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A Study on Financial Performance of Indian Railways

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Abstract:

The Indian railway system is widely used across the country. It ensures that individuals of all socioeconomic backgrounds may travel in style. It's great for moving jute, cement, gasoline, and other bulky items from one end of the nation to the other. Using an exponential growth technique this research analyzes the financial performance of Indian Railways from 2019 to 2023, highlighting trends in revenue, expenditure, profitability, and financial sustainability. All of the information for this research came from publicly available sources, such as the Indian Railways' annual reports. Through quantitative analysis of five years of data, this study aims to provide insights into the operational efficiencies and challenges faced by Indian Railways. The findings indicate significant trends in freight and passenger earnings, subsidies, and investment requirements, informing policymakers and stakeholders of the railway's financial health and future directions.

Keywords: Sustainable, Finance, Economy and GDP etc.

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I. Introduction

Indian Railways, a vital component of the country's transportation infrastructure, plays a crucial role in the economic development of India. As one of the largest rail networks globally, its financial performance is pivotal for operational efficiency, service delivery, and overall economic impact. This study examines the financial performance of Indian Railways over the past decade, focusing on revenue generation, cost management, and sustainability. And also examine the profit and loss statement of Indian Railways. Total revenue, which includes freight, passenger, and other revenue, is the primary emphasis of this article. The operational ratio and net profit ratio are also used to illustrate Indian Railways' financial health in the research.

Indian Railways, one of the largest and oldest railway networks in the world, plays a crucial role in the country's transportation system. Established during British colonial rule in 1853, the first passenger train ran from Bombay (now Mumbai) to Thane, covering a distance of 34 kilometers. Since then, Indian Railways has grown into a vast network, connecting urban and rural areas across the country, spanning over 67,000 kilometers of track.

Indian Railways is not only a key player in the transportation of passengers but also in freight services, contributing significantly to India's economy. It is managed by the Ministry of Railways, a department of the Indian government, and employs over 1.3 million people, making it one of the largest employers globally.

Key milestones in its modernization include the introduction of electric and diesel locomotives, high-speed trains like the Gatimaan Express and Vande Bharat Express, and initiatives for digitalization, such as online ticket booking through IRCTC (Indian Railway Catering and Tourism Corporation). Indian Railways has also launched ambitious projects like Dedicated Freight Corridors (DFCs) to boost the efficiency of freight transport.

II. Review of Literature

Prior studies on Indian Railways have highlighted various aspects of its financial performance. Gupta (2019) emphasized the impact of freight and passenger revenue on overall profitability, while Sharma (2021) analyzed cost control measures and their effectiveness. Recent analyses by Kumar (2022) discussed the role of technological advancements in enhancing operational efficiency. However, a comprehensive examination integrating these facets remains limited. Asma Khan, et al. (2015), total earnings have grown at a quicker pace than total working costs. In terms of net profit ratio, it rose steadily up until 2007–08, when it began to fall, indicating bad performance. Similarly, the operating ratio went down steadily, indicating excellent performance, until 2007–2008, when it began to rise again, indicating poor performance. Therefore, it is recommended that the Indian Railway increase gross earnings and decrease operating expenses to boost its operational and net profit ratios.

III. Objectives of the Study

- To analyze the trends in revenue generation from freight and passenger services over the past decade.
- To evaluate the expenditure patterns and identify major cost drivers.
- To assess profitability and financial sustainability indicators.
- To identify challenges and opportunities for improving financial performance.

IV. Methodology

This study employs a quantitative approach, analyzing financial data from Indian Railways for the period 2019-2023. Key performance indicators (KPIs) such as total revenue, operating expenses, and net income are examined. Data sources include annual reports, government publications, and industry analyses. Statistical methods are utilized to identify trends and correlations.

V. Financial Aspects of Indian Railways during 2019-2023

NPM (Net Profit Margin): Measures the percentage of net profit to revenue. **ERR (Expense Ratio):** Indicates the percentage of expenses to revenue. **GRR (Growth Rate of Revenue):** Shows the percentage increase in revenue from the previous year. **GRE (Growth Rate of Expenses):** Shows the percentage increase in expenses from the previous year. **GRI (Growth Rate of Income):** Shows the percentage increase in net income from the previous year.

Table: o1 Shows that revenue expenditure and net income

Year	Revenue (₹ mil.)	Expenditure (₹ mil.)	Net income (₹ mil.)
2019	111336	82320	22549
2020	138385	101461	36919
2021	157709	113547	44176
2022	203983	142114	60893
2023	239326	175956	63416

Source: Annual Report of Railway

Table:02 shows that growth rate of Revenue, expenditure and Net Income.

NPM	ERR	GRR	GRE	GRI
20.25%	73.94%	-	-	-
26.67%	73.31%	24.3%	23.2%	63.7%
28.01%	71.99%	13.9%	11.9%	19.6%
29.85%	69.68%	29.3%	25.2%	37.8%
26.83%	73.50%	17.3%	23.8%	4.1%

Source: Created by Researcher

➢ **Key Observations**

❖ **Consistent Revenue Growth:** The company has consistently shown growth in revenue over the past five years. This is a positive indicator of the company's performance.

❖ **Rising Net Income:** Net income has also steadily increased over the years, reflecting improved profitability.

❖ **Controlled Expenses:** While expenses have grown, they have generally increased at a slower rate than revenue. This indicates efficient cost management.

❖ **Increasing Profit Margin:** The NPM has shown a general upward trend, suggesting that the company is becoming more efficient in converting revenue into profit.

❖ **Decreasing Expense Ratio:** The ERR has generally decreased, indicating that the company is managing its expenses more effectively.

❖ **Varying Growth Rates:** The growth rates of revenue, expenses, and income have fluctuated over the years. This suggests that the company's performance has been influenced by various factors, such as market conditions, economic trends, and internal strategies.

➢ **Overall Assessment**

Overall, the table indicates that the company has been performing well financially. The consistent growth in revenue and net income, coupled with controlled expenses and increasing profit margin, are positive signs. However, it's important to consider the fluctuations in growth rates and analyze the underlying reasons behind these variations.

The financial data from 2019 to 2023 reflects a consistent increase in revenue for the entity, rising from ₹111,336 million in 2019 to ₹239,326 million in 2023. Expenditure followed a similar upward trend but at a slower pace, growing from ₹82,320 million in 2019 to ₹175,956 million in 2023. Net income experienced steady growth until 2022, when it reached ₹60,893 million, but in 2023, it stabilized at ₹63,416 million. The net profit margin (NPM) also showed an upward trend, peaking at 29.85% in 2022 before slightly declining to 26.83% in 2023, indicating some cost pressures.

The expenditure-to-revenue ratio (ERR) improved from 73.94% in 2019 to its lowest point of 69.68% in 2022, reflecting better cost efficiency during this period. However, in 2023, ERR increased to 73.50%, suggesting that expenses began growing at a faster rate than revenue, affecting overall profitability. Growth rates in revenue (GRR), expenditure (GRE), and income (GRI) also provide important insights. Revenue growth was strongest in 2022 at 29.3%, but by 2023 it had slowed to 17.3%, while expenditure growth accelerated to 23.8%, leading to a sharp decline in income growth to just 4.1%.

VI. Conclusion

The financial data from 2019 to 2023 highlights a period of strong revenue growth and profitability, particularly up to 2022, when cost efficiency and profit margins were at their highest. However, 2023 marks a turning point, with a slowdown in revenue growth and a sharp increase in expenditure, resulting in lower net income growth and declining profit margins. This shift underscores the importance of implementing more stringent cost controls to sustain profitability and prevent further erosion of financial gains in the future. Maintaining a balance between revenue expansion and cost management will be critical for long-term financial stability.

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