<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1. Introduction</td>
<td>142</td>
</tr>
<tr>
<td>4.2. History of Railways</td>
<td>144</td>
</tr>
<tr>
<td>4.3. Railway Zones</td>
<td>153</td>
</tr>
<tr>
<td>4.4. Governance of Indian Railways</td>
<td>155</td>
</tr>
<tr>
<td>4.5. Employees in Indian Railways</td>
<td>162</td>
</tr>
<tr>
<td>4.6. SWOT of Indian Railways</td>
<td>164</td>
</tr>
<tr>
<td>4.7. Performance Appraisal in Indian Railways</td>
<td>177</td>
</tr>
</tbody>
</table>
4.1. Introduction

Indian Railways is the core of nation’s transport system. The railway in India, from the first accounts of its history, has been described as a forerunner of modern industry. It helped the Indian society to reach the world of enterprise and work discipline from the agricultural society dominated by the moneylenders, landowners, and caste. Indian railways and their bureaucracy produced an economic modernity in India that dissolved ties of caste and community.

Indian Railways is predominantly a service sector. Service sector plays a vital role in the process of economic development of a country. Literature provides evidences that share of services in the gross national product (GNP) dominate the economy after the attainment of certain level of development of a country. In today’s modern economies, service sector performs many important roles. First, it represents a major share of the developed economies and is increasingly integrated in the overall production system. Second, it plays an active role in market integration and globalization. Third, the creation of employment, value added and income is increasingly related to the good performance of the services (Maroto-Sanchez, 2010). It is said that there is positive relationship between economic development of a country and its service sector; developed economies are increasingly more service orientated (Palmer, 2011).

Indian service sector is one of the major contributors to both employment and national income of a country. It also influences the GDP (Gross Domestic Product) growth of India. The strength of service sector within the economy is also likely to be continued. The purview of service sector are quite diverse like trading, transportation and communication, financial, real estate and business services, community, social and personal services come within the gambit of the service industry. These service sectors are vital components of the economy’s infrastructure and railways are one such organization. According to Vijay Pereira (2009): “Leadership Next Research Study: Indian Railways”, the 21st century has witnessed India undergo sweeping economic changes. Riding on a host of factors, India today stands at the cusp of becoming one of the top four economies in the world. A growth rate of over 8%, prior to the slowdown, was despite the inadequacies of infrastructure. Yet,
one organization, which has shouldered the infrastructural burden of the transportation sector in India’s growth story, is Indian Railways.

Transport is an important part of the infrastructure in the economy of India. An effective transport system is a pre-requisite for economic development of a country. The development in a developing country is closely dependent upon the existence of suitable transportation network. The whole structure of industry and commerce is based on the well laid foundation of transportation. With the level of increase in economic growth of India the demand for all transport services, particularly land transport through road and rail has also increased. Rail transport is a very important mode of surface transport particularly in India which is not endowed with much of waterways. It assumes greater importance in India because of limited resources of natural oil, abundant availability of coal. Railways have positive edge over road, being many times more energy efficient than the roadways.

The success of railway service sector like any other service sectors is closely dependent on the performance of human resource i.e. the set of individuals who make up the workforce of an organization. Every organization depends for its effective functioning on skilled and willing human resources. The human resources become even more important in the service industry whose value is delivered through information, personal interaction or group work. Indian Railway is the nation’s single largest employer in the organized sector in the country. The workforce of railways constitutes a key pillar of its strength. Indian Railways follows human resource management system to control and regulate various matters relating the employees. But the transportation requirement and accelerated growth of the Indian economy and stiff competition offered from road network have forced Indian Railways (IR) to gear up for the challenges by the present scenario. For these reasons, IR is required to take various measures to increase the efficiency of the employees to get rid of the problem resulting in the downsizing of manpower in the railways.

A focused human resource strategy is needed to meet the future challenges and prepare the employees to play their expected roles in a changing environment. The object of the strategy will also be to align organizational goals with employee’s career advancement expectations, participative management, training of employees, up gradation of in-house training facilities and creating the right motivational climate for employees to excel in their
job. Indian Railways follows a structured annual Performance Appraisal System to evaluate the performance of the employees which helps to get an idea about the strength and weaknesses of the employees. This appraisal output helps the administration to take the important decision relating the rectification of the weakness through training and motivate the efficient employees. Thus evaluation of effectiveness of such a Performance Appraisal System in such an important organization is one of the vital issues to be taken seriously.

4.2. History of Indian Railways

Indian transportation system was quite poor before the construction of railways network. Road transportation and water transports were the primary modes of transport used by the people. There were very few poorly constructed roads which were inaccessible during rainy seasons. Water transportation was also limited to the coast, the Ganga and Indus river systems (Bogart, D., 2009). It was also not possible to carry huge amount of goods through water transportation modes. The transport costs were quite higher apart from the river transportation. Due to higher transportation cost and poor condition of the roads people had to face lot of problems. Very few people could afford the higher transportation cost to travel in private vehicles but for poor people, the transportation was quite limited. Grand Trunk Road was the main road of transportation that connects Calcutta to Peshawar. The trade in the country also affected due to high transportation costs. This limits the markets for bulky goods within regional or small area and high value to luxury goods which were transported outside of India like cotton printed textiles etc. So, the export and import was affected a lot in India before the development of railway transportation system. The invention of railways brought a revolutionary change in the transport system.

The organization of the railways network in India can be broken down into four different phases (Government of India, 1955). In first phase, the private British companies developed the line and managed the trunk lines under a public guarantee. In second phase, government of India entered into the construction and management of the railways in India. The third phase began in early 1880s when a hybrid partnership has been formed between government of India as the major owner and the private companies who were
formerly involved in developing the network. In final phase, Government of India took over the railways operations in India starting from 1924.

Mercantile firms of London and Manchester with the trading concerns of India took the initiative for development of railways in India. The main purpose of development of railways network in India was to reduce the transportation costs and to allow English merchants to access to raw cotton easily from India. Along with that, they also wanted to enter Indian market to sell British manufactured products. Thus the main object behind the development of railways was transportation of goods. Hence during that time The East India Company and railways promoters both did not focus much on the passenger traffic. This was a short-sighted view because the passenger traffic could be a major source of revenue (Eichengreen, B. 1995). Initially the pace of developing the railways network in India was slow by the process undertaken by East India Company but the pace was increased when the British Crown took the control of it in the year 1858 (Engel, E., 2006).

Indian Railways are considered being the lifeline of transportation system in the country. It has done commendable job in both passenger sector and freight sector in the country. The Stockton and Darlington Railway in England is recognized as the starting of railway age in 1825, because they were the first "Railway" to use a steam locomotive and iron rails to haul a load of 38 carriages laden with passengers and goods ran between Stockton and Darlington. The railway line was actually commenced in 1821, but it took 4 years to complete construction. The core of the pressure for building railways in India came from London in 1840s. The first proposals for construction of railways in India were presented in 1844 to East India Company in London by, (a) East Indian Railway Company headed by R. McDonald Stephenson, and (b) Great Indian Peninsula Railway Company.

The conception, promotion, and launching of India's railways all were initiated by the British. Primarily the basic policies and ultimate management of the Indian railways were fixed up from London who took the initiative for establishment of Indian Railways. The British themselves referred to India as their "Indian Empire," as India was too large, too populous, and too diverse to be simply a colony. The object of building Indian Railways by the British was to intermesh the economies of the two countries.
The railway pioneers hoped not only to transform India's economic life, but the very character of her traditional civilization. Listen to their paean of praise in 1848 for the prospective role of the private enterprise railway system in India: Experience has shown that Governments cannot build railways as well as can private initiative and private drive; The Government of India has failed in the past to attend to public works; India has need of many things besides railways, and can get them only through a "system of associated enterprise." These undertakings are far too great and numerous for Government to enter upon; "the establishment of the Railway system by private enterprise would put the people into possession of a principle of association by which they might all be effected. This is a matter of extreme importance in India, where the energy of individual thought has long been cramped by submission to despotic governments, to irresponsible and venal subordinates, to the ceremonies and priesthood of a highly irrational religion, and to a public opinion founded not on investigation, but on traditional usages and observances (Daniel Thorner, 1950)."

By the 1840's the East India Company's control over India started to reduce. The promoters, who were noted to dominate Indian Railways, had demanded a virtual governmental guarantee of their annual dividends. But this suggestion was pushed aside by the East India Company when it was first made in 1844. The depression of 1847-49 had hit England hard and by the time the East India Company was ready to do business with the railway companies. But under such situation it became a great problem to raise Capital. The promoters also insisted more vehemently than before that the Government must guarantee the railway shareholders an annual dividend. The contracts eventually materialized on 17th August, 1849 between the Railway Company and the East India Company which gave the railway companies better terms than those for which they had originally asked in 1844. The standard contract provided, in essence, that private companies would raise the funds for the railways and manage their operations, while the Government of India would exercise high-level supervision of railway policy and guarantee the private companies against risk of loss. The construction of the line was started on 31st October, 1850.
The first railway on Indian sub-continent covered an area of 21 miles from Bombay to Thane. The idea of connecting Bombay with Thane, Kalyan and with the Thal and Bhone Ghat incline was developed by Mr. George Clark, the Chief Engineer of the Bombay Government, during a visit to Bhandup in 1843. The formal inauguration ceremony took place on 16th April 1853, when 14 railway carriages carrying about 400 guests left Bori Bunder (Bombay) and covered a distance of 34 Kms. up to Thane at 3.30 pm amidst the loud applause of a vast multitude and to the salute of 21 guns.

Indian businessman played an important role in the development of Indian Railways. Indian merchants both in Calcutta and in Bombay took an interest in the funding of railways. A remarkable role was played by Bengali merchant, Dwarkanath Tagore, grandfather of the poet, Rabindranath Tagore. Dwarkanath's firm, Carr, Tagore & Co., offered one-third of the capital required for a railway from Calcutta northwest to the coalfields above Burdwan in 1844. Other Indian businessmen played only a passive role after Dwarkanath's premature death a few years later. Indian businessman vigorously followed British merchants and railway promoters.

The initial agreements between the railway promoters and the East India Company were for pitifully small stretches of line because the Government initially took it as ‘experimental lines’ based on the success of which long distance lines to be established. The East Indian Railway Company (E.I.R.) undertook to build and operate a line running a few dozen miles north from Calcutta (on the Howrah side, i.e., along the West bank of the Hoogly River). Eventually the East Indian railway hoped to extend this line to the coal mines, 100 miles northwest of Calcutta and subsequently to the well populated and fertile Ganges valley. Simultaneously the Great Indian Peninsula Railway Company (G.I.P.) undertook to construct a line running north from Bombay for thirty-five miles to Kalyan. The longer-distance goal of the Great Indian Peninsula railway Company was to carry their line over the mountains east of Bombay (the Western Ghats) into the rich cotton fields of the Deccan. If the first few years' experience with them proved successful, then the E.I.R. and the G.I.P. hoped to go on to the building of the trunk lines of northern and central India.
The construction of the two "experimental" lines proceeded without great difficulty between 1850 and 1854. In 1852 trial runs were first undertaken on parts of the lines and by 1854 both lines were in operation. In the Eastern sector, the first passenger train steamed out of Howrah station destined for Hooghly, covering a distance of 39 Kilometres on 15th August 1854. Thus the first section of East Indian Railway was opened to public traffic, with the beginning of railway transport on the Eastern side of the subcontinent. The railway line was extended up to Pundooah covering 61 kilometres from Howrah on 1st September, 1854 and the line was opened up to Raniganj on 3rd February, 1855. Lord Dalhousie, head of the then Government of India pressed in 1853 for the early ending of the "experimental" period and the undertaking of a network of trunk lines linking the principal areas of the country. Encouraged by the government guarantees, investment flowed in and a series of new rail companies were established, leading to rapid expansion of the rail system in India. Soon various native states built their own rail systems and the network spread to the regions that became the modern-day states of Assam, Rajasthan and Andhra Pradesh. Afterwards a series of contracts were negotiated in 1854 with the East Indian Railway Company, the Great Indian Peninsula Railway Company and several new companies, for the construction of half a dozen major lines.

A vast railway network for India was rapidly developed together by the government companies and private companies. On 1st July, 1856 the first line in the South was opened by the Madras Railway Company between Veyasarpaudy and Walajah Road (Arcot), a distance of 101 kilometres. In the North a distance covering 192 kilometres of railway line was laid from Allahabad to Kanpur on 3rd March 1859 and 3 years later the Amritsar-Atari section of Amritsar- Lahore line was opened to traffic. In 1860 there were 1,349 kilometres of track, by 1870 there were 7,678 kilometres, by 1890, 25495 kilometres, by 1920-21, 56,980 kilometres and by 1946-47, 65,217 kilometres (Morris et al, Arttha Vijnana 1975). The first lines were built inland from major ports of Bombay (1853), Calcuta (1854), and Madras (1856). The density of rail lines grew from 35 route kilometers per 10,000 square kilometers in 1880 to 159 in 1946-47 and 78% of India’s total area fell within the range of the railway system. By 1880 the Indian Railway system had a route mileage of about 9000 miles. Indian Railway system expanded so rapidly that it becomes the fourth-largest in the world by 1910 from its beginning in 1853. The network covering
most of the subcontinent radically altered India’s transportation system. Initially the Government of India offered assistance to the private investors in the form of subsidies termed as “the guarantee” assuming that the private investors would probably consider the initial too low rate of return and the too high risks to lend large amount of money for the construction of Indian railways. Under this system, sometimes the government would compensate the difference amount if a company failed to attain the minimum rate of return. Being stimulated with the assured rate of return the British investors swiftly invested their capital to the private railway companies. These private companies with the approval of Government built and managed the lines.

The officers of Government of India were deputed to watch over the railways. They had the right not to sanction expenditure incurred without their approval. But the contractors and the railway companies' men did not want to wait for their operations. In practice they did not wait for the approval, they did things and latter told the Government what they had done. The Government had the right to refuse to sanction such expenditures. If this right were insisted upon, construction would have barely creaked along. As a result an inhabitable clash developed.

Although the guarantee provided by Government inspired the private companies to contribute in Indian Railways and helped in economic development of the country but such guarantee involved heavy costs. According to the critics such guarantee contributed substantially to the drain of funds from the subcontinent. Because the companies who were guaranteed a minimum rate of return on their capital spent more on construction of per kilometer truck than the local conditions warranted. Such wasteful construction resulted in lowering the actual rate of return and unnecessarily increased subsidy and the drain. Although the drain was increased by the guarantee, had the guarantee not existed, it is unlikely that the private companies would have invested in railways and large areas of India had rail services. The money paid in absolute terms out of Indian tax revenues to British investors in subsidies was substantial. The absolute money was paid Rs. 568 million between 1849 when the guarantee was first awarded and 1900 when the earnings of railways as a group began to equal or exceed the guarantee. In a sample of eleven years between 1860-61 to 1895-96 the amount paid out for the guarantee averaged only 0.2% per
year of national come and in none of the sample years it exceed 0.3%. Hence India received not only substantial savings in transport costs but also a massive network of rail line throughout the country.

Another factor which contributed to the drain of fund was the government policy about the placement of track. Government of India followed a policy that aimed at spread of lines widely across the country without considering the commercial potential of the region. The government of India felt that some of the lines like ‘famine lines’ should be built to lower the risk of famine by transporting food grains to poor famine areas in time of need. Government had also authorized lines considering the military concerns to the strategic points on the frontier disregarding the needs of potential customers. Government of India also was less interested in potential earning and volume of traffic than in other considerations. This was found that some cotton-growing regions had lines built into them early, but many of these lines by-passed the major marketing and collection centers.

The Indian Rebellion broke out in 1857, when only 300 miles of railways were in operation. Then the British Parliament ordered an enquiry into the progress of railway construction in India. The Parliamentary Committee heard to the companies and rebuked the Government of India. In 1858 a post-audit system was introduced to check the costs incurred in the process of railway construction. The year 1858 also witnessed the removal of yet another fetter on the operation of the private railways, namely, the East India Company itself. The Great Indian Rebellion of 1857-58, also influenced the Parliament to take the decision to abolish the East India Company and transfer control over India to a new member of the British Cabinet, the Secretary of State for India.

The late 1860s marked a turning point in new rail construction. Official were against the private company being worried about the paying the interest guarantees into the indefinite future. Sir John Lawrence, Governor-General from 1864 to 1869, made the following statement about private provision in 1869 and set the stage for public provision: “The Government of India has for several years been striving to induce capitalists to undertake construction of railways in India at their own risk, and on their responsibility with a minimum of Government interference. But the attempt has entirely failed, and it has become obvious that no capital can be obtained for such undertakings otherwise than under
a guarantee of interest, fully equal to that which the Government would have to pay if it borrowed on its own account.” Lord Lawrence’s view became official policy in the 1870s ushering a second phase of railway development. The Government of India (GOI) constructed and operated railway lines using borrowed capital. Government financing was encouraged by favorable financial conditions. Yields on GOI bonds dropped below 4% for the first time in the early 1870s. No new contracts were signed with private companies other than a few minor extensions. Private companies continued to own and operate trunk lines, while the GOI now owned and operated what might be termed secondary lines. Notably, many GOI railways broke from the standard gauge to the smaller metre gauge because of their lower construction costs.

Government units started to build and run lines after 1869. Some of the railways were constructed by the princely states, provinces, and even district boards. Between 1869 and 1882 the Central Government felt that it could construct more cheaply. As a result Central Government itself built several lines; of which some were managed directly by the central government and some were leased to private companies. However, consequent on severe famine in 1878, the necessity of rapid extension of railway system was felt by government and it was decided to use private enterprise to the extent possible with such guarantees as would secure investment of capital without involving government in financial or other liabilities of an objectionable nature. In 1879 the government purchased the East Indian Railway, which was the largest of the private lines and initiated a policy of gradually taking over ownership of the large companies after the completion of the contract period; though the management was left in the hand of the private companies. The government again changed its policy and assumed direct management of lines, when the management contracts of private companies expired. In addition, mergers occurred between the companies owned by the state and the private companies with a guarantee.

The key lines were merged to lessen the competition. In 1884 the Bombay, Baroda and Central India railways took over management of the Rajputana- Malwa railway. In 1886 the Sind, Punjab, and Delhi railway Company amalgamated with the Punjab Northern, the Indus Valley, the Sind- Sagar and the southern section of the Sind – Pishin State railways. These lines worked as one huge system called the North Western State railway which
grossed 14% of the total Railway by 1891. The Government of India promoted branch lines which also reduced competition. By 1916, the companies tried to establish their sphere of market through mergers, the growth of branch lines and agreement between firms to restrict competition by dividing traffic.

A complex system of ownership and management was developed. There was different state of lines like state lines worked by private companies, state lines worked by the state, lines owned by companies guaranteed under old contractors, lines owned by companies under new contractors, district board lines, assisted companies’ lines, princely state lines worked by state railway agencies, and lines worked by princely states. Thus in 1902, there were thirty three separate administrative divisions in Indian Railways including twenty-four private companies, four government agencies, and five princely states. By 1910 Indian railways became the world's fourth largest railway network after those of the United States, Russia and China.

To study India’s railway problem, the British authorities appointed the most important of the many commissions of inquiry in 1920. The majority report of this committee, signed by Sir William Acworth-the outstanding British railway economist of the period and well known for his prepossessions in favor of private management of railways recommended complete state ownership and state management of India's railways. Coupled with this was the strong suggestion, which was later adopted and still holds today, that the railway budget and finances be separated from the general budget and finances of the government. The most important land mark in the history of the financial administration on railways in India was the appointment of the Financial Commissioner for Railways in April, 1923 with the sanction of the Secretary of State for India, as part of the scheme of reorganization of the Railway Board as recommended by the Acworth Committee (1921). The declared object of this appointment was to secure firstly, economy in the expenditure of public moneys, and secondly, the coordination of financial policy of the Indian Railways with the general financial policy of the Government of India. This was followed by the Separation Convention of 1924 by which Railway finances were separated from the General finances of the Government of India. The final separation took place in the year 1929, which also
marked the beginning of the Indian Railway Accounts Service\(^6\). The Financial Commissioner, Railways is the professional head of the Accounts Department and represents the Government of India, Ministry of Finance on the Railways.

The Government of India in 1924 inaugurated the current phase of railway organization by implementing the Acworth Report. The Government bought out the E.I.R. and placed it under complete state ownership and state management. Thereafter the Government took similar action with every other important line. Today India's railways are all state-owned and state-operated (Daniel, 1955). According to the World Bank, the IR is one of the top five national railway systems in the world; others being the United States, former Soviet Union, Canada and China (Thompson and Fraser, 1993).

With the attainment of independence and partition of the country on the 15\(^{th}\) August, 1947, the division of two railway system viz. North Western Railway in the west and the Bengal Assam Railway in the east which fell in both the territories took place. The portion which fell in the part of India were either partly added to other existing lines or partly formed into separate units, thus Eastern Punjab Railway and the Assam Railway Administrations came into being as separate units although they were not considered economically efficient and self sufficient system. Thus a compelling necessity arose for administrative reorganization with a view to secure both efficiency in operation and economy in management.

### 4.3. Railway Zones

The integration of all the railways in the Indian States into the Indian Railways, with the nationalization of all the arterial Indian Railway Systems in 1944 raised the need for establishing a smaller number of major units, reorganizing the internal set up of each unit with a view to securing large scale economies, and improving and standardizing practices which became even more propounded than in the past. Immediate attention was drawn towards large scale administrative reorganization with a view to realizing efficiency in operation and management due to the revision of the financial convention from 1\(^{st}\) April, 1950 regulating the relationship between the General and the Railway finances. As a result

---

\(^6\) Foundation Course Material for Group ‘B’ Railway Staff College, Vadodara, vol.1, p. 2.
the different Indian Railway systems were regrouped and formed into six major Zonal Administrative Units.

Nowadays IR is the largest public sector organization of the country. Owing to the large magnitude and the mix of the activities that IR is involved in, it has been divided into zones and zones into divisions and divisions into sections and thus is managed in a multi-tiered manner with a geographical divisional perspective. This structure basically involves the decomposition of management functions by physical jurisdiction of the railway network. At the same time, there is also a decomposition of activities based on the functional areas of railways as mechanical, electrical and civil engineering functions coupled with staff, traffic and commercial activities right from the topmost railway board level to the zonal, divisional and sectional levels. Therefore, in that perspective IR organization can be considered as having a matrix type of structure with multiple commands from the functional and geographical jurisdictions. For example, the chief electrical engineer of a zone not only reports to the general manager of the zone, but also to his head in the railway board in charge of the electrical engineering function. Thus, IR is managed in a similar manner as that of large multi-divisional organizations. The number of zones in Indian Railways increased from six to eight in 1951, nine in 1952 to sixteen in 2003. Each zonal railway is made up of a certain number of divisions, each having a divisional headquarters.

The Kolkata Metro is owned and operated by Indian Railways, but is not a part of any of the zones. It is administratively considered to have the status of a zonal railway. Each of the sixteen zones, as well as the Kolkata Metro, is headed by a General Manager (GM) who reports directly to the Railway Board. The zones are further divided into divisions under the control of Divisional Railway Managers (DRM). The divisional officers of engineering, mechanical, electrical, signal & telecommunication, accounts, personnel, operating, commercial and safety branches report to the respective Divisional Manager and are in charge of operation and maintenance of assets. Further down the hierarchy tree are the Station Masters who control individual stations and the train movement through the track territory under their stations' administration.
4.4. Governance of Indian Railways

Indian Railway is one of the biggest public sectors in the country employing more than 13 lakhs of people under different categories. It serves the nation by providing transportation system for carrying passengers and goods. The demand for railway transport has been increasing with the development of industry and economic activity of the country. With the progress of railways it became necessary to consolidate amend, and add to the law for regulating the working of various railway systems in India. As a result the Indian railways Act, 1890 was enacted on 21\textsuperscript{st} March, 1890 to take effect from 1\textsuperscript{st} May, 1890.

As per the Railway Act, 1989, “railway” means a railway or any portion of a railway for the public carriage of passengers or goods and includes:-

a) all lands within the fences or other boundary marks indicating the limits of the land appurtenant to a railway;

b) all lines of rails, sidings or yards or branches worked over for the purposes of, or in connection with, a railway;

c) all stations, offices, warehouses, wharves, workshops, manufactories, fixed plant and machinery and other works constructed for the purposes of, or in connection with, a railway; and

d) all ferries, ships, boats and rafts which are used on inland waters for the purposes of the traffic of a railway and belong to or are hired or worked by authority administering the railway.

Under Articles 366(20) of the Constitution of India, a railway does not include:-

a) A tramway wholly within a municipal area, or

b) Any other line of communication wholly situated in one State and declared by Parliament by law not to be a railway.

Shortly after the enactment of the Indian Railways Act 1890, The Railway Board was constituted for controlling the administration of railways in India, the Indian Railway Board Act, 1905 was passed on 22\textsuperscript{nd} March, 1905 to provide for investing the Railway
Board with certain powers and functions under the Indian Railways Act, 1890. Thus it becomes a part of Indian Railways Act, 1890.

The corporate management objectives of the railway undertaking are as given below as per Indian Railway Administration and Finance, (1976):-

1) To provide rail transport for both passenger and goods adequate to meet demand in areas where railway operation confers optimum benefit to the economy, having due regard to the Government’s policy of development of backward areas.

2) To provide such rail transport at the lowest cost consistent with-
   a) Requirements of the railway users and safety of operation,
   b) Adequate provision for replacement of assets and some provision for development of business, and
   c) The least amount of pollution of the environment;

3) To work in association with or utilize other modes of transportation, such as pipelines and road transport, and to engage in ancillary activities necessary to sub serve the above two objects;

4) To establish a corporate image of the railways as being an up-to-date business organization with the interests of the public and of the nation as its prime objectives; and

5) To develop organizationally effective personnel with pride in their work and faith in the management.

Due to vast network of the Indian Railway system, the president has delegated the authority for its operation through the Ministry of Railways (Railway Board) to the General Managers and further down the line to Executive authorities in the lower formations.

Now Indian Railways is a department owned and controlled by the Government of India, via the Ministry of Railways. It is administered by the Railway Board, which has a financial commissioner, five members and a chairman. The headquarters of the Indian
Railways is in New Delhi. The Ministry of Railways is led by the Cabinet Rank Railway Minister; whereas the Indian Railways Department is controlled by the Railway Board.

The Ministry of Railways presents a budget separate from the general budget of India. The practice started in 1924. At the time, the Railway Budget formed about 70% of the country's budget. The Railway Budget now is less than 15% of the national budget. Though the Railway budget can no longer be justified as a separate budget presentation, it is still watched eagerly as the annual fare and tariff setting event. Indian Railways have their research and development wing in the form of Research, Designs and Standard Organization (RDSO). RDSO functions as the technical advisor and consultant to the Ministry, Zonal Railways and Production Units.

This state-owned company enjoys a monopoly in rail transport in India. The Railway Board is responsible for administration and management of Indian railways under the overall supervision of Ministry of Railways assisted by two Ministers of State for railways. The first Railway Board in India was appointed by Lord Curzon’s government in 1905. It is consisted of Government Railway official who was the Chairman of the Board, a Railway Manager from England and an Agent of a Company Railway. The Board was placed under the Department of Commerce and Industry of the British Indian Government. In 1922, a reorganization of the Railway Board was carried out. A Chief Commissioner of Railways was appointed, who was solely responsible to the Government for decisions on technical matters and for advising the Government on matters of policy.

The inclusion of the Financial Commissioner, Railways, as a Member of the Railway Board since 1923 and the separation of the Railway Finance from the General Finance since 1924, the Railway Board also exercises the powers of the Government Of India in regard to railway expenditure subject to the ultimate financial authority of the Minister of Railways and the Union Cabinet. Although the Ministry of Railways controls its own finances, but the budgetary programs of expenditure is a part of the overall ways and means position of the Government of India. The ministry of Railway therefore has to formulate its budget proposals in close co-ordination with the Ministry of Finance and the Planning Commission. The Railway Board was reconstituted with effect from 1 April 1924. The reconstituted board comprised the Chief Commissioner, A Financial
Commissioner and two Members, one responsible for Way and Works, Projects and Stores and the other for General Administration, Staff and Traffic subjects. In 1929, an additional post of a Member was created and he was placed in charge of Staff matters, so that the Member in charge of Traffic can concentrate fully in transportation and commercial matters. In April, 1951 the post of Chief Commissioner was abolished and the senior most functional Member was appointed the Chairman of the Board, thus the strength of the Board was reduced to four. In October 1954, the Chairman of the Board was made responsible for decisions on technical and policy matters, with the status of a Secretary to Government in the Ministry of Railways.

At present the Railway board consists of the chairman, the financial Commissioner for Railway and other five functional members responsible for electrical, staff, engineering, mechanical and traffic. The chairman is responsible to the Minister of Railways for arriving on technical and non-technical question and advising the Government of India on matters of railway policy which are put up through him. The organization chart of Indian Railways as follows:
An Overview of Indian Railways

ORGANISATION STRUCTURE OF INDIAN RAILWAYS

MINISTER FOR RAILWAYS

MINISTER OF STATE

MINISTER OF STATE

RAILWAY BOARD

CHAIRMAN RAILWAY BOARD

Member
Electrical
Member
Staff
Member
Engineering
Member
Mechanical
Member
Traffic
Financial
Commissioner

Director- General
Rly. Health Services

Director- General
RPF

Secretary

Estt. Matter
Admn. matter

Zonal Railways
(Open Line)

Production Units

Other Units

General Managers
Central
Eastern
East Central
East Coast
Metro
Northern
North Central
North Eastern
Northeast Frontier
North Western
Southern
South Central
South Eastern
Southeast Central
South Western
Western
West Central

General Managers
Chittaranjan
Locomotive Works
Disel locomotive
Works
Integral Coach
Factory
Rail Coach Factory
Rail Wheel Factory
Chief Administrative
Officer (Railway)

General Managers
Central Organisation for
Railway Electrification
NF Railway
(Construction)
Chief Administrative
Officer (Railway)

Central Organisation for
Modernisation of
Workshops
Indian Railway Project
Management Unit
Indian Railway
Organisation for
Alternate Fuels

Director General
Railway Staff College
Director General & Ex.
Officio General Manager
RDSO

BCL
BSCL
BWEL
CONCOR
CRIS
KRCL
IRCTC
RCIL
MRVNL
RVNL
DFCCIL
MRVCL
RITES
IRCON
IRFC

Public Sector Undertakings /Corporation etc.

Source: Ministry of Railways (Railway Board)
The members of Railway Board separately in charge of matters relating to Staff, Civil Engineering, Traffic, Mechanical Engineering and Electrical engineering functions as the ex-officio secretaries to the Government of India in their respective spheres. The members are assisted by Additional Members and Executive Directors. The Board is assisted by the technical staff of Additional Members, Executive Directors, Joint Directors, Deputy Directors and assistant Directors, who are in direct charge of the various branches of Ministry and are responsible for the disposal of all the day-to-day work. They deal with the General Managers of the Railway administration, Production units, general public, and the various ministries of the government of India. Railway Board is completely independent and empowered to take decisions on projects without going through the Railway Ministry though checks have been introduced in the form of a board comprising existing board members, the Expenditure Secretary and Secretary, Planning Commission. The Financial Commissioner, Railways is the professional head of the Railway Financial Organization and represents the Government of India, Finance Department on the Railway Board. In his capacity as ex-officio Secretary to the Government of India in the Ministry of Railways in financial matters, he is vested with full powers of the Government of India to sanction Railway expenditure subject to the general control of the Finance Minister.

Though the Indian Railways enjoys a near monopoly in India, a few private railways do exist, left over from the days of the Raj, usually small sections on private estates, etc. There are also some railway lines owned and operated by companies for their own purposes, by plantations, sugar mills, collieries, mines, dams, harbors and ports, etc. The Bombay Port Trust, the Calcutta Port Commission Railway, Bhilai Steel Plant, Madras Port Trust have BG (Broad gauge) railway of their own. The Vishakhapatnam Port Trust has BG and NG (Narrow gauge), 2 ft 6 in (762 mm), railways. The Tatas (a private concern) operate funicular railways at Bhira and at Bhivpuri Road (as well as the Kamshet–Shirawta Dam railway line which is not a public line). These are not common carriers, so the general public cannot travel using these. The Pipavav Rail Corporation holds a 33-year concession for building and operating a railway line from Pipavav to Surendranagar. The Kutch Railway Company, a joint venture of the Gujarat state government and private parties, is involved (along with the Kandla Port Trust and the
Gujarat Adani Port) to build a Gandhidham–Palanpur railway line. These railway lines are principally used to carry freight and not for passenger traffic.

The railways are managed and owned by the Government of India. Hence, The Railway Management is accountable to the Parliament for the efficient operation as a vital transportation system in the country. Parliamentary financial control is designed to keep a watch over the performance of the managers entrusted with handling and disposal of public funds. The budget grants voted by parliament and the appropriations sanctioned by the president thus limits the expenditure which can be incurred by the Central Government during a financial year on the specific purposes for which the appropriation and grants have been obtained. The Railway management is thus accountable to Parliament for achieving the financial targets envisaged in the budget for realization of revenues and restricting the disbursement of moneys and adjustment of expenditure within the authorized limits. The Ministry of Railways has a number of public undertakings:

1. Rail India Technical & Economic Services Limited (RITES)
2. Indian Railway Construction (IRCON) International Limited
3. Indian Railway Finance Corporation Limited (IRFC)
4. Container Corporation of India Limited (CONCOR)
5. Konkan Railway Corporation Limited (KRCL)
6. Indian Railway Catering & Tourism Corporation Ltd (IRCTC)
7. Railtel Corporation of India Ltd. (RCIL)
8. Mumbai Rail Vikas Nigam Ltd. (MRVNL)
9. Rail Vikas Nigam Ltd. (RVNL)
10. Centre for Railway Information Systems (CRIS)
11. Dedicated Freighgt Corridor Corporation of India Ltd. (DFCCIL)
12. Braithwaite & Company Limited (BCL)
13. Burn Standard Company Limited (BSCL)
14. Bharat Wagon and Engineering Limited (BWEL)
15. Mumbai Railway Vikas Corporation Limited (MRVCL)
4.5. Employees in Indian Railways

Indian Railways is the country's single largest employer. Staff are classified into gazetted (Group A and B) and non-gazetted (Group C and D) employees. The recruitment of Group A gazetted employees is carried out by the Union Public Service Commission through exams conducted by it. The recruitment to Group 'C' and 'D' employees on the Indian Railways is done through Railway Recruitment Boards which are controlled by the Railway Recruitment Control Board (RRCB). The training of all categories of staff is imparted in training institutes for improving their skills and ability.

Group-wise and Department-wise break-up of railway employees as per the Indian Railways Annual Reports and Accounts 2010-2011 as on 31-3-2011 and 31-3-2010 are as follows:

<table>
<thead>
<tr>
<th>Group-wise break-up</th>
<th>As on 31-3-2010</th>
<th>As on 31-3-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>8,606</td>
<td>8,791</td>
</tr>
<tr>
<td>Group B</td>
<td>8,143</td>
<td>8,053</td>
</tr>
<tr>
<td>Group C:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Workshop &amp; Artisan</td>
<td>3,00,486</td>
<td>3,29,253</td>
</tr>
<tr>
<td>(ii) Running</td>
<td>88,587</td>
<td>94,850</td>
</tr>
<tr>
<td>(iii) Others</td>
<td>5,37,456</td>
<td>6,52,786</td>
</tr>
<tr>
<td>Group D:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Workshop &amp; Artisan</td>
<td>1,02,457</td>
<td>55,485</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>3,16,396</td>
<td>1,78,981</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,62,131</strong></td>
<td><strong>13,28,199</strong></td>
</tr>
</tbody>
</table>

Total number of employees in South Eastern Railway which is one of the zones of Indian Railways was 83,668 on 31st March 2012 comprising 473 Group A, 447 Gr. B, 80502 Gr. C and 2246 Gr. D employees. All railways employees are placed on time scale of pay, in which annual increments is a matter of course except on reaching an ‘efficiency bar’. They are paid dearness allowances according to cost of living index. The structure of emoluments and conditions of service of railway employees, like other Central
Government employees, are reviewed periodically by the Pay Commissions appointed by the Government from time to time. The cost of human resources is significant part of total expenditure of Indian Railways.

Indian Railways are adopting human resource development strategies with an object of enhancing the competitiveness of the railway organizations in the context of internal and external changes in the environment. Railway men are provided in-house training and special training in other institutions in India and abroad to improve their skills with changing needs of the competitive environment. The organization also trying to improve the basic infrastructure to provide structured training program in improved learning environment. Railway employees are also encouraged to enhance their knowledge and skills by acquiring higher educational qualifications in the specified areas relevant to their work by granting incentives to them.

Manpower planning of IR system has been redesigned to regulate manpower intake with reference to emerging business needs and financial viability of the system. Following seven Centralised Training Institutes (CTIs) cater to the training needs of railway officers:

1. Railway Staff College, Vadodara.
2. Indian Railways Institute of Civil Engineering, Pune.
3. Indian Railways Institute of Signal Engineering and Telecommunications, Secunderabad.
4. Indian Railways Institute of Mechanical & Electrical Engineering, Jamalpur.
5. Indian Railways Institute of Electrical Engineering, Nasik.
6. Indian Railways Institute of Transport Management, Lucknow.
7. Jagjivan Ram Railway Protection Force Academy, Lucknow.

The Centralized Training Institutes (CTIs), apart from probationary training, cater to various specialized training needs of IR officers. Railway Staff College serves railway officers by providing inputs in General Management, Strategic Management and function-related areas. Other Centralized Training Institutes provides technical training courses in respective specialized functional areas. To keep pace with the modern technology the CTIs also conducts Training programs on Information Technology to
provide solutions for information management and decision support requirements. The organizations also arranges for special courses as per needs conducted by CTIs to trainees from abroad and non-railway organizations in India have been well appreciated. The training programs emphasize on professional approach to learning with a purpose. In addition to in-house faculty, faculties with diverse experience in business, industry and government are engaged to meet the changing needs arising out of technological development and socio-economic transformation.

IR also organizes for Training programs for non-gazetted staff through 300 training centres located over IR. Training has been made mandatory at different stages for safety and technical categories of staff. Certain categories of staff overdue for refresher training are taken off from sensitive duty, till completion of the training. Efforts are constantly made to improve living conditions in the hostels, provide better mess facilities, strengthen facilities for recreational and cultural activities and make good the deficiencies in respect of training aids including improvement of the Model Rooms. As a policy, Board has been encouraging the setting up of multidisciplinary training centres where cross-functional competencies could be imparted to railway employees from different functional areas. During 2010-11, a total of 7,547 Gazetted Officers and 2, 98,421 Non-Gazetted Staff underwent different types of training programmes.

IR’s welfare schemes cover a wide spectrum of activities, viz., educational facilities and assistance to the children of railway employees, handicraft centres for augmenting family income, financial assistance in sickness, subsidized housing and canteen facilities at work places and medical cover for employees and their families during service and after retirement.

4.6. SWOT Analysis of Indian Railways

Strengths:

Indian Railways the premier transport organization of the country is the largest rail network in Asia and the world’s second largest under one management. India, by rail, a fascinating odyssey through time and space, cultures and history, offers glimpses of unity.

---

7 Indian Railways Annual Reports and Accounts 2010-11, 61-62.
amidst diversity. The railways connected different parts of India together more closely than ever before. Railways offered the advantage of greatly reduced transportation costs along with reliability and speed. Before Railways, waters and roadways transportation was costly and slower.

Indian Railways provided a foundation for modern nationalism. It provided speed to transport as well as the development of the country. Indian Railways brought a revolutionary change in the transportation system. The transportation system prior to introduction of Indian Railways was very costly, undependable and difficult except the region Indus and ganges valleys and in the coastal regions. Most internal transport was slow with high cost. As a result most of the manufacturing industry was restricted to small scale often cottage industries.

The advantages of railway over other modes of transportation inspired the railway construction in Western countries. The Government of India together with the British Government decided to encourage the establishment of extensive Indian railways in India. It was believed that railway would assist in economic development of India and also create a market for British goods and a source of raw materials. Indian Railways is contributing to Modern market economy. It connects industrial production centers with markets and with sources of raw materials and facilitates industrial development and link agricultural production centers with distant markets.

Indian Railways (IR) is performing two major roles as a public utility concern and as a commercial undertaking. Indian railways are serving the nation by fulfilling the transport requirement of all sections of the society in accordance with socio-economic needs. This is a convenient mode of transport for long distances and is most suitable for carrying heavy and bulky goods. Railways play an important role to link up the various regions of the economy and increase the occupational mobility of people.

Railways also aid in the governance and protection of India by facilitating the defence of the frontier and mobility of troops within the subcontinent. Thus Indian Railways has become a symbol of National integration and a strategic instrument for enhancing our defence preparedness.
It has vested significantly in health, education, housing and sanitation. Indian Railways runs schools, hospitals and also arranges for residence of their employees. IR run and manages one Degree College and 221 Railway Schools which include nearly 100 Senior/Secondary/High Schools. These schools provide quality education at subsidized cost to about 44,792 children of railway employees and about 39,346 non-railway wards. Around 3,097 teachers and 825 non-teaching staff are employed in these railway schools. IR also supports 77 Kendriya Vidyalayas for the benefit of wards of railway employees.

Railways not only expanded foreign trade but also promoted internal trade. They played important role in transforming the structure of prices in India. Before railways inter-regional price differences were pronounced and the local prices of wheat, rice, grain and other agricultural commodities would fluctuate with the changes in rainfall and other local supply conditions. As a result of expansion of railway network along with the trade in commodities the price difference among the different regions reduced dramatically. The lower price differences were found in the regions which were connected through railways as compared to those without railways. A similar convergence occurred in the prices for major food crops that were not exported, such as jowar (Hurd II, 1975), and in the price of non food crops like cotton. Railways helped to reduce price differences of products sold at different markets. Hurd (1975) compared average prices and standard deviations of prices across railway and non-railways districts. In railway districts, prices were less dispersed and closer to the mean as compared to non-railway districts. McAlpin (1974) found that prices of both food and nonfood crops converged as railway development expanded. Markets were not only widening with the reduction in transportation costs but also were becoming a national market.

Hurd (1983) was the first to make a social savings calculation for Indian railways. Hurd assumed that without railways freight rates would have been between 80 and 90 percent higher based on the observed differences between rail freight rates and those for bullock carts during the mid-nineteenth century. Using the volume of freight traffic in 1900, Hurd estimated the social savings to be Rs. 1.2 billion or 9 percent of national income. The estimated social savings of railways were large considering real GDP increased by around

---

8 Indian Railways Annual Reports and Accounts 2010-2011.
50 percent from 1870 to 1913 (Maddison 2003). The social savings of Indian railways also look large compared to the U.S. and Western European countries where the social savings of railways rarely exceeded 5 percent of national income. However, compared to other less developed countries, Indian railways look less impressive. Summerhill (2005), for example, argued that the social savings from railways in Brazil were at least 18 percent of national income around 1913.

With the introduction of railways the increase in speed and availability of transport also lowered the costs substantially, thereby permitting new opportunities for profit. It helped in regional specialization and expansion of trade. India became a nation with its local centre linked by railways each other and to the world. Through these links Railways had an impact throughout the Indian economy. The promotion of Indian railways brought Industrial Revolution through greater overseas markets and better sources of raw materials.

The railways not only offered substantial advantage of faster and more reliable mode of transport over the traditional modes of transport like pack-bullocks, bullock-carts, camels, boats, and human carries it also provided substantial reductions in the cost per ton kilometer. A massive decline was noticed comparing the freight charges per ton kilometer by pack bullock and bullock cart in the early nineteenth century with the railway charges a century later. This was 94% less in 1930-31 than prices per ton kilometer for pack-bullocks in 1800-40 and 88 % less than the charges per ton kilometer for bullock carts in 1840-60. Such reduction in transportation cost brought a significant economic benefit to India. Resources that would have been used for transport of goods were also saved and thus freed to be used for other economic activities.

The impact of railways was felt in all sectors of the Indian economy. The extensive use of railways for carrying both traffic and goods was increased. There were 19 million passengers in 1871; in 1901, 183 million; in 1929-30 630 million; and by 1945-46 passengers buying tickets exceeded 1 billion annually. During 2010-11, the number of passengers carried was 7,651 million compared to 7,246 million in 2009-10. Passengers’ kilometers which are the product of the number of passengers carried and average distance traversed also soared, from 4.6 billion in 1882 to 35.9 billion in 1929-30 and 67.7 billion in
1946-47. Passengers’ Kilometers was 978 billion, in 2010-2011 up by 8.31% from 903 billion in the previous year 2009-2010. Passenger earnings increased by 2,291.2 crore (9.78%) in 2010-2011 compared to 2009-10. Earnings from freight traffic (excluding miscellaneous goods earnings) went up to 60,687.05 crore in 2010-2011 from 56,911.51 crore in 2009-2010.

Railways helped Indian agricultural commodities to become internationally competitive and contributed in enormous increase in the export of such agricultural commodities such as wheat, rice, jute, leather, oilseeds and cotton. The growth of exports occurred extremely e.g. before railways subcontinent did not export wheat at all but by 1886 India was supplying 235 of Britain’s import of wheat. The agricultural sector was deeply affected by the widening of the market. For the first time the prices in India were susceptible to any significant shift in world prices. Indian agriculture became linked to world trade cycles. It started to influence the farmer’s decision about which crops to plant considering the affects of prices in international markets. Thus agriculture began to become commercialized. Instead of producing for local markets where prices fluctuate based on its supply, agriculturalists liked to sell their surpluses at relatively stable market price outside the local region. Thus the trend towards regional specialization was occurred.

The greater specialization and opportunity to export agricultural commodities raised the value of farm output in area which was connected through railways. This led to increase in the price of land and stimulated to sell the lands and brought about higher land prices, taxes and rents. The growth of export of agricultural products also led to increase in flow of income in rural areas.

The growth of exports was also paralleled by a rise in imports. India had become the largest customer of Britain by 1880s and source of fully three-quarters of the subcontinent’s imports. Thus railways not only reshaped the pattern of India’s foreign trade but also helped tie India to the British economy.

With the development of railways, employment was increased in some regions. Railways became the single largest employer within the modern sector of economy by the late
nineteenth century as it required large number of workers. Indian industry was in embryonic stage by 1865, railways employed 34000 workers in the running of the system; it rose to 2, 73,000 workers in 1895; the number of workers had reached 7, 90,000 which was stable until the Second World War; railways employees numbered 10,47, 000 by 1946-47. IR is the largest employer in the country with 13, 28,199 employees of which 84,931 are women employees as on March 31, 2011. At the same time it caused to loss of jobs to many owners and operators of alternative means of long distance transport who found themselves unable to compete. Increasing share of service sector in gross domestic product (GDP) and stagnant employment generated from the sector has become a serious threat as unemployment is still a major problem in India.

Before railways, virtually there were no modern industry existed in India. Railways played an important role in growth of modern industries widening the scope for transporting raw materials at lower cost and carrying finished goods to the markets. But the growth was very limited. As the railways were controlled by companies situated in London, the officers and top personnel in railways were overwhelmingly British. The companies were also not interested to provide training to the Indians for the higher positions. India remained for many decades in the anomalous position of having the largest railway system in Asia with virtually no Indians in posts of real responsibility. The Britons who ran India's railways were of course used British equipment and supplies. In maintaining and expanding the network, they placed their orders in England. They did this not just for items available only in England, but also, right down to the 1920's, for items that were, or could well be, made in India. This "Buy British" policy withheld from India an impetus to industrial development that proved quite effective in other countries. The inputs brought in by railways also assisted small and cottage industries by lowering costs. But railways could not change the proportion of workers between the agriculture and non agriculture sectors because India remained predominantly agricultural country.

Railway is the most suitable and cheapest mode of carrying bulky and heavy goods over a long distance. On the basis saving travel time required to travel a distance, Indian railways run Super-fast express, fast express, fast passenger trains and Shuttle trains etc. Super-fast expresses are run on long routes to save travel time. Shuttle trains are run on short routes at
low cost to provide cheaper service to weaker sections of the society. Based on price differentiation express trains are made of different category of coaches like First Class, AC coaches, sleeper, general etc.. Indian Railway also runs special category of trains for special purpose travel e.g. pilgrim trains for those who go on pilgrimage or visit to specific destinations for special purposes. Total passenger earning was 25,705.64 crore in 2010-11 as compared to 23,414.44 crore in 2009-2010. Total number of passengers journeyed was 7,651 millions in 2010-2011 as compared to 7,246 millions in 2009-2010.

Railways continue to be the principal mode of transport in India. Much more than that, it has become a part and parcel of the country’s socio-economic life. It influences not only the culture and socio-economic activities but also largely influencing our art, history and literature besides unifying the people. The Indian Railways has played a major role in social change. Now the trains criss-cross literally from Kashmir to Kanyakumari and the remote and inaccessible North-Eastern parts of the country are coming up on the railway map. The Indian Railways serves the task of meeting the growing challenges of bulk transportation apart from meeting the strategic requirements of the nation.

**Weakness:**

The various political institutions of India influenced the policy and ownership of Railways and it also influenced performance of Indian railways. Malik (2005) identified ‘political profligacy’ as one of the major impediments for the poor financial state of the IR. Thus, the key reason for the IR’s financial performance decline was politicization of the decision-making processes that emphasized taking populist action over hard business decisions.

Indian Railway being the largest public sector of the country should perform its function with national objectives of planned economic development as laid down from time to time in the national statements of planning policy. The Railway as the provider of infrastructure of the country should not concentrate much in its 'profitability' but in promoting the multiplier-effect on the GNP leading to rising of per capita incomes. But the main problem is that it fails to generate required huge funds. One of the obvious options is to go for debt but the borrowing rate is already so high that it is finding it difficult to service this debt.
The Rakesh Mohan Committee (RMC, 2001) identified several causes of the IR financial performance decline. Some of these causes are the loss of market share in the profitable freight business, lack of flexibility in pricing, and the high cost of internally sourced products and services together with investments in un-remunerative projects. The RMC noted that lack of accountability was the prime source of the IR’s problems which were compounded by the rising employee cost and poor staff productivity (staff costs account for nearly half of the total operating costs of the IR).

During the plan period (up to 10th Five Year Plan) Indian railways have grown substantially. However, the share of railways in total traffic has been steadily declining. Indian railways are confronted with several problems. The major issues of railway development are: (i) Technology development (ii) Expansion of network (iii) Financial arrangement (iv) Capital restructuring (v) Tariff policy and (vi) Passenger services and freight movements. These issues are to be viewed cautiously for the sustained growth of railways.

Total working expenses of Indian railways has been increasing. It has increased from 82,915.35 crore in 2009-10 to 89,474.22 crore in 2010-11 and which becomes 98,667.41 crore in 2011-12. Total wage bill of staff (open line) in 2010-11 (excluding pensionary benefits) totalled 37,299.38 crore or 54.74% of Ordinary Working Expenses (excluding appropriation to DRF and Pension Fund). Such costs has been raised to 41,304.88 crore or 55.41% of Ordinary Working Expenses (excluding appropriation to DRF and Pension Fund) in 2011-2012.

The punctuality in train running as per schedule is another problem which indirectly affects the total cost of the railways. The punctuality of Mail/Express trains (arriving at destinations on right time) during the year 2010-11 was 69% as per Integrated Coaching Management System (ICMS).

Initially Railways failed to bring the basic structural change in economy due to lack of linkage between the way railways were built and operated. Rails, points, fishplates, machineries, equipments, sleepers were almost built in outside India due to lack of heavy industry in the subcontinent and shortage of skilled technical and managerial manpower.
The government of India also took little initiative to build heavy industries within India. The colonial government was not interested in the financial and industrial development of India and railways followed such policies which benefitted the British industry and financial institutions.

**Opportunities:**

The technological development in Indian railways can bring the infrastructural development of the country. The establishment of manufacturing units which are bought from the outside can arrange for the employment opportunities which may contribute to the solution of the major unemployment problem faced by India.

Development of new railway lines will reduce the geographical barriers and will contribute more to the development of tourism industries of the country. Ministry of Railways has taken up several important initiatives to promote tourism in the country. It has introduced tourist services by offering package rail tours inclusive of travel, accommodation, on-board/on-ground catering, sightseeing, etc. in selected tourist sectors. At present 5 luxury tourist trains are run by IR, viz. ‘Palace on Wheels’ in a circuit covering Rajasthan, Delhi and Agra; ‘Royal Rajasthan on Wheels’ in a circuit covering Rajasthan, Delhi, Agra, Khajuraho and Varanasi, ‘Deccan Odyssey’; ‘Golden Chariot’ and ‘Maharajas’ Express’ covering various tourist destinations spread across the country. Besides, IR also operate ‘Fairy Queen’ - the heritage steam train between Delhi and Alwar offering weekend package tour, Buddhist special train in the popular Buddhist circuit and ‘Bharat Darshan’ trains for the common man. IR in association with IRCTC is also operating another similar service called ‘Bharat Tirth’ connecting popular tourist sites in different parts of the country. Besides, the toy trains make regular runs on the hill sections and these are also available for charters on demand. It offers the visitors the facility of unrestricted travel over the entire IR system within the period of validity of the pass. A large number of seats on various trains are offered by IR to Indian Railway Catering and Tourism Corporation (IRCTC) for developing tour packages. At any point of time, more than 100 tour packages are in operation covering various tourist destinations of the country. To explore the multi-faceted India, Indian railways can play an important role to attract the visitors from abroad.
The Railways have been performing the dual role of functioning as a commercial undertaking and a provider of public utility service. ‘Social Service Obligation’, involves a measure of cross-subsidization of passenger services by freight revenues, as also subsidization within passenger and freight segment. Operation of certain uneconomic services, like those in suburban sections and branch lines, is also undertaken on social considerations. Indian Railways has been serving the people of India for over 150 years. During the ups and downs of country, this organization operated as a great integrating force and assisted the economic structure of India. Indian Railways also facilitated in speeding up the growth of industry and agriculture. Indian Railways (IR) not only enjoys the monopoly over India's rail transport, but it is also one of the largest and busiest rail networks in the world.

**Threats:**

Indian railways should also concentrate on effective utilization of resources as the largest quantum of nationalized capital invested in this organization and it is also biggest 'employment-provider'. Hence the organization should take initiative to increase the productivity of scarce national property. The employee strength in Indian Railways has been reducing which creates a great challenge for such organization to achieve the desired goal with reduced number of employees.

The railways are facing enormous challenges for playing a key role in the industrial and all round development of the Indian economy since the implementation of Five Year Plans from 1950 onwards. Thus, railways which started as a system to serve the purposes of the foreign masters have developed into a significant means of transportation for socio-economic development of a welfare society (Bhandari, 2005). Demand for public transportation is also increasing due to its rapid population growth. Trains, a major public transport, in India hold a unique position in the transportation sector of country and are considered to be the key determinant for the national growth. Transportation sector is still passing through its transformational stage as it is still insufficient to serve the fastest growing population of our country.
Indian Railway is facing the problem of reducing staff strength. The number of employees, which peaked at 1.652 million in 1991, reduced to 1.58 million in 1999, 1.41 million by 2006. One of the elements of retrenchment strategy is to trim off excess staff. The approach that the IR adopted was not to fill in vacancies created due to retirement or other reasons. This approach commenced during the term of Mr Nitish Kumar as the Railway Minister and has been continued by Mr Yadav. Again, downsizing as a strategy for reducing costs was initiated when Mr Nitish Kumar was the Railway Minister. Falguni Pattanaik and Narayana Chandra Nayak (2011) investigated the employment intensity of service sector growth in India. The results of their study indicates that over the years there is an increase in output growth rate in service sector but employment growth rate has declined significantly it leads to fall in employment elasticity. According to authors to achieve higher employment elasticity in service sector there is a need for investment friendly environment, effective labour policies and proper structural transformation. Though the number of employees is reducing the wage cost of the staff is rising with the increase in average annual wage per employee. The following table shows the downsizing staff strength of Indian Railways and an increasing trend in average annual wage.

Table 1: Staff Strength & Average Annual Wage per employee

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of staff as on 31st march (in thousands)</th>
<th>Average Annual wage as on 31st march (per employee)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2006</td>
<td>1412</td>
<td>1,69,710</td>
</tr>
<tr>
<td>2006-2007</td>
<td>1398</td>
<td>1,73,799</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1395</td>
<td>1,86,070</td>
</tr>
<tr>
<td>2008-2009</td>
<td>1386</td>
<td>290,784</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1362</td>
<td>3,82,472</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1332</td>
<td>3,94,112</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1306</td>
<td>4,56,870</td>
</tr>
</tbody>
</table>

This is observed that though employees’ strength is reducing but the average annual wages expenditure is raisings. This is due to the fact that major changes in the salary scales of Indian railways like other Indian public service employees are determined by the Pay Commissions that are appointed by the GOI. The implementation of the Fifth Pay Commission in 1997 increased the total wage bill of the IR by 34 percent during 1997–98. This wage rise does not include the increase in pension costs. One of the major components of operating expenditure of Indian Railways is employee cost. Such costs are increasing in spite of reduction in total number of employees as shown above. So the prime concern of such organization is to improve the productivity of employees to work with reduced staff strength.

The Railway management is accountable to parliament for achieving the financial targets envisaged in the budget for realization of revenues and restricting the disbursement of moneys and adjustment of expenditure within the authorized limits. Such accountability leads to challenge in improving the efficiency of the enterprise by attempting to mobilize the best possible efforts from individuals employed in it.

The vastness, spread of Indian railways and its unique feature are the main challenge to run the organization efficiently and smoothly. Technological development is also another greater challenge to familiarize large number employee with technological advancement and downsizing employee is another challenge to human resource. As Indian railway is an important contributor to the economic development of the country it should be pro-active and market oriented to face the challenges of an open economy that will set the tone for the renaissance of the IR as we march towards the new millennium.

Indian Railway is nowadays facing challenges from the air and roadways traffic. Earlier, Alternative method of transport could rarely compete in either rates or in services with the railways in India in contrast to US and Europe where the rates were influenced by the price and availability of alternatives, direct regulation of rates by the government and the degree of competition within the industry itself. At times boats provided enough competition to force the East Indian Railways to lower its rates in the Ganges river valley, but in general Indian Railways did not experience serious competition from alternative modes of transport. Therefore non- rail competition provided few restraints to the pricing policies of
the railway companies. The government also did not fix or regulate the railway rates. Each railway company operated as a profit maximizing entity independent of setting the rates, fares and policies. Indirectly however the government influenced the rates by selecting the locations of lines. However limited competition resulted in creation of monopoly market in setting their prices. The monopoly by the East Indian Railway of much of the area between Punjab and Calcutta rich in agricultural and mineral resources allowed it to earn 34% of all earnings in 1881 even though it owned only 16% of the total length of track.

Though Indian Railways possessed significant monopoly power, this power was not absolute; nor static. The high rates prevailed in the initial phase of railway service from 1853 until approximately 1880, when the great trunk lines were being constructed inland from ports and no firm could bid for another firm’s customers. In the second phase starting from 1880 some competition began among the major lines of north India. The companies met at the extremities of their territories, and for the first time their interest collided with the establishment of new lines. The East Indian Railways serviced Calcutta, a port which was also able to compete because it held a monopoly on coal and could force up its prices and consequently the costs of operation of other lines. The competition between the northern lines serving the ports which carried bulk of freight caused the all-India average price of charges for freight to decline steadily. The government being feared with the decline in rates which caused increased payment for the guarantee and reduction of profit acted to prevent the rates from falling too much. In 1885 the Government of India established a clearing house to foster cooperation and reduce competition. Then in 1987 the Government of India set minimum rates. Thus it sowed the seeds which would put an end to even limited competition. The serious rivalry between the companies came to an end in the third phase of railway operation beginning from 1916.

But nowadays railway passenger services are also facing long term competitive threats from airlines, luxury buses, personalized transport and improved public transport. Railways are facing threat from upper class segments of the railway passenger service due to low cost airlines. Indian Railways though facing competitions from various modes of transport, it provides more services to the passengers due to its unique feature. But it is
inevitable for railways to accelerate the growth of passengers’ origination to compete with other modes of transport.

Railway being a public utility concern, its basic object is to serve the society. Railways have to generate fund through passenger and freight carrying as all the expenditure cannot be made out of other public funds. Railways being a public utility concern and are run by the Government as a social action on its part, the main problem is that price should be within the reach of every one. This principle considers mainly the social aspect. "What the traffic will bear" tells that there should not be unnecessary burden to the travelers. Even if the expenditure does not match to the revenue generated, government will subsidize the gap or some expenditure will be deferred. But as the government is reducing subsidy and passing more burden to the organization for generating its own revenue, Indian railways should concentrate on reduction of input cost including the cost of human resources.

The productivity of staff on IR has to be enhanced so as to match the technological leap that the railways are planning to undertake. This requires the recruitment and training of employees to enable them to upgrade their skills continuously. Substantial Cost saving can be achieved by increase productivity arising from better utilization of assets by better operating and scheduling practices. The special focus during post liberalization period should be on generating productive employment of adequate quality and quantity. The implementation of an objective and purposeful performance appraisal procedure should help to fulfill the purpose of optimizing the crucial human element aspect.

4.7 Performance Appraisal in Indian Railways

Like any other public sector organizations Performance Appraisal in Indian Railways is a year-end exercise which provides vital input for further advancement in career of the employees. Till 2007-08, the performance of employees in Indian Railways like other public sector units was assessed through Annual Confidential Report. As per this Annual Confidential Report, only adverse entries were to be communicated to the employees. Amarnath Choudhary vs. State of Bikaner case, (C.A. no. 8491/84) has pointed out certain critical observations about the present system of Confidential Reports writing and suggested important changes in the existing procedure for consideration by the
Government. The Honorable Supreme court of India in the case of Amarnath Choudhary v. State of Bikaner observed that, The Central Government and the State Governments should examine whether the present system of maintenance of confidential report should be continued. The major weakness of the previous system of Performance Appraisal System was confidentiality. But the structured system of examining the staff performance was very good for the public sector though the system suffered due to some weakness. Performance appraisal through confidential report was intended as a tool for human resources development. The objective behind the appraisal is to develop the Railway servant, so that he/she may realize his/her true potential. But performance appraisal can never be a readily undertaken exercise as long as the confidentiality persists because inability to know how a person has been appraised would be creating its own unhealthy repercussions as these entries play important role in person’s career. Hence, often employees would resort to legal procedures to know the accuracy of performance assessment. The supreme court has held in their judgment dated 12.05.2008 in the case of Dev Dutt vs. Union of India (Civil Appeal No.7631 of 2002) that the object of writing confidential report and making entries is to give an opportunity to the public servant to improve the performance . The 2nd Administrative Reforms Commission in the 10th report has also recommended that the Performance Appraisal System for all services to be made more consultative and transparent on the lines of the Performance Assessment Report of the All India services.

Keeping in view the above position, the matter regarding communication of entries in the ACRs in the case of civil services under the Government of India has been further reviewed as follows:

a) The existing Annual Confidential Report will be modified as Annual Performance Assessment Report (APAR).

b) The full APAR including grade and assessment of integrity shall be communicated to the concerned officer after the report is completed with the remarks of Reviewing officer and the Accepting Authority where such system is in vogue. Where the Government servant has only one supervisory level above him as in the case of personal staff attached to officers, such communication shall be made after the reporting officer has completed the performance assessment.
c) The section entrusted with the maintenance of APARs after its completion shall disclose the same to the officer reported upon.

d) The concerned officer shall be given the opportunity to make any representation against the entries and the final grading given in the report within a period of fifteen days from the date of receipt of the entries in the APAR. The representation shall be restricted to the specific factual observations contained in the report leading to assessment of the officer in terms attributes, work output etc. While communicating the entries, it shall be made clear that in case no representation is received within the fifteen days, it shall be deemed that he/she has no representation to make. If the concerned APAR Section does not receive any information from the concerned officer on or before fifteen days from the date of disclosure, the APAR will be treated as final.

e) The new system of communicating the entries in the APAR shall be made applicable prospectively only with effect from the reporting period 2008-09 which is to be initiated after 1st April 2009.

f) The competent authority for considering adverse remarks under the existing instructions may consider the representation, if necessary in consultation with the reporting and/or reviewing officer and shall decide the matter objectively based on the material placed before him within a period of thirty days from the date of receipt of the representation.

g) The competent authority after due consideration may reject the representation or may accept and modify the APAR accordingly. The decision of the competent authority and the final grading shall be communicated to the officer reported upon within fifteen days of receipt of the decision of the competent authority by the concerned APAR Section.

The above mentioned rules are also applicable in case of Indian Railways like other public sector organizations. As per Railway Board’s letter No. E (NG) I-2009/CR/2 dated 30.4.2010 the procedure for maintenance and preparation of APAR and communication of
all entries recorded in the APAR for fairness and transparency in public administration etc. are applicable mutatis mutandis in the case of non-gazetted staff also.

Consequently, as a result of the Supreme Court judgment, full Annual Performance Assessment Report is to be communicated to the concerned employee also after the comments of Reporting and Reviewing officers. In addition the employee also has the opportunity to make any representations to the entries within 15 days of communication. The new system has become effective from 01.04.2009, i.e. for the F.Y. 2008-09. The changing needs of the organization and the existing lacunae in the Performance Appraisal System need the Railways to design their own updated appraisal system to fulfill the organizational as well as individual needs.

It is necessary that every employee should know what his defects are and how he can correct them. Past experience suggests that it would make for better efficiency and contentment of the public services if every Reporting Officer realizes that it is his duty not only to make an objective assessment of his subordinate's work and qualities but also to give him at all times the necessary advice, guidance and assistance to correct his faults and deficiencies. If this part of Reporting Officer’s duty is properly performed, there should be no difficulty about recording adverse entries. Otherwise the defects would have persisted despite the Reporting Officer’s efforts to correct them. Indian Railways has cash awards and recognition system based on excellent performance to motivate the employees. Performance appraisal feedback is also considered at the time of promotion of employees from one grade to another higher grade. APAR report is also considered for financial upgradation of Railway employees under Modified Assured Career Progression Scheme. An employee will not be entitled to get this benefit if he gets ‘Below Average’ grade in any year of last previous three years of the year when it becomes due. Thus APAR is an important tool to serve the above said purposes.

The employees are evaluated on grade like Outstanding /Very Good/ Good/ Average/ Below Average. The grade is given by the reporting officer and then is reviewed by the reviewing officer. The form of evaluation of performance of Gr. C supervisory category of employees consists of four parts.
Part-I Personal Data: The part I contains information relating to personal data such as name, date of birth, designation, station at which employed, pay (both substantive and officiating), date of appointment to service, date of continuous appointment in the present grade, permanent/temporary status, qualification (educational, professional and technical), particulars of examinations passed (including departmental) and whether belonging to SC/ST community.

Part – II Self- Appraisal: The self appraisal Part containing the brief description of duties performed in the appraisal period is filled by the employee himself for which APAR is written, within 100 words bringing out any special achievements during the period and also shortfall in achievement, if any, together with reasons.

Part – III Assessment By the reporting Officer: In the next Part reporting officer who is an immediate superior to the employee on whom the report is written or such other authority as may be specifically empowered in this behalf by the General Manager or any other officer authorized by him puts his statement regarding to what extent he agrees with the comments made by the employees in the self appraisal part and also on various subjective issues such as integrity, tact and temper, conduct, attendance, physical fitness, departmental ability such as initiative and direction, general intelligence, keenness/promptness and efficiency, power to control others, organizing/supervising ability, organizing/supervising ability, amenability to discipline, Knowledge of rules, regulations and procedure, special aptitude or qualification, physical disability for some outdoor or posting to particular area, reliability, relations with superiors, subordinates and customers etc.

The APAR should be completed by the reporting authority within a month, at the expiry of the reporting period. Any delay in this regard by the Reporting Authority will be adversely viewed. Any delays in submission of self-appraisal on the part of the employee will also be commented adversely by the Reporting Authority. If the Reporting authority retires or demits office, he may give the APAR on his subordinates within a month of his retirement / demission from office.
Reporting Authority should keep in mind while writing the APAR that the objective behind the appraisal is to develop the employee and to reveal the true picture of performance. Therefore Reporting Authority should not hesitate to report shortcomings in performance, attitude or overall personality of the employee reported upon. As the APAR is a year-end exercise in Indian Railways the Reporting Authority should, at regular intervals, review the performance of the employee and take corrective steps as may be necessary, by way of advice, counsel etc., to make it an effective tool for developing the individual. It should be the endeavor of each Reporting Authority to present the truest possible picture with regard to performance, conduct, behavior and potential on whom the report is written.

Part-IV Remarks by Reviewing Officer: After the completion of Part-III by the Reporting Authority, it is submitted to the Reviewing authority who will review the APAR. The Reviewing Authority should exercise an independent judgment on the remarks recorded by the Reporting Authority in the Annual Performance Assessment Report and should clearly express his/her satisfaction or dissatisfaction with the remarks of the Reporting Authority. The remark of the reviewing officer in the part IV of the APAR form consists of the length of the service of the employee under the reviewing officer, satisfaction with the reporting officer’s report, agreeing with the report of the reporting, if disagree specify the reason and so on.

Any remark recorded in the APAR of an employee, adversely reflecting on his performance or his basic qualities or potential shall be treated as adverse. Adverse remarks recorded in the APAR of a railway servant should be communicated, in writing, irrespective of whether they are considered remediable or not, to the employee concerned along with the substance of the favorable remarks contained in the APAR.

As per the Ministry of Railway’s letter no. E (D& A)/65/RG/6-47 dated 24.11.65, the instructions to be followed while filling the APAR (changed name of CR) are as following:

1. It provides the basic and vital inputs for assessing the performance of an officer and for his/her further advancement in his/her career. The officer reported upon, the
Reporting Officer and the Reviewing Officer should, therefore, undertake the duty of filling out the form with a high sense of responsibility.

2. Performance appraisal should be used as a tool for human resource development. The Reporting Officers should realize that the objective is to develop an officer so that he/she realize his/her true potential. It is not meant to be a fault-finding process but a developmental one. The Reporting Officer and the Reviewing officer should not shy away from reporting shortcoming in performance, attitudes or overall personality of the officer reported upon.

3. The items should be filled up with due care and attention and after devoting adequate time. Any attempt to fill the report in a casual superficial manner will be easily dissemble to the higher authorities.

4. If the Reviewing Officer is satisfied that the Reporting officer had made the report without due care and attention, he/she shall record a remark to that effect relating the point “Is the Reviewing Officer satisfied that the Reporting has made his report with due care and attention and after taking in to account all the relevant materials. The competent authority shall enter the remarks in confidential roll of the Reporting Officer.

5. Every answer shall be in narrative form. The space provided indicates the desired length of the answer. Words and phrases should be chosen carefully and should accurately reflect the intention of the officer recording the answer. Unambiguous and simple language to be used. Ambiguous expressions like “outstanding, ‘very good’, ‘good’, ‘average’, ‘below average’ is not used while giving comments against any of the attributes.

6. Although performance appraisal is a year-end exercise, in order that it may be a tool for human resource development, the reporting Officer should at regular intervals review the performance and take necessary corrective steps by way of advice, etc.

7. It should be endeavor of each appraiser to present the truest possible picture of the appraisee in regard to his/her performance, conduct, behavior and potential.
8. Assessment should be confined to the appraisee’s performance during the period of report only.

9. Some post of the same rank may be more exacting than others. The degree of stress and strain in any post may also vary from time to time. These facts should be borne in mind during appraisal and should be commented upon appropriately.

Considering the above mentioned roles and rules of Performance Appraisal System of Indian Railways this research will study the effectiveness of this Performance Appraisal System in the next chapter. The study of effectiveness taken up here is based on the perceptions of the Gr. C supervisory category of employees and their raters.