

MUMBAI NEWS

Mumbai civic body's income from investments likely to drop by half this year

According to estimates made by BMC in the 2021-22 budget, it expects to earn over ₹975 crore as income from investments, which is half of what it estimated in 2020-21 (₹1,828 crore). BMC has maintained that falling interest rate and repo rate since five years have been affecting its income from its own reserves.

By Mehul R Thakkar, Mumbai
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BMC commissioner Iqbal Singh Chahal said falling interest rate and repo rate affecting income from investments. (HT FILE)

In the backdrop of Covid-19 lockdown the Brihanmumbai Municipal Corporation (BMC) is taking every measure to increase its revenue, but the falling income from investments parked in banks in the form of fixed deposits remains to be an area of concern. According to estimates made by BMC in the 2021-22 budget, it expects to earn over ₹975 crore as income from investments, which is half of what it estimated in 2020-21 (₹1,828 crore). BMC has maintained that falling interest rate and repo rate since five years have been affecting its income from its own reserves.

In terms of exact quantum, BMC presently has ₹50,953.27 crore in reserves which are linked to various infrastructure projects and ₹26,682.95 crore locked in for pensions, provident funds and gratuity of its staff. The major sources of revenue for 2021-22 for BMC include grant-in-aid on account of compensation in lieu of octroi at ₹10,583.08 crore, income from property tax at ₹7,000 crore, income from development plan department at ₹2,000 crore followed by income from interest on investments at ₹975.56 crore, income from water and sewerage charges at ₹1598.08 crore. Overall, BMC expects a revenue income of ₹27,811.57 crore, which is ₹636.73 crore less than the budget of 2020-21.

Commenting on dip in BMC's revenue from investments, municipal commissioner Iqbal Singh Chahal in his budget speech said, "Repo rate is consistently reducing. In January 2015, it was 7.75% which reduced to 4% in December 2020. Consequently, the average interest rate on

investment in term deposit is reduced, which has resulted in decrease in income from interest.”

Explaining why the revenue from investments is going down drastically this year, Chahal said, “The falling repo rate is something that is happening countrywide, and this loss of revenue cannot be attributed to anything considering the rate is falling for all. Another reason we have to understand is that whatever revenue we get in the form of investments is not realised entirely. There is 42% tax to be paid to income tax department, and what we will get after taxation this year is around ₹975 crore. This is our estimate. If we get more, it will go into BMC’s kitty.”

A BMC official from finance department said, “A part of the income from investments is diverted towards provident fund, gratuity. Considering all those factors, we have prepared an estimation of over ₹900 crore. According to BMC officials, another reason for income from investments going down is because the annual growth rate of the money parked in fixed deposits grew by 15% to 17% in the past, but it has come down to 6% and 3% in the past two years. Also, the income in the form of interest from fixed deposits has been varying year-on-year as BMC has in the past withdrawn funds from its reserves for completion of infrastructure projects and providing other civic amenities.

BMC in this year’s budget has proposed several measures to increase revenue including introducing scrutiny fees for Mumbai Fire Brigade, a fee regulatory authority to review taxes relating to BMC from time to time. However, these are measures that will yield results in the long-term.

Milind Mhaske from NGO Praja Foundation said, “The basic problem, if I may point out, is the practice to raise money from reserves. This year, in the form of internal loan, we are touching the principal amount that BMC has with it. In layman’s terms, BMC should stop this practice of taking money from the reserves and ensure taking steps where income from investments is increased rather than going down.”

Commenting on the same, Rais Shaikh, Samajwadi Party (SP) corporator and group leader in BMC, said, “ BMC should give a proper explanation on why there is going to be drastic fall in revenue from investments as I feel it is not only due to falling interest rates. Apart from falling interest rate, what I understand is that BMC may also withdraw money from its reserves, leading to fall in its principal amount. This trend of withdrawing money from reserves should be stopped, considering it not only results in principal amount going down, but also results in income from investments going down.”

Link:- <https://www.hindustantimes.com/cities/mumbai-news/mumbai-civic-body-s-income-from-investments-likely-to-drop-by-half-this-year-101612551511141.html>