
A STUDY OF FINANCIAL SOLVENCY OF BRIHANMUMBAI MUNICIPAL CORPORATION

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Abstract:

In the era of Post-Globalization, there is a rapid growth in urbanization. Similarly, migration towards cities for better amenities, facilities, education, health-care and sources income trigger increase in urban population. Subsequently, this increasing population invited higher and wider local governing bodies, shifting from municipalities to municipal corporations. Maharashtra is one of the leading states in India with industrial, economic, financial, agricultural, educational and cultural advancements. The recent times showcase an abundant rise in urban population with formations of cosmopolitan demographic spaces. Approximately 377 million Indians including about 31% of the country's population live in urban arena with annual average addition of 8 million as per the census of 2011. In Maharashtra, there are 27 Municipal Corporations which is highest number than other states. The suburbs of Mumbai, Thane and the cities annexing to these are over populated. As a result, along with Brihanmumbai Municipal Corporation, many other cities also had to convert their municipalities into Municipal corporations. This paper shows a trend analysis of revenue income and expenditure with growth rate which indicate the continuous development of services provided through expenses and collecting revenue from various sources which reflect increase in tax payment and income to BMC.

KEY WORDS - *municipal corporation, BMC, trend analysis, revenue income, revenue expenditure, growth rate.*

Methodology-

The study is primarily based upon the secondary data. Different databases, websites and other available sources were collected.

Hypothesis:

H0: BMC does not have stable and solvent economy.

H1: BMC has stable and solvent economy.

INTRODUCTION:

The recent times showcase an abundant rise in urban population with formations of cosmopolitan demographic spaces. The last decades exhibit upcoming of municipal corporations as local governing bodies with a view to administer the urban settlements. Approximately 377 million Indians including about 31% of the country's population live in urban arena with annual average addition of 8 million as per the census of 2011. In the era of Post-Globalization, there is a rapid growth in urbanization. Similarly, migration towards cities for better amenities, facilities, education, health-care and sources income trigger increase in urban population. Subsequently, this increasing population invited higher and wider local governing bodies, shifting from municipalities to municipal corporations. Maharashtra is one of the leading states in India with industrial, economic, financial, agricultural, educational and cultural advancements. The recent boost in industrial and technological advancements has paved path for thousands of people to migrate to cities. In addition to this, the development in the infrastructure attracted the population from the vicinities towards the urban arena. People from the states in the vicinity of Maharashtra are rushing towards Maharashtra, especially, the economic capital of India, Mumbai. In Maharashtra, there are 27 Municipal

Corporations which is highest number than other states. The suburbs of Mumbai, Thane and the cities annexing to these are over populated. As a result, along with Brihanmumbai Municipal Corporation, many other cities also had to convert their municipalities into Municipal corporations.

The demographic space that envelops population more than 5, 00,000 is known as cities, and, the local self-government in such cities is known as Municipal Corporation. Municipal corporations are the largest local governing bodies which administer political, social, educational, cultural, industrial, economic, commercial and recreational activities. These local governing bodies are responsible for the growth and development in their territories. The financial resources of municipal corporations become one of the major areas of interest wherein the structure of taxation, revenue, loans, grants and expenditure are the spaces that invoke arguments and deliberations for research.

Features of Local Self-Government:

- It is formulated by local people to solve local problems.
- It enjoys limited autonomy.
- Through election, local people select their representatives for the development of their area.
- The elected representatives of the Municipal Corporation elect Mayor from among themselves.

Sources of Revenue:

Municipal corporations, therefore, have to generate revenue from variant sources. These sources are:

- Tax revenues
- Non-tax revenues
- Assigned (shared) revenue
- Grant-in-Aid
- Loans
- Other receipts

Prime expenses of municipal corporations are:

1. General Administration
2. Education
3. Public Health
4. Public Facilities and Convenience expenditures
5. Infrastructure Development expenditures
6. Other expenditures

Brief Introduction of Selected Municipal Corporation:

Brihanmumbai Municipal Corporation (BMC):

Mumbai is based on the salsette Island, located at the opening of Ulhas river in the coastal region known as Konkan. It cover area of 603 square Km. The Brihanmumbai Municipal Corporation (BMC) also known as Municipal Corporation of Greater Mumbai, is the civic body that governs the capital city of Mumbai in Maharashtra state and India's richest municipal corporation. Its annual budget is more than that of some of the small states of India. This municipal corporation is established under the Bombay Municipal Corporation Act, 1988 and it is responsible for civic infrastructure and administration of the city and some suburbs of Mumbai.

Mumbai is the largest metropolis and the commercial, financial, industrial and celluloid capital of India. It is the cosmopolitan city with the potpourri of glamour and culture. Outside investors tends to look at India through the prism of Mumbai city. Mumbai accounts for about 20.7 million of population which is 1.71 % of the total population of India as per 2011 census.

Mumbai contributes overall around Rs.40, 000 crores in taxes to Maharashtra and the Centre annually. Mumbai is the hub for entertainment, fashion and commerce of India having economy of \$ 278 billion of 2015. The share of Mumbai in total revenue collection from metros is more than 50% in case of income tax and excise duty.

BMC's budget is larger than that of 9 states government budgets while Municipal Corporation of Delhi's is larger than 4 state of government budget in India. Mumbai and its surrounding regions contribute over 20% of the state's GDP.

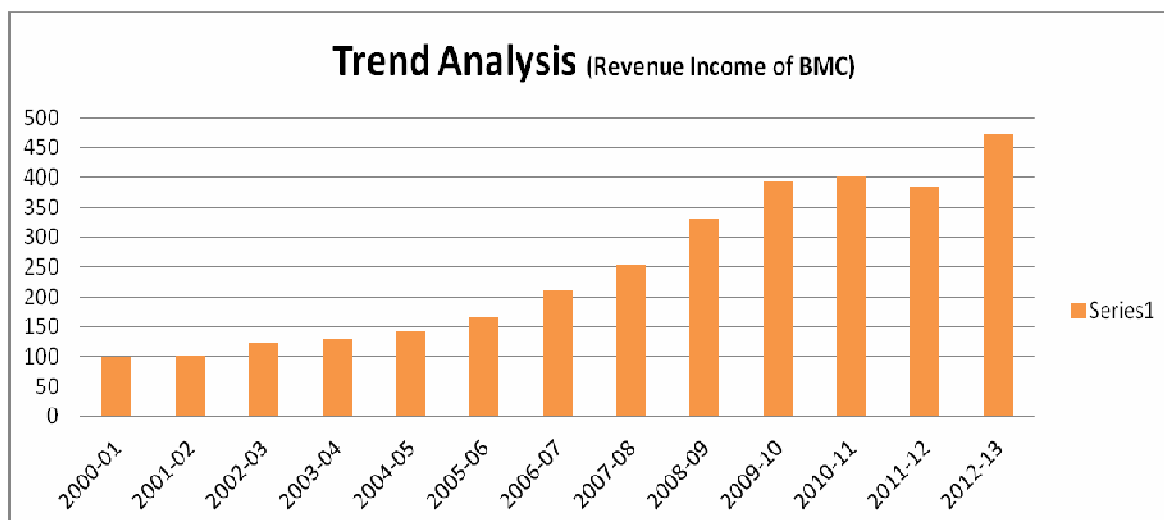
Trend Analysis:

❖ Revenue Income of Brihanmumbai Municipal Corporation:

Trend Analysis of Revenue Income of Brihanmumbai Municipal Corporation							
		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Maharashtra - Brihanmumbai Mahanagarpalika	Revenue Income In Rs.(‘000)	47423704	47947955	57783673	61797436	67594708	79533878
Trend Analysis	In %	100	101.11	121.85	130.31	142.53	167.71
Growth Rate	In %	0.00	1.11	20.51	6.95	9.38	17.66

Trend Analysis of Revenue Income of Brihanmumbai Municipal Corporation								
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Maharashtra – Brihanmumbai Mahanagarpalika	Revenue Income In Rs. (‘000)	100418245	120421200	156674300	18711200	190530700	182686500	224608000
Trend Analysis	In %	211.75	253.93	330.37	394.55	401.76	385.22	473.62
Growth Rate	In %	26.26	19.92	30.11	19.43	1.83	-4.12	22.95

Comment: The above trend analysis shows that there is continuous increase in revenue income of BMC from 2000-2001 to 2012 -2013 except in the year 2011-12. The growth rate of revenue income shows inconsistency in growth, its growth is not consistent, it fluctuate from 1.11% to 26.26% and in 2011-12 it shows negative growth of -4.12% but on next year 2012-13 immediate maintain growth of 22.95%.



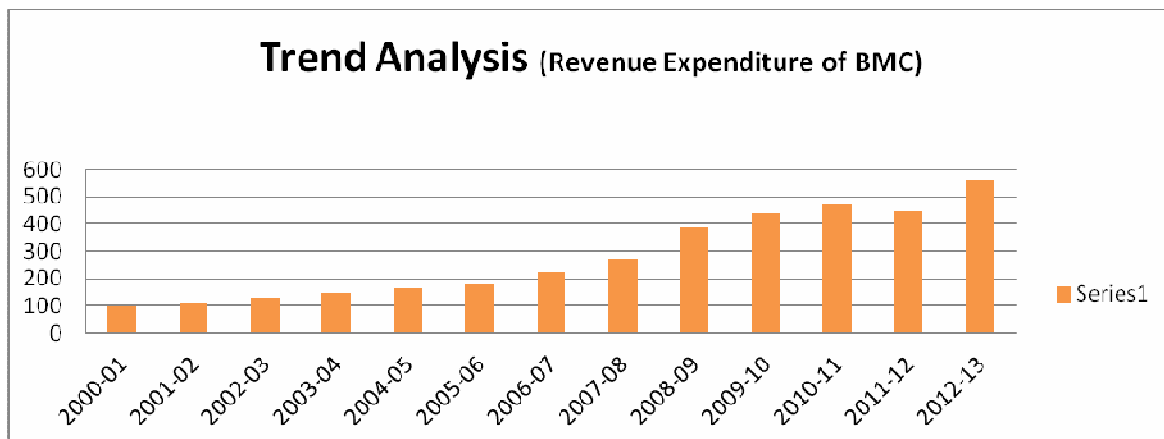
Graphical presentation: Above graph shows continuous increase in revenue income of BMC from 2000-2001 to 2012-2013 except in the year 2011-12. The growth rate of revenue income shows inconsistency in growth, its growth is not consistent, it fluctuate from 1.11% to 26.26% and in 2011-12 it shows negative growth of -4.12% but on next year 2012-13 immediate maintain growth of 22.95%.

❖ **Revenue Expenditure of Brihanmumbai Municipal Corporation:**

		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Maharashtra – Brihanmumbai Mahanagarpalika	Revenue Expenditure In Rs. ('000)	37748967	40535282	49687890	55824631	61685169	69564988
Trend Analysis	In %	100	107.38	131.63	147.88	163.41	184.28
Growth Rate	In %	0	7.38	22.58	12.35	10.50	12.77

		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Maharashtra – Brihanmumbai Mahanagarpalika	Revenue Expenditure In Rs. ('000)	84708087	101858700	146045800	166137500	176839400	168707600	212754600
Trend Analysis	In %	224.40	269.83	386.89	440.11	468.46	446.92	563.60
Growth Rate	In %	21.77	20.25	43.38	13.76	6.44	-4.60	26.11

Comment: The above trend analysis shows that there is continuous increase in revenue expenditure of BMC from 2000-2001 to 2012 -2013 except in the year 2011-12. The growth rate of revenue expenditure shows inconsistency in growth, its growth is not consistent, it fluctuate from 7.38% to 43.38% and in 2011-12 it shows negative growth of -4.60% but on next year 2012-13 immediate maintain growth of 26.11%.



Graphical presentation: Above graph shows continuous increase in revenue expenditure of BMC from 2000-2001 to 2012 -2013 except in the year 2011-12. The growth rate of revenue expenditure shows inconsistency in growth, its growth is not consistent, it fluctuate from 7.38% to 43.38% and in 2011-12 it shows negative growth of -4.60% but on next year 2012-13 immediate maintain growth of 26.11%.

Conclusion:

It shows a trend analysis of revenue income and expenditure with growth rate which indicate the continuous development of services provided through expenses and collecting revenue from various sources which reflect increase in tax payment and income to BMC. Revenue expenditure of BMC from 2000-2001 to 2012 -2013 except in the year 2011-12. The growth rate of revenue expenditure shows inconsistency in growth, its growth is not consistent, it fluctuate from 7.38% to 43.38% and in 2011-12 it shows negative growth of -4.60% but on next year 2012-13 immediate maintain growth of 26.11%. Similarly, increase in revenue income of BMC from 2000-2001 to 2012 -2013 except in the year 2011-12. The growth rate of revenue income shows inconsistency in growth, its growth is not consistent, it fluctuate from 1.11% to 26.26% and in 2011-12 it shows negative growth of -4.12% but on next year 2012-13 immediate maintain growth of 22.95%. It indicates overall growth of BMC in financial terms because the revenue income is able to meets revenue expenditure, its symbol of stable and solvent economy of BMC.

Therefore **H2** is accepted that BMC has stable and solvent economy.

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