptive in nature and based on secondary data. From 2016-17 through 2020-21, the study period is limited to five fiscal years. Secondary data for the study was gathered from a variety of sources, including several websites, KSRTC annual reports, and various periodicals. For this investigation, the researcher chose KSRTC. Advanced

statistical tools, such as - Ratios, were used to make the analysis meaningful. With the help of SPSS, hypotheses were tested using correlation and regression. Package of 21 software

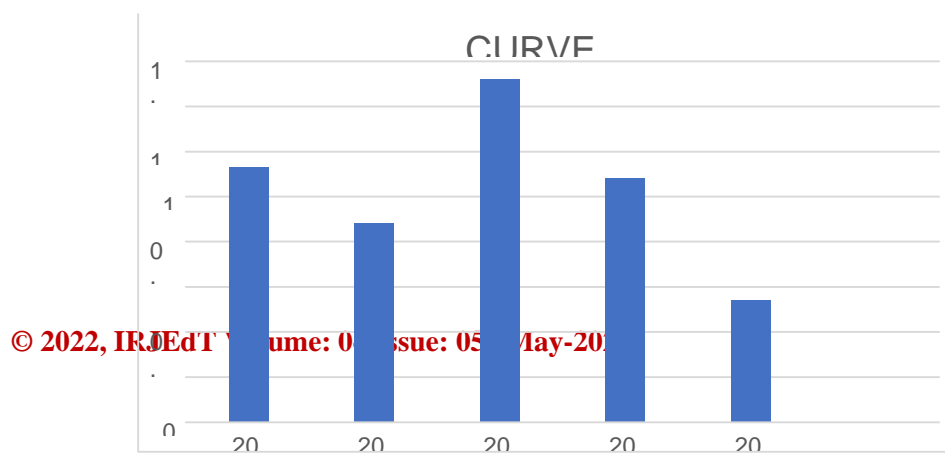
DATA ANALYSIS AND INTERPRETATION

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2017	12815	11376	1.13
2018	13267	15107	0.88
2019	14087	9267	1.52
2020	12237	11280	1.08
2021	14463	26816	0.54

Current Ratio:

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts show a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

The standard current ratio is 2:1. It reveals the current ratio in the year 2019 is the lowest at 0.54 with slight variations in the rest of the year and the highest being 1.52 in the year 2017. This is an indication that the firm did not have sound liquid position to meet its current recommended the strong obligation



		Operation expenses	Non operation expenses
Operating expenses	Pearson Correlation	1	0.96
	Sig (2- tailed)		0.01
	N	5	5
Non operating expenses	Pearson Correlation	0.96	1
	Sig (2- tailed)	0.01	
	N	5	5

H01:Null Hypothesis is Rejected 1 Pearson Correlation is 0.960, and $p = 0.01$ ($p < 0.05$) at confidence level of 0.01. Since $p < 0.05$, indicates there is high positive correlation between Operating expenses and Non- operating expenses of KSRTC. Hence Alternative hypothesis is accepted

		Operation expenses	Non operation expenses
Operating expenses	Pearson Correlation	1	-0.522
	Sig (2- tailed)		0.366
	N	5	5
Non operating expenses	Pearson Correlation	-0.522	1
	Sig (2- tailed)	0.366	
	N	5	5

H02: Alternative Hypothesis is Rejected as Pearson Correlation is - 0.522, and $p = 0.336$ ($p > 0.05$) at confidence level of 0.01. Since $p > 0.05$, indicates there is negative correlation between Operating revenue and Non-operating revenue of KSRTC. Hence Null hypothesis is accepted.

		Operation expenses	Non operation expenses
Operating expenses	Pearson Correlation	1	-0.784
	Sig (2- tailed)		0.117
	N	5	5
Non operating expenses	Pearson Correlation	-0.784	1
	Sig (2- tailed)	0.117	
	N	5	5

H03: Alternative Hypothesis is Rejected as Pearson Correlation is - 0.784, and $p = 0.117$ ($p > 0.05$) at confidence level of 0.01. Since $p > 0.05$, indicates there is negative correlation between total expenses and total revenue of KSRTC. Hence Null hypothesis is accepted

REGRESSION ANALYSIS

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	0.736	,542	0.083	5561.60154

A model Summary table provides the R and R² value. The R value is 0.736, which represents the simple correlation. It indicates lower degree of correlation between Income & expenditure and Net Profit. Since the R² value is 54.2 per cent approximately for Income & expenditure, it shows that Net profit is affected by 54.2 per cent and remaining 45.8 per cent by some other factor

LIMATATIONS

- The corporation didn't have enough cash on hand to pay its daily obligations. It is strongly advised that the KSRTC keep sufficient cash levels to cover its daily requirements, with an absolute liquid ratio of 0.5:1 or better.
- It is proposed that the firm boost sales in the future in order to better utilise assets;
- It is suggested that the company improve its net profit position in the future because profit motivation is the key purpose to stay in business.

CONCLUSION

KSRTC is the country's oldest and most well-known public limited business, with a sufficient name and reputation in the public's mind for the services it provides. KSRTC is

well-known for its brand name and high-quality service. Based on the evaluation approach, it can be determined that Financial Performance Analysis, such as Ratio Analysis, Correlation, and other statistical tools, have aided in the analysis of the project's performance.

The Organization did not preserve enough cash resources to satisfy present requirements, as shown by the preceding Ratio study. However, KSRTC's overall financial situation is satisfactory. We can also observe that management is putting in place strong business plans, which is a good indicator. The company is doing well in general, but it needs to improve.