

Chapter - 1

Finances of the State Government

This chapter provides a broad perspective of the finances of the Delhi Government during the year ending March 2014 and analyses changes in the major fiscal aggregates as compared to the previous year keeping in view the overall trends during the last five years. The accounts of the Government are kept in three parts: (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Accounts. The accounts of the Government of the National Capital Territory (NCT) of Delhi are kept in two parts – Consolidated Fund and Contingency Fund. There is no public account in Delhi. Transactions relating to debt (other than those relating to Small savings schemes), deposits, advances, remittances and suspense are merged in the Public Account of the Union Government. The fiscal liabilities of the State comprise of small savings collections. The balance of the Government of NCT of Delhi is merged and forms part of the general cash balance of the Union Government and treated as lying in deposit with the Government. Delhi being a Union Territory is not being covered under the recommendations of the Central Finance Commission. Presently, the financial dispensations provided to the States as per the recommendations of 13th Finance Commission are not available to Delhi. Delhi only gets discretionary grants in lieu of State share of Union taxes and duties.

Profile of State

Delhi, the capital of the country, spread over an area of 1,483 sq. km. It is a densely populated state having average population density of 11320 persons per sq. km. The State's Gross State Domestic Product (GSDP) in 2013-14 was ₹ 4,04,575.65 crore. Its GSDP has grown at a higher rate (16.76 *per cent*) in the past decade compared to the average GSDP growth of General Category States (15.49 *per cent*)- (**Appendix 1.1**).

1.1 Introduction

The Finance Accounts of the Government of NCT of Delhi are laid out in 16 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund and Contingency Fund of Government of NCT of Delhi (**Appendix 1.2**).

1.2 Summary of current year's fiscal transactions

Table 1.1 presents a summary of the State Government's fiscal transactions during the current year (2013-14) vis-a-vis the previous year. **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.1
Summary of current year's fiscal operations

(₹ in crore)

Receipts			Disbursement				
	2012-13	2013-14		2012-13	2013-14		
Section-A Revenue	Total	Total	Section-A Revenue	Total	Non Plan	Plan	Total
Revenue receipts	25560.97	27980.69	Revenue expenditure	20659.36	14904.24	7462.28	22366.52
Tax revenue	23431.52	25918.69	General services	5738.57	5445.56	151.91	5597.48
Non-tax revenue	626.93	659.14	Social services	11737.44	5999.01	6315.53	12314.54
			Economic services	2350.82	2655.17	994.84	3650.01
Grants from Government of India	1502.52	1402.86	Grants-in-aid and Contributions	832.53	804.50	-	804.50
Section-B Capital			Section-B Capital				
Misc. Capital Receipts	-	-	Capital expenditure	4176.63	4.49	4702.93	4707.42
Recoveries of Loans and Advances	724.90	802.92	Loans and Advances disbursed	3734.83	3577.38	2074.99	5652.37
Public Debt receipts*	922.41	4162.89	Repayment of Public Debt [§]	1287.99	1325.29	-	1325.29
Opening Cash Balance \$	4636.28	1985.75	Closing Cash Balance [§]	1985.75	-	-	880.65
Total	31844.56	34932.25		31844.56			34932.25

* Includes loans and advances from Government of India largely in the form of share in small savings.

§ Cash balance is merged with the general cash balance of Government of India.

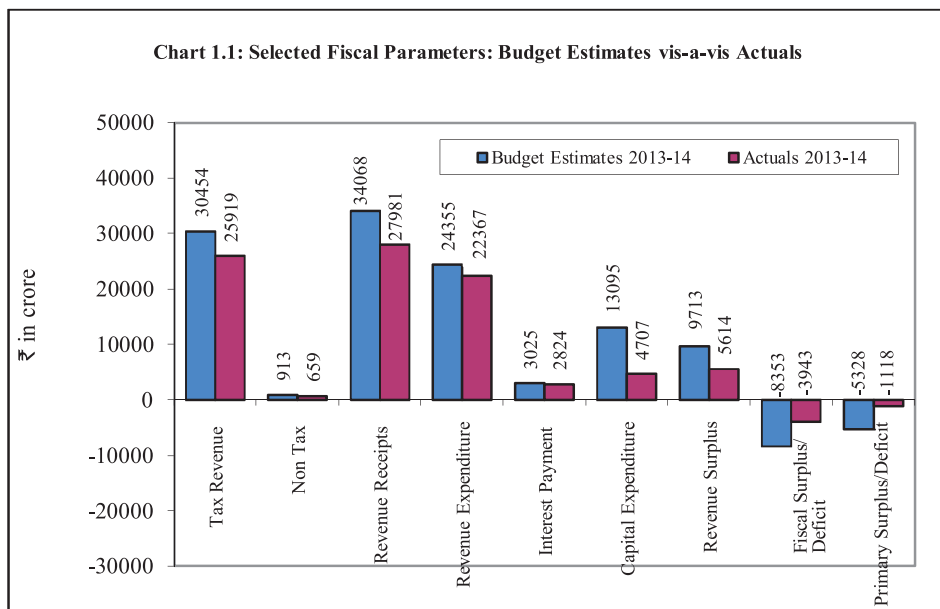
(Source: Finance Accounts of Delhi for the year 2013-14 and information from Pr. Accounts Office, Delhi)

Following are the significant changes during 2013-14 over the previous year:

- Revenue receipts increased by ₹ 2,419.72 crore (9.47 per cent). The tax revenue had increased by ₹ 2,487.17 crore (10.61 per cent) and non-tax revenue increased by ₹ 32.21 crore (5.14 per cent) while grants from Government of India decreased by ₹ 99.66 crore (6.63 per cent).
- Revenue expenditure increased by ₹ 1,707.16 crore (8.26 per cent) while capital expenditure increased by ₹ 530.79 crore (12.71 per cent) respectively.
- Recoveries of loans and advances increased by ₹ 78.02 crore (10.76 per cent), while the disbursement of loans increased by ₹ 1,917.54 crore (51.34 per cent).
- Public debt receipt increased by ₹ 3,240.48 crore (351.31 per cent) while repayments increased by ₹ 37.30 crore (2.90 per cent).
- The cash balance at the close of 2013-14 decreased by ₹ 1,105.10 crore (55.65 per cent) over the previous year.

1.3 Budget estimates and actuals

The budgeted and actual figures under revenue receipts and expenditure are shown in **Chart 1.1**.

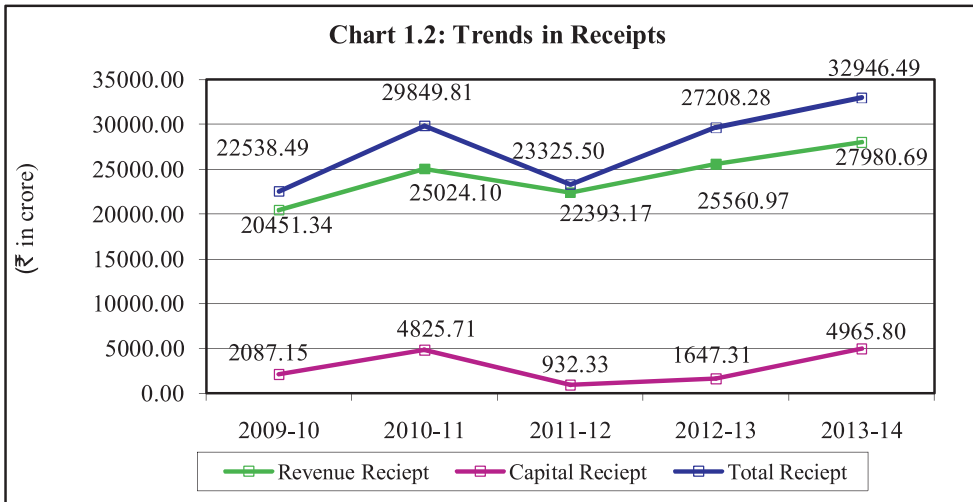


As may be observed from **Chart 1.1** there was considerable variation between estimates and actuals in the case of several key parameters. During the year, both revenue receipts and revenue expenditure were less than the targets. Fiscal deficits estimated at ₹ 8,352.65 crore decreased by ₹ 4,409.94 crore and was at ₹ 3,942.71 crore. Primary deficit, estimated at ₹ 5,327.65 crore was at ₹ 1,118.42 crore.

1.4 Resources of the State

1.4.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from recoveries of loans and advances, debt receipts and loans and advances from GOI as well as deposits from Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in Delhi's Annual Finance Accounts while **Chart 1.2** depicts the trends in receipts of the State during 2009-14.



The revenue receipts constituted 84.93 per cent in 2013-14 of the total receipts of the Government of NCT of Delhi as against 90.74 per cent in 2009-10.

1.5 Revenue receipts

The revenue receipts consist of the State's tax and non-tax revenues and grants-in-aid from GOI. The trends and composition of revenue receipts during the period 2009-10 to 2013-14 are presented in **Appendix 1.3** and also depicted in **Charts 1.3** and **1.4** respectively.

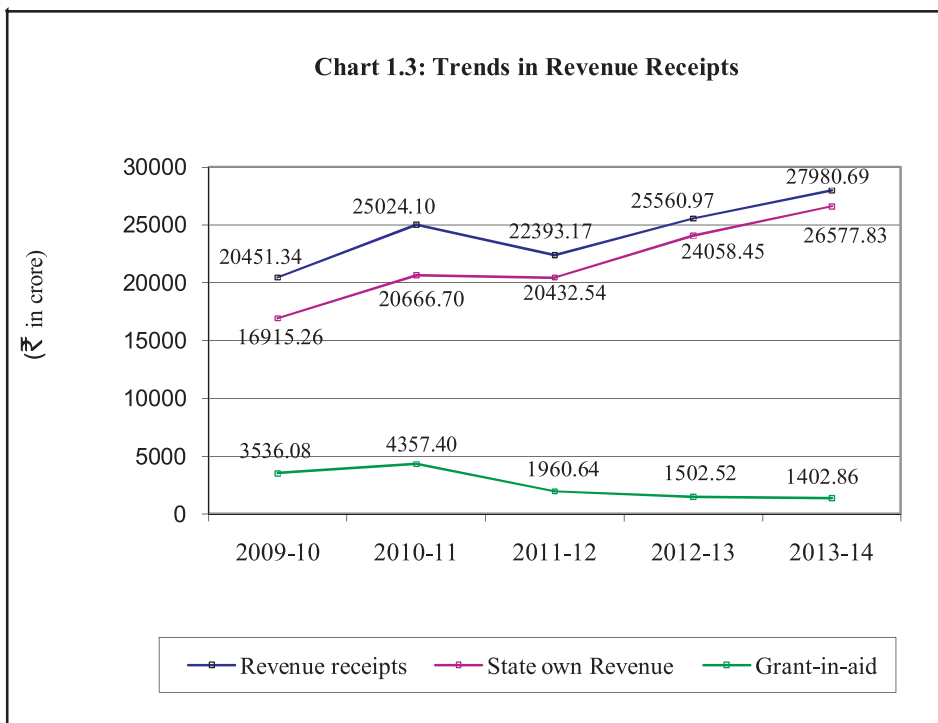
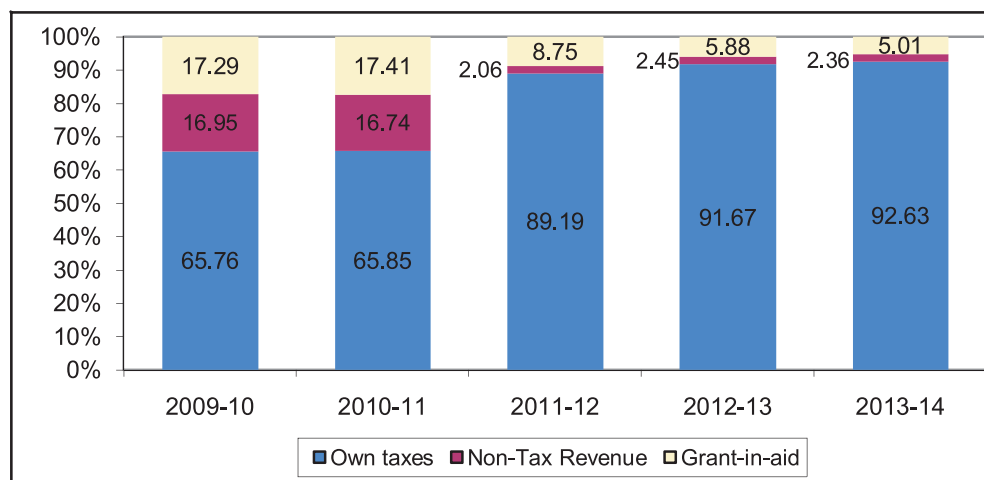


Chart 1.4: The composition of Revenue Receipts during 2009-14



The share of State's own tax revenue to total revenue receipts was 91.67 per cent in 2012-13 which increased marginally to 92.63 per cent in 2013-14. There was fluctuation in non tax revenue during the period 2009-14. Delhi's non tax revenue was ₹ 3,467.40 crore in 2009-10. It rose to ₹ 4,188.95 crore in 2010-11 but declined sharply to ₹ 659.14 crore in 2013-14 due to decrease in interest receipts. Non tax revenue as share of overall receipts went down from 16.95 per cent in 2009-10 to 2.36 per cent in 2013-14 which is not a healthy trend. The trends in revenue receipts relative to GSDP are presented in Table 1.2:

Table 1.2
Trends in Revenue Receipts relative to GSDP

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	20451.34	25024.10	22393.17	25560.97	27980.69
Rate of growth of RR (per cent)	25.07	22.36	(-) 10.51	14.15	9.47
R R/GSDP (per cent)	9.40	9.90	7.54	7.34	6.92
Buoyancy Ratios					
Revenue Buoyancy w.r.t GSDP	1.69	1.39	(-) 0.60	0.82	0.59
State's Own Tax Buoyancy w.r.t. GSDP	0.70	1.40	1.21	1.00	0.66

(Source: Finance Accounts of Delhi for the respective years)

The revenue receipts have shown an increasing trend over the period 2009-14, except during the year 2011-12, when the revenue receipts declined by ₹ 2,630.93 crore over the previous year. The revenue receipts increased by 9.47 per cent in 2013-14 over the previous year while the growth in GSDP was 16.18 per cent (Appendix 1.4). In the current year the State's tax buoyancy with reference to GSDP declined to 0.66 per cent over 1.00 per cent of previous financial year.

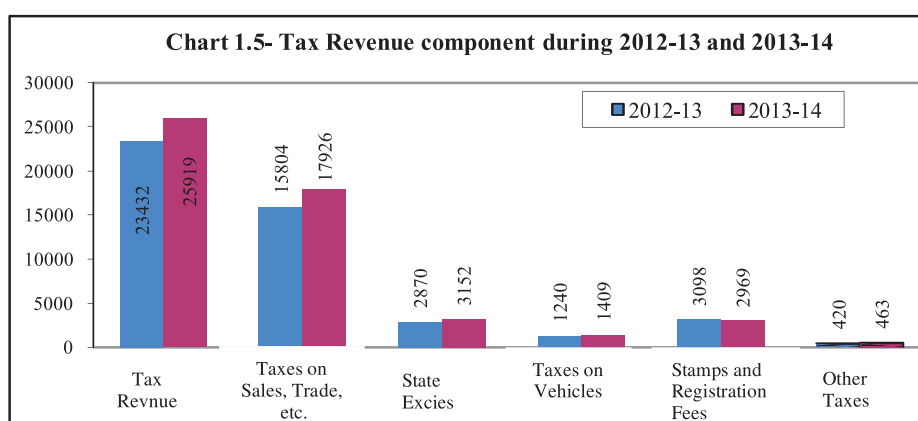
In 2009-10 the State's tax revenue buoyancy w.r.t. GSDP was very low (for every one per cent growth of GSDP only 0.70 per cent growth in state's tax revenue). However, the position changed considerably in 2010-11, when State's tax revenue buoyancy rose to a high of 1.40 per cent, but the trend could not be maintained. It came down to 1.00 per cent during 2012-13 and to 0.66 per cent during 2013-14.

1.5.1 State's own resources

The revenue receipts of the State showed increasing trend during the period 2009-14. It increased in the year 2013-14 by 9.47 *per cent* as compared to revenue receipts of 2012-13. The share of tax receipts in total receipts increased from 65.76 *per cent* in 2009-10 to 92.63 *per cent* in 2013-14. The share of non-tax receipts in total revenue receipts decreased from 16.95 *per cent* in 2009-10 to 2.36 *per cent* in 2013-14. The share of grants-in-aid decreased from 17.29 *per cent* in 2009-10 to 5.01 *per cent* in 2013-14.

Tax revenue

The components of tax revenue during the current year vis-à-vis previous year are given in **Chart 1.5:**



Source: Finance Accounts of 2012-13 and 2013-14

The tax revenue has increased by ₹ 2,487.17 crore (10.61 *per cent*) during the current year (₹ 25,918.69 crore) over previous year (₹ 23,431.52 crore). The major contribution in revenue was from taxes on Sales, Trade, etc. which contributed about 69.16 *per cent* of the total tax revenue and grew by 13.43 *per cent* over the previous year.

Collection under state excise increased by ₹ 281.89 crore (9.82 *per cent*) while stamp duty decreased by ₹ 128.99 crore (4.16 *per cent*) during 2013-14 over the previous year. Similarly, contribution of taxes on vehicles and other taxes have increased by ₹ 169.10 crore (13.64 *per cent*) and ₹ 43.16 crore (10.28 *per cent*) respectively.

Non- Tax revenue

The non-tax revenue which constituted 2.36 *per cent* of total revenue receipts during 2013-14 decreased by ₹ 2,808.26 crore (80.99 *per cent*) from the year 2009-10.

Interest receipts which increased from ₹ 340.03 crore in 2012-13 to ₹ 379.35 crore in 2013-14 contributed 54.24 *per cent* in 2012-13 and 57.55 *per cent* in 2013-14 of total non-tax receipts. Out of total interest receipt of ₹ 379.35 crore in 2013-14, ₹ 340.23 crore was received from local bodies.

1.5.2 Cost of collection

The gross collection of the major revenue receipt, expenditure incurred on collection and the percentages of such expenditure to gross collection during the years 2011-12 to 2013-14 are as follows:

Table 1.3
Cost of collection

(₹ in crore)

Heads of Revenue	Year	Collections	Expenditure on collection of Revenue	Percentage of expenditure on collection
Taxes on sales, Trade etc.	2011-12	13750.95	53.67	0.39
	2012-13	15803.69	75.70	0.48
	2013-14	17925.71	72.56	0.40
State Excise	2011-12	2533.72	10.79	0.43
	2012-13	2869.74	23.67	0.82
	2013-14	3151.63	13.01	0.41
Taxes on Vehicles	2011-12	1049.19	31.79	3.03
	2012-13	1240.18	28.91	2.33
	2013-14	1409.28	33.63	2.38

The above table shows that during 2013-14, cost of collection in respect of taxes on vehicles increased over the previous year. The reason for increase in expenditure on collection of Revenue for the year 2013-14 is due to first time creation of expenditure Head under Major Head '2041'D.1(4)(14)(1)(2)&(3) towards payment of parking charges to trifurcated MCD's during the year 2012-13.

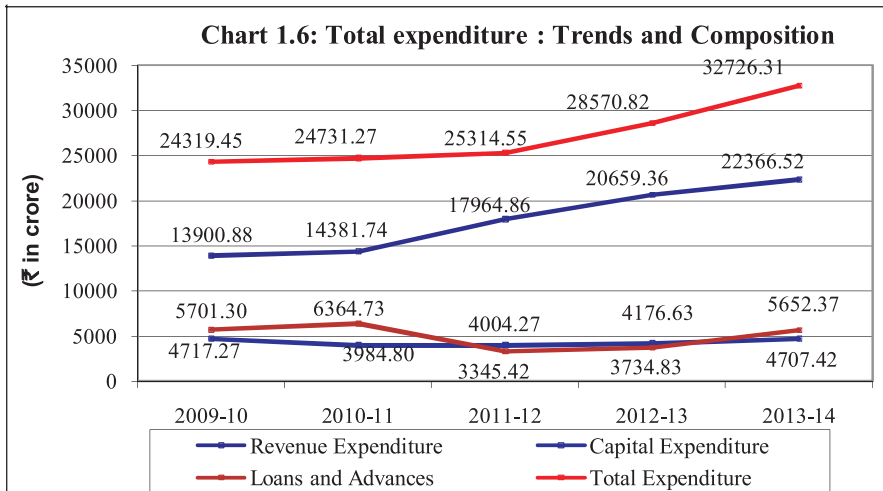
1.6 Application of resources

1.6.1 Growth and composition of expenditure

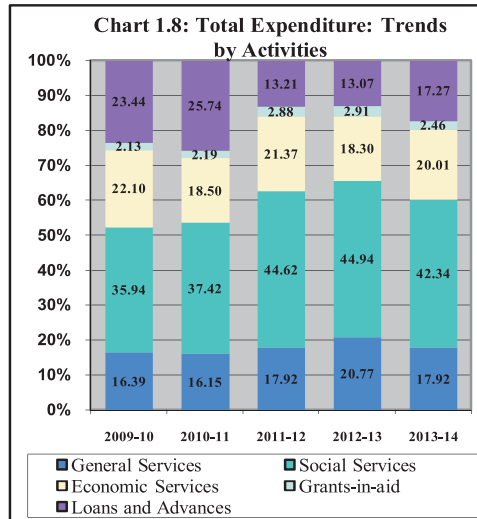
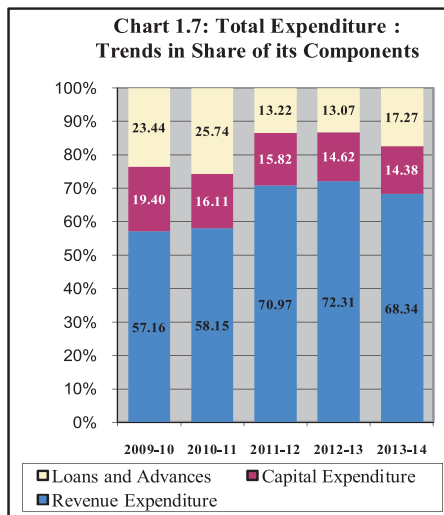
States raise resources to perform their functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from ₹ 24,319.45 crore in 2009-10 to ₹ 32,726.31 crore in 2013-14.

The total expenditure during the current year at ₹ 32,726.31 crore has increased by ₹ 4,155.49 crore (14.54 *per cent*) over the previous year. Of the total increase, revenue expenditure constituted ₹ 1,707.16 crore and capital expenditure ₹ 530.79 crore, while loans and advances increased by ₹ 1,917.54 crore. The marginal increase in share of capital expenditure as compared to overall increase in expenditure during the current year is an indicator of less productive allocation of funds by the State. Over the last five years, revenue expenditure increased from ₹ 13,900.88 crore in 2009-10 to ₹ 22,366.52 crore in 2013-14 which constituted an increase of 60.90 *per cent*. In comparison capital expenditure which was ₹ 4,717.27 crore in 2009-10 decreased to ₹ 4,707.42 crore in 2013-14 registering a decrease of 0.21 *per cent* during this period.

Capital expenditure and revenue expenditure were 25.34 per cent and 74.66 per cent of total expenditure (excluding loans and advances) in 2009-10 while in 2013-14 they were 17.39 per cent and 82.61 per cent respectively. Total expenditure under plan head increased from ₹ 10,670.46 crore in 2012-13 to ₹ 12,165.21 crore in 2013-14 registering an increase of ₹ 1494.75 crore while non-plan expenditure increased to ₹ 14,908.74 crore in 2013-14 from ₹ 14,165.54 crore in 2012-13 registering an increase of ₹ 743.20 crore. The share of plan and non plan expenditure was 44.93 per cent and 55.07 per cent respectively of the total expenditure during the year 2013-14. **Chart 1.6** presents the trends in total expenditure during 2009-14.



The composition both in terms of ‘economic classification’ and ‘expenditure by activities’ are depicted in **Charts 1.7 and 1.8** respectively.



The **Chart 1.8** showed that the share of General Services in total expenditure increased from 16.39 per cent to 17.92 per cent while share of Social Services increased from 35.94 per cent to 42.34 per cent during 2009-14. Whereas total expenditure on loans and advances was from 23.44 per cent in 2009-10, declined to 13.07 per cent and then again increased to 17.27 per cent during the same period.

1.7 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure are largely assigned to the State Governments in accordance with the provisions laid down in the Constitution. Thus, in order to enhance social development levels in the States, it is essential to increase expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) would be attached to a particular sector, if it was below the national average. **Table 1.4** shows the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during 2013-14.

Table-1.4
Fiscal Priority of the State in 2010-11 and 2013-14

(in per cent)						
Fiscal Priority by the State**	AE/GS DP	DE [#] /AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Delhi State's Average (Ratio) 2010-11	9.78	70.70	43.92	16.11	17.06	9.55
General Category States Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Delhi State's Average (Ratio) 2013-14	8.09	78.86	46.60	14.38	18.85	9.10
** As per cent to GSDP AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Service Expenditure CE: Capital Expenditure # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed. * General category States exclude three states viz- Delhi, Goa and Puducherry						

Source: For GSDP, the information was collected from the State's Directorate of Economics and Statistics

Fiscal priority refers to the importance given to a particular head of expenditure. The table above gives a comparison of fiscal priority given to different categories of expenditure of the State in 2010-11 and the current year, 2013-14, with that of the general category States and NCT of Delhi.

- Aggregate expenditure of Delhi as a ratio of GSDP was lower in both years 2010-11 and 2013-14 as compared to general category States.
- Government gave fiscal priority to DE in 2010-11 and 2013-14 as its ratio to AE was higher than the average ratio of general category States.
- The ratio of CE to AE was higher during 2010-11 and 2013-14 as compared to general category States.

- The ratio of expenditure on education to AE was marginally higher than general category States in 2013-14
- The priority given to health in Delhi was much higher than general category States in both years 2010-11 and 2013-14.

1.7.2 Efficiency of expenditure use

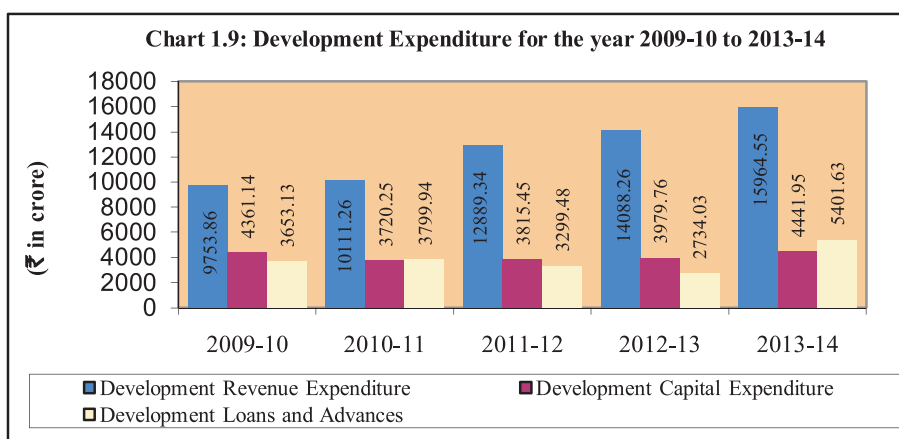
In view of the importance of public expenditure on social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods* apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years. **Table 1.5 and Chart 1.9** shows the trends in development expenditure during the current year and the previous years.

Table 1.5
Development expenditure

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimates	Actual
Development Expenditure (a to c below)	17768.13	17631.45	20004.27	20802.05	27178.29	25808.13
a. Development Revenue Expenditure	9753.86	10111.26	12889.34	14088.26	16917.89	15964.55
b. Development Capital Expenditure	4361.14	3720.25	3815.45	3979.76	4566.40	4441.95
c. Development Loans and Advances	3653.13	3799.94	3299.48	2734.03	5694.00	5401.63

(₹ in crore)

Source: Finance Accounts of respective years



* **Core public goods** are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and environmental goods and road infrastructure etc.

Merit goods are commodities that public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore, wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

Actual development expenditure during 2013-14 under revenue and capital was lower by ₹ 953.34 crore and ₹ 124.45 crore respectively than the estimates. This shows that the preparedness of the implementing agencies to implement various plan schemes was not assessed while framing the budget estimates.

The above table also shows that the actual development revenue expenditure and capital expenditure increased by 63.67 *per cent* and 1.85 *per cent* respectively during the years 2009-10 to 2013-14. Increase in development revenue expenditure shows a constant positive trend towards social and economic development of the citizens. The development capital expenditure increased by ₹ 462.19 crore in 2013-14 over the previous year while the development loan and advances increased by ₹ 2,667.60 crore.

1.8 Financial analysis of Government expenditure and investments

This section presents the broad financial analysis of investments and other capital expenditure activities undertaken by the Government during the current year vis-à-vis previous years.

1.8.1 Investment and returns

As of 31 March 2014, the Government had invested ₹ 17,060.35 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.6**). The return on this investment was a meager 0.07 *per cent* in 2013-14. The return ranged between 0.07 and 0.38 *per cent* during 2009-14. The Government paid interest at the average rate of 8.80 *per cent* on its borrowings during 2013-14. The details are given in **Table 1.6**:

Table 1.6
Return on investment

Investment/return/cost of borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year	11017.56	12616.58	14655.90	16388.15	17060.35
Return	41.56	46.59	33.00	26.25	11.95
Return (%)	0.38	0.37	0.23	0.16	0.07
Average rate of interest on Govt. borrowing (%)	9.52	9.10	9.77	9.73	8.80
Difference between interest rate and return (%)	9.14	8.73	9.54	9.57	8.73

The increase in investment in 2013-14 over the previous fiscal year was mainly on account of new investment of ₹ 672.20 crore in Delhi Metro Rail Corporation Ltd.

Out of total investment of ₹ 17,060.35 crore in the 23 Companies, only five Companies viz, Delhi Co-operative Housing Finance Society Ltd., Indraprastha Medical Corporation Ltd., Delhi Tourism and Transportation Development Corporation, Indraprastha Gas Ltd. and Delhi State Industrial & Infrastructure Development Corporation Limited having investment of ₹ 89.53 crore upto March 2014 gave dividend of ₹ 11.95 crore during 2013-14 which was 13.35 *per cent* of the investment in these companies.

1.8.2 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to

institutions/organizations. The total outstanding loans and advances as on 31 March 2014 was ₹ 55,737.28 crore (Table 1.7).

Table 1.7
Average interest received on loans and advances by the State Government

	(₹ in crore)			
Quantum of Loans/Interest Receipts/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14
Opening Balance	39219.78	45147.73	47877.90	50887.82
Amount advanced during the year	6364.73	3345.41	3734.83	5652.37
Amount repaid during the year	436.77	376.25	724.90	802.91
Closing Balance	45147.73	48116.90	50887.82	55737.28
Net addition	5927.95	2969.17	3009.93	4849.46
Interest Receipts	3869.84	174.14	340.03	379.35
Interest receipts as percentage of outstanding Loans and advances	8.57	0.36	0.67	0.68

Loans outstanding against state level organizations/institutions constitute the major portion of total outstanding loans of NCT of Delhi. Majority of the State enterprises and institutions to whom the loans and advances were given by the Government of NCT of Delhi and remained outstanding at the end of 2013-14 were in the sectors of water supply and sanitation (₹ 14,629.68 crore), urban development schemes (₹ 1,718.53 crore), road transport (₹ 13,658.14 crore), energy sector for power projects (₹ 10,157.55 crore) and miscellaneous loans (₹ 14,990.52 crore).

1.9 Assets and liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5** gives an abstract of such liabilities and the assets as on 31 March 2014, compared with the corresponding position as on 31 March 2013. The liabilities in this Appendix consist only of loans and advances from the Government of India (GoI). The assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

1.9.2 Fiscal liabilities

Overall fiscal liabilities of the State increased from ₹ 26,544.20 crore in 2009-10 to ₹ 32,080.32 crore in 2013-14 (20.86 *per cent*). The fiscal liabilities of ₹ 32,080.32 crore during 2013-14 comprised of obligations on account of 'Share of small savings collection' of ₹ 32,080.31 crore and 'Co-operative assistance to other Co-operatives' of ₹ 0.01 crore. The fiscal liabilities stood at 1.15 times of the revenue receipts and 1.21 times of the State's own resources as at the end of 2013-14.

1.10 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability* of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[†]; sufficiency of non-debt receipts[‡]; net availability of borrowed funds[§]; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of State Government securities. **Table 1.8** shows the debt sustainability of the State according to these indicators for the period from 2009-10 to 2013-14.

Table 1.8
Debt Sustainability: Indicators and Trends

	(₹ in crore)				
Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilization (Quantum Spread + Primary Deficit)	(+)506.79	(+)5984.78	(+)3105.77	(+)2937.71	(+)919.80
Sufficiency of Non-Debt Receipts (Resource Gap)	1479.97	4210.52	(-)6274.57	821.95	790.57
Net Availability of Borrowed Funds	1162.53	3595.88	(-) 531.80	(-) 365.58	2837.60
Burden of Interest Payments (IP/ RR Ratio)	12.09	10.31	13.03	11.20	10.09
Debt/ GSDP Ratio	12.20	11.92	9.97	8.40	7.23

(Source: Figures for calculation of Indicators adopted from Finance Accounts of Delhi for the respective years and PAO, Delhi)

- The quantum spread together with primary deficit has been positive from 2009-10 to 2013-14, which is indicative of debt being sustainable. The

* Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to the sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

[†] A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate-interest rate) and quantum spread (Debt* rate spread), the debt sustainability condition states that if the quantum spread together with the primary deficit is zero, the debt-GSDP ratio would be constant or the debt would stabilize eventually. On the other hand, if the primary deficit together with the quantum spread turns out to be negative, the debt-GSDP ratio would be rising and in case it is positive, the debt-GSDP ratio would eventually be falling.

[‡] Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

[§] Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption, indicating the net availability of borrowed funds.

trend of net availability of borrowed funds was also in a favorable condition.

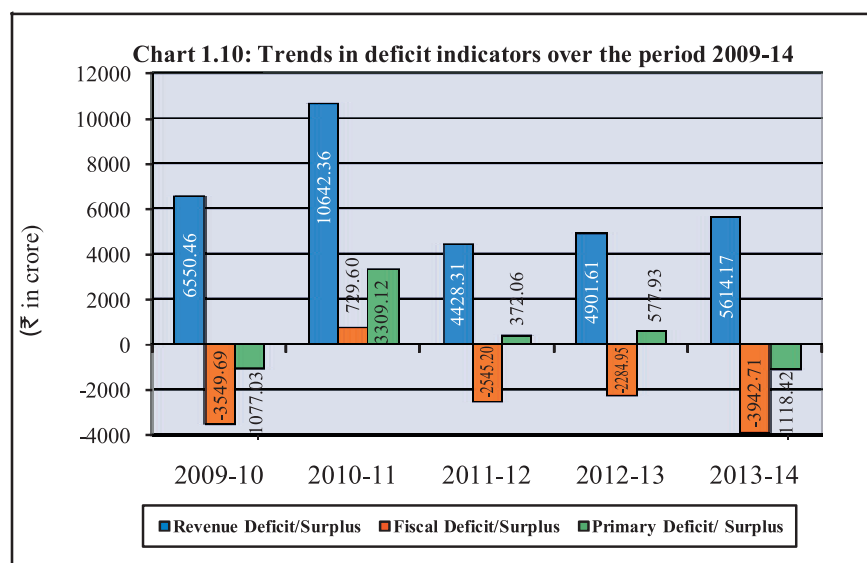
- Revenue receipts and revenue expenditure both have increased by ₹ 2,419.72 crore and ₹ 1,707.16 crore respectively in 2013-14 against previous year. The resource gap decreased to ₹ 790.57 crore in 2013-14 from ₹ 821.95 crore in 2012-13.
- The burden of interest payment showed mixed trend. It came down from 12.09 *per cent* in 2009-10 to 10.31 *per cent* in 2010-11, increased to 13.03 *per cent* during 2011-12 and decreased to 10.09 *per cent* during 2013-14 due to growth in revenue receipt.
- The debt and GSDP ratio indicated that though debt position increased by ₹ 2,837.61 crore (9.70 *per cent*) over the previous year, GSDP also increased at higher rate (16.18 *per cent*) during same period. This resulted in debt GSDP ratio going down from 12.20 *per cent* in 2009-10 to 7.23 *per cent* in 2013-14.

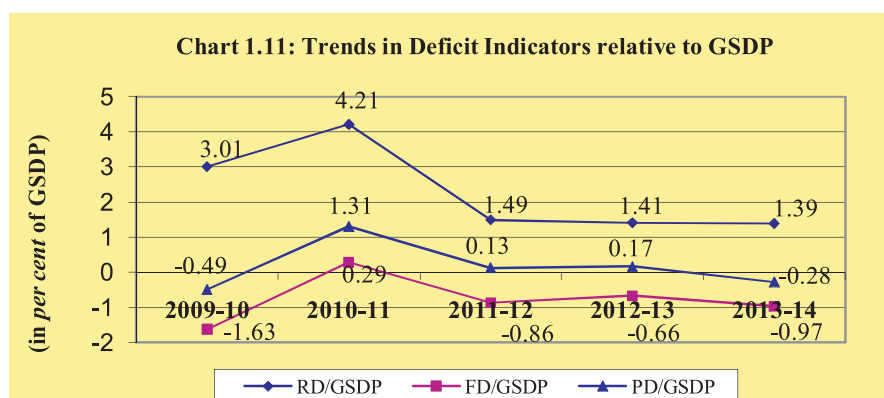
1.11 Fiscal imbalances

Three key fiscal parameters – revenue, fiscal and primary deficits – indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits.

1.11.1 Trends in surplus/deficit

Chart 1.10 and **Chart 1.11** give trends in surplus/deficit indicators and the surplus/deficit trends relative to GSDP during the period 2009-10 to 2013-14.





Revenue surplus indicates the excess of revenue receipts over revenue expenditure. The State consistently enjoyed revenue surplus during 2009-14. It was ₹ 6,550.46 crore in 2009-10, rose to ₹ 10,642.36 crore in 2010-11 and stood at ₹ 5,614.17 crore in 2013-14.

The fiscal deficit which represents the total borrowing of the State and the resource gap showed mixed figures during 2009-14. Fiscal deficit of ₹ 3,549.96 crore in 2009-10 turned to surplus of ₹ 729.60 crore in 2010-11 and there was deficit of ₹ 3,942.71 crore during 2013-14.

The primary deficit indicates the excess of primary expenditure (total expenditure net of interest payments) over fiscal deficit. The State had a primary deficit in 2009-10 which changed to primary surplus of ₹ 3,309.12 crore during 2010-11. The primary deficit increased to ₹ 1,118.42 crore in 2013-14.

Revenue receipts increased by 9.47 per cent in 2013-14, but revenue expenditure increased by 8.26 per cent when compared to previous year which resulted in increase of revenue surplus by ₹ 712.56 crore over the previous year i.e., 2012-13.

1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficits is shown in Table 1.9:

Table 1.9
Components of Fiscal Deficit

		(₹ in crore)				
	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Fiscal Deficit/ Surplus* (-/+)	(-) 3549.96	(+) 729.60	(-) 2545.20	(-) 2284.95	(-) 3942.71
2.	Revenue Deficit /Surplus (-/+)	(+) 6550.46	(+) 10642.36	(+) 4428.31	(+) 4901.61	(+) 5614.17
3.	Net Capital Expenditure	(-) 4717.27	(-) 3984.80	(-) 4004.27	(-) 4176.63	(-) 4707.42
4.	Net Loans and Advances	(-) 5383.15	(-) 5927.96	(-) 2969.17	(-) 3009.93	(-) 4849.46
Financing Pattern of Fiscal Deficit**						
1.	Loans from GOI	1162.54	3595.88	(-) 531.80	365.58	2837.60
* Deficit figure shown in – and surplus in +, ** All these figures are net of disbursement/outflows during the year						

(Source: Finance Accounts of respective years and Pr. AO, Delhi)

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the nature of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. Since Delhi has had a revenue surplus throughout the period 2009-14, borrowed funds were being used only for capital expenditure and repayment of debt as given in **Table 1.10**:

Table 1.10
Primary deficit/ surplus-bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit (-) / Surplus (+)	Primary deficit (-)/ Surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2009-10	20769.49	11427.95	4717.27	5701.30	21846.52	(+) 9341.54	(-) 1077.03
2010-11	25460.87	11802.22	3984.80	6364.73	22151.75	(+) 13658.65	(+) 3309.12
2011-12	22769.35	15047.60	4004.27	3345.42	22397.29	(+) 7721.75	(+) 372.06
2012-13	26285.87	17796.48	4176.63	3734.83	25707.94	(+) 8489.39	(+) 577.93
2013-14	28783.60	19542.23	4707.42	5652.37	29902.02	(+) 9241.37	(-) 1118.42

(Source: Finance Accounts of respective years and PAO, Delhi)

The State had a primary deficit for the year 2009-10. The non-debt receipts could not cover the primary expenditure resulting in primary deficit. However, State had a primary surplus in 2010-11 to 2012-13 but it declined from ₹ 3,309.12 crore in 2010-11 to ₹ 577.93 crore in 2012-13. In 2013-14, the State had again primary deficit of ₹ 1,118.42 crore. Capital expenditure as a percentage of primary expenditure marginally decreased to 15.74 per cent in 2013-14 against 16.25 per cent over the previous year. The financial outlay on capital expenditure should translate into physical assets in a timely manner for desired outcomes to be realized.

1.12 Conclusion

Revenue receipts increased by ₹ 2,419.72 crore (9.47 per cent) over the previous year. About 94.99 per cent of the total revenue receipts during the year 2013-14 were contributed from Delhi's own taxes. The tax revenue had increased by ₹ 2,487.17 crore (10.61 per cent). The non-tax revenue which constituted 2.36 per cent of total revenue receipts during 2013-14 decreased by ₹ 2,808.26 crore (80.99 per cent) from the year 2009-10. The grants from Government of India decreased by ₹ 99.66 crore (6.63 per cent).

Capital expenditure increased by ₹ 530.79 crore (12.71 *per cent*) in 2013-14 over the previous year. The capital expenditure constituted only 17.39 *per cent* of total expenditure (excluding loans and advances) during 2013-14.

The recovery of interest receipts as percentage to outstanding loans and advances disbursed by the NCT of Delhi remained inadequate to cover the cost of borrowing during the period 2009-14. The Government had invested ₹ 17,060.35 crore (as of 31 March 2014) in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on Government investment was a meager 0.07 *per cent* in 2013-14 while the Government paid interest at an average rate of 8.80 *per cent* on its borrowings during 2013-14.

The fiscal position of NCT of Delhi, viewed in terms of key fiscal parameters, such as, revenue surplus, fiscal deficit and primary deficit has shown that the revenue surplus increased by ₹ 712.56 crore during the year 2013-14 over the previous year, whereas, the fiscal deficit increased by ₹ 1,657.76 crore, there was primary deficit of ₹ 1,118.42 crore during 2013-14.

Overall fiscal liabilities of the State increased from ₹ 26,544.20 crore in 2009-10 to ₹ 32,080.32 crore in 2013-14 (20.86 *per cent*). The fiscal liabilities of ₹ 32,080.32 crore during 2013-14 comprised of obligations on account of 'Share of small savings collection' of ₹ 32,080.31 crore and 'Co-operative assistance to other Co-operatives' of ₹ 0.01 crore.

1.13 Recommendations

The State government may consider:

- increasing the capital expenditure to have positive impact on economic growth; and
- taking effective measures to recover outstanding loans from the entities/institutions.