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QUICK ESTIMATES OF THE TOTAL COST OF BOMBAY'S RIOTS

The misfortune that has befallen Bombay in the second burst of communal riots has been far more shockingly outrageous than the one barely a month ago. The dimensions of cold blooded carnage, arson and looting, destruction of properties, disruption of normal business and industrial activities and the shattering impact on the morale and confidence of the cosmopolitan character of this great city have, indeed, been devastating.

2. Various official and non-official agencies are still engaged in making an assessment of the widespread damage and destruction. There are already quite a few estimates available from the financial media and other publications, but most of these are crude guestimates and lack authenticity.

3. We know that Bombay is the industrial and financial capital of India. But surprisingly, there are no official separate data available about the contribution of this metropolis in terms of various macro economic aggregates. Not surprisingly, therefore, the international expert Dr. Nigel Harris, in his recent presentation* emphasised the urgency of preparing a regular statistical yearbook as well as for the creation of an Economic Advisory Unit "to give immediate advice to the city authorities on how they should respond to changes in the macro economic framework". What he has suggested by way of a normal policy prescription assumes all the great importance at a time of crisis like the one we are right now facing in the proper administration of relief measures and restoration of normalcy in the city's socio-economic life.

4. Having said this, on the basis of information obtained from the concerned official authorities, in Maharashtra, Bombay accounts for

- * 25.8 per cent share of net State Domestic Product;
- * 38.8 per cent share of total value of manufacturing (registered plus unregistered sectors) output;
- * 31.9 per cent share of tertiary (or service) sector income;
- * 44 per cent of the total income generated from banking and insurance industry;

* 'Bombay in a Global Economy : Structural Adjustment and the Role of Cities'.

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- * 36.4 per cent of total working factories;
- * 39.9 per cent of average daily factory employment;
- * approximately 300 major industrial enterprises;
- * approximately 4.25 lakh of enterprises or 18.6 per cent of total business enterprises.
- * 18 per cent of total deposits, 21 per cent of total bank credit and 27.4 per cent of the total cheque clearances in India.

5. With such a high economic profile, Bombay's economic activities become vulnerable to any lack of governance, inept administration and failure of law and order. This is what precisely happened during the period of recent riots in Bombay, the impact of which was very intensive during the first five days, and continued to disrupt economic activity even thereafter for another 8 to 10 days.

6. For the purpose of our estimates of cost of riots, we have assumed the disruption equivalent of 10 full days' operations. Accordingly,

- * In terms of Bombay's contribution to the State Domestic Product of Rs. 50 crores per day, the total loss would be Rs. 500 crores;

- * In terms of an estimated gross value of goods and services produced in the city at the rate of Rs. 125 crores per day, the total loss would be Rs. 1,250 crores;

- * In terms of value of manufactured output of Rs. 65 crores per day, the total loss would be Rs. 650 crores;

- * The loss of work days for the total working population of Bombay, assuming total non-working of five days, would be placed at 12 mn. man-days.

- * Disruption of economic activity in the city will lead to delayed collection of both direct and indirect taxes, quite apart from some outright losses of revenue. Assuming a relatively higher tax to value of output/income ratio for Bombay at about 25 per cent, on the loss of Rs. 500 crores in its contribution to State Domestic Product, the estimated loss of tax revenues would be about Rs. 125 crores to Rs. 150 crores. (However, according to some estimates, this loss is placed in the range of Rs. 200 crores to Rs. 300 crores).

7. We have not been able to make our own estimates of the extent of destruction caused to the properties, loss of trade (bakeries, meat etc.) and loss of tourists. However, from the various information/data culled from the recent financial and other publications, the following picture emerges:

* The loss of property has been estimated at Rs. 4,000 crores. This apparently comprises of:

- i) 10,000 houses burnt (50,000 people rendered homeless);
- ii) 70 to 300 bakeries destroyed either fully or partially (on which city's 2 mn. pavement dwellers depend);
- iii) over 70 per cent of timber godowns burnt;
- iv) about 500 taxis and 150 trucks either burnt or damaged.

[We, however, feel that this estimate of Rs. 4,000 crores is on the higher side, and perhaps includes the present market value of all the properties destroyed together with the cost of the land in cases of houses, godowns and bakeries].

* The loss of trading business has been estimated at Rs. 1,000 crores.

* Hotels and tourism industry in Bombay received great setback because of the riots. According to the Indian Hotels and Restaurants Association, about 80% of the hotels did not open for almost 10 days and even at present the occupancy continues to be below normal.

* Bombay Port accounts for nearly 60 per cent of the country's exports. We have been told that as against the normal daily exports of 17,000 tonnes of cargo, for a period of almost a week it was reduced to 4,500 tonnes only. It is estimated that goods worth Rs. 2,000 crores have been piled up during this period, and could not be shipped. More specifically, according to the spokesmen of the Federation of Indian Export Organisation, the country lost exports worth Rs. 1,000 crores due to cancellation of export shipments and another Rs. 1,000 crores worth of export orders could not be booked even during this peak business season.

* In respect of import cargo, although there has not been a major disruption, it is reported that due to the lack of clearance and transportation facilities many of the industrial units have been experiencing difficulties in supplies of vital raw materials, spare parts and components.

* In the Bombay Stock Exchange, where daily transaction volumes normally run into Rs. 150-200 crores, trading halted for three days and in the primary market, new capital issues running into crores of rupees were faced with uncertain prospects (nearly 125 new public issues were reported to have been postponed).

8. Apart from what has been stated above, there are reports about growing insurance claims in respect of the losses suffered during the riots, spill over of the adverse impact of Bombay riots in the adjacent Thane-Belapur industrial belt, and so on.

9. The aggregation of total cost of Bombay's recent riots is very difficult to make. Nevertheless, the loss of gross value of output of goods and services would be Rs. 1,250 crores, loss of trading business Rs. 1,000 crores, loss of exports Rs. 2,000 crores, loss of tax revenue for the Government Rs. 150 crores and loss of properties worth about Rs. 4,000 crores. The full dimensions of all these costs have yet to be fully assessed.

10. What Bombay has lost during the riots is enormous, but let the soul and ethos of its covetous cosmopolitan character be not deprived!
