

PERFORMANCE REVIEW OF  
GUJARAT STATE ROAD TRANSPORT CORPORATION

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**Abstract.** *GSRTC serves the role of lifeline across the state of Gujarat. Over past 52 years of its existence, it has proved to be a dependable mode of transportation in every nook and corner of the state. It is providing services in most of the rural areas of the state. The environment has thrown up GSRTC to the challenges like productivity improvement, mark orientation and financial engineering. GSRTC has been trying hard to face the new challenges through vigorously pursuing a process of technical and managerial up gradation. But, financial viability has become a critical goal. Various controllable and uncontrollable factors affect the performance of the GSRTC. It is hypothesized that by controlling at least controllable factors GSRTC can improve its operational performance and thereby financial position. The main motto behind performance review of GSRTC is to contribute in improving performance of GSRTC and create value for all stakeholders, public, employees, vendors, state government and fund providers.*

**Key words:** *Performance, Operational Performance, Financial Performance, Financial Viability.*

INTRODUCTION

Gujarat State Road Transport Corporation has occupied the unique place in the map of world's transportation. GSRTC serves the role of lifeline across the state of Gujarat. It has become a household term for transportation. Over past 52 years of its existence, it has proved to be a dependable mode of transportation in every nook and corner of the state. It is providing services in most of the rural areas of the state. Gujarat State Road Transport Corporation has played a pivotal role in the economic growth of the state through operating an extensive passenger transport network and reaching out to villages. It provides direct employment to approximately 52000 people whose professional skills are kept in high regard even by people outside GSRTC. It has achieved remarkable performance in the face of heavy odds and its services are cost effective. Thus, GSRTC has tried to reconcile the twin objectives of community service and financial viability. It has built up a large fund of goodwill from people of Gujarat. It has brought transport service to the doorstep of villagers in most remote parts. But in recent years the popular expectations have soared. In the open market economy, the expectations of people with respect to frequency, quality and range of services have become substantially higher. A time has come when GSRTC have to take a serious look at the transportation needs of people and explore the way to fulfill the same. The environment has thrown up to GSRTC the challenges like productivity improvement, mark orientation and financial engineering. GSRTC has been trying hard to face the new challenges through improving its management practices. GSRTC is vigorously pursuing a process of technical and managerial up

gradation. But, financial viability has become a critical goal. Since last few years, the existence of such an ideal and progressive Government venture is striving to sustain. It is passing through the critical financial condition, and is suffering from huge amount of losses. It may please be noted that it is the only government corporation, which provides direct transportation service to the people. It is well aware about its social responsibilities and duties, following which it provides a number of other benefits to students, blinds, cancer patients, physically handicapped, freedom fighters, news reporters, etc. So, it is the moral duty of government, management and employees of GSRTC, and we all to improve the financial viability of the GSRTC by reducing amount of losses.

### PERFORMANCE OF GSRTC

While going through the financial analysis and discussion about the performance with the officials of GSRTC, I have found that following factors which are the main causes of the heavy losses the GSRTC is suffering from.

### AGE PROFILE OF FLEETS

As, GSRTC offers passenger transport services, the efficiency lies in providing qualitative services in terms of safety and punctuality. The prime resource of GSRTC is its buses, so the acquisition of new buses from time to time is necessary for augmenting the existing fleets as well as for replacing the old and unserviceable buses. Proper upkeep and effective utilization of vehicles and efficiency in operations will increase revenue and control the cost of operations while over aged buses results in increased cost of repairs, and maintenance and excess fuel consumption.

Association of State Road Transport Undertakings (ASRTU) had recommended (1971) that the normal life of a bus should be considered as eight years or five lakh kilometers of operation whichever is earlier. GSRTC, however, has fixed 8.37 lakhs kilometers for over aged buses. The chart and table given below reveals the fleets, composition of fleets held by GSRTC during the study period.

### HUGE DEBT & INTEREST BURDEN

GSRTC has borrowed loans with high interest (from 24% to 36%) and also raised a high cost debt of 13% for purchasing vehicles during the study period. Besides, due to operational inefficiencies these loans could not be repaid, which causes a huge debt and interest burden on

GSRTC. The outstanding amount of loans and debts was Rs. 71598 lakhs (as on 31st March 2006).

### UNEQUAL COMPETITION

The GSRTC will have to compete with the private sector even though the former may continue to play a dominant role in terms of social obligations. The main point to be noted is the big difference between the environment where GSRTC and private operators have to perform. GSRTC is a government-run organization. Hence, all basic regulations of the government like providing minimum wages, appropriate employee benefits, and adherence to government demand on taxation, etc. are fully complied with. Also, it is constrained not to increase the prices based on market conditions. Several of these constraints, limitations, and compulsions are not applicable to private operators. Some of the important differences which result into an uneven competitive environment and unfair tax obligations to GSRTC are as under: Firstly, The Government of Gujarat levies a

passenger tax of 17.5 per cent (highest in the country) on passenger income since GSRTC is a stage carrier. However, the private operators (who are supposed to operate as contract operators) pay a one-time yearly payment of Rs. 90,000 per bus. In practice they operate as a stage carrier. Secondly, even the notification of the government protects the interest of the corporation by disallowing private operators operate anywhere around 100 meters of the ST depots, it is not being implemented. Private operators are making roaring business by picking up passengers right in front of the bus station while the authorities of GSRTC can do little about it due to legal handicaps. The mini buses can be seen in lines of two, three, or even four at times, and, as one bus gets full and departs, the other pulls up promptly. Passengers find it cheaper and faster to travel by these buses as the operators don't have to pay a passenger tax. Because of this parallel service, the GSRTC is making lose in huge amount. Thirdly, GSRTC is seen by the government as an organization for employment generation. Consequently, the manpower cost is almost double the private operators. It increases the operational cost in GSRTC.

#### LOSS IN OPERATION OF CITY SERVICES

As per Road Transport Act, it is the duty of the Corporation to provide, secure or promote the provision of an efficient, adequate, economical and properly coordinated system of road transport services in the State or the part thereof. Besides, under the provisions of Motor Vehicle Act, 1939, the Corporation had been granted the monopoly to operate stage and contract carriage services by the Government. In accordance with the above provisions the Corporation suffers the losses as shown below:

#### OPERATION ON UNECONOMIC ROUTES

As a part of Government policy, the corporation has completed 100 per cent (around 58 per cent in other part of country) nationalization of passenger road transports service in Gujarat since November 1969. At present, corporation has provided direct service to 99.33 % population covering 95.93 % villages of state. Thus, GSRTC demonstrates its social responsibility by providing transportation connectivity to wider geographical area. This accused GSRTC for plying buses on routes which are economically not viable. Besides, the corporation has social obligation of running city services in some of the cities which may not profitable. But, GSRTC is not fully compensated for universal service obligation rendered in the form bus connectivity to remote areas.

#### CONCESSIONS IN FARES

The corporation grants concession in bus fares to students, competitors participating in sports tournaments sponsored by the Govt., physically handicapped, blind persons, deaf & dumb, cancer patients, freedom fighters widow of the freedom fighters who were getting pension from the Govt., State Govt. awarded teachers. The facility of concession is also extended to the attendant of the widow of the freedom fighter. The Corporation grants concession to students in casual contracts also. However, GSRTC is not fully compensated for various concessional fares/exemptions.

#### ACTION PLAN FOR MANAGEMENT

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1. Management should take sufficient measures for man power rationalization. Staff/Bus Ratio is much above than other SRTC. Infact, it should reach to 4.75 which can be achieved either by reducing size of staff or increasing fleets.

2. The management should try to improve load factor achieved. It should think to find alternative vehicles like mini buses if possible or increase customer awareness to improve load factor.

3. The management should give due consideration that the profitable trips should not be cancelled due to the controllable reasons. They should take every measure to avoid such cancellation.

4. The management should take strong actions for reducing operating expenses especially staff productivity, fleet utilization and occupancy ratio.

5. The management should adopt scientific approach in major areas of Human Resource Management namely recruitment, training, goal setting, performance appraisal and incentives plan etc.

6. Management should achieve high operational efficiency by effectively utilizing available recourses, timely replacement of vehicles, and reduced breakdown by proper maintenance, appropriate route scheduling, punctuality and safety in operations.

7. Management should develop approach of customer orientation in terms of quality of service (punctuality and safety), appropriate pricing, and an enhanced service. Management should develop strong monitoring mechanism for surprise checking.

8. The management should adopt principles of scientific management. It should also render the services of experienced professionals for managing its operations or policy decisions if felt necessary.

#### ACTION PLAN FOR EMPLOYEES

1. The employees should develop professional attitude, approach and action rather than traditional or biased one.

2. The employees should prepare themselves to cope up with changing environment. They should be prepared to change in terms of adopting new technologies, developing new skills, adopting a set of new performance measures, developing professional orientations to work, and innovating ways of conducting business, flexible working hours, variable compensation, customer focused actions, qualitative services etc.

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