



The Indian Railways' Revenue Problems

For Prelims: [Indian Railways \(IR\)](#), [Capital Expenditure \(capex\)](#), [Gross Budgetary Support \(GBS\)](#), [Extra Budgetary Resources \(EBS\)](#), [Comptroller and Auditor General of India \(CAG\)](#), Net Tonne Kilometres (NTKM), [Operating Ratio](#).

For Mains: Significant role and contribution of Indian Railways to the economic growth and development.

[Source: TH](#)

Why in News?

The [Indian Railways \(IR\)](#) has increased its [capital expenditure \(capex\)](#) significantly since merging its rail budget with the main budget. However, its [operating ratio](#), which measures expenses against revenue, hasn't improved.

What are the Present Concerns with Indian Railways?

- **Debt Trap Concerns:**
 - The Indian Railways (IR) is facing a **growing concern related to rising debt**. In the absence of surplus funds, the IR has been relying on increased funding through [Gross Budgetary Support \(GBS\) and Extra Budgetary Resources \(EBS\)](#).
 - However, this reliance on EBS comes with a significant cost. The IR's spending on repayment of principal and interest make 17% of revenue receipts, a sharp rise from less than 10% till 2015-16.
- **Concerns Related to Economic Growth vis-a-vis Unproductive Investments:**
 - Despite the mounting debt, the significant increase in capex is underpinned by the belief that investments in the railway sector have a **positive ripple effect on manufacturing, services, government tax revenue, and employment opportunities**.
 - However, **it is imperative that the IR, as a vital organization, avoids following the path of financial instability seen in entities like Air India.**
- **The Lessening Share:**
 - The Indian Railways (IR) faces a significant challenge with its **share in transporting key commodities declining over the years**.
 - For instance, **in 2011**, coal transportation was 602 million tonnes (MT), with the rail share at 70%, but by 2020, coal consumption increased to 978 MT, while the rail share **decreased to 60%**.
 - Similarly, **the share of exim (Export-Import) containers moving to and from ports has fluctuated between 10% and 18% since 2009-10**, with the 2021-22 figure at 13%.
- **Concerns with Net Tonne Kilometers (NTKM):**
 - There was an unprecedented decline in NTKM in 2015-16 and 2016-17 by 4% and 5% respectively.
 - In the **seven-year period ending in 2021-22**, NTKM showed an annual growth rate of 3.5%, **significantly lower** than the growth rate in road transport.

What are the Long-Term Issues in the Indian Railway System?

▪ Challenges in Financial Performance:

- The IR **faces a significant problem** with its financial performance, particularly the stark contrast between its profitable freight segment and the loss-making passenger segment.
 - A 2023 report from the Comptroller and Auditor General of India(CAG) highlighted a massive loss of Rs. 68,269 crore in passenger services which had to be covered by profits from freight traffic.

▪ Challenges in Freight Business:

- From April to July 2023, the annual growth in **freight volume and revenue stands at just 1% and 3%**, respectively, **whereas the Indian economy is growing at 7%**.
 - The modal share of the IR in India's freight business has drastically **decreased to approximately 27%**, a **significant decline from the over 80% share** it had at the time of India's independence.

▪ Artificial Division of Cargo:

- The **artificial division of cargo into goods and parcels is hindering efficiency**. These divisions, driven by tariff rules, handling procedures, and monitoring practices, **do not align with the concerns of shippers**.
 - It is **essential for the IR to abandon this artificial divide and categorize cargo based on its characteristics as either bulk or non-bulk**, which could be referred to as value-added.

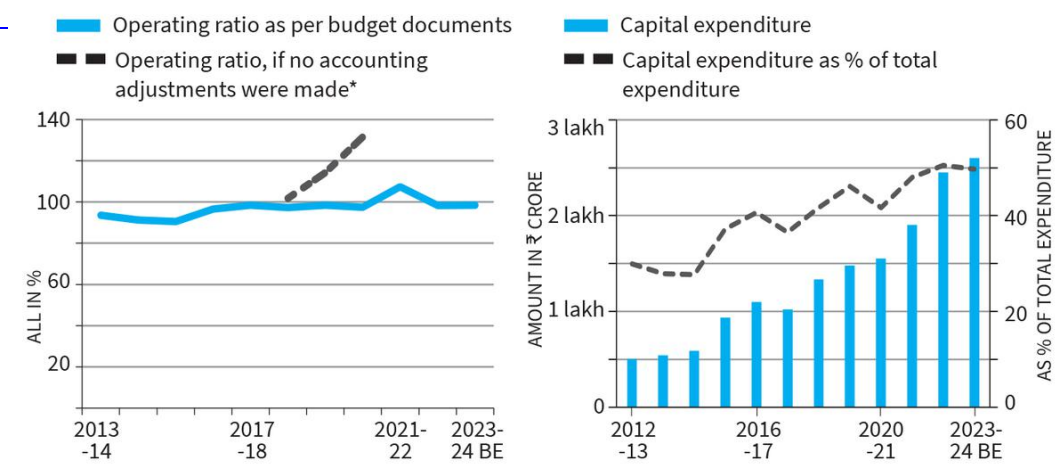
▪ Challenges in Competing with Road Transport:

- The Indian Railways also faces competition from road transport, which has been growing at a faster rate than rail transport. This competition, **combined with the fluctuating Net Tonne Kilometres (NTKM)**, has made it challenging for the IR to maintain and expand its share in freight transportation, where overhaul in railway transportation is required.

▪ Inadequacy of Containerization:

- After 15 years of privatization, containerized domestic cargo **accounts for only 1% of IR's loading and 0.3% of the country's total freight**.
 - High haulage rates and the risk of market development with potential losses are contributing to this underperformance.

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What are the Ways to Ease and Improve the Transport of Cargo by Indian Railways?

▪ Need to Phase Out Parcel Trains:

- The IR is facing **challenges in moving general cargo using parcel trains and special heavy parcel van (VPH) trains**.
 - One of the key reasons for these challenges is the high tariff, which is often higher than truck rates.
- The VPH parcel trains are found to be counterproductive, and **there is a better alternative in the form of covered wagons that can carry more cargo efficiently**.

- **Need of Flexibility for Shippers:**
 - A significant issue for the IR is that **shippers can only send a few tonnes under parcel tariff or thousands of tonnes under freight tariff, making it unsuitable for the needs of general cargo.**
 - Shippers require a more flexible and suitable option that aligns with their cargo sizes, akin to **asking passengers to come with a load of passengers** before booking a berth on a passenger train.
- **Overcoming Challenges in Cargo Transportation:**
 - The declining share of the IR in bulk cargo is partly **due to the high cost and capital-intensive nature of railway sidings**, which discourages smaller industries from using them.
 - To address this, **common-user facilities at cargo aggregation and dispersal points are needed**, especially in mining clusters, industrial areas, and large cities.
- **Ensuring a Level Playing Field Between Rail and Road Transportation:**
 - Environmental clearance for rail loading/unloading facilities has been made mandatory but the same has not been imposed on road loading/unloading facilities. There is a need for consistent Environmental regulations.
- **Optimization of Tarrifs:**
 - To incentivize **volumetric loading**, tariff structures can be adjusted based on the quantity loaded. The IR should also encourage **cargo aggregators and optimize payload** and speed for better efficiency in the long run.
- **Modernization of Infrastructure:**
 - Urgent need for infrastructure modernization in railways, including **high-speed rail, station redevelopment, track doubling, coach refurbishing, GPS tracking**, and digitalization for safety, efficiency, and cost reduction.
- **Reduction in operational costs:**
 - Indian Railways has achieved an Operating Ratio of 98.14% which can be further improved by **focusing on energy conservation, optimizing manpower, and enhancing procurement practices.**

What are the Different Initiatives of Railways for Increasing Bulk Cargo?

- The Indian Railways (IR) has undertaken several initiatives in the **bulk cargo sector, including relaxing block rake movement rules, allowing mini rakes, and introducing private freight terminals (PFTs).**
- The **Gati Shakti Terminal (GCT)** policy simplifies the operation of these terminals, and private sidings are being converted into GCTs.
- Government of India has introduced two key policies: The **PM GatiShakti (PMGS) policy**, aimed at creating a seamless multi-modal transport network, and the **National Logistics Policy (NLP)**, focusing on building a national logistics portal and integrating platforms across various ministries
- **Investment in railway infrastructure:** The government has also introduced schemes such as **'Sagarmala'** and **'Bharatmala'** for port-led development and road development respectively **which must be integrated with Indian Railways.**
- **Dedicated Freight Corridors:** The government has also introduced schemes such as **'Dedicated Freight Corridors'** which should be leveraged to increase freight transportation.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. With reference to bio-toilets used by the Indian Railways, consider the following statements: (2015)

1. The decomposition of human waste in the biotoilets is initiated by a fungal inoculum.
2. Ammonia and water vapour are the only end products in this decomposition which are released into the atmosphere.

Which of the statements given above is/are correct?

(a) 1 only

- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (d)

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