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IMPACT OF MERGING RAIL BUDGET INTO GENERAL BUDGET ON INDIAN ECONOMY

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ABSTRACT

The present article highlights the impact of merging of rail budget into general budget on Indian Economy. This was based on the suggestions of the five member committee which was headed by Shri Bibek Debroy, member, NITI Aayog. A separate paper was presented on "Dispensing with the Railway budget" by Shri Bibek Debroy along with Shri Kishore Desai. In this paper it is effort to know the impact of merging rail budget into general budget on Indian economy. In this study provide an insight of history of rail budget in India. It is concluded that there have been lack of management at all levels with great mismanagement at top level in Indian railways and if there are chances of its improvement, it is through merging it with the Union budget which is just the solution that could help.

***KEYWORDS**: Rail Budget, General Budget, Indian Economy, Union Budget, Private Partnership Model.*

Introduction

When the current government received the flooded majority in last general assembly election, it was a mandate given for change and development. From there on government has tried to transpire with different landmark schemes and many reforms. The latest reform in that chain is merging of the railway budget with the general budget. This is among the three crucial proposals accepted by the union government, which is expected to have a significant impact on the country's fiscal management. Now, railway budget will be presented by the finance minister as a part of the general budget. What this will do is reducing the stature of the railway minister and also the limelight that ministry receives thus ending the political hot race for getting to the Rail Bhawan. There has been a prominent need of restructuring the railways ministry as from long it is seen that there is more political reasons then the needs which has affected the decision making of allocating the resources and funds. According to a Press Trust of India report, Suresh Prabhu has argued that the integration of the general and railway budgets will enable formulation of a seamless national transportation policy. The minister has already ignored the limelight and done away with populism and unwanted announcements in rail budgets and focused more on building already announced trains and tracks. Thus, we need to analyze the backdrop and merger of railway budget and general budget.

Background

The government has decided to merge Rail Budget with the Union budget from the budget year 2017-18. In the assembly, Suresh Prabhu told, he had asked finance minister to merge railway budget

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with the general budget. This was based on the suggestions of the five member committee lead by Shri Bibek Debroy, member, NITI Aayog. A separate paper was presented on "Dispensing with the Railway budget" by Shri Bibek Debroy along with Shri Kishore Desai. A committee has been formed with the representatives from both Ministry of Finance and Ministry of Railways to examine the issues involved and work out the procedural details for the same. This decision of merging the budgets has end the 92 year old colonial era practice of presenting separate Railway Budget. When in 1924 British spun-off the Rail Budget from general Budget as then it formed 70 percent of the total expenditure of the budget and British government wanted to keep railways as commercial and not as the rest of the budget which now has come down to be around 15 percent of the total general budget.

But now, many other ministries such as defense, entails more expenditure than done on railways. Similarly, when we look into the aggregate expenditure done on road transport and highway in Public Private Partnership model (PPP) budgets, it adds up to be more than the budget of the Railways. Also, the additional burdens of the biggest employer of the country due to implementation of 7th pay commission of Rs. 40000 crores and the annual subsidies of Rs.32000 crores had put on pressure to have a structural change of the ministry. Thus, amalgamating of the railway budget along with the general budget would help in treating the problems in a much better way.

History of Rail Budget

Ending the 92 year old tradition, union cabinet approved the amalgamation of railway's budget with general budget. In 1921, British railway economist, William Mitchell Acworth was designated chairman of the Committee on Indian Railways. The report of the committee, known as the "Acworth Report" is that led to the restructure of Indian Railways. The finances for the expenditures on railways of India were segregated from the general government finances in 1924, an arrangement which endured in independent India today.

The government started taking decisions and took over the actual management of entire railways, and separated the railway finances from the general finances which lead to the tradition of presenting the Railway Budget separately from the general budget every year. Financial commissioner was appointed in the railway board. Financial commissioner was made member who was authoritative of ways, works, stores and projects and a member in charge of staff and traffic. Accordingly, from 1 April, 1929, the responsibility for the compilation of accounts for the Railways was managed by the Financial Commissioner, Railways from the Auditor General. In 1924, the railway budget formed about 70% of the country's budget. So, separating rail budget allowed better focus on each budget's priorities. After India attained Independence on August 15, 1947, John Mathai became the first railway minister. Mamata Banerjee became the first woman railway minister in 2000. Jagjivan Ram presented the railway budget most number of times that is seven followed by the Lalu Prasad Yadav, who presented it for six times. It took 70 years for the railway budget to be first telecasted on March 24, 1994.

Objectives

The Objectives of the paper is to:

- To provide an insight of history of rail budget in India.
- To study the merger of railway budget in India.
- To find out that how merging of budgets could impact Indian economy.

Salient Features Related to Merger

Ministry of railways will still be functioning as a departmentally run commercial undertaking. A separate statement of budget estimates and demand for grant will be created for railways. A single appropriation bill including the estimates of railways will be prepared and presented by ministry of finance to parliament. All legislative work related therewith will be handled by ministry of finance. Ministry of finance will give gross budgetary support to railways towards meeting part of its capital expenditure. Railways may continue to raise resources from market through extra-budgetary resources as at present to finance its capital expenditure.

Positive Impact

- **The Scores:** During the British rule Railways took up to 85% of the yearly budget while now it has gone down to about 15% only. Having separate railway budget stopped making sense long ago but the old tradition was not done away with. Scrapping the old the renewed and better is always a positive change to look upon.

- **Better Policies:** Now that the railways budget will be presented along with the union budget, there will be better utilisation of time, a new policy framework is to be initiated and implemented. Keeping them separate resulted in a lot of drawbacks and hindrance that had to be faced by the railways before it could come up with a proper solution.
- **Party Politics:** Minority parties pushing to fulfil their intentions to get more trains. Certain states are demanding new railways line and trains for their region has always been known to result in an everlasting rift among them. There had been lots of political pressure on the railway budget and the centre will have the hold of the decision making.
- **Goodbye to Annual Dividend**: when railways budget had to be introduced as a separate bill, the railways was required to pay an annual dividend to render its budgetary support to the government. The railways will be free of rendering this amount and the same fund could now be used in different ways for developing the conditions of Indian railways.
- **The Huge Loss**: Railways are running on loss. There is depletion of available funds for development plans and most of them get wasted in wrong manner in cases such as, when there emerges a demand from the regional MLA who promised new trains and stoppages for their location during the time of election. When it goes into the hands of finance ministry, it would mean and absolute end to this and a more commercialized distribution of resources.

Negative Impact

- **The rise and fall**: henceforth, the distribution and allocation of funds to funds to various departments will all go under the finance ministry which would be taking decisions depending on the rise and fall of budget. A fall in the annual budget will mean a similar cut in the railway and other budgets. This will be a bit unusual for the railways and they might not compliment to that decision.
- **Conditions of government departments**: The depleting conditions of the various departments under the government have always been prominent. There is lesser attention paid to the responsibilities and everyone is busy sorting out their own means. Railways could face severe disadvantage if the raging does not give the expected result.
- **Goodbye to privatization**: The talks of privatisation of Indian Railways have been there for a while now. Reason being stated as lack of budget, improvement and development at the level of providing facilities of world class and cleanliness as well as sanitation. It was not well received earlier and after the merging. There well a complete end to any future chances of privatization. At the efficient hands of government employees nothing big could be expected.
- **Loss for the railways**: political parties to come into power during their rallies and other campaign make so many promises without even giving the though behind it as from where the funds would be generated to fulfil those promises. Those promises are easy to make and costly to be fulfilled. Not in their wildest dreams would they want to hike the railway prices and lose the vote bank that flows from commuters.

The fall in revenue combined with more projects for new trains stoppages have been a difficult for the railway ministry which made it take step of merging the two budgets.

Conclusion

Looking at the pros and cons of the merger of rail budget into general budget the article concludes that this merger has a positive effect on our economy as it the centre government needs to now seriously consider setting up an independents tariff regulator to depoliticize fares. New lines and trains should be determined by economic viability rather than the constituencies covered. Initiatives such demand-driven clone trains must be organized to boost earnings and the Rs.37,000 crores tab on social obligations, including concessional ticketing, must be borne by the exchequer. The railways accounts need to be cleaned up and made bankable. Scrapping the rail budget is a good starting point to fix the fading utility. Bringing back safely on track will take a lot more doing and undoing.

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