



Vivekanand College , Kolhapur

Department Of Master Of Business Administration

A Report

On

MONOPOLY IN INDIAN RAILWAY

Submitted To

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INTRODUCTION

Indian Railways is the biggest monopoly organization in India. Having a budget of few thousand crores, the organization has 1.6 million employees, the largest employer in India. The Railway network was started in 1853, to cater to the needs of the defence forces, which had to travel all over India. Initially the network was controlled by a number of companies, which were later joined together after independence to form a single system. In the first few years after independence, a few of the state railways, such as Jodhpur Railways, Kutch Railways etc. were also merged in the same system. The whole system is under the ministry of railways, also called the Railway Board. The system is so big, that a separate budget is presented in the parliament.

Indian Railways is the biggest transportation system in India, and has the second biggest rail network in the whole world, next only to China. It carries twenty one million passengers per day, out of which about eleven million are on suburban system. For suburban traffic, especially in Mumbai, rail traffic is the main lifeline, accounting for about eighty percent of the whole suburban traffic. Any failure of the suburban network in Mumbai has very serious ramifications on the overall city life. Indian Railways are the major carrier for bulk goods like steel, cement, coal, fertilizers etc. It carries more than nine hundred million tons of freight traffic per year. It can thus be seen that it is the lifeline for movement of bulk goods in the country. With a budget of approx. One lac crore of rupees, it is a vast network spread over more than sixty thousand km. with a staff strength of more than 13.2 lacs, with an average wage bill of more than four lacs per employee.

The problems involved in managing such a large system can be imagined, especially when the whole system is under the central government.

WHAT IS MONOPOLY

DEFINITION :-

- According to D. Salvatore, "Monopoly is the form of market organization in which there is a single firm selling a commodity for which there are no close substitutes."
- The product has no close substitutes.
- He is a price-maker who can set the price to his maximum advantage.

CHARACTERISTICS

Single Seller :

The Indian Railways is the sole provider of rail transportation services across the country. There are no other major railway operators competing with it on a national scale.

Price Maker:

As a monopoly, the Indian Railways has significant control over the pricing of tickets and freight services. It can set prices based on its own considerations, rather than being dictated by market forces.

Barriers to Entry:

The high capital costs associated with building and maintaining a railway network create significant barriers to entry for potential competitors. This makes it difficult for new players to enter the market and challenge the Indian Railways' dominance.

Unique Product :

Monopoly market in India include IRCTC and Coal India. IRCTC rules the railway ticketing space and Coal India dominates coal production. These Indian monopoly stocks, with little competition, hold powerful positions, making them appealing to long-term investors.

FUNCTIONS OF INDIAN RAILWAYS

Passenger Transport :

Indian Railways (IR) is a government-owned monopoly that provides passenger transport in India. It is the largest monopoly in India and the world's largest government-owned monopoly.

Infrastructure Development :

The Indian Railway Sector is one of the country's transportation infrastructure's cornerstones, connecting vast geographical regions and facilitating the movement of passengers and goods across the nation.

Employment Generation :

As India's economic situation strengthens day by day, the role of Indian Railways in both direct and indirect employment becomes increasingly significant. Indian Railways has been actively involved in the creation of employment opportunities, generating over 40 lakh jobs in the last nine years.

Tourism Promotion :

Indian Railways plays a significant role in promoting tourism in India by Providing an affordable and convenient mode of transportation to millions of travellers across the country. The railway network in India covers almost all major tourist destinations and provides easy access to remote areas as well.

ADVANTAGES OF MONOPOLY IN RAILWAYS

Standardized Pricing :

As a monopoly, Indian Railways engages in price discrimination by charging different fares based on factors like quantity purchased, location, and customer type. It uses the profits from its freight services to subsidize its loss-making passenger services.

Economic Contribution :

Indian Railways is essential for both freight and passenger movement, contributing to economic integration, job creation, and infrastructure development. It transports 1.2 billion tonnes of freight annually, and the railway freight sector accounts for nearly 30% of India's goods movement.

Safety and Security :

Derailment Prevention: Regular monitoring and maintenance of tracks to prevent derailments. Fire Safety: Installation of fire detection and suppression systems in trains and stations. Level Crossing Safety: Upgrading unmanned level crossings to manned crossings or replacing them with overpasses/underpasses.

National Integration :

Railways have been a strong medium of national integration. Today, railways are the lifeline of India, providing the cheapest mode of transport, facilitate rural-urban connectivity and act as a channel of migration within the country.

DISADVANTAGES OF MONOPOLY IN RAILWAYS

Inefficiency :

Nearly 80% of the Years showed efficiencies below 90% for CRS Models and more than 50% of the years saw efficiencies scoring below 90% for VRS Models, while nearly 25% or 1/4th of the years saw efficiencies below 70% for all the CRS Models taken together.

Revenue Dependency :

Indian Railways has multiple revenue sources, including passenger services, freight services, and auxiliary services. Passenger Services: Indian Railways serves millions of passengers daily, offering travel in various categories such as Sleeper, AC, and General class.

Service Quality Issues :

Monopolies can hurt consumers because they lead to inefficiencies, a lack of innovation, and higher prices. Some monopolies, however, can be beneficial to consumers if prices are regulated, or if high entry costs prevent initial investment in a sector, thus reducing economic inefficiencies.

Investment Challenges :

Indian Railways engages in price discrimination by charging different fares based on factors like quantity purchased, location, and customer type. It uses the profits from its freight services to subsidize its loss-making passenger services.

Conclusion

- Indian Railways remains indispensable for India's socio-economic development.
- Balancing monopoly with private partnerships is crucial for innovation and efficiency.
- Need for innovation and partial privatization to improve efficiency while retaining affordability.

