

ROLE OF MUMBAI IN INDIAN ECONOMY

Largest metropolis

Mumbai is the largest metropolis as well as the financial, commercial, industrial and celluloid capital of India. It is the cosmopolitan city with the potpourri of cultures and glamour. Foreign investors tend to look at India through the **prism** of Mumbai

Mumbai accounts for about 1 per cent of the total population in India.

Mumbai's per capita income is a little more than three times that of India. Estimates by the UN suggest that Mumbai is likely to have a population of around 27 million inhabitants by 2020, and will be world's second most populous city after Tokyo.

Mumbai is India's main economic engine

Mumbai is Maharashtra's and **India's main economic engine.**

It contributes about Rs. 40,000 crore in taxes to Maharashtra and the Centre annually.

The share of Mumbai in total revenue collection from metros is more than 50% in case of income tax and excise duty.

Size of Budget

Greater Mumbai Municipal Corporation budget is larger than that of 9 state government budgets while Municipal Corporation of Delhi's is larger than 4 state government budgets in India.

Contribution to State GDP

Mumbai and its surrounding regions contribute over 20 per cent of the state's GDP.

Mumbai's financial sector:

First Mumbai accounts for a significant share in deposits mobilization (14 per cent of total deposits) and deployment of credit (21 per cent of total credit) of scheduled commercial banks.

Second, in terms of banking sector's transactions in clearance of cheques, Mumbai's share is as much as three-fourths of the total clearances.

Third, Mumbai's presence is overwhelming both in money market and the foreign exchange market transactions. Its share in the forex market is as high as four-fifths of the total turnover.

Fourth, Mumbai, being a home to the National Stock Exchange and Bombay Stock Exchange, dominates the turnover and total market capitalization of the India stock markets. While the share of these two exchanges is about 92 per cent with respect to turnover, they collectively represent virtually the total market capitalization of India's corporate sector.

Fifth, the present of a large number of financial markets players such as foreign institutional investors (FIIs), term lending institutions, merchant bankers, broking houses and so on, makes Mumbai a favourable place for an IFC. Nearly 80 per cent of mutual funds are registered in Mumbai. Practically, all FII investments and over 90 per cent of merchant banking transactions happen in Mumbai.

Sixth, the headquarters of a large number of regulatory agencies including the Reserve Bank of India and Securities and Exchange Board of India are located in the city.

Seventh, Mumbai is truly an agglomeration of the right skills and the right framework for integrated delivery of financial services. The city has a large population of highly skilled English speaking employees and a reputation for attracting the best managerial talent. A significant number of MBAs, chartered accountants, legal advisers and research professionals are based in the city.

Promising IT Sector

Out of India's total exports, the share of IT products (mainly software) has increased from 1 per cent in the early 1990s, to 18 per cent in 2001. Mumbai, the financial and commercial capital of the country, provided the initial lead in **the Infotech Industry**. Despite competition from Bangalore, Mumbai has created a niche in the IT industry scenario of India, with a large number of multinationals as well as small software units located here. The Santacruz Electronic Export Processing Zone (SEEPZ) and the International Infotech Park in Vashi, Navi Mumbai offers excellent facilities to IT companies.

The Downside

Mumbai has the highest percentage of slum - dwellers among metropolitan cities. Economic Survey, 2002-03 of the Government of Maharashtra, reveal that migration seemed to have constituted around 23 per cent in population growth during 1991-2001. In other words, one out of every five persons added to the population during the decade of 1990s was due to migration!

Slower Growth in recent past

The state's growth rate fell from 4.8 per cent per annum in 1994-98 to 4.2 per cent in 1998-2002 when Mumbai's growth rate slipped from 7 to 2.4, a period in which the growth rate of India was as much as 5.6 per cent.

Slippage in Rankings

Mumbai fell from 26th place in 1996 to 33rd in 2000 in *Asiaweek's* rankings of the top 40 cities in Asia. On the international stage, Mumbai ranks a poor 163rd (out of 218 cities world-wide) on the *Forbes'* quality of life survey and 124th (out of 130 cities world-wide) on EIU's hardship ratings.

Social Amenities

A closer look at urbanization and basic urban infrastructure provision in the Indian context reveals that the urban quality of life has improved for large sections of the population, in the last couple of decades but, perhaps, not enough. This improvement, when viewed against the fact that it has been achieved across a rapidly increasing population and under difficult fiscal conditions of the government, indeed needs to be acknowledged.

Revival Packages

Mckinsky Report (September, 2003) Vision Mumbai- Transforming Mumbai into a World Class City, advances a multi-pronged strategy

1. Boost economic growth to 8-10 per cent per annum by focusing on services (high- and low-end), developing hinterland-based manufacturing and making Mumbai a consumption centre.
2. Improve and expand mass and private transport infrastructure, including linkages to the hinterland.
3. Dramatically increase low-income housing availability (1.1 million low-income houses) and affordability and drive upgradation of housing stock.
4. Upgrade safety, air pollution control, water, sanitation, education and healthcare.
5. Create a dedicated “Mumbai Infrastructure Fund” with an annual funding of Rs. 1,500 crore and attract debt and private financing.
6. Make governance more effective, efficient and responsive by corporatising key departments and streamlining important processes such as building approvals.
7. Generate momentum through more than 20 quick wins to show visible on-the-ground impact during the next 1-2 years.
8. Enable implementation through committed public-private resources, led by the Chief Minister and make key government organisations accountable for results.

The report attempts to chart a sustainable future for Mumbai. It suggests that a sustainable transformation should have three elements: sound finances, able implementation and public support. To ensure reliable funding, the Report propose a dedicated developments fund for Mumbai. In order to ensure that change materializes efficiently, the report recommends that two citizens' committees drive the programme and track progress by employing implementing agencies.

With regard to creating the implementation apparatus, the Report proposes public-private partnership to drive the programme. It recommends the formation of an Empowered Committee as a permanent successor to this task force. This committee will include civil servants, private citizens and representatives from the implementing agencies and will be chaired by the Chief Secretary. It will sign MoUs with agencies, administer the MDF and shortlist projects to be financed.

The study emphasises that the success of developing Mumbai to a global city depends on many different organisations: MCGM, MMRDA, SRA, BEST, MSRDC and others. To ensure that they carry out the citizens' mandate, the Report proposes the formation of a Citizen's Action Group, made up to eminent citizens of Mumbai and chaired by the Chief Minister. The group will ensure that implementation is timely and up to world-class standards.

The Report also talks about affordable housing, slum development, urban renewal, promoting physical infrastructure and economic growth. Thus, it stresses a multi pronged co-operative framework for the development of Mumbai into a global city.

The Four Pillars of Economic Renewal of Mumbai City

In my view, the four major pillars of economic renewal of city like Mumbai would include : (a) Improving Infrastructure ; (b) Enhancing access

to social amenities; (c) Deepening financial markets and (d) Strengthening institutions and governance.

Table 1 - Mumbai, Maharashtra and India - A Comparison

Item	Unit	Mumbai	Maharashtra	India	% Share of Mumbai in Maharashtra	% Share of Mumbai in India
1	2	3	4	5	6	7
Area	(Sq. Km.)	437**	3.08 Lakh	32.87 Lakh	0.14	0.013
Population (2001 Census)	(million)	11.9	96.8	1027.0	12.2	1.1
Gross Density	(No. of persons per sq. km.)	20,222	314	324		
Per Capita Income (1998-99) (at current prices)	(Rupees)	45,471	22,763	14,712		
NDP (1998-99)	(Rs. Crores)	44,489	204,120	1,449,424	21.8	3.1
Total Regd. working factories	(Number)	7,212	28,949	255,837	24.9	2.8
Total Workers in factories	(Number)	382,700	1,251,759	10,716,000	30.5	3.6

Source: Bombay first, Fact Book on Mumbai, 2003.