CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

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1 INTRODUCTION

The objectives of any enterprise are to increase the output (production and sales service), reduce cost and overheads and obtain a reasonable return on investments. In order to produce an output, a product, or service, inputs i.e. resources in the form of men, machines, materials, land and building, money, etc. are essential. The term productivity is broadly related to the efficient and effective use of existing resources, physical and material, within the parameters of the constraints and limitations inherent in the business. India today, perceives productivity as an essential ingredient for rapid economic development. But productivity remains somewhat vague and esoteric in the minds of the common man. This is because 'productivity' a term in everyday vocabulary means different things to different people. These differences have arisen due to qualitative use of the term. Moreover statistics and information regarding productivity are generally not available easily or sometimes it is much out of date to be meaningful. However, economic development is intimately related to productivity.¹ Improved productivity leads to high profitability for

¹ Speech delivered by Dr. Ganguly A S. Chairman, Hindustan Lever Limited at the Annual General Meeting THE HINDU May 18 1987
the business concerns. The productivity and profitability are the two important aspects to be given due consideration for the successful operation of any business concern.

2 ROLE OF PUBLIC SECTOR IN TRANSPORT

A growing economy needs a speedy, efficient and cheap system of transport. In a country like India as in the case of any other developing country—the first requisite of economic development is the development of transport facilities. Road transport by linking different parts of the country carries the fruits of development resulting in increased demand for goods. This stimulates the growth of both industries and agriculture, widens the scope of trade, commerce and other essential activities, giving a push to the developmental process. The resulting market economy encourages specialisation in production. Incidentally it leads towards equalisation of prices all over the country. Road Transport, by encouraging the growth of industry and agriculture, by fostering a balanced regional growth and by raising the overall consumption, ultimately brings about a rise in the living standards of the people. The mobility of motor transport facilitates national integration - racial, religious and emotional. Also an efficient transport system providing great mobility helps intensive and extensive production which will save foreign exchange. There is also the growing need for
increasing production in the country to lessen our foreign exchange difficulties. This can only be achieved through an extensive use of the resources and there is no better way to produce intensively and extensively than by securing greater mobility.

The report of Road Transport Reorganisation committee (1959) mentions "The role of road transport in the context of a modern state and planned economy is perhaps so self-evident as scarcely to require to be mentioned." ² The fact, however, is that education, health and prosperity depend in a large degree on an efficient road transport system. Good road communications encourage production and marketing of perishable articles such as fruits, vegetables, milk and eggs, give the cultivator access to the outer world from which to obtain fertilisers, oil engines and know how about improved methods of agriculture, promote the development of industries and facilitate the exploitation of mineral and other natural resources.

The private capitalism led to complex problems of personnel management as well as consumer interest. Consumers and workers were exploited and therefore, there arose the need for state intervention in industrial field in the form of state enterprise.

² Sharma K K Motor Transport in Rajasthan Sterling Publishers Pvt Ltd New Delhi 1975 P 4
Road transport is competitive. In order to avoid the disadvantages of cut throat competition co-ordinated approach is essential. The basic purpose of co-ordination is to bring about harmonious relations between different agencies of transport in order to develop a balanced transport system. The transport agencies may themselves enter into voluntary agreements to determine the areas of their operations and achieve co-operation without any legal binding or sanction behind it. Voluntary co-operation, however, is not a suitable method of co-ordination. Statutory co-ordination is a widely adopted and practical method of co-ordination which may be achieved through legal provisions for the regulation of rates, the allocation of traffic, the pooling of financial resources or for that matter, the allocation of the areas of operations.

State ownership is a powerful method of bringing about co-ordination in the management of the transportation network, for it brings the various modes of transport into a system which facilitates the implementation of a unified transport policy. The State is in a position to make rational estimates of demand and supply of transport facilities by model choice and provides better and a more comprehensive and efficient transport service. The State
participation in transport is advocated on account of the following

i uniformity of rates and service conditions
ii cheap and efficient services
iii adequate services on remote and uneconomic routes
iv better service conditions for the staff
v better co-ordination and control

Passenger transport has been nationalised in most states to a greater or lesser extent. The percentage of nationalisation of passenger transport in Tamil Nadu amounted to nearly 28% in the year 1970-71 itself. The same for the nation as a whole amounted to 40%.

Transport sector competes with other sectors for investment of capital and within that sector each mode emphasises its relative importance. Regional growth patterns are affected by transport decisions, linking the factors of social justice and political necessity to economic considerations.

The importance given to transport system is reflected by the following amount spent for the development of transport system during the various five year plans.

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4 Srivastava S K Economics of Transport (with special reference to transport development in India) S Chand & Co (pvt) Ltd 1971 p 232 246
TABLE 1 PLAN OUTLAY ON TRANSPORT

<table>
<thead>
<tr>
<th>plan</th>
<th>Expenditure (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I plan</td>
<td>147</td>
</tr>
<tr>
<td>II plan</td>
<td>246</td>
</tr>
<tr>
<td>III plan</td>
<td>26</td>
</tr>
<tr>
<td>Annual plans</td>
<td>55</td>
</tr>
<tr>
<td>IV plan</td>
<td>128</td>
</tr>
<tr>
<td>V plan</td>
<td>461</td>
</tr>
<tr>
<td>VI plan</td>
<td>757</td>
</tr>
</tbody>
</table>

The growing importance of road transport can also be understood from the number of passenger buses run by various public sector transport corporations over a period of twenty five years.  

TABLE 2 NUMBER OF BUSES OF PUBLIC SECTOR TRANSPORT CORPORATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of buses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>34,411</td>
<td></td>
</tr>
<tr>
<td>1960-61</td>
<td>56,792</td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>93,907</td>
<td></td>
</tr>
<tr>
<td>1979-80</td>
<td>1,40,346</td>
<td></td>
</tr>
<tr>
<td>1984-85</td>
<td>2,06,268</td>
<td></td>
</tr>
</tbody>
</table>
3 STATEMENT OF THE PROBLEM

Public enterprises have been conceived and projected as instruments of national development. Public enterprises have huge capital investment which is contributed mostly by the government and financial institutions. With massive investment in public enterprises at the central, state and local levels and their proliferation in the strategic areas of the economy, their efficient functioning has become crucial for socio-economic transformation of the country. The public enterprises are expected to earn a sufficiently high profit for boosting industrial development. However, the success of any enterprise will be studied only on the basis of the profits earned by it. People will have confidence in any industry or concern only if it can earn profit. For this, the investment in public enterprises needs proper planning and management. Successful operation of public enterprises demands an analysis and understanding of various problems of personnel and financial management.

Productivity is implied in every economic activity and primarily stands for producing more and more output from less and less inputs.

Productivity is not production. Production merely
means the volume of output. Production can be increased without consideration of cost, by increasing the inputs of labour, material and equipment. But this may not increase productivity. Productivity is not merely volume of output, but output in relation to the input of resources used.

Productivity, thus, is a measure of the effectiveness with which an enterprise efficiently and effectively utilises its inputs to maximise the output.

Productivity standards are used to eliminate waste. In all human endeavour connected with economic activities there is always an investment of inputs in order to achieve the goals. Productivity can be said to be a measure of achievement in terms of specific objectives.

"Rising productivity is rightly equated with economic progress and regarded as the high road to economic prosperity and social well being. The study of productivity is nothing but the record of man's efforts to better the standard and quality of the life." 6

Though productivity is of different kinds such as labour productivity, capital productivity, machine productivity and material productivity, the term 'Productivity' is understood generally as labour productivity. Labour

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productivity is the ratio of output of commodity to the
input of labour in manufacturing industries. However, it
is different to measure productivity for an industry whose
output cannot be expressed in terms of physical units. In
this study an attempt is made to study the productivity of
an industry rendering service to the society i.e. road
transport.

The Committee on public undertakings, in their
15th report on "Financial Management in Public undertakings"
emphasises the need for the preparation of projected profit
and loss accounts and balance sheets by the individual
public undertakings for atleast a period of 5 years as an
essential groundwork for proper planning of operations.
Those projections were to be reviewed and modified suitably
each year in the light of experience gained during the
previous year. The units were also advised to prepare
quarterly profit and loss account and balance sheet and
cost data, covering actual performance, to enable the
management to review the operations promptly and initiate
timely remedial actions wherever necessary." 7

So the public enterprises are expected to earn
sufficiently high profit as a return on invested capital.

Thus the profit measures the net effectiveness
and soundness of the efforts of a business. It is the
ultimate test of business performance. Profits earned by

7 Ramanadhan V V The finances of public enterprises
Asia Publishing House Bombay 1970 P 5
A corporation depends upon the management of physical and human resources. Proper management of physical and human resources accelerates the productivity of those resources ending in higher profits. So there exists a close relationship between productivity and profits.

In this study an attempt is made to study the productivity and profitability of a public sector transport undertaking. The transport industry was selected because of its growing importance for the economic development of the country, and importance given to it under various five year plans and also due to the fact that the road transport industry was selected as a prize winner for showing increased productivity. It was one among the 13 industries selected by the National Productivity Council in the year 1975.

4 REVIEW OF LITERATURE

Productivity in transport undertakings was considered important and attracted the attention of the managers of state transport undertakings only recently, especially after 1975, when the National Productivity Council stressed the importance of productivity in public enterprises and awarded prizes to the industries which showed improved productivity.

A two days seminar was organised by the Central Institute of Road Transport with the assistance of National
Productivity Council, Bangalore Region in November 1976 in which the delegates from various state transport undertakings participated and discussed the areas of operations which can be improved to attain improved productivity such as fuel management, material management, repairs and labour management.9

A Comprehensive treatment of the topic productivity in transport undertakings has been presented in the book of Santosh Sharma titled "Productivity in Road Transport". He has stressed the importance of planning in each of the operations starting from selection of routes, scheduling of trips, time to be taken for repairing, fuel conservation, material management, construction of depots, bus-staff crew, etc., to achieve higher productivity in road transport undertakings. It was a study on innovative management of the transport network operating in Delhi region.10

Prof. V. Shanmugam in his M. Phil dissertation titled 'Operational Trends and Financial Performance of Anna Transport Corporation, Salem' has analysed the

9 National Seminar on Productivity in State Transport Undertakings organised by CIRT Pune and NPC Bangalore region on November 26 27 1976

10 Santosh Sharma Productivity in Road Transport - a study in innovative management Association of State Road Transport Undertakings New Delhi 1976

11 Shanmugam V Operational Trends and Financial Performance of Anna Transport Corporation, Salem M. Phil Dissertation submitted to the Bharathidasan University in September 1985
operational trends and financial performance of Anna Transport Corporation, Salem through the use of well renowned parameters. He has analysed the operational trends with the help of fleet strength, fleet utilisation percentage, vehicle utilisation, etc. Financial performance is measured by computation of certain ratios like operating ratio, return on investment, etc.

5 OBJECTIVES OF THE STUDY

The following are the objectives of the study

5.1 To study the profile of Cheran Transport Corporation Limited, Coimbatore

5.2 To measure the productivity of Cheran Transport Corporation Limited, Coimbatore in terms of various parameters of productivity

5.3 To analyse the profitability of Cheran Transport Corporation Limited and to study the trend of cost of operations of the CTC

5.4 To offer suggestions for improving productivity and profitability of Cheran Transport Corporation Limited, Coimbatore.

6 SELECTION OF THE UNIT

For the study, the Cheran Transport Corporation Limited, Coimbatore has been selected. The Corporation was selected as the best corporation showing the highest productivity among the eight selected transport corporations in the study of 59 transport corporations, conducted by National Productivity Council in the year 1975.12

12 Pamphlet issued by CTC in 1985-86
7 METHODOLOGY

This study is a case study of Cheran Transport Corporation Limited, Coimbatore relating to productivity and profitability. The study involved collection of primary and secondary data. Primary data were collected by the Researcher by personal unstructured interview with the concerned officers of the corporation. Secondary data were collected from the published Annual Statements of the Corporation.

8 OPERATIONAL DEFINITIONS

8.1 The term 'Productivity as used in this study, means efficient and effective utilisation of men, money, materials and markets.

8.2 The term 'Profitability' means the profits earned by the Corporation i.e. income minus expenses.

8.3 The term 'Cost of operations' includes direct cost such as Fuel-H.S.D oil, lubricating oil, stores and spares, tyres and tubes, depreciation of vehicles and indirect cost such as motor vehicle tax, interest on loans and capital, depreciation on other assets and other administrative expenses.

9 PERIOD OF COVERAGE

The study covered a period of 14 years from the inception of Cheran Transport Corporation Limited (from 1972-73 to 1985-86).
10 ANALYSIS

The researcher has used all the indicators of productivity given by the Central Institute of Road transport, Pune, to study the productivity of the corporation. To analyse the profitability position of the Corporation ratio analysis was used.

11 LIMITATION

The Corporation commenced its operations on 1st March, 1972. The operations for the one month during the year 1971-72 have been omitted for analysis.

12 CHAPTER SCHEME

The contents of the study falls into 5 chapters.

First chapter consists of Introduction, Statement of the problem, Review of literature, Objectives of the study, operational definitions, Selection of the unit, Methodology, Period of coverage, Analysis and Limitation.

Second chapter deals with the profile of the Cheran Transport Corporation Limited, Coimbatore.

Third chapter is concerned with the measurement of productivity of the Corporation, through indicators of the productivity of the industry.

Fourth chapter deals with the analysis of the profitability position through calculation of certain ratios. Also it deals with the analysis of the trend of cost of operations of the Corporation.
Fifth chapter deals with the summary of findings from the analysis made along with suggestions for improving profitability and productivity of Cheran Transport Corporation Limited, Coimbatore.