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ANALYSIS OF FINANCIAL PERFORMANCE STATUS OF KARNATAKA STATE ROAD TRANSPORTATION CORPORATION

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ABSTRACT
In accordance with the provisions of the Road Transport Corporation Act 1950, the Karnataka State Road Transport Corporation [KSRTC] was founded in August 1961 with the aim of offering its workers suitable working conditions, such as fair wages, the establishment of provident funds, housing, places for rest and recreation, and other amenities, in addition to providing adequate, effective, economical, and well-coordinated road transport services. Hence, throwing a true light on the financial performance status of KSRTC is crucial to find out, which lights up on a thought of redesign, renovation of strategies on financial management discipline. Policy makers can catch the nerve of failure in financial performance of KSRTC to wake up and get into to job of revisit of financial and non-financial strategies for betterment of the corporation.
KEYWORDS: Financial performance, financial strategies, Karnataka State Road Transportation Corporation.

1. INTRODUCTION

Karnataka State Road Transport Corporation [KSRTC] it is a public transportation, ensuring connectivity between cities, towns and rural areas, creating job opportunities, promoting environmental benefits through reduced emission these ultimately benefiting the overall well-being and convenience of the people in the state. It is also contributing to the growth of the local economy while offering safe and regulated travel options, KSRTC supports the growth of industries and businesses, enabling the movement of goods and workers. Moreover, the revenue generated from bus fares and services helps the government fund public infrastructure projects etc. By this way KSRTC helps to develop the economy.

2. REVIEW OF LITERATURE

Anjesh H.L (2020)[1] explored a major findings of the study were "there was a significant difference between current ratio and quick ratio of KSRTC over the time of KSRTC", *Saminathan.R and Hemalatha.P (2020)*[2], To measure the financial performance of this study they use the comparative analysis with simple average calculation method. Simple average technique was used by considering the average of income and expenditure by multiplying with variables to arrive at the difference. *Devaraj Hanumappa et.al., (2015)*[3] showed that most depots are efficient, but some routes have significant opportunities for improvement in

Bangalore Metropolitan Transport Corporation. *Jose and Jisha Akkara (2019)*[4], evaluated the operational and financial performance of KSRTC and to compare the performance of various depots in KSRTC. *Berhan.E.et.al., (2013)*[6], showed that the overall operational and financial performance of the Anbessa City Bus Service Enterprise is inadequate. *Adhikaari.A.et.al (2015)*[7], assessed the DEA and regression-based financial performance evaluation framework for public bus transport in the context of Kolkata, a metropolitan city of India. The performance of Kolkata bus transport is major affected by the immeasurable financial performance because of increasing cost and decrease profitability, *Srinivasa Rao Chilumuri (2013)*[8] assessed the financial performance evaluation of APSRTC. The main objective of this study was to assess the financial performance evaluation of APSRTC. *Dhanisha Negi and Sunil Kumar Gupta (2017)*[9], found higher proportion of debt and consequently, the absence of capital contributions from the participating governments, the debt equity ratio did not reach the standard norm of 2:1 during the study period. *Prabhakar.D (2015)*[10], analysed the study on evaluation of financial performance analysis of NorthWestern Road Transport Corporation (NWKSRTC). The main objective of this study to analyse the solvency, liquidity, profitability and also to assess the financial stability of the concern. The data was collected through secondary source.

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3. RESEARCH GAP

Performance Analysis

Out of the review of literature it is clear that, there are limited studies conducted on the financial performance of KSRTC. But no studies conducted during the past 2 years from 2020-21 to 2021-22. Hence to fill that particular research gap the present study has been conducted.

4. OBJECTIVES OF THE STUDY

1. To explore the Liquidity position of the Karnataka State Road Transport Corporation.
2. To assess the Profitability position of the Karnataka State Road Transport Corporation.
3. To examine the Solvency condition of Karnataka State Road Transport Corporation.

5.HYPOTHESES OF THE STUDY

$H_0$1: There is a signification relationship between Current ratio and Return on Assets of KSRTC during the study period.

$H_0$2: There is a significant impact of liquid ratio on Return on Capital Employed of KSRTC during the study period.

The study has been used advanced Excel software to test hypotheses statistically using Co-efficient of Correlation and Regression techniques.

6. NEED OF THE STUDY

There is many news over instability of KSRTC performance (Prajavani.com, The Hindu) and problems of employees in KSRTC. With this strong base the present study is essential to assess the liquidity, profitability and solvency of KSRTC.

7. SCOPE OF THE STUDY

This study also extended its scope to analyse the Liquidity, Profitability and Solvency of KSRTC from 2018-19 to 2020-221.

8. RESEARCH METHODOLOGY

Research methodology plays a very crucial role in every research study. It involves data collection, sample size, sample technique and tools and techniques etc.

8.1. Data Collection

The primary and secondary data are used for this study, the secondary data which is needed for the study was collected from annual audited financial reports of the KSRTC from their official website.

8.2. Sample Size and Technique

To gather secondary data for the study, it has been taken study period from 2018-19 to 2020-21 annual report of KSRTC.

8.3. Tools and Techniques

To study the financial performance status, the present study has been chosen three major areas in the Corporation such as liquidity, profitability and solvency status of KSRTC. To test the status of financial performance, the study has been used some widely accepted ratios such as Current ratio, Quick ratio, Absolute Liquidity ratio to test liquidity status, return on Assets, Return on Shareholders fund, Return on Capital Employed to examine the profitability status and Debt-Equity ratio, Proprietary ratio, Capital Gearing ratio explore the solvency status of KSRTC during the study period.

The study assessed percentile method and the graphical methods to analyse the problems and prospects of employees in KSRTC.

9. LIMITATIONS OF THE STUDY

- KSRTC not yet posted the 2021-22 and 2022-23 annual reports so the study is restricted only for 2018-19, 2019-20 and 2020-21.
- Secondary information is collected only from the Annual Administration Report of KSRTC.

10. ANALYSIS AND INTERPRETITION

Calculation of Current Ratio:

Current Ratio = Current Assets / Current Liabilities

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Table No. 1
Current Ratio of KSRTC

Particulars	2018-19	2019-20	2020-21
Current Assets	31659.08	40182.09	43287.49
Current Liabilities	65480.38	88558.86	131027.16
Current Ratio	**0.48349**	**0.453733**	**0.33037**

Source: Authors calculations based on Annual Administration report of KSRTC

The table no.1 reveals that current ratio of KSRTC during the year 2018-19 it is 0.48%, in the year 201920 it is 0.45% and in the year 2020-21 it is 0.33%.

It shows that in the year 2018-19 the current ratio is 0.48%, in the year 2019-20 it is decreased from 0.48% to 0.45% and in the year 2020-21 it is again decreased from 0.45% to 0.33%.

Finally, it is clear that there is a continuously decreases in the current ratio of the KSRTC. It means that from the last three years i.e. 2018-19 to 2020-21 it is observed that there is a decrease in the current ratio which indicates there is a decrease in the level of current assets in the KSRTC during the study period.

Calculation of Quick Ratio or Acid Test Ratio:

Quick Ratio = Liquid Assets / Current Liabilities

Table no.2
Quick Ratio

Particulars	2018-19	2019-20	2020-21
Liquid Assets	24859.7	34011.76	39276.23
Current Liabilities	65480.38	88558.86	131027.16
Quick Ratio	**0.379651**	**0.384058**	**0.299756**

Source: Authors calculations based on Annual Administration report of KSRTC

The table no. 2 reveals that quick ratio of KSRTC during the year 2018-19 it is 0.3796%, in the year 2019-20 it is 0.3840% and in the year 2020-21 it is 0.29976%.

It shows that in the year 2018-19 the quick ratio is 0.3796%, in the year 2019-20 it is increased from 0.3796% to 0.3840% and in the year 2020-21 it is decreased from 0.3840% to 0.29976%. Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21 there is a variation in the quick ratio of KSRTC. It means there is no proper maintenance of liquid assets in the KSRTC.

Calculation of Absolute Liquidity Ratio:

Absolute Liquidity Ratio = Cash + Bank / Current Liabilities

Table No. 3
Absolute Liquidity Ratio

Particulars	2018-19	2019-20	2020-21
Cash	1922.27	26.92	1020.08
Bank	1922.27	13216.5	17771
Current Liabilities	65480.38	88558.86	131027.16
Absolute Liquidity ratio	**0.130818**	**0.149544**	**0.143414**

Source: Authors calculations based on Annual Administration report of KSRTC

The table 3 reveals that absolute liquidity ratio of KSRTC during the year 2018-19 it is 0.1308%, in the year 2019-20 it is 0.1495% and in the year 2020-21 it is 0.1434%.

It shows that in the year 2018-19 the absolute liquidity ratio is 0.1308%, in the year 2019-20 it is increased from 0.1308% to 0.1495% and in the year 2020-21 it is decreased from 0.1495% to 0.1434%.

Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21 there is a variation in the absolute liquidity ratio of KSRTC. It shows that there is no balanced ability to clear off debts only using liquid assets in the KSRTC.

ANALYSIS OF PROFITABILITY RATIOS

Calculation of Return on Assets:

Return on Assets (%) = Net Loss / Total Asset

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Table no.4
Return on Assets of KSRTC

Particulars	2018-19	2019-20	2020-21
Net Loss	-13493.15	-15756	-58115.03
Total Assets	358073.66	401874.3	451470.59
Return on Assets (in %)	**-0.03768**	**-0.03921**	**-0.12872**

Source: Authors calculations based on Annual Administration report of KSRTC

The table no. 4 reveals that return on asset of KSRTC during the year 2018-19 it is -0.0377%, in the year 2019-20 it is -0.0392% and in the year 2020-21 it is -0.1287%.

It shows that in the year 2018-19 the return on asset is -0.0377%, in the year 2019-20 it is decreased from -0.0377% to -0.0392% and in the year 2020-21 again it is decreased from -0.0392% to -0.1287%.

Finally, it is clear that there is a continuously negative growth in the return on asset of the KSRTC in the study period. It reveals that from the last three years i.e. 2018-19 to 2020-2 it is observed that there is a loss in the return on asset displays that KSRTC is not obtaining the expected return on asset's investment.

Calculation of Return on Shareholders Fund:

Return on Shareholders Fund (%) = Net Loss / Shareholders Fund

Table no.5
Return on Shareholders Fund of KSRTC

Particulars	2018-19	2019-20	2020-21
Net Loss	-13493.15	-15756	-58115.03
Shareholders Fund	55493.06	57260.87	51935.84
Return on Shareholders Fund	**-0.24315**	**-0.27516**	**-1.11898**

Source: Authors calculations based on Annual Administration report of KSRTC**.**

The table no. 5 reveals that return on shareholder's fund of KSRTC during the year 2018-19 it is -0.2431%, in the year 2019-20 it is -0.2751% and in the year 2020-21 it is -1.1189%.

It shows that in the year 2018-19 the return on shareholder's fund is -0.2431%, in the year 2019-20 it is decreased from -0.2431% to -0.2751% and in the year 2020-21 again it is decreased from -0.2751% to -1.1189%.

Finally, it is clear that there is a continuously negative growth in the return on shareholder's fund of KSRTC. It means that from the last three years i.e. 2018-19 to 2020-21 it is observed that there is a loss on shareholders' fund reveals that KSRTC is not making the sufficient use of shareholders' funds to make profit.

Calculation of Return on Capital Employed:

Return on Capital Employed = Operating Profit / Capital Employed

Capital Employed of KSRTC.

Table no.6
Return on Capital Employed

Return on Capital Employed Particulars	2018-19	2019-20	2020-21
Operating Profit	313170.58	318226.27	156970.83
Capital Employed	358073.66	401874.3	451470.59
Return on Capital Employed	**0.874598**	**0.791855**	**0.347688**

Source: Authors calculations based on Annual Administration report of KSRTC.

The table no. 6 reveals that return on capital employed of KSRTC during the year 2018-19 it is 0.8745%, in the year 2019-20 it is 0.7918% and in the year 2020-21 it is 0.3476%.

It shows that in the year 2018-19 the return on capital employed is 0.8745%, in the year 2019-20 it is decreased from 0.8745% to 0.7918% and in the year 2020-21 it is again decreased from 0.7918% to 0.3476%.

Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21 there is a compounding decreases in the return on capital employed it shows that profit on capital employed is declining year on year from 2018-19 to 2020-21.

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ANALYSIS OF SOLVENCY RATIOS

Calculation of Debt-Equity Ratio:

Debt-Equity Ratio = Total Long-Term Debts / Shareholders Fund

Table no.7

Debt-Equity Ratio of KSRTC

Particulars	2018-19	2019-20	2020-21
Total Long-Term Debts	25223	26054.24	35319.5
Shareholders Fund	55493.06	57260.87	51935.84
Debt-Equity Ratio	**0.454525**	**0.45501**	**0.68006**

Source: Authors calculations based on Annual Administration report of KSRTC**.**

The table no. 7 reveals that debt-equity ratio of KSRTC during the year 2018-19 it is 0.4545%, in the year 2019-20 it is 0.4550% and in the year 2020-21 it is 0.68006%.

It shows that in the year 2018-19 the debt-equity ratio is 0.4545%, in the year 2019-20 it is increased from 0.4545% to 0.45501% and in the year 2020-21 again it is increased from 0.4550% to 0.6800%.

Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21 there is a continuously increases in the debt-equity ratio of KSRTC. It reveals that the KSRTC is borrowing more capital from the share market to fund its operation.

Calculation of Proprietary Ratio:

Proprietary Ratio = Shareholders Fund / Total Assets

Table no.8

Proprietary Ratio

Particulars	2018-19	2019-20	2020-21
Shareholders Fund	55493.06	57260.87	51935.84
Total Assets	358073.66	401874.3	451470.59
Proprietary Ratio	**0.154977**	**0.142485**	**0.115037**

Source: Authors calculations based on Annual Administration report of KSRTC**.**

The table no. 8 reveals that proprietary ratio of KSRTC during the year 2018-19 it is 0.1549%, in the year 2019-20 it is 0.1424% and in the year 2020-21 it is 0.1150%. It shows that in the year 2018-19 the proprietary ratio is 0.1549%, in the year 2019-20 it is decreased from 0.1549% to 0.1424% and in the year 2020-21 again it is decreased from 0.1424% to 0.1150%.

Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21) there is a compounding decreases in the proprietary ratio of KSRTC. It displays that the KSRTC is depended on the debt financing in order to run its business. Hence, it is predicted has creditors were losing interest for providing finance to run the corporation.

Calculation of Capital Gearing Ratio:

Capital Gearing Ratio = Fixed Interest-Bearing Securities / Equity Shareholders Funds

Table no. 9

Capital Gearing Ratio

Particulars	2018-19	2019-20	2020-21
Fixed Interest-Bearing Securities	45364.07	51059.27	60807.62
Equity Shareholders Funds	55493.06	57260.87	51935.84
Capital Gearing Ratio	**0.817473**	**0.891696**	**1.170822**

Source: Authors calculations based on Annual Administration report of KSRTC**.**

The table no.9 reveals that capital gearing ratio of KSRTC during the year 2018-19 it is 0.8174%, in the year 2019-20 it is 0.8916% and in the year 2020-21 it is 1.1708%.

It shows that in the year 2018-19 the capital gearing ratio is 0.8174%, in the year 2019-20 it is increased from 0.8174% to 0.8916% and in the year 2020-21 again it is increased from 0.8916% to 1.1708%. Finally, it is clear that from the last three years i.e. 2018-19 to 2020-21 there is a compounding increases in the capital gearing ratio of KSRTC. It reveals that the KSRTC having a high levels of capital gearing will have a large amount of debt relative to their equity value.

Hypotheses Testing

- **$H_0$1: There is a signification relationship between Current ratio and Return on Assets of KSRTC during the study period.**

Table no. 10
Correlation Testing

Current Ratio	1	
Return on Assets	0.9856	1

Source: Authors' Calculations

There is a significant positive relationship between Current ratio and Return on Assets of KSRTC during the study period from 2018-19 to 2020-21.

- **$H_0$2: There is a significant impact of liquid ratio on Return on Capital Employed of KSRTC during the study period.**

Table no. 11
Regression Testing

Variable	R	R^2	Adj. R^2	Coeff.	SE	P Value	Results
				Return on Capital Employed			
Liquid ratio	0.98	0.96	-3	0.24	0.012	0.059	Insignificant

Source: Compiled and computed from the annual reports of Bank of Baroda
Source: Authors' Calculations

There is no significant relationship between liquid ratio and return on capital employed (R=0.98, P>0.05), with liquid ratio accounting for 96 % of the variance of return on capital employed. For every unit increase in liquidity ratio, capital employed turnover ratio will enhance by 0.24. Hence, the alternative hypothesis is rejected.

11. FINDINGS

1. The study found in the table no.1 that, there is a continuously decreases in the current ratio of the KSRTC. It means that from the last three years i.e. 2018-19 to 2020-21 it is observed that there is a decrease in the current ratio which indicates there is a decrease in the level of current assets in the KSRTC during the study period.
2. The study found in the table no.2 that, from the last three years i.e. 2018-19 to 2020-21 there is a variation in the quick ratio of KSRTC. It there is no proper maintenance of liquid assets in the KSRTC.
3. It is found from the table no.3 that, from the last three years i.e. 2018-19 to 2020-21 there is a variation in the absolute liquidity ratio of KSRTC. It reveals that there is no balanced ability to clear off debts only using liquid assets in the KSRTC.
4. The study found in the table no. 4 that, there is a continuously negative growth in the return on asset of the KSRTC in the study period. It reveals that from the last three years i.e. 2018-19 to 2020-21 it is observed that there is a loss in the return on asset indicates that KSRTC is not obtaining the expected return on asset's investment.
5. It is found from the table no.5 that, there is a continuously negative growth in the return on shareholder's fund of KSRTC. It means that from the last three years i.e. 2018-19 to 2020-21 it is observed that there is a loss on shareholder's fund reveals that KSRTC is not making the sufficient use of shareholders' funds to make profit.
6. The study found in the table no.6 that, from the last three years i.e. 2018-19 to 2020-21 there is a compounding decreases in the return on capital employed it means profit on capital employed is declining year on year from 2018-19 to 2020-21.
7. It is found from the table no.7 that, from the last three years i.e. 2018-19 to 2020-21 there is a compounding increases in the debt-equity ratio of KSRTC. It reveals that the KSRTC is borrowing more capital from the share market to fund its operation.
8. It is found from the table no.8 that, from the last three years i.e. 2018-19 to 2020-21 there is a compounding decreases in the proprietary ratio of KSRTC. It means that the KSRTC is depended on the debt financing in order to run its business and hence it is predicted has creditors were losing interest for providing finance to run the corporation.

12. SUGGESTIONS

- KSRTC has to improve its working capital or current assets to meets its daily requirements.
- KSRTC is a service sector but still it has to concentrate on making profit.
- KSRTC has to collect capital from equity shareholder rather than holding a large number of debt holders because they have to pay a high fixed rate of interest to debt holders.

13. CONCLUSION

Finally, it is concluded that, there has been a mixture of success and failure of the corporation throughout the study period with respect to many dimensions of financial performance. The corporation was not comfortable with current ratio, liquidity ratio, absolute quick ratio, return on assets, return on shareholder's fund, return on capital employed which were below par standard of the transportation industry. The dis comfortable positions requires a system approach like maintaining discipline assets, controlled liabilities, focus on sales, return etc.

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