

MCGM Budget 2021-22

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The BMC (MCGM) has targeted growth of 16.7% in overall expenditure for FY22 in its Budget which will now be Rs 39,039 crore. In FY21(R) total outlay was Rs 33,441 crore. The calculations for FY21 were impacted by the pandemic and lockdown which affected the revenue flows as well as expenditure which had to be channelled to areas which required attention.

	Rs crore
Revenue receipts	27,811
Grants in lieu of octroi	10,583
Property tax	7,000
Development Plan department	2,000
Grants in aid from government	1,723
Water and sewerage	1,598
Supervision charges	1,096
Investment income	975

The BMC has kept all taxes and license fees unchanged. As can be seen the two leading contributors to BMC's revenue are the grants gotten for octroi and property tax. Both were affected last year due to the lockdown. Similarly, the DP Department's contribution was affected by the stock of unsold flats across the city. The major increases in revenue this year would be through property tax (Rs 2500 crore), DP department (Rs 800 crore), grants in aid from the government (Rs 840 crore). The grants in lieu of octroi would increase by around Rs 784 crore which is almost similar to the increase witnessed in FY21 of Rs 739 crore.

An interesting part of the revenue receipts is the declining revenue from investment from Rs 2,083 crore in FY20 to Rs 1,320 crore in FY21 and Rs 975 crore in FY22. This can be attributed to the fixed deposits maintained by the Corporation earning a much lower interest rate.

Interestingly the State Government owes a large amount to MCGM on account of Grant-in-aid, Property Tax, Water & Sewerage Charges, MCGM's share in various taxes collected by the State Government etc. The total outstanding dues from the Regional offices of various departments of the State Government under the jurisdiction of MCGM, amounted to Rs 5,274 crore by the end of December 2020. This includes an amount of Rs 3,629 crore on account of Grant-in-aid from Education Department of the State Government.

The revenue expenditure of the Corporation would be Rs 20,288 crore. Nearly 70% of the total expenditure is on establishment charges followed by operations and maintenance with a share of 18%. The summary of expenditure is provided below in the table.

	Rs crore
Revenue expenditure	28,308 (20,288 excluding capital account transfer)
Establishment	14,021
Operations and maintenance	3,660
Revenue grants and subsidies	1,127
Administrative costs	985
Contribution to capital account	8,020

Due to implementation of 7th Pay Commission, expenditure on establishment has also increased. In FY19 it was Rs 8,795 crore which increased to Rs 11, 911 crore in FY21 and further increase is estimated to Rs 14, 021 crore in FY22. As a result, revenue surplus for the year 2021-22 and subsequent years will reduce. This will tend to constrain both the expenditure on infrastructure as well as the level of annual borrowings by the Corporation in a sustained manner.

Rs crore	
Capital receipts	11,227
Grants	222
Internal loan from funds	5,876
Withdrawal from special funds	4,688
Sale of land	420

Capital receipts have seen a change in structure in the last few years. Due to pressure on capex, the Corporation has been withdrawing money from the special funds and this has averaged around Rs 4,500 crore in the last three years. Also there have been internal loans taken which is the highest component in capital receipts. It is proposed to raise Rs 5,876 crore by way of Internal Loan during 2021-22.

Rs crore	
Capital expenditure	18,750
Coastal road	2,000
Goregaon Mulund link road	1,300
DP Department	2,546
Sewerage treatment	1,339
Traffic operations	1,600
Strom water drainage	1,150
Sewage disposal	1,060
Water supply	1,232
Health	1,206
Bridges	962

Capital Expenditure of the Corporation has increased which is not sustainable unless revenue collection is improved and/or new sources of revenue are added. The increase has been from Rs 10,903 crore in FY21 to Rs 18,750 crore with a significant increase in the outlay for coastal/STP/GMLR project from Rs 1,627 crore to Rs 4,639 crore. The completion of these critical infrastructure projects can be hampered, if sufficient funds are not provided in the ensuing years.

Reserves position

MCGM has observed that Rs 26,682 crore are being held in reserves towards committed liabilities and the remaining Rs 50,952 crore have now been linked to various infrastructure projects. This is to ensure that reserves are funnelled towards Capital Expenditure to improve infrastructure for citizens.

The adherence to the revenue targets will depend a lot on how the city opens up and business activity normalizes. This will also mean that restrictions on movement of people both within the city and from outside should be made free flowing or else the taxable base would be affected. The expenditure plans too need to take off as the new year starts to ensure that the projects are completed on time and there are no time overruns. An issue will be getting migrants working on construction sites to return to work as this can affect the pace of project completion.

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