

## 2. ECONOMIC PROFILE

Mumbai Metropolitan Region accounts for about USD 15 bn out of Maharashtra's economy (NSDP) of about USD 37 bn – about 40 per cent of the total size of the state's economy. Greater Mumbai alone contributed about USD 10 bn to the state's economy.

Mumbai contributes to 33% of income tax collections, 60% of customs duty collections, 20% of central excise tax collections, 40% of India's foreign trade and a significant quantum to corporate taxes.

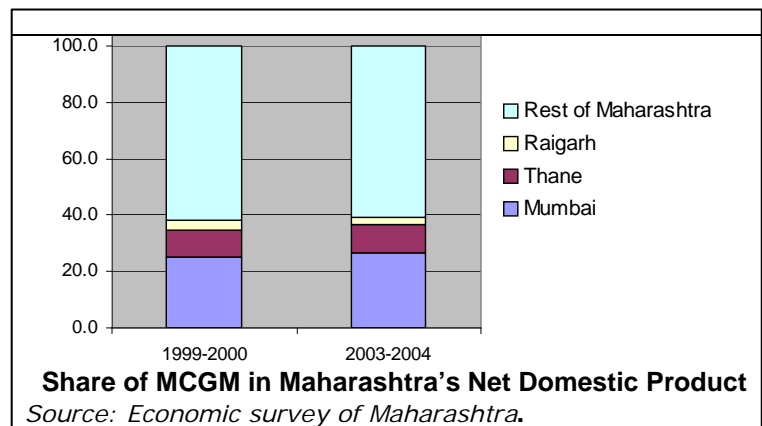
Although the city of Mumbai has prominently figured as the hub of economic activity in the nineties, one is witnessing the reduction in contribution of MMR districts to India's GDP. Mumbai, at present, is in reverse gear, as regards the economic growth and quality of life.

**Table 7: NDDP and Per Capita NDDP of Districts in MMR and their share in Maharashtra**

Sl.	District	NDDP (at Constant Prices) in bn USD		% Share in NSDP		Per Capita NDP (at Constant Prices) in USD	
		1999-00	2003-04	1999-00	2003-04	1999-00	2003-04
1	Mumbai	7.82	9.66	24.96	26.45	670	781
2	Thane	3.05	3.71	9.74	10.16	398	412
3	Raigarh	1.02	0.91	3.26	2.49	472	399
4	<b>Total MMR</b>	<b>11.89</b>	<b>11.96</b>	<b>37.90</b>	<b>39.10</b>	<b>554</b>	<b>604</b>
5	<b>Maharashtra</b>	<b>31.33</b>	<b>36.52</b>	<b>100.00</b>	<b>100.00</b>	<b>332</b>	<b>363</b>

Source: Economic Survey of Maharashtra, 2003-04

The GDP growth in Greater Mumbai is surprisingly low at 2.4 per cent per annum (1998-2002). And this slow down has undoubtedly affected the growth of Maharashtra, since Mumbai and its surrounding regions contribute over 35 per cent of the state's GDP. The quality of life in Mumbai has also worsened and the decline is quite steep. Slums have proliferated and congestion, pollution and water problems have skyrocketed. The situation is likely to worsen over the next decade with an increase in population, precipitating in an increased pressure for provision of basic infrastructure services.



## 2.1. Industrial Development

Greater Mumbai is dominated by tertiary sector (wholesale and retail trade, transport, storage and communications, finance, insurance, information technology, real estate, community, social and personal services) followed by secondary sector (manufacturing and repair, electricity, gas and water construction). This is in contrast to the situation in rest of MMR, wherein secondary sector is dominating in NDP contribution.

Unlike the earlier dominance of heavy industry in contribution to economic output of the region, sectors such as gems & jewellery, leather & leather products, IT & ITES along with tourism/entertainment are contributing significantly to the economic growth of the region today. Some of the key sectors contributing to the city's economy are discussed below.

- a. Gems & Jewellery: The exports of Gems & Jewellery from Mumbai have risen from Rs 5000 crore in 1990-91 to Rs 45,000 crore in 2003-04<sup>2</sup>. Exports of gems and jewellery have provided significant employment in the region. On the other hand SEEPZ alone handled import of Rs 2000 crore (2003-04) of rough diamonds, gold bars, stones, C&P diamonds, silver bars and platinum.
- b. Leather: Leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. India is the largest livestock holding country, having an annual production value of USD 4 billion providing employment to 2.50 million people. There is a potential for technology inflow and foreign direct investment in the sector. Mumbai is the major production center of leather and leather products in the Western region<sup>3</sup>

The leather industry is poised for major growth in the coming decade. It is hoped that Maharashtra will play a significant role in increasing India's share of international leather trade. In fact, because of globalization of the Indian economy, numerous opportunities are available for the state's sustained growth in this sector. The leather and leather product industries of Maharashtra are centered on Mumbai, the inherent strengths being a comfortable raw material base, skilled labor and the already well-established leather/leather goods industry.

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<sup>2</sup> Source: Gems & Jewellery Export Promotion Council

<sup>3</sup> Source: Council of Leather Exports

- c. IT & ITES: IT & ITES is another promising industry in the city. The State Government has a visionary IT policy to make it attractive for companies to set up shop in the state. Mumbai is home to some of the finest educational institutions in the country ensuring a steady supply of trained technical manpower to the IT and ITES industry. The state accounts for more than 30% of the country's software exports, with over 1200 software units based in the state, thus providing a familiar and friendly environment for IT companies. Besides, over 35% of the country's PC's and 32% of internet subscribers are in the state of Maharashtra.
- d. Textiles: Textiles is another industry of strategic importance to the state, contributing to 27% of India's total exports, holding immense future potential in global markets particularly in value added segments like garments and ready to wear goods.
- e. Entertainment: Another promising sector is the entertainment sector. A robust macro economic environment with GDP target at an annual 8% growth will not only ensure a conducive environment for the environment industry, but has also resulted in an increased demand for entertainment. Indian film industry, one of the drivers of entertainment in the country has revenues of Rs 4500 crore (2003) and expected to grow at a compounded annual growth of 18% to gross Rs 10,100 crore by 2008<sup>4</sup>. The growth drivers in this segment are increase in multiplexes, advent of digital technology, creating films as brands through corporate tie-ups, merchandising etc and corporatization with producers adopting a more structure approach to film production.

Besides, revenues from television are expected to grow at a compounded annual growth rate of 17% over the next five years to gross Rs 28, 852 crore by 2008 and a significant portion of this growth is expected from the subscription stream.

The Indian music industry has stabilized in 2003, after recording a significant correction in 2002 – the revenues are approx Rs 1000 crore in 2003.

The live entertainment segment has grown by 60% over 2002 and is expected to sustain this growth over the foreseeable future. For the organized sector, revenues stood at nearly Rs 580 crore in 2003. Many event managers believe that the next big thing for this segment will be sports based events, celebrity management and conventions and seminars.

The Indian entertainment industry is in an enviable position – it operates within a robust macro economic framework and the Indian creative product is fast becoming a global power-brand. The domestic scenario is bursting with prospects and the industry seems ideally positioned to capitalize on them.

Whether it is infrastructure that will guarantee an improved cinematic experience or a television distribution mechanism that provides choice to a consumer at an affordable

price and ensure fair sharing of revenues across players – by strengthening its fundamentals, Mumbai, as the heart of film production and entertainment, should leverage this opportunity to significantly enhance its economic growth in the next few years.

As proactive step to promote industrial development in the city and the MMR, Government of Maharashtra has proposed a new Industrial Location Policy, which is expected to be announced shortly. This policy envisages promoting non-polluting, hi-tech and high value added industries within Mumbai (all industries listed under Schedule 1 of the Policy).

## 2.2. Employment

Greater Mumbai is the major employment hub in MMR, accounting for about 74 per cent of the total employment in MMR, followed by Navi Mumbai – which is an upcoming potential economic hub – Kalyan, Bhiwandi and Thane.

As per latest available figures (1998), the total employment in Greater Mumbai is about 2.63 million, of which majority of the employment is in the tertiary sector. There has been a steady shift in employment from the secondary to tertiary sector in Greater Mumbai, as evident from Table 8. However, the growth in overall employment has been very low at just about 1 per cent per annum during 1980 to 1998. While this decline may be attributed partially to IT applications in the tertiary sector, it is largely due to growing unemployment in the city and region as a whole.

**Table 8: Employment Pattern and Growth Trends in Greater Mumbai**

Sl.	Sector	1980		1998		CAGR (%)
		<i>Employment</i>	<i>% Share</i>	<i>Employment</i>	<i>% Share</i>	
1	Primary	24,009	1.09	7,059	0.27	-6.57
2	Secondary	805,468	36.62	492,030	18.74	-2.70
3	Tertiary	1,369,904	62.29	2,126,659	80.99	2.47
	<b>Total</b>	<b>2,199,381</b>	<b>100.00</b>	<b>2,625,748</b>	<b>100.00</b>	<b>0.99</b>

**Source:** Population & Employment Profile of Mumbai Metropolitan Region, Planning Division, MMRDA, September 2003.

The age specific work participation rates in the years 1981 and 91 are presented in the table below. Less than 2% of the boys in the 5-15 age group and less than 1% of the girls in the same age group were reported as workers in 1991. More significantly, in 1991, men were economically less active for all age groups vis-à-vis the scenario in 1981.

**Table 9: Age-specific Work Participation Rates**

Age Group (years)	Work Participation Rates 1981 (%)		Work Participation Rates 1991 (%)	
	<i>Males</i>	<i>Females</i>	<i>Males</i>	<i>Females</i>
5-15	1.2	0.5	1.8	0.7
15-19	29.8	6.3	27.9	6.9
20-24	70.7	18.2	67.4	16.0
25-29	90.0	15.8	89.4	17.3
30-34	94.5	16.1	94.4	18.8
35-39	95.4	16.1	95.1	20.3
40-49	95.0	15.4	93.9	19.8
50-59	85.5	12.1	83.5	14.3
60+	39.8	4.4	31.6	4.3
All Ages	54.9	8.6	54.3	10.5
15+	77.0	13.3	74.8	15.1

Mumbai is the financial center of the country, with majority of the financial business domiciled in the country. This is facilitated with the presence of the Bombay Stock Exchange, National Stock Exchange, the financial sector regulators such as SEBI, the headquarters of major banks and financial entities and lender of last resort, the headquarters of the Reserve Bank of India. It is in this context that the city provides significant formal and informal employment in the financial sector. An estimate of the same is presented in Table 10.

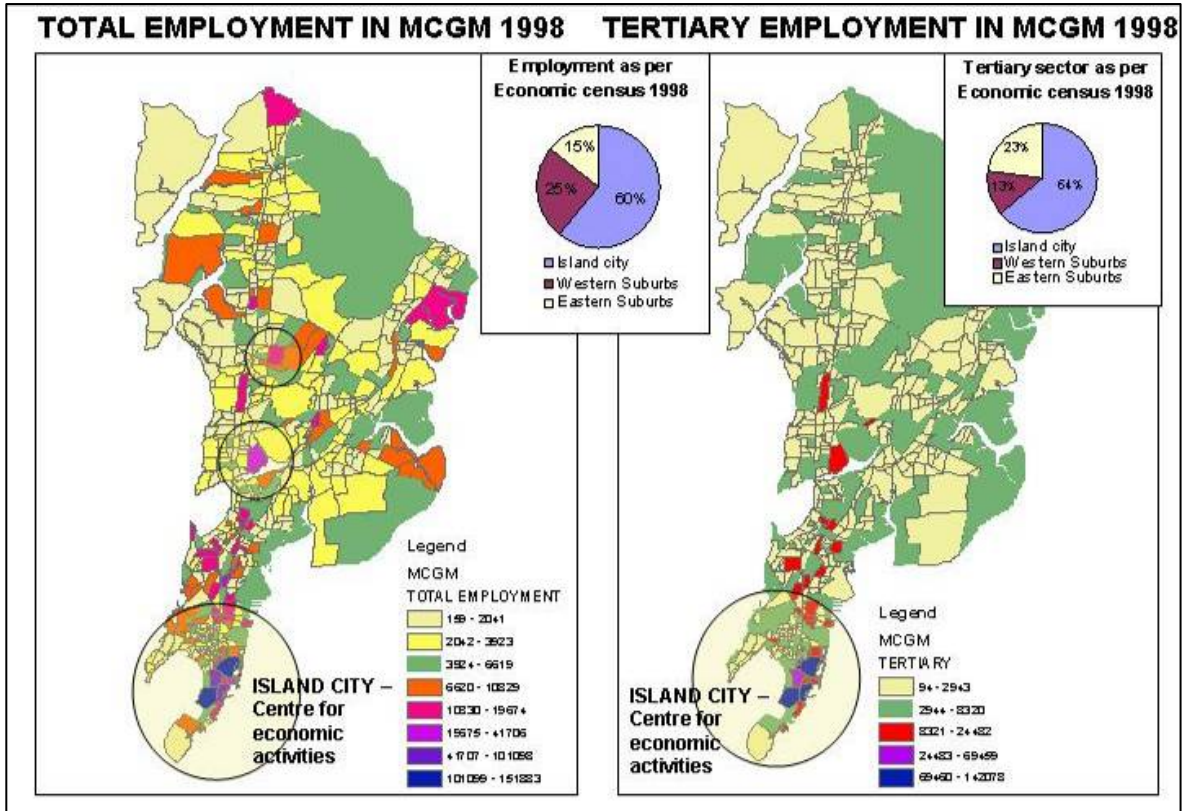
**Table 10: Formal & In-formal Employment**

Year	Total employment (Male + Female)	Formal employment (Male + Female)	Informal employment (Male + Female)	Share of informal in total employment (%)
1992	114,621	79,071	35,550	31.11
1993	117,646	80,025	37,621	31.98
1994	120,782	80,621	40,161	33.25
1995	124,035	81,268	42,767	34.48
1996	127,412	82,319	45,093	35.39
1997	130,915	81,866	49,049	37.47
(CAGR %)	2.66	0.69	6.44	

Total employment in the financial sector in Mumbai increased at 2.66 per cent per annum compound between 1992 and 1997. The share of the formal sector in total employment declined and that of the informal sector increased between 1992 and 1997

Within Greater Mumbai, there has been a shift in the spatial distribution of employment in Greater Mumbai. The employment in the Island City, which constituted 71.8% of the total employment in 1971, is reduced to 55.7% in 1990. This is mainly on account of marked decline in the manufacturing sector employment. Similarly, the office sector employment, which has increased in Greater Mumbai from 3.52 lakh in 1980 to 6.29 lakh in 1990, the

share of CBD of Greater Mumbai (A to D Ward) has reduced from 54.7% to 47.5% over this period. Further, a trend of growth of smaller establishments i.e. those employing less than five persons is now firmly set in Greater Mumbai.



### 2.3. Other Economic Indicators

Mumbai has been the hub of financial, trading and economic activity in the country. Jawahar Lal Nehru port is the busiest port in the country. The average turnaround time at both JNPT and MPT has been declining. The average output per ship berth day has shown an increase at both JNPT and MPT. Although the ports are handling significant trade volumes, substantial investments need to be undertaken in order to position them as truly world-class ports capable of handling efficiently the ever-increasing trade of the country.

**Table 11: Performance parameters for Major Ports**

Item	JNPT		MPT	
	1993-94	1998-99	1993-94	1998-99
Average turnaround time (days)	4.25	3.38	8.75	6.94
Average pre-berthing time (days)	0.83	1.38	2.41	1.91
Average output per ship berth days (tonnes)	2800	6886	2647	2800

Mumbai holds an enviable position as regards the passenger traffic at airports, in handling 30% of the air passenger traffic in the country.

**Table 12: Passenger Traffic at Airport**

Year	Mumbai Airport	All Airports (India)	Mumbai Share (India%)
1995-96	11,117,400	37,013,800	30
1996-97	11,067,400	36,489,900	30
1997-98	11,010,606	36,530,693	30
1998-99	11,018,557	36,989,419	30
1999-00	11,532,144	39,004,933	30

Mumbai handles about 35% of the cargo traffic in the country. This generates substantial employment, and a sizeable labor force resides nearby port area. Besides, such a quantum of trade volume at the port places pressure on nearby infrastructure. The associated infrastructure such as availability of dedicated road connectivity and its integration with rail connectivity to the hinterland needs to be provided for in the development plan

**Table 13: Cargo Traffic at Mumbai Airport**

Year	Mumbai	All Airports	Mumbai's Share in India %
<i>Figures in Tonnes</i>			
1995-96	234,650	649,369	36
1996-97	254,600	680,100	37
1997-98	253,616	705,886	36
1998-99	243,584	699,150	36
1999-00	276,694	797,443	35

Of the Capital Investment in Large and Medium Industries across the state of Maharashtra, Mumbai attracts significant investments. Approximately, 40% of the capital investments are cornered by Mumbai

**Table 14: Capital Investment in Large & Medium Industries**

Year	Greater Mumbai	Maharashtra	% share of Mumbai in Maharashtra
	<i>Rs Crore</i>		
1993	28,682	48,264	59
1996	28,701	54,398	53
1998	29,357	61,542	48
2000	30,573	72,873	42

Bulk of the financial business is conducted in Mumbai's financial centers namely the erstwhile Nariman Point and presently Bandra Kurla Complex. Dominance of Mumbai in both the credit offtake and deposit mobilization can be assessed from Table 15.

**Table 15: Scheduled Commercial Banks % share of Top Metro Centers in Credit**

Cities	% share in Credits		
	March 1999	March 1991	March 1986
	% share of credits in all-India total		
Mumbai	20.93	17.76	19.62
Delhi	14.03	10.97	8.12
Chennai	6.03	5.28	4.38
Calcutta	4.7	6.08	6.32
All-India	100.0	100.0	100.0

**Table 16: Scheduled Commercial Banks - Share of Metros in Deposits**

Cities	% share in Deposits		
	March 1999	March 1991	March 1986
	% share of deposits in all-India total		
Mumbai	14.19	14.8	12.82
Delhi	10.43	9.09	9.61
Calcutta	4.09	6.03	6.81
Chennai	2.71	2.95	2.48
All-India	100.0	100.0	100.0

Scheduled commercial banks are able to mobilize 13% of the deposits in Mumbai and able to disburse credit of approx 20% of the total credit given by banks at Mumbai.

### 2.3.1 *Doing Business in Mumbai (Maharashtra)*<sup>5</sup>

Every economy has established a complex system of laws and institutions intended to protect the interest of workers and to guarantee a minimum standard of living for its population. The attractiveness of a region/state in the country is a factor of indicators such as:

- a. *Entry Regulation*: Punjab at 57 days takes the shortest time to start a business vis-à-vis Andhra Pradesh (68 days). Maharashtra is way behind at 89 days. In terms of cost to start a business Mumbai (Maharashtra) is 49.5% of per capita gross national income, in comparison to Punjab (44.1%) and Tamil Nadu (47.3%). Analysis shows that burdensome entry regulations hold back private investment, push more people into the informal economy, increase consumer prices and fuel corruption.
- b. *Registering Property*: In terms of taking time to register property, time taken is 67 days in Mumbai (Maharashtra) in comparison to 35 days in Bangalore (Karnataka). The least cost region as regards cost to register property is 10.2% of property value in Punjab, whereas its is 13.9% for Mumbai (Maharashtra). Efficient property registration reduces transaction costs and helps keep formal title from slipping to informal status. Simple procedures to register property are also associated with more perceived security of property rights and less corruption.

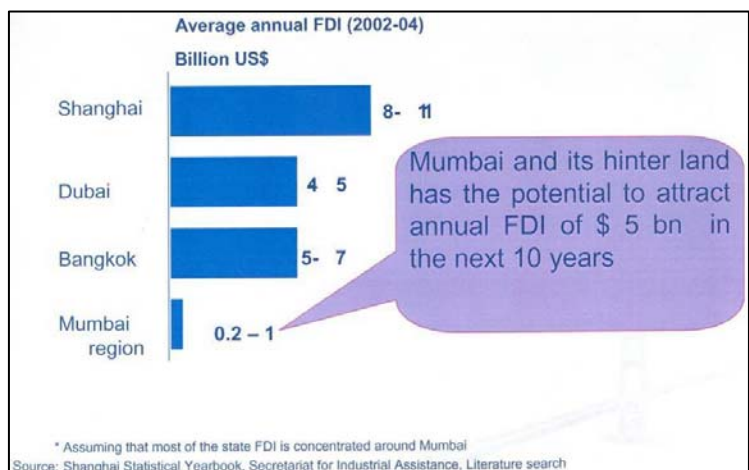
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- c. Contract Enforcement: Contract enforcement is critical for business to engage with new borrowers or customers. Although time to enforce a contract is the least at 425 days in Mumbai (Maharashtra), the cost to enforce a contract is high at 43.1% of per capita gross national income. In comparison, the cost to enforce a contract is significantly lower for states such as Karnataka (12.9%), Andhra Pradesh (13.8%) and Punjab (24.7%).
- d. Bankruptcy: Recent economic crises in emerging markets, from East Asia, to Latin America, to Russia and Mexico, have raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. An entity takes 10 years in Mumbai (Maharashtra) to go through insolvency in comparison to 8.33 years in Karnataka and 9.5 years in Tamil Nadu and Andhra Pradesh. On the other hand, the recovery rate (cents on the dollar) is only 12.50 for Mumbai (Maharashtra) in comparison to 16.61 for Bangalore (Karnataka) and 14.63 for Chennai (Tamil Nadu)
- e. Construction Regulation: It takes 187 days to legally build warehouse in Mumbai (Maharashtra) in comparison to 130 days in Hyderabad (Andhra Pradesh). In term of cost to legally build a warehouse Mumbai (Maharashtra) is lagging behind at 880% of per capita gross national income. The cost is 622% of per capita gross national income for Andhra Pradesh.

In conclusion, with the vibrant economic profile, Mumbai offers several potential advantages and can leverage this existing potential for growth. To evolve as a Regional Financial Center, to capitalize on the entertainment industry exports or the leather and gems & jewellery exports, Mumbai has to change its course for supporting its economy and businesses and meet the challenges of transforming into a city offering world-class infrastructure, citizen friendly services and a business friendly environment.

The economic growth therefore needs to be carefully supported with linkages and reforms. Being constrained due to land availability, Mumbai draws upon support from neighboring areas. Major ports (JNPT and Rewas-Aware) and new airport are positioned outside Mumbai. The hinterland beyond Greater Mumbai also serves as the area potentially available for development, which houses workforce as well as markets. The connectivity to hinterland is therefore important recognizing the fact that about 50% commuters traveling to Mumbai are from hinterland. With proposed development of the hinterland and the felt need for better connectivity to boost the economy of the region, transportation and avenues for public transport assume



significance. A number of strategic initiatives are proposed under the plan, which would support the overall economic activity of the city as well as the Mumbai Metropolitan Region.

Economic development should therefore be all encompassing covering areas that will boost economic activity (e.g. development of infrastructure and industrial/commercial activities which will provide job opportunities), provision of support systems such as transportation, water supply and sanitation, health and education, that would complement economic development and the policy and legal frameworks that are required to facilitate investments and bring about development.