

A B S T R A C TPERFORMANCE APPRAISAL OF PUBLIC ROAD TRANSPORT UNDERTAKINGS

(With Special Reference to K.S.R.T.C., Bangalore)

Transportation plays a primary role in achieving Industrial and Agricultural development. Besides, it has also sociological importance. Transportation may be considered as both a cause and consequence of economic development. Countries with lower per capita income show lower vehicle ownership. They also suffer from over utilisation of the transportation system because of the inadequate systems prevailing in these countries. Transportation may, therefore, be considered as a barometer of a nation's socio-economic progress.

In India, nearly sixty-one per cent of passenger traffic and thirty-three per cent of goods traffic are handled by road transport. In 1974-75 road transport contributed Rs.1238 crores to the national exchequer, compared to only Rs.231 crores contributed by the railways.<sup>1</sup> In passenger road transport, public road transport undertakings (PRTUs) play a major role by encompassing more than half of the fleet at the national level. As stipulated in the Road Transport Corporation Act of 1950, PRTUs are expected to play an important role in passenger road transport to the society. There exists an impression that, in general, the PRTUs have very poor record of performance with mounting deficits. The reasons for this poor financial performance may be many, including the non-existence of systems for performance evaluation.

PRTUs are expected to provide a low cost mode of transport, as a part of public services to the society. The returns on their capital cannot be taken as the sole measure of performance as is being done in the case of private enterprises. Therefore, the performance evaluation procedure for PRTUs has to be different from that of business enterprises.

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<sup>1</sup>Government of India, Motor Transport Statistics 1974-75, Ministry of Shipping and Transport, November, 1976, p.22.

Many PRTUs have been approaching the Government for various kinds of subsidies as they are established with an objective, apart from others, of providing low cost transportation to the society. There does not exist any particular criterion for providing subsidies to a particular State PRTU. One such criterion can be the operating performance.

This thesis is an attempt to provide a performance evaluation procedure and performance appraisal for PRTUs in India through inter-firm and intra-firm analysis. For the purpose of inter-firm analysis a few State Road Transport Corporations (SRTCs), Viz., Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Pepsu RTC, Rajasthan, Orissa, Himachal Pradesh and Uttar Pradesh; and a few City Transport Undertakings (CTUs), viz., Ahmedabad, Bombay, Delhi, Pallavan, Kolhapur and Calcutta are considered. For intra-firm comparison, an indepth study of Karnataka Corporation is taken up.

The procedure followed in making performance appraisal of PRTUs comprises, (i) identification and use of performance indicators, (ii) formulation of production functions, and (iii) productivity measurement. These methods are used either independently or jointly in the performance appraisal. Such an analysis is expected to provide a rational policy framework for effecting improvements in the working of PRTUs.

The analysis of the data has been carried out for different PRTUs to make inter-firm analysis. For intra-firm analysis different divisions of Karnataka Corporation<sup>2</sup> have been considered. Data for these purposes have been collected from both published and unpublished documents. Some of the major sources of data are, (i) Annual Administrative Reports of PRTUs, (ii) Compendium of Statistics of PRTUs, (iii) Report on the Performance of Nationalised Road Transport Undertakings, and (iv) Motor Transport Statistics of India.

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<sup>2</sup>For purpose of convenience in this study Karnataka State Road Transport Corporation is short named as Karnataka Corporation. Other State Road Transport Corporations have also been short named accordingly, for example, Bihar State Road Transport Corporation as Bihar Corporation, etc.

Several statistical and managerial techniques, like, multiple regression, canonical correlation, tests of significance, SWOT analysis etc., have been used for both inter-firm and intra-firm analysis. In the following sections important results of the study are discussed.

Inter-firm analysis indicated that among the SRTCs, Uttar Pradesh Corporation has the best overall performance, followed by Gujarat Corporation. The Himachal Pradesh Corporation has exhibited the poorest performance, followed by the Kerala Corporation. Among the CTUs the best overall performance is noted for Ahmedabad and second best performance for Pallivan Transport. Calcutta and Delhi undertakings have relatively poor performance.

The Cobb-Douglas production function has indicated constant returns to scale for both SRTCs and CTUs. The elasticity of capital has been found greater than the elasticity of labour. The variation in labour and capital productivity is quite substantial.

An indepth performance analysis has been carried out for the Karnataka Corporation as a case study. The Karnataka Corporation has been chosen for the study because, (i) the Karnataka Corporation is the fifth biggest PRTU and second biggest in South India, (ii) the Karnataka Corporation has shown an average performance, and (iii) easy accessibility to the data.

The Government of Mysore (the present Karnataka) accepted in principle the policy on nationalisation as early as 1945. This policy of phased nationalisation was implemented in the year 1948 by establishing the Mysore Government Road Transport Department. In the year 1961 Mysore State Road Transport Corporation was formed with a total fleet strength of 1645 vehicles. After the formation of the Corporation, State transport in Karnataka has developed very rapidly. As on March 31st, 1980, the Corporation had a total fleet strength of 4908 vehicles supported by 66 depots, 148 stations, and 31814 employees. The total capital invested in the Corporation was Rs.7807 lakh, and it operated 3453 lakh vehicle kilometres during the year 1979-80. The present level of nationalisation in the State is seventy per cent by area, and more than fifty four-per cent by fleet. Following are the important results of the performance analysis of Karnataka Corporation.

The best overall performance has been shown by the Hubli Division, and the poorest by Mysore Division. Trend analysis of performance has indicated an overall improvement in physical performance and quality of service. The efficiency of fixed factors of production, viz., capital and labour, has improved. The analysis of the production function indicated constant returns to scale, and greater elasticity of capital than elasticity of labour. Capital and labour productivity have also improved over the period from 1971-72 to 1975-76.

The performance evaluation as applied in this thesis, if carried out at regular intervals and accordingly corrective managerial action taken, will result in the overall improvement of PRTU. It has been possible to recommend certain management methods and policies for the improvement in performance of the PRTUs.

Though the study provides many guidelines for planning and policy formulation, certain limitations exist in regard to inter-firm comparison. The present study is at a macro level rather than at a micro level. Scope exists for further indepth studies and a revision of policies can be made on the basis of experience gained in this work.

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