

# “Analysis of Common Size Statement of Maharashtra State Road Transport Corporation”

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## 1. Abstract

For emerging countries like India to flourish economically, enough, fast, affordable, and efficient transportation must be developed. The smooth running of the passenger transport services depends on the company's financial situation. To meet the expectations of the passengers, the business must have perfect financial strategy. Thus, experts have looked into the balance sheet of the Maharashtra State Road Transport Corporation. Additionally, the researcher has prepared a Common Size Income Statement for vertical analysis. In a conventional size analysis, each line item in the financial statements is evaluated as a percentage of the base amount for that particular accounting period.

**2. Keywords-** MSRTC, Income, Statement

**3. JEL Classification Code-** M

## 4. Introduction

After British control in India ended in 1947, the Bombay State Road Transport Corporation was founded as a state-owned enterprise in 1948 to handle passenger transportation in an independent India. In June 1948, the BSRTC's first bus traveled from Pune to Ahmednagar. Mr. Laxman Kewte served as conductor, while Mr. Tukaram Pandurang Pathare was the bus's first driver from Pune. Maharashtra was created from a part of Bombay, Madhya Pradesh, and the now-defunct Nizam State as a consequence of further state rearrangement based on language. The New Maharashtra State Road Transport Corporation was established after the local transport service providers amalgamated with BSRTC. In terms of domestic passenger transportation, Maharashtra State Road Transport Corporation has gained notoriety. With 18150 buses, the company transports 67.28 lakh passengers across 57.12 lakh kilometers. In the state, the corporation has offered travel services to 37,416 villages, or 90% of the villages within a three-kilometer radius.

## 5. Objectives of the study

The objectives of the study are has given below

1. To study the financial position through income statement of MSRTC.
2. To Study the Common Size statement of MSRTC.
3. To examine the possibility to improve Property and Wealth of MSRTC.
4. To offer some recommendations for enhancing MSRTC's financial circumstances.

## 6. Limitations of the study

The current study has its own limitations, which are listed here; Following are the limitations of the study.

1. The study period limited to Five years (I.e. 2015-16 to 2020- 21).
2. Only financial statements are examined by researcher, the other financial factors are not considered.
3. The study is based on the secondary data which may have its own limitations.

## 7. Research Methodology

The study being analytical in nature as based on secondary data which is collected from annual reports of MSRTC.

## 8. Statistical tools used

For the analysis of data percentage, ratio methods are used.

## 9. Data Analysis and Interpretation

### Balance Sheet of Maharashtra State Road Transport Corporation (Assets and Liabilities) (Amount in Crores)

#### Assets

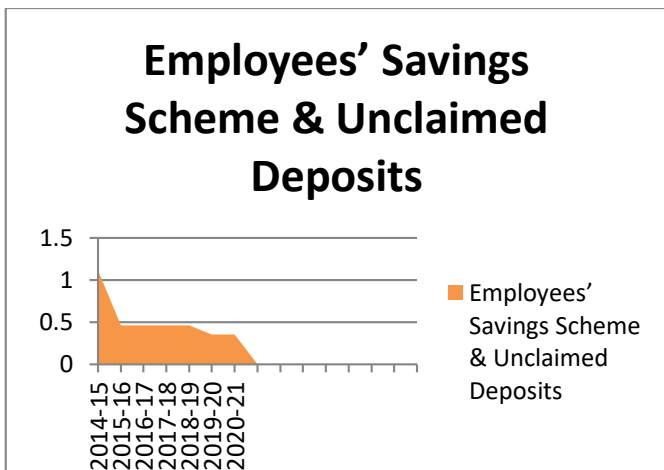
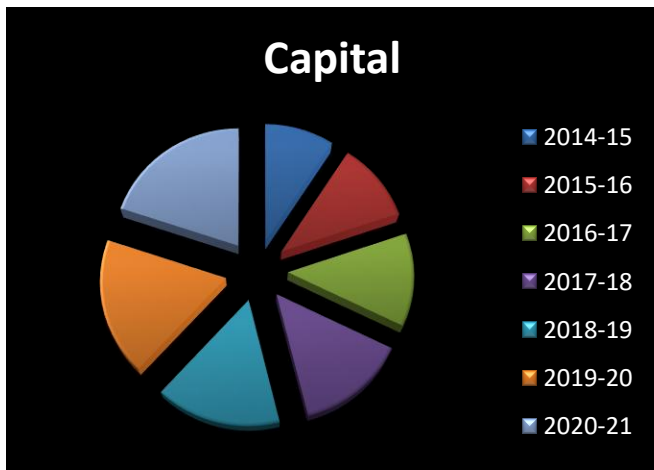
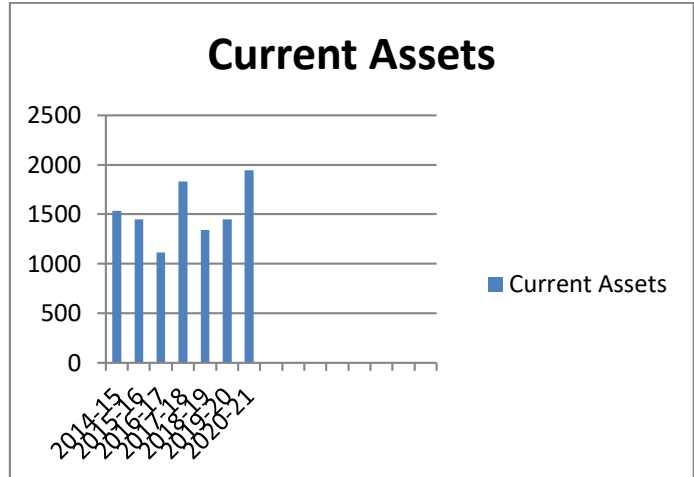
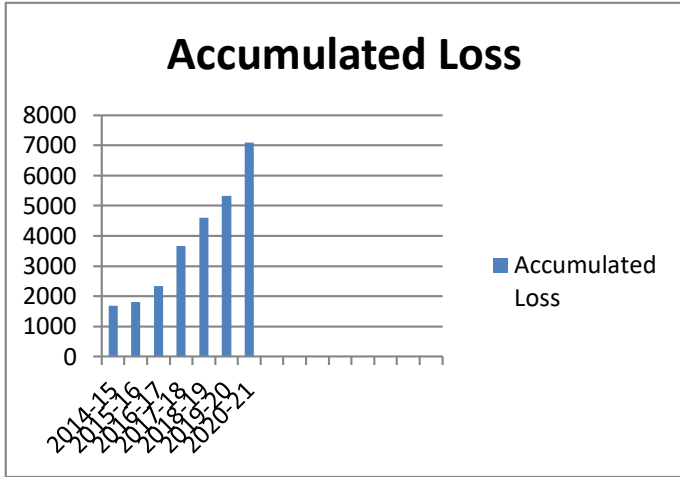
Sr . No.	Details	2014-15	Growth/Decrease	2015-16	Growth/Decrease	2016-17	Growth/Decrease	2017-18	Growth/Decrease	2018-19	Growth/Decrease	2019-20	Growth/Decrease	2020-21	Growth/Decrease
1	Fixed Assets	3396.25	-	3809.26	12.16%	3968.48	16.84%	4180.38	23.08%	4373.70	28.78%	5065.44	49.14%	5050.14	48.84%
2	Investments	366.67	-	586.03	59.82%	1155.30	215.07%	452.07	23.29%	610.61	66.52%	0.03	-	252.83	-68.95%
3	Current Assets	1533.01	-	1449.04	6.70%	1112.19	-28.39%	1827.93	17.70%	1337.60	-13.88%	1445.58	-6.92%	1945.12	25.24%
4	Accumulated Loss	1685.34	-	1807.22	7.23%	2330.00	38.25%	3663.21	117.35%	4603.08	173.12%	5319.23	215.61%	7090.62	320.72%

(Source- Annual Budgets of MSRTC)

### Liabilities

Sr. No.	Details	2014-15	Growth/Decrease	2015-16	Growth/Decrease	2016-17	Growth/Decrease	2017-18	Growth/Decrease	2018-19	Growth/Decrease	2019-20	Growth/Decrease	2020-21	Growth/Decrease
1	Capital	2883.22	-	3325.91	15.35%	3881.26	34.61%	4356.03	51.08%	4937.69	71.25%	5700.91	97.72%	6246.75	116.65%
2	Funds	2936.63	-	3246.78	10.56%	3565.73	21.42%	3473.06	18.26%	3638.21	23.89%	3754.05	27.83%	3768.93	28.34%
3	Loans	200.00	-	200.00	0.00%	200.00	0.00%	200.00	0.00%	200.00	0.00%	200.00	0.00%	200.00	0.00%
4	Public Deposit Scheme	34.89	-	33.41	-4.25%	27.48	-21.24%	23.63	-32.28%	20.30	-41.82%	17.53	-49.76%	14.39	-58.76%
5	Employees' Savings Scheme & Unclaimed Deposits	1.11	-	0.46	-58.56%	0.46	-58.56%	0.46	-5.56%	0.46	-58.56%	0.35	-68.47%	0.35	-68.47%
6	Provisions	12.01	-	9.62	-19.91%	10.26	-11.58%	10.75	-11.50%	14.50	20.73%	15.77	31.30%	13.05	8.65%
7	Earnest Money & Security Deposits	198.03	-	141.64	-28.48%	131.67	-33.52%	165.48	-16.44%	190.84	-3.64%	338.10	70.73%	130.58	-34.07%
8	Miscellaneous Funds	550.57	-	557.94	1.33%	587.42	6.69%	1729.30	214.09%	1675.08	20.24%	1591.47	189.05%	2195.54	298.77%
9	Maharashtra Roadways Assistance Trust	13.88	-	26.91	93.87%	49.06	19.89%	43.29	26.14%	88.32	28.55%	105.69	33.58%	141.93	14.19%
10	Others	120.07	-	73.91	-38.45%	119.40	-0.66%	133.16	10.90%	195.19	62.56%	251.26	109.26%	483.46	302.64%

(Source- Annual Budgets of MSRTC)



**Assets:**

From ₹3,396.25 Crores in 2014–15 to ₹5,050.14 Crores in 2020–21, the fixed assets have steadily increased. From 12.16% in 2015–16 to a peak of 49.14% in 2019–20, the fixed asset growth rate varied.

With a growth rate of 59.82% in 2015–16, investments had significant growth; nevertheless, they thereafter experienced significant volatility, declining by 68.95% in 2019–20. The value of current assets has varied over time, peaking at ₹1,827.93 Crores in 2017–18. But the rise was not constant; in some years, such as 2016–17, it decreased (-28.39%), while in others, such as 2020–21, it increased significantly (+25.24%). The total losses increased dramatically, rising steadily annually. The total loss during 2020–21 was ₹7,090.62 Crores, which is a significant increase of 320.72%.

## Liabilities:

From ₹2,883.22 Crores in 2014–15 to ₹6,246.75 Crores in 2020–21, the capital base increased gradually over time, representing a notable increase in capital. In 2020–21, the growth rate was 116.65%. Consistent rise was also observed in funds, which increased by about 28.34% from ₹2,936.63 Crores in 2014–15 to ₹3,768.93 Crores in 2020–21. Over the years, loans stayed at ₹200 crores, neither increasing nor decreasing. Consistently declining, the public deposit scheme saw a notable decline of 58.76% in 2020–21. This category saw a sharp decline, falling by 68.47% between 2020 and 21. Over time, provisions increased marginally, reaching a high of 31.30% in 2019–20. In 2019–20, this increased by 70.73%, but in 2020–21, it fell by 34.07%. Particularly between 2017–18 and 2020–21, miscellaneous funds had a sharp increase; reaching a high growth rate of 298.77% in 2020–21. This trust grew steadily, but in 2019–20 it increased significantly (+33.58%). There were significant growth in the "Others" category, particularly in 2020 and 2021, when it expanded by 302.64%.

## 10. Recommendations

### 1. Financial Restructuring & Cost Optimization

**A. Root Cause Analysis:** The organization's financial viability is seriously threatened by the steady rise in total losses, particularly the 320.72% increase in 2020–21. In order to identify the underlying reasons for these losses, MSRTC ought to conduct a thorough examination. Are they brought on by a drop in sales, higher operating expenses, or operational inefficiencies?

**B. Cost Control Measures:** Strict cost control procedures should be put in place throughout the company. This can entail maximizing fuel efficiency, cutting expenses, and negotiating better prices for maintenance and replacement parts.

**C. Revenue Enhancement:** MSRTC should look into measures to boost income, like adding premium services (like air-conditioned buses), boosting ticket sales through digital platforms, and upgrading the tariff structure.

### 2. Diversified Investment Portfolio

**A. Investment Volatility:** The volatility of MSRTC's investing strategy is demonstrated by its swings, particularly the notable decline of 68.95% in 2019–20. To reduce risks and guarantee higher returns in the years to come, MSRTC should diversify its investments.

**B. Stable Financial Instruments:** The Company ought to look into more reliable, low-risk investment options that yield consistent returns, such government bonds, fixed deposits, or a combination of less volatile stocks.

**C. Focus on Long-Term Investments:** MSRTC might profit from making investments in assets that offer long-term security and produce steady income rather than concentrating on short-term, high-growth ventures.

### 3. Asset Utilization Optimization

**A. Efficient Asset Utilization:** Over time, MSRTC's fixed assets have increased steadily. However, further research should be done to determine how effectively these assets may be used to provide income. MSRTC should make sure that all of its fixed assets—such as buses and terminals—are being utilized to their maximum capacity. Revenue generation could be improved, for instance, by boosting bus frequency during peak hours, decreasing idle time, and maximizing bus fleet usage.

**B. Asset Disposal & Up gradation:** MSRTC should periodically review its fixed assets to identify underperforming or out-dated assets. Disposing of or upgrading such assets could free up capital for reinvestment in newer technologies or more efficient vehicles.

#### 4. Strengthening Capital and Debt Management

- A. **Capital Injection:** Although MSRTC has made good strides in expanding its capital base, it should look into ways to get more funding, like through public-private partnerships (PPPs), to support infrastructure and fleet upgrades. Additionally, this will lessen the need for borrowing and aid in lowering the total losses.
- B. **Debt Management:** Over time, loans have not changed. To reduce the cost of loan servicing and free up money for operational requirements, MSRTC could bargain for better terms on its current debt and look into refinancing options.

#### 5. Enhancement of Current Assets

- A. **Improvement in Working Capital:** Even though current assets fluctuated a little, MSRTC should concentrate on strengthening its working capital position to guarantee seamless day-to-day operations. Liquidity can be increased by strengthening cash flow management, decreasing the receivables cycle, and improving cash collection procedures.
- B. **Contingency Planning:** In the event of emergencies or financial shortages, MSRTC should establish a sizable contingency fund. This will help to cover further loss and it will impact on revenue collection.

#### 6. Assessing and Diversifying Financing Sources

- A. **Public Deposit Scheme Decline:** Finding alternate finance sources is necessary to address the public deposit scheme's noticeable decrease. To entice public investments, MSRTC can consider launching new financial services or goods, such as creating a reward program for frequent travelers or launching travel passes with a system of prepaid deposits.
- B. **Employee Savings Scheme Enhancement:** MSRTC might think about reviving the Employees' Savings Plan in order to boost employee involvement and expand its internal funding source.

#### 7. Public-Private Partnerships (PPP) and Diversification

- A. **Diversification into Other Services:** MSRTC might look into branching out into services other than transportation. This involves signing contracts for advertising space on digital platforms, buses, or stations. A new revenue stream might also be created by utilizing its bus terminals for commercial purposes or by starting new courier and logistics services.
- B. **Public-Private Partnerships (PPP):** MSRTC's financial burden can be lessened while service quality is increased by working with private companies to maintain and update the bus fleet or by making investments in infrastructure like fuel stations and bus terminals.

#### 8. Comprehensive Financial Reporting

- A. **Regular Audits and Financial Analysis:** Regular audits and inspections of MSRTC's financial accounts are necessary to guarantee transparency and spot possible opportunities for development. Making better decisions may also be facilitated by implementing a thorough financial reporting framework that incorporates key performance indicators (KPIs) including profit margins, return on assets, and operational efficiency measurements.
- B. **Public Disclosure:** Accountability would rise with greater openness with public stakeholders, such as the public and governmental authorities. MSRTC might think about making its financial results available to stakeholders in an approachable manner.

#### 9. Focus on Strategic Investments

- A. **Understanding Miscellaneous Funds:** There should be a closer look at the notable rise in miscellaneous funds, particularly in 2020–21. MSRTC must determine if these monies are being used efficiently and if they constitute a reliable and profitable source of revenue.

**B. Strategic Use of Miscellaneous Funds:** To guarantee that these monies support MSRTC's overall financial stability, the organization should devise a plan for their effective use or investment.

## 11. Conclusion:

MSRTC must prioritize cost reduction, better asset usage, and income stream diversification in order to strengthen its financial situation. Better capital planning, improved liquidity management, and more solid investment strategies will also assist the Corporation in overcoming its cumulative losses. MSRTC can improve its financial viability and keep offering the state of Maharashtra essential transport services by tackling these important issues.

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