


STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...
To empower the student community...*

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**RAIL BUDGET
2016 - 17**

**Economic
Survey**

February 2016
Theme 291

RAILWAY BUDGET AND ECONOMIC SURVEY



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South Indian Bank is a member of BCSBI and is committed to treat customers in a fair, transparent and non-discriminatory manner.

Theme No: 291: Railway Budget and Economic Survey

A well informed customer will make the policy makers as well as organization which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organization and improve the quality of goods and services produced. The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. February is a month of expectations and hope for the financial world as Railway Budget will be presented in parliament followed by Economic Survey and Union Budget for the next financial year. This month let us discuss Railway Budget and Economic Survey.

RAILWAY BUDGET

1. What is the estimated Capital expenditure in the Railway Budget for the financial year 2016-17?

Estimated Capital expenditure in the Railway Budget for the financial year 2016-17 is Rs. 1.21 lakh crores. Last year (2015-16) the estimated (Budget) Capital expenditure was Rs 1 lakh crore. LIC of India has agreed to invest Rs 1.5 lakh crore over a period of 5 years. This will help railways to reduce the dependence on government finance. The Indian Railway Finance Corporation (IRFC) is exploring the possibility of floating Rupee denominated bonds in the international market. Railway is also planning to raise funds through partnership with states and other institutions for finance.

2. Briefly explain the estimates for the construction of new lines, addition of locomotives, coaches, wagons etc?

During the financial year 2016-17 it is proposed to construct 400 route Kilometers of new lines. It is estimated that Railways will add 747 locomotives, 3431 coaches and 12,000 wagons. This will help the steel industry a lot and it is estimated that 3 lakh tons of steel will be required.

3. What is the proposal for Dedicated Freight Corridors (DFC's)?

It is proposed to create 3 new Dedicated Freight Corridors which will be a boost to institutions such as Container Corporation of India (CCI) etc. It is expected that the new three Freight Corridors will open opportunities worth Rs. 2.5 lakh crores. The three new proposed Dedicated Freight Corridors are 1. Delhi - Chennai, 2. Kharagpur

-Mumbai, 3. Kharagpur - Vijayawada. This is in addition to the two corridors already under implementation.

4. What is the target for Electrification?

The target for Electrification is 2000 Kilometers of track. Electric traction is more economical and environment friendly.

5. Explain briefly three major goods transported by the Railways?

The three major goods transported by the Railways are:

- ◆ Coal
- ◆ Pig iron and Finished steel
- ◆ Iron ore

The following table gives the details of budget estimate for the FY 2016-17.

Items	Tonnage Originating (Million)	Earnings (Rs in Crores)
Coal	577.8	53,684.72
Pig iron and Finished steel	44.8	6,302.15
Iron ore	125.7	6,966.95

A 5% increase in goods earnings is projected in the Railway Budget 2016-17. Revival of steel sector and Surge in coal output will help to meet the target.

6. What are the major features of the Railway Budget 2016-17?

The following are the main features of the Railway Budget 2016-17:

- ◆ Wi-Fi connections at 100 stations in the coming year and another 400 in the following two years.
- ◆ 3 select train services – Humsafar, Tejas and Uday will be launched.
- ◆ India's First Railway Auto Hub to be inaugurated soon at Chennai.
- ◆ All the major stations in the country will be under CCTV surveillance.
- ◆ 10 to 20 percentage of revenue to be generated from Non-tariff sources.
- ◆ PPP (Public Private Partnership) method will be introduced to develop 400 stations.
- ◆ Increasing E-ticketing capacity from existing 2000 tickets per minute to 7200 tickets per minute.
- ◆ NRIs and Tourists can use Foreign cards for E-ticketing.
- ◆ Antyodaya Express, a long distance unreserved super fast train to be introduced.
- ◆ 17,000 Bio-toilets in trains.
- ◆ Daily minimum 7 Kilometers of broad gauge line to be commissioned.
- ◆ 3 more Dedicated Freight Corridors.
- ◆ E-catering services to be made available in 400 stations.
- ◆ Local cuisine will be offered by IRCTC.

- ◆ Clean coaches.
- ◆ Setting up of a ‘Special Railway Establishment for Strategic Technology and Holistic Advancement’ (SRESHTHA) and ‘Special Union for Transportation Research and Analytics’ (SUTRA).

7. What are the major sources of Fund flow?

Following are the major sources of Fund:

No.	Name of Source	Amount (Rs in Crores)
1	Institutional Finance	20,985
2	Mobilization through PPP mode	18,340
3	Market borrowings	20,000
4	Internal resources	16,675
5	Road safety fund	10,780
6	Gross budgetary support	45,000

ECONOMIC SURVEY

1. What is the projected GDP growth estimated by the Economic Survey?

India grew at the rate of 7.2% in 2014-15 and 7.6% (Advance Estimate) in 2015-16. The survey pegs GDP growth between 7% and 7.75% for the financial year 2016-17. India has been registering a growth rate of more than 7% continuously for the last 3 years. Finance Minister, Arun Jaitley described India as a ‘Refugee of Stability and Output of Opportunities’ at a time of global turbulence and volatility. According to Aravind Subramanian, Chief Economic Advisor, Ministry of Finance, Export performance is one of the important parameter which will help India to achieve a growth rate of 8% -10 % in the next 2-5 years. The survey projects a growth rate of 8% - 10% in next 2-5 years. This will be possible if the following steps are taken.

- ◆ Transition from Socialism to Marketism.
- ◆ Increase the investment in people (Health and education).
- ◆ Sharpen the focus on agriculture.

2. What is the view about the long run efficiency and growth in the survey?

New Bankruptcy Law, rehabilitation of stalled projects, proposed changes to the prevention of Corruption Act, expansion of the Direct Benefit Schemes are some of the steps which will be definitely boost long run efficiency and growth

3. Briefly explain the area where ‘Well-Off’ is being subsidised?

According to Aravind Subramanian, Chief Economic Advisor to Ministry of Finance, the Well-Off in India are beneficiaries of about Rs 1 lakh crores worth of subsidies which actually should have gone to poor. Following are the seven areas where the Well-Off are enjoying the benefits of subsidies.

No.	Name of the items	Amount in Crores
1	Kerosene	5501
2	Railway	3670
3	Electricity	37,170
4	LPG	40,151
5	Gold	4093
6	Aviation Turbine Fuel	762
7	Small savings	11,900

These amount represent a substantial leakage from the government's kitty and also an opportunity missed out to help the poor and deserving group of population. As per the survey government spends about 4.2% of the GDP for subsidizing the various commodities. One of the suggestions for resolving this problem of subsidy is coverage under (JAM) Jan Dhan – Aadhar – Mobile (similar to LPG subsidy).

4. What is the prediction regarding the Agricultural production?

According to the survey agriculture is likely to register a low growth due to weak monsoon, second year in a row. The survey suggests that steps should be taken to raise the productivity to get 'more from less' and a 'rainbow revolution' (Integrated development of agriculture, horticulture, forestry, sugarcane, fishing, poultry and animal husbandry). These will help to increase the supply of quality agriculture products.

5. What are the views of the survey on investment in Research and Technology and Imports?

The survey proposes more investment in Research and Technology so that we can have more high-yielding variety seeds, efficient mechanization and water use via micro-irrigation.

According to survey "Imports cannot be the main source for meeting the domestic demand" and called for policies which will make India not dependant on imports for meeting domestic demands. Leveraging of new low-cost technologies such as cell phones to provide information's about prices, drones to provide information on crop health, irrigation problems, soil variation and even pest and fungal infections are to be introduced.

6. What are the observations of the survey regarding the problems of the Banking sector?

As far as banking sector is concerned the situation is 'very thorny' and it has to be tackled by '4 R s':

1. Recognition;
2. Recapitalization;
3. Resolution;
4. Reforms.

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