



Mains Practice Question

Q. Indian railways has been the lifeline of India's growth story. Analyse the challenges, advantages and disadvantages of its privatisation. (250 words)

13 Nov, 2019 GS Paper 3 Economy

Approach

- Introduce by mentioning about Indian railways and recent steps to privatize it.
- Discuss the advantages and disadvantages of its privatization.
- Conclude by suggesting some measures to improve its functioning.

Introduction

- With a modest beginning in India from 1853, the Indian Railways has emerged today as the main vehicle for socio-economic development of the country.
- Till now, it is owned and operated by the Government of India through the Ministry of Railways. It not only functions as a mode of transport but also creates huge employment opportunities both in the formal as well as informal sector.
- Bibek Debroy committee had recommended that the rail industry needs to be liberalized by allowing the entry of private operators to provide services. After privatisation of the Tejas Express, the government is planning to privatize some other trains and stations as well.

Body

Advantages of its privatization

- **Improved Infrastructure:** Privatisation will lead to better infrastructure which in turn would result in improved amenities for travelers.
- **Normalization of prices due to the competition:** The issue of price rise due to better quality services will be solved when private players are allowed to enter the sector since the move would foster competition.
- **Improved security:** Private participation can lead to better accountability and monitoring, which can keep a check on rising accidents in railways.
- **Better technological innovation:** Private participation can lead to the infusion of modern technology and capacity building of Indian railways.

Disadvantages of its privatization

- **Limited coverage:** An advantage of Indian Railways being government-owned is that it provides nation-wide connectivity irrespective of profit.
 - Profit motives after privatization would lead to the elimination of railway routes that are less popular.
 - Thus, it can have a negative impact on connectivity and further increase the rural-urban divide.
- **Lesser inclusive:** Hike in fares can render the railways out of reach for lower-income groups.

- **Issue of accountability:** The privatisation of Indian Railways is not easy, as it covers every part of India and runs for 24×7 hours.
 - The whole railway system cannot be handled by a single private entity. Also, coordination will be very difficult if it is segregated area wise and given to private parties.
- **Impact on the economy:** Indian Railways is the backbone of India as it provides low fare transportation to agricultural and industrial trade.
 - Therefore, privatisation of Indian railways shall definitely affect the Indian economy at large.

Conclusion

- It is important to modernize the railways, so measures must be taken to reimburse the social costs speedily so that the resources of the railways is better allocated and facilities are upgraded from time to time.
- Some of the recommendations of Bibek Debroy committee like transitioning to commercial accounting, shifting to an independent regulator, and privatizing non-core functions of railways (catering, real estate development, including housing, construction and maintenance of infrastructure, etc) can be implemented.

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