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INDIAN RAILWAYS – A MONOPOLY

Gali Krishna Chaithanya1*and Bhagya Laxmi Sahu2

Abstract: -

The Indian railways has long held a monopoly over the country's transportation system, with its vast network connecting major cities and remote villages alike. This monopoly has been both a blessing and a curse for the country, as the Railways have played a crucial role in the socio-economic development of India by providing affordable and accessible transportation for millions of people. However, the monopolistic control of the Railways has also stifled competition and innovation in the sector, leading to inefficiencies and subpar service quality. Despite efforts to introduce private players and improve infrastructure, the Indian Railways continues to dominate the transportation sector, raising questions about the need for greater competition and market reforms to ensure optimal efficiency and service delivery.

Introduction

For many years, the Indian railways monopoly has been a key component of the nation's transport system. The extensive network of lines, stations, and services that are only run by the state-owned company is the primary reason for this monopoly. With millions of passengers passing over its 67,000 kilometers of track every day, Indian railways command a large portion of the country's transportation business. As an important part of the transportation network, railroads are crucial for facilitating. An effective railway infrastructure lowers transportation costs, increasing the economy's ability to compete globally. In a vast developing nation such as India, railways serve as a means of long-distance passenger and freight transit. When it comes to energy efficiency and environmental friendliness, railways outperform other forms of transportation (like roads).

Indian railways hold a near-total monopoly on the rail transport system in India, meaning it is the sole provider of most railway services in the country. The monopoly of Indian railways can be attributed to several factors. One of the primary reasons is that the railways were developed and operated under

Gali Krishna Chaithanya[1]and Bhagya Laxmi Sahu[2]*
[1*]*Ph.D. scholar, Dept. of Agricultural Economics, Faculty of Horticulture, SKUAST- Kashmir.*
[2]*Ph.D. scholar, Dept. of Agricultural Extension Education, OUAT, Bhubaneswar, Odisha.*

government control, making it difficult for private companies to compete. Additionally, the extensive network of tracks and stations owned by Indian railways makes it challenging for new entrants to establish a foothold in the market. The heavy regulation and control that the government exercises over the railway sector—it sets train schedules, fares, and routes, for example—leads to little opportunity for competition from private operators. It also restricts the ability of private companies to enter the market by preventing them from acquiring new infrastructure and tracks. Furthermore, Indian railways have a near-monopoly over freight transportation in India as well. With a vast network of freight lines and dedicated freight corridors, Indian railways is the primary mode of transporting goods across the country. This dominance in the freight market further solidifies the monopoly of Indian railways over the transportation industry.

Here are key aspects of this monopoly:

1. **Government Ownership:** The Indian Government, through the Ministry of Railways, is the owner and operator of Indian railways. This implies that it has complete authority over all aspects of the nation's rail system, including the stations, trains, and track network.
2. **Market Exclusivity:** As the sole operator of passenger and freight rail services on India's extensive rail network, Indian railways enjoy market exclusivity. No private companies directly compete in the provision of nationwide rail services. The government nevertheless maintains authority over the majority of the rail network, even though some private companies are permitted to run particular train routes or offer particular support services (such catering and private freight facilities).
3. **Pricing Power:** Indian railways receive indirect competition from other transportation modes such as buses, airlines, and trucking businesses, but it faces minimal direct competition when setting prices and freight charges. The pricing structure for passenger services is frequently politically influenced, with lower fares for economy classes to make train travel more affordable to the general people, while higher freight charges are used to fund passenger services.
4. **Cross-Subsidization:** Cross-subsidization is one of the characteristics of Indian railways' monopoly. In lower classes where rates are kept below cost-recovery levels, profits from freight services are utilized to make up for losses from passenger services.
5. **Challenges and efficiency:** Monopolies can occasionally result in inefficiencies

because there isn't any competition. Indian railways have faced challenges linked to operational inefficiencies, aging infrastructure, delays, and safety concerns. Indian railways has battled modernization and capacity issues while having a monopoly, which has limited its ability to completely satisfy the rising demand for both passenger and freight services.

6. **Current Reforms and Initiatives at Privatization:** There have been moves in the direction of privatizing several train service components in recent years. For instance, under the "Public-Private Partnership" (PPP) model, the government has permitted private enterprises to run specific trains. Additionally, the government is attempting to entice private investment to renovate stations, enhance freight routes, and upgrade rolling equipment. The introduction of the Tejas Express as India's first privately operated train under IRCTC (a subsidiary of Indian Railways) is an example of how privatization is being piloted. Nonetheless, Indian railways continue to be in charge of the essential train infrastructure, including the track, signals, and operations.

7. **Economic Impact:** With millions of passengers using Indian railways every day and millions more moving goods throughout the nation, Indian railways are vital to the country's economy. Due to its monopoly status, the government has substantial control over pricing, service delivery, and transportation policy; frequently, socioeconomic factors are prioritized above purely market forces. Indian railways' monopoly has effects on the Indian economy that are both positive and negative. On the one hand, the country's vast rail network connects various regions and makes it easier for people and goods to move around. This connectivity has been crucial to India's economic growth, particularly in rural areas where there are few other options for transportation.

However, the monopoly of Indian railways also has its drawbacks. The lack of competition can lead to inefficiencies and higher costs for consumers. With no alternative options available, Indian railways has little incentive to improve its services or lower its prices, leading to subpar service quality and higher fares for passengers and shippers. Furthermore, the expansion of the private sector in the transportation sector has been impeded by Indian railways' monopoly. The railway firm owned by the government is too big for private companies to compete with in terms of cost and efficiency. The absence of competition in the transportation sector hinders technological improvements and innovation, which in turn restricts the growth potential of India's transportation sector.

There have been proposals in recent years to liberalize India's railway industry in order to increase consumer choice and competition. Although there have been certain government attempts allowing private companies to run specific train routes and services, Indian railways still hold a significant amount of influence.

Conclusion

Indian railways' monopoly gives the government significant control over a vital piece of the country's infrastructure, but it also presents a number of difficulties, including inefficiency, an excessive reliance on freight earnings, and a lack of competition, which limits innovation. In order to enhance service delivery and efficiency, recent changes seek to strike a balance between upholding government authority and expanding private sector participation. Thus, considerable policy adjustments and reforms will be needed to end Indian railways' monopoly. India's railway industry can improve in terms of efficiency, affordability, and customer satisfaction by encouraging competition and permitting private enterprises to join the market. In addition to helping shippers and passengers, this will also support the nation's economic development. In order to make India's transportation sector more dynamic and competitive, the government must move to liberalize the railway industry.