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Effect of employee expenditure on financial health of KSRTC: An analysis

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Abstract

The study titled “Effect of Employee Expenditure on Financial Health of KSRTC-An Analysis” investigates the financial implications of staff costs on the Karnataka State Road Transport Corporation (KSRTC) over the period 2013-14 to 2023-24. KSRTC, as a major public sector transport undertaking, plays a pivotal role in providing affordable and reliable mobility across Karnataka. However, the persistent rise in staff costs has emerged as a critical challenge, consuming a significant share of operating revenues and influencing overall profitability. The research objectives focus on analysing the trend of staff costs, their proportion in total expenditure, the relationship between employee expenses and revenue generation, and the sustainability of current levels of employee spending. Using secondary data from annual reports, the study applies percentage analysis and trend evaluation to assess financial performance indicators such as operating profit margins and staff cost ratios. The findings reveal that in several years, staff costs exceeded 40% of operating revenue, peaking at 67.55% in 2020-21, leading to pressure on operating margins. The study concludes that without effective cost containment, revenue enhancement strategies, and operational efficiency improvements, the sustainability of KSRTC’s current employee expenditure is at risk, potentially affecting service quality and long-term viability.

Keywords: KSRTC, staff cost, cost management, financial sustainability etc

Introduction

The Karnataka State Road Transport Corporation (KSRTC) serves as a public transportation entity, facilitating connectivity among cities, towns, and rural regions. It creates job opportunities and promotes environmental advantages through reduced emissions, ultimately enhancing the overall well-being and convenience of the state's residents. Additionally, KSRTC contributes to the local economy's growth by providing safe and regulated travel options, thereby supporting the expansion of industries and businesses and enabling the efficient movement of goods and workers. Furthermore, the revenue generated from bus fares and services assists the government in funding public infrastructure projects, among other initiatives. In this manner, KSRTC plays a vital role in the development of the economy. Karnataka State Road Transport Corporation (KSRTC) is one of the largest state-run road transport undertakings in India, playing a crucial role in providing affordable and reliable mobility to millions of passengers across urban, semi-urban, and rural areas of Karnataka (Hiremath & Mangoli, n.d.). With a vast fleet, extensive route network, and significant socio-economic importance, KSRTC not only facilitates passenger transport but also contributes to regional development and employment generation. However, like many public sector transport organizations, KSRTC faces the challenge of balancing service quality with financial viability (Rajan *et al.*, 2024) [24]. In this context, cost management becomes a vital factor for sustaining operations, particularly as operating expenses continue to rise. Among the various cost components, staff cost has emerged as one of the largest and most persistent expenditure heads, consuming a substantial share of the corporation’s total operating revenue (Natarajan, 2020) [5]. The increasing proportion of employee-related expenses raises concerns about efficiency, resource allocation, and the ability to reinvest in modernization and service improvement.

Over the years, the growth in staff cost has outpaced revenue generation in several instances, leading to questions about the sustainability of such expenditure patterns. This trend directly frames the central concern of the present study whether the current level of staff cost is financially sustainable for KSRTC.

Hence, the research question guiding this investigation is: Is the current level of staff cost in KSRTC financially sustainable, and what is its impact on the corporation's operating performance and revenue generation capacity? By addressing this question, the study seeks to provide evidence-based insights that can inform better cost management strategies in the public transport sector. An examination of KSRTC's employee spending underscores its considerable influence on the financial stability of the public transport corporation. Research indicates that increasing personnel expenses are leading to operational inefficiencies, elevated operating ratios, and budgetary shortfalls. These challenges require strategic measures such as workforce optimization and revenue diversification to guarantee sustainability while upholding social service obligations.

Review of Literature

Dr. G. V. Chalam (2015) revealed that ratio analysis is one of the most appropriate tools for evaluating the financial performance of business concerns. The main objective of his study was to assess the financial performance of State Road Transport Corporation (SRTC) in terms of revenue, cost structure analysis, working capital analysis, current ratio, quick ratio, debt-equity ratio, debt service coverage ratio, and profitability. The study also examined the impact of social obligations on the financial performance of the corporation. The major finding was that the debt-equity ratio had not been maintained according to the standard norms during the study period.

Dr. D. Prabhakar (2015) focused on the financial performance of APSRTC by analyzing its costs, revenues, and profit aspects. The objectives of his study were to examine cost trends, cost-revenue relationships, the incidence of tax burden, and its impact on the profitability of the corporation.

Sunita Ramesh Katke (2017) discussed the history and statistics of the North East Karnataka Road Transport Corporation (NEKRTC) along with the facilities provided to commuters. The study primarily aimed to assess the financial performance of NEKRTC through parameters such as cost per kilometre, earnings per kilometre, margin per kilometre, marginal revenue, and gross revenue. The author also offered suggestions to improve the financial health of NEKRTC.

Vasappa (2021) [7] highlighted that several factors directly impact the financial performance of road transport corporations, such as inefficiency in obtaining higher yields from input factors and the continuous rise in input prices. The study observed that corporations often fail to revise fares in line with increasing input costs, resulting in excess total costs over revenues and thereby generating negative returns on investment. Inadequate and delayed fare revisions were identified as the main causes of these adverse trends.

Mahesha (2023) [3] emphasized the physical performance of transport corporations, noting that while certain operational parameters showed improvements during the study period, the progress was inconsistent. The inefficiency of corporations in maximizing input yields and the incessant increase in input costs were the primary reasons for poor performance. The study also confirmed that delayed fare revisions led to negative returns on investment. It suggested that corporations and governments should focus more on cost control and revenue maximization to improve financial stability.

Abuselidze *et al.* (2023) [1] argued that financial stability is a crucial indicator of both the financial health of a transport enterprise and the effectiveness of its cash flow management policies. The study suggested incorporating strategies to minimize risks of reduced financial stability within the financial controlling and management framework of transport enterprises.

Zani *et al.* (2024) [8] highlighted that the combination of debt and equity financing plays a critical role in strengthening the financial resilience of companies. Their findings also revealed that, in terms of earnings quality, the transportation and logistics sector outperformed the telecommunications and media sector during the observed period.

Manjunatha & Mahesha (2024) [4] suggested that boosting fleet utilization, improving employee productivity, and enhancing kilometre efficiency are essential for strengthening transport corporations. They stressed the need to reduce breakdowns, minimize dead kilometres during business hours, and ensure proper scheduling of work by employees. The study further recommended decisive action by transport authorities to cut operating costs, particularly in the area of expenditures.

Research Gap

From the above review of literature, it is evident that a good number of studies have focused on the financial performance of State Road Transport Corporations (SRTCs) across India, analyzing parameters such as revenue, cost structure, profitability, working capital, debt-equity ratio, tax burden, and fare revision issues (Vasappa, 2021; Mahesha, 2023) [7, 3]. These studies have largely concentrated on financial ratios, cost-revenue dynamics, operational efficiency, and the broader challenges of fare fixation in the face of rising input costs. Further, studies have also emphasized financial stability, cash flow management, debt-equity mix, and the need for improved utilization of fleet and manpower to strengthen overall performance (Abuselidze *et al.*, 2023; Zani *et al.*, 2024; Manjunatha & Mahesha, n.d.) [1, 8, 3].

However, a closer look at the existing body of work reveals that while financial performance, operational efficiency, and cost-revenue analysis have been examined in depth, the specific impact of employee expenditure on the financial health of KSRTC has not been adequately studied. Employee-related costs, which constitute a major share of operating expenditure in transport corporations, have a direct bearing on cost per kilometre, margins, and ultimately, financial sustainability. Yet, most studies have treated employee expenditure only as part of aggregate costs without isolating its unique influence on financial performance.

Thus, there exists a significant research gap in understanding how employee expenditure-covering salaries, allowances, retirement benefits, and related costs-affects the financial health of KSRTC. Addressing this gap is essential because employee expenditure forms a critical element in cost control and efficiency improvement, especially in the context of increasing financial stress faced by public transport undertakings. Therefore, the present study makes an attempt to fill this void by analysing the Effect of Employee Expenditure on the Financial Health of KSRTC with special reference to Karnataka, using financial information specific to the corporation.

Objectives of the Study

1. To analyse the trend of staff cost in KSRTC over the selected period.
2. To evaluate the proportion of staff cost in total expenditure and its growth rate.
3. To determine the sustainability of current employee expenditure in the context of KSRTC's financial performance.

Research Methodology

The present study adopts a descriptive and analytical research design to evaluate the sustainability of staff cost in the financial performance of KSRTC. The analysis is based on secondary data collected from the annual reports of KSRTC for the period 2013-14 to 2023-24. Key variables considered include total operating revenue, total operating cost, operating profit, staff cost, and staff cost as a percentage of total operating revenue. Statistical tools such as Compound Annual Growth Rate (CAGR), percentage analysis, and trend analysis were employed to identify patterns and growth rates in staff cost and to assess its relationship with revenue generation. The operating profit percentage was calculated to gauge the corporation's financial efficiency, while comparative analysis was used to determine the proportion of staff cost within the overall cost structure. The results were interpreted to provide insights into whether the current level of employee expenditure is sustainable and to suggest measures for improving KSRTC's financial health. The study also used descriptive

research design to examine the effect of employee expenditure on the financial health of KSRTC. Primary data were collected through structured questionnaires and semi-structured interviews to understand productivity, cost drivers, and employee-related issues. A purposive sampling method was used to select respondents who are directly involved in operations and decision-making. The total sample size was 50, including 40 employees (drivers, conductors, mechanics, and depot staff) and 10 management personnel (depot managers, HR and finance officers, and senior supervisors). The primary data were analysed using frequency distributions and percentages, while qualitative responses from interviews were studied to identify key themes and insights regarding employee expenditure and financial performance.

Data Analysis and Discussion

In Table 1 to Table 4 Data analysis and discussions done on trends in staff cost in KSRTC and staff cost percentage compare to total expenditure, staff cost percentage compare to total Revenue, and also analyse Operating Ratio and Staff Cost Contribution in KSRTC for the period from 2013-14 to 2023-24. Past 11 years staff cost analysis based on information's provided in annual reports of KSRTC. Here staff cost includes Basic salary, Dearness allowances, House rent allowances and other monetary and Non Monetary allowances gives to employees in KSRTC.

Table 1: Trend of Staff Cost in KSRTC

Table 1: Includes Basic salary, Dearness allowances, House rent allowances, incentives and other monetary benefits provides in the KSRTC.

Year	Total Staff Cost (₹ in Crore)	Annual Growth Rate (%)
2013-14	1032.41	-
2014-15	1138.82	10.31
2015-16	1314.16	15.40
2016-17	1446.30	10.06
2017-18	1475.74	2.04
2018-19	1579.57	7.04
2019-20	1673.36	5.94
2020-21	1534.67	-8.29
2021-22	1583.25	3.17
2022-23	1817.07	14.77
2023-24	2167.64	19.29
CAGR (2013-14 to 2023-24): 7.70%		

Source: Annual Administration Reports of KSRTC

Table 1 denotes the trend of staff cost in KSRTC over the period from 2013-14 to 2023-24, showing a clear upward trajectory from ₹1032.41 crore to ₹2167.64 crore, more than doubling over the decade. The compound annual growth rate (CAGR) for the period is 7.70%, reflecting steady and sustained growth in this cost component. Year-on-year changes reveal strong increases in certain years, notably 2014-15 (10.31%), 2015-16 (15.40%), and the post-pandemic years 2022-23 (14.77%) and 2023-24 (19.29%), likely driven by wage revisions, arrear payments, or increased recruitment. The growth was minimal in 2017-18 (2.04%), suggesting limited pay hikes or hiring, and the

only decline occurred in 2020-21 (-8.29%), coinciding with the operational slowdown during the COVID-19 pandemic. Post-2021, there has been a rapid rebound in staff costs, which indicates both service restoration and possible cost escalations due to contractual or policy changes. While the rising staff cost underlines KSRTC's employment capacity and operational scale, its persistent upward movement also highlights the challenge of managing a high fixed cost base. Without corresponding growth in revenue, such an upward trend could place pressure on the organization's financial sustainability, making cost-efficiency strategies crucial for the future.

Table 2: Staff Cost in KSRTC as a Percentage of Total Expenditure

Table 2: Total staff cost includes Basic salary, Dearness allowances, House rent allowances, incentives and other monetary benefits provided in the KSRTC and percentage of staff cost to Total expenditure of KSRTC.

Year	Staff Cost (₹ in Crore)	Total Cost (₹ in Crore)	Staff Cost % to Total Cost
2013-14	1032.41	3042.28	33.93
2014-15	1138.82	3248.18	35.06
2015-16	1314.16	3127.84	42.01
2016-17	1446.30	3350.59	43.17
2017-18	1475.74	3483.79	42.36
2018-19	1579.57	3859.28	40.93
2019-20	1673.36	3948.58	42.38
2020-21	1534.67	2853.06	53.97
2021-22	1583.25	3282.40	48.23
2022-23	1817.07	4616.57	39.36
2023-24	2167.64	4839.84	44.79

Source: Annual Administration Reports of KSRTC

Table 2 presents the proportion of staff cost to the total expenditure of KSRTC over the period from 2013-14 to 2023-24. The data reveals noticeable fluctuations in the percentage share of staff costs, indicating changes in cost structure over time. In the initial years, the proportion ranged between 33.93% in 2013-14 and 43.17% in 2016-17, showing a gradual increase. However, from 2017-18 to 2019-20, the percentage remained relatively stable around the 42%. A significant spike occurred in 2020-21, when the staff cost accounted for 53.97% of total expenditure, which can be attributed to reduced operational activities and

revenue during the pandemic period. Post-pandemic years saw a correction, with the ratio declining to 48.23% in 2021-22 and further to 39.36% in 2022-23, before rising again to 44.79% in 2023-24. This indicates that while staff costs remain a major component of the total expenditure, external factors and operational efficiency play a key role in determining their proportion.

Table 3: Staff Cost in KSRTC as a Percentage of Total Revenue

Table 3: Total staff cost includes Basic salary, Dearness allowances, House rent allowances, incentives and other monetary benefits provided in the KSRTC to their staffs and staff cost to Total expenditure percentage of KSRTC.

Year	Staff Cost (₹ in Crore)	Total Revenue (₹ in Crore)	Staff Cost % to Total Revenue
2013-14	1032.41	2967.28	34.79
2014-15	1138.82	3204.35	35.54
2015-16	1314.16	3178.78	41.34
2016-17	1446.30	3173.51	45.57
2017-18	1475.74	3488.29	42.31
2018-19	1579.57	3724.35	42.41
2019-20	1673.36	3791.00	44.14
2020-21	1534.67	2271.91	67.55
2021-22	1583.25	2859.09	55.38
2022-23	1817.07	4573.68	39.73
2023-24	2167.64	4544.41	47.70

Source: Annual Administration Reports of KSRTC

The analysis of staff cost as a percentage of total revenue in KSRTC from 2013-14 to 2023-24 reveals notable fluctuations that reflect both operational and financial dynamics over the decade. Initially, the ratio was in the mid-30% range, standing at 34.79% in 2013-14 and slightly increasing to 35.54% in 2014-15. A marked rise occurred from 2015-16 onwards, with the share exceeding 40% and peaking at 45.57% in 2016-17, indicating that staff cost growth was outpacing revenue growth during this period. The share remained above 40% until 2019-20, reflecting consistent cost pressure on the organization's revenue base. The most significant spike occurred in 2020-21, when the ratio surged to 67.55%, primarily due to a sharp fall in

revenue during the pandemic while staff costs remained largely fixed. Although the ratio reduced to 55.38% in 2021-22, it remained higher than pre-pandemic levels, highlighting the challenge of restoring revenue-staff cost balance. In the subsequent years, the percentage declined to 39.73% in 2022-23, suggesting some recovery in revenue, but again rose to 47.70% in 2023-24, implying that wage growth and other staff-related expenses continue to exert pressure on financial sustainability. A high percentage in this metric signals revenue strain, as more income is being absorbed by staff expenses, leaving less room for operational investment and service enhancement.

Table 4: Operating Ratio and Staff Cost Contribution in KSRTC

Year	Total Operating Revenue (₹ in Crore)	Total Operating Cost (₹ in Crore)	Operating Profit (₹ in Crore)	Operating Profit Percentage	Staff Cost (₹ in Crore)	Staff Cost % to Total Operating Revenue
2013-14	2967.28	3042.28	-75.00	-2.53	1032.41	34.79
2014-15	3204.35	3248.18	-43.83	-1.37	1138.82	35.54
2015-16	3178.78	3127.84	50.94	1.60	1314.16	41.34
2016-17	3173.51	3350.59	-177.08	-5.58	1446.30	45.57
2017-18	3488.29	3483.79	4.50	0.13	1475.74	42.31
2018-19	3724.35	3859.28	-134.93	-3.62	1579.57	42.41
2019-20	3791.00	3948.58	-157.58	-4.16	1673.36	44.14
2020-21	2271.91	2853.06	-581.15	-25.59	1534.67	67.55
2021-22	2859.09	3282.40	-423.31	-14.80	1583.25	55.38
2022-23	4573.68	4616.57	-42.89	-0.94	1817.07	39.73
2023-24	4544.41	4839.84	-295.43	-6.50	2167.64	47.70

Source: Annual Administration Reports of KSRTC

The sustainability of current employee expenditure in KSRTC's financial performance context appears to be under considerable strain. Over the 11-year period from 2013-14 to 2023-24, staff costs consistently represented a significant portion of total operating revenue, averaging above 44%. In particular, extreme peaks such as 67.55% in 2020-21 and above 55% in 2021-22 placed substantial pressure on the corporation's operating margins, resulting in persistent operating losses. The operating profit percentage remained negative in 9 out of 11 years, suggesting that the high wage bill has been a structural burden on KSRTC's financial sustainability. Even in years with revenue growth, such as 2022-23, the staff cost ratio's reduction to 39.73% improved performance but did not fully offset cumulative losses. These patterns indicate that unless staff expenditure is better aligned with revenue capacity, the current cost structure will not be financially sustainable in the long term, thereby risking KSRTC's operational viability and ability to invest in service improvements.

Major Findings of the Study

- KSRTC's staff cost increased from ₹1032.41 crore in 2013-14 to ₹2167.64 crore in 2023-24, recording a CAGR of 7.70%, indicating a consistent long-term upward trend. The highest annual growth was 19.29% in 2023-24, it was only declined -8.29% in 2020-21, reflecting the operational and financial impact of the COVID-19 pandemic.
- The highest staff cost share in the decade was recorded in 2020-21 at 53.97%, reflecting extraordinary operational constraints during the pandemic year. The lowest proportion was 33.93% in 2013-14, which is 19.94% points lower than the peak year, highlighting significant variation in cost structure over time.
- The highest staff cost-to-revenue ratio of 67.55% in 2020-21 reflects the severe financial stress caused by reduced revenue during the pandemic while maintaining fixed staff costs. Despite revenue recovery post-pandemic, the 47.70% ratio in 2023-24 indicates persistent cost pressure, significantly higher than the pre-2015 levels of around 35%.
- Staff costs have consistently consumed a large share of KSRTC's total operating revenue, averaging above 44% over the last decade, with extreme peaks like 67.55% in 2020-21 severely worsening financial performance. Negative operating profit percentages in 9 out of 11 years indicate that high employee expenditure

is a major contributor to the corporation's recurring operating losses.

Suggestions

- Implement productivity-linked pay structures to ensure that increases in staff costs are aligned with operational output and revenue growth.
- Strengthen workforce planning and automation initiatives to reduce dependency on manual processes, thereby controlling the share of staff costs in total expenditure.
- Implement a flexible manpower cost management system that adjusts staffing levels or compensations in response to significant revenue fluctuations, thereby improving resilience during downturns. Strengthen non-fare revenue streams such as advertisements, commercial property leases, and value-added services to reduce dependency on fare revenue and enhance the capacity to sustain higher staff costs without financial strain.
- Implement workforce rationalization and optimize deployment to reduce wage-related expenses without compromising service quality. Introduce performance-linked incentive systems to align staff remuneration with revenue growth and operational efficiency, ensuring expenditure is tied to financial capacity.
- KSRTC should implement advanced scheduling systems, possibly using digital tools or software, to optimize trip timings and reduce idle or dead kilometres. Additionally, regular vehicle maintenance and timely repairs should be ensured to minimize breakdowns, which would directly enhance workforce efficiency and contribute to improved financial performance of the corporation.
- The corporation should focus on improving trip planning and route optimization to ensure vehicles are utilized efficiently. Additionally, monitoring overtime and implementing a proactive vehicle maintenance schedule can help reduce costs and improve overall financial performance.
- KSRTC should prioritize implementing advanced scheduling systems and route optimization techniques. Additionally, controlling overtime, conducting regular vehicle maintenance, and providing targeted employee training can further enhance cost efficiency and strengthen the corporation's financial performance.

- KSRTC should explore flexible wage structures, performance-linked incentives, or alternative compensation mechanisms to enhance cost management. Strengthening dialogue with unions and ensuring timely government support can further facilitate the successful implementation of cost-control measures.
 - KSRTC should adopt a digital fare revision model that automatically adjusts fares based on key input factors such as fuel prices, vehicle maintenance costs, labour costs, and route efficiency. This model can be integrated with existing financial and operational software to allow real-time monitoring of costs, revenues, and profitability per route, while also generating alerts when operating ratios exceed predetermined thresholds. Employee costs and productivity can be optimized by introducing workforce management software to track attendance, overtime, and route assignments, and by linking incentives to performance metrics such as kilometres completed, on-time service, and maintenance compliance. Regular training programs can further enhance skills and operational efficiency. External factors such as government subsidies, policy changes, fuel price fluctuations, and inflation should be incorporated into fare revisions and financial planning, with a contingency fund established to absorb unexpected costs. Route optimization using GPS and predictive maintenance schedules can reduce idle or dead kilometres, lower repair costs, and maintain consistent service. Finally, a management dashboard combining fare models, employee productivity, route efficiency, and financial metrics, along with monthly review meetings and continuous employee feedback, will ensure that cost-control measures are monitored, refined, and effectively implemented to improve the financial health of KSRTC.
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Conclusion

Karnataka State Road Transport Corporation (KSRTC), being one of the largest public sector transport undertakings in Karnataka, plays a vital role in providing affordable and accessible mobility to the public while ensuring operational efficiency. However, like many public transport bodies, it faces the challenge of balancing service obligations with financial sustainability. The present analysis of data from 2013-14 to 2023-24 shows that staff cost has been a dominant expenditure component, often consuming over 40% of total operating revenue and in some years exceeding 60%. While KSRTC has managed to achieve revenue growth in certain periods, the steep and sustained rise in employee expenditure has limited its capacity to generate healthy operating profit margins. The strong correlation between high staff costs and financial strain highlights the urgent need for strategic cost optimisation without compromising service quality. Unless KSRTC implements measures to enhance revenue and rationalise staff expenses, the sustainability of its financial performance will remain under significant pressure in the long term.

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