

10 "Railway development in India provides an interesting instance of private enterprise at public risk." Comment

In 1853 Lord Dalhousie took the decision to construct railways in India. It was guided by two main reasons -

- i) facilitate army movements
- ii) Need to integrate Indian market to open it to British imports & for the supply of raw materials from the countryside to the ports.

But the cost of railway development was born by the Indian exchequer & the profit was reaped by the British. It is evident from the following -

i) British capital investments were invited with 5% guaranteed interests to be paid, if necessary, from Indian revenues.

ii) The companies were given free land with 99 years lease.

iii) There was also a provision for the companies to claim full compensation for all capital spend if they return the line to the government before the expiry of the lease.

iv) The Railways did not interconnect the internal market cities which could have boosted the internal trade. It just connected the hinterlands to the ports.

v) Freight charges were also less for bulk manufactured goods travelling from the ports to the interior & raw materials moving from the interior to the ports.

vi) Multiplier effect of the railway construction boom benefited British economy, as machinery, railway lines & even coal was imported from England.

vi) Transfer of technology also remained confined to low technology areas whereas no effort was made by the British to help in Indianising high technology areas.

vii) In certain areas the construction work disturbed ecology & subverted natural sewage system giving rise to epidemics such as malaria.

Although, there were some unintended benefits of railway development as well, such as -

i) It led to the development of feeder roads which connected different regions.

ii) It had significant social & cultural impact on Indian society & helped in the development of feeling of national consciousness.

iii) Provided a cheaper & faster mode of transportation for both people & goods.

But the amount of public investment made in railways did not benefit the people of India in the same proportion. Even the nationalists² argued that such public investment in irrigation would have given higher social benefits. Thus, the railway development in India has been aptly described by Sabyasachi Bhattacharya as "an instance of private enterprise at public risk."