

## 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 2015 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. Delhi only gets discretionary grants in lieu of State share of Union taxes and duties.

#### *Profile of NCT of Delhi*

Delhi, the capital of the country, is 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 2014-15 was ₹ 4,51,153.65 crore. Its GSDP has grown at a higher rate (16.36 *per cent*) in the past decade compared to the average GSDP growth of General Category States (15.44 *per cent*)-(Appendix 1.1). The trends in the annual growth of India's GDP and GSDP of NCT of Delhi at current prices are indicated in Appendix 1.4.

#### 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 the 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 Government of NCT of Delhi's fiscal transactions during the current year (2014-15) 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.

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**Table 1.1**  
**Summary of current year's fiscal operations**

(₹ in crore)

Receipts			Disbursement				
	2013-14	2014-15		2013-14	2014-15		
Section-A Revenue	Total	Total	Section-A Revenue	Total	Non Plan	Plan	Total
Revenue receipts	27980.69	29584.59	Revenue expenditure	22366.52	15563.19	7946.30	23509.49
Tax revenue	25918.69	26603.90	General services	5597.48	5828.78	154.62	5983.40
Non-tax revenue	659.14	632.54	Social services	12314.54	6344.87	6961.24	13306.11
			Economic services	3650.01	2488.54	830.45	3318.99
Grants from Government of India	1402.86	2348.14	Grants-in-aid and Contributions	804.50	900.99	-	900.99
<b>Section-B Capital</b>			<b>Section-B Capital</b>				
Misc. Capital Receipts	-	-	Capital expenditure	4707.42	4.82	4399.12	4403.94
Recoveries of Loans and Advances	802.92	227.61	Loans and Advances disbursed	5652.37	45.70	1634.24	1679.94
Public Debt receipts*	4162.89	1764.32	Repayment of Public Debt*	1325.29	1346.73	-	1346.73
Opening Cash Balance \$	1985.75	880.65	Closing Cash Balance <sup>§</sup>	880.65	-	-	1517.07
<b>Total</b>	<b>34932.25</b>	<b>32457.17</b>		<b>34932.25</b>	<b>-</b>	<b>-</b>	<b>32457.17</b>

\* 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.

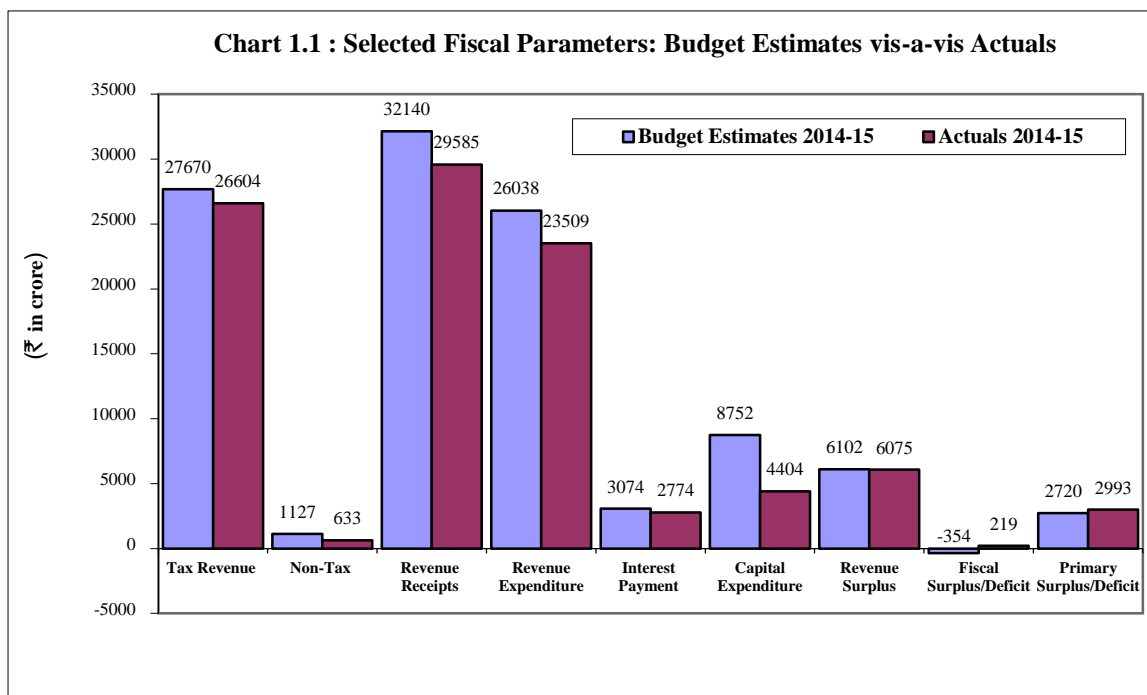
(Source: Finance Accounts of Delhi for the year 2014-15 and information from Pr. Accounts Office, Delhi)

Following are the significant changes during 2014-15 over the previous year:

- Revenue receipts increased by ₹ 1,603.90 crore (5.73 per cent). The tax revenue had increased by ₹ 685.21 crore (2.64 per cent) and grants from Government of India increased by ₹ 945.28 crore (67.38 per cent) while non-tax revenue decreased by ₹ 26.60 crore (4.04 per cent).
- Revenue expenditure increased by ₹ 1,142.97 crore (5.11 per cent) while capital expenditure decreased by ₹ 303.48 crore (6.45 per cent).
- Recoveries of loans and advances decreased by ₹ 575.31 crore (71.65 per cent), while the disbursement of loans decreased by ₹ 3,972.43 crore (70.28 per cent).
- Public debt receipt decreased by ₹ 2,398.57 crore (57.62 per cent) while repayments increased by ₹ 21.44 crore (1.62 per cent).
- The cash balance at the close of 2014-15 increased by ₹ 636.42 crore (72.27 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**.



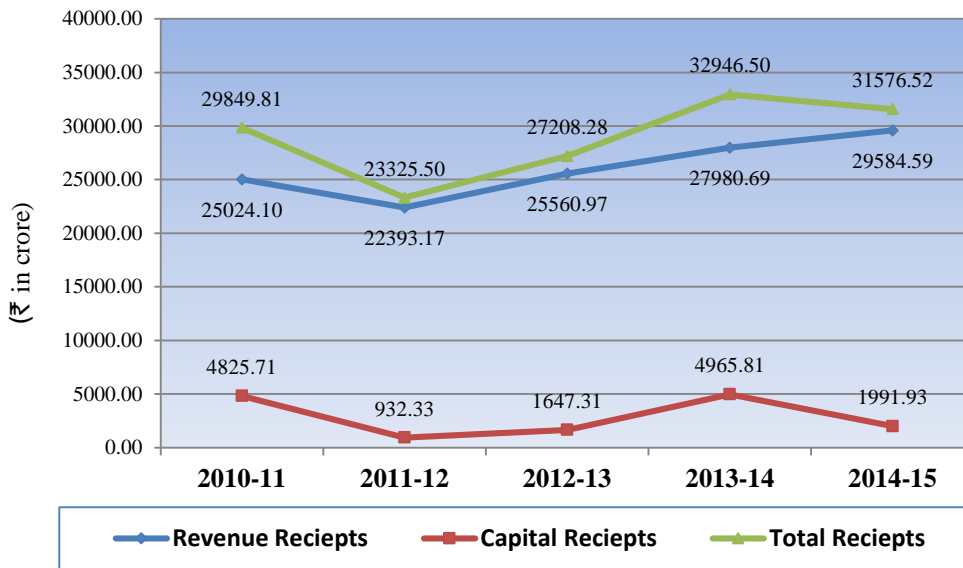
As may be observed from **Chart 1.1** there was considerable variation between estimates and actual in the case of several key parameters. During the year, both revenue receipts and revenue expenditure were less than the targets. Fiscal surplus was of ₹ 219 crore against estimated fiscal deficit of ₹ 354 crore and Primary surplus, was at ₹ 2993 crore against estimated of ₹ 2720 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 2010-15.

**Chart 1.2: Trends in Receipts**

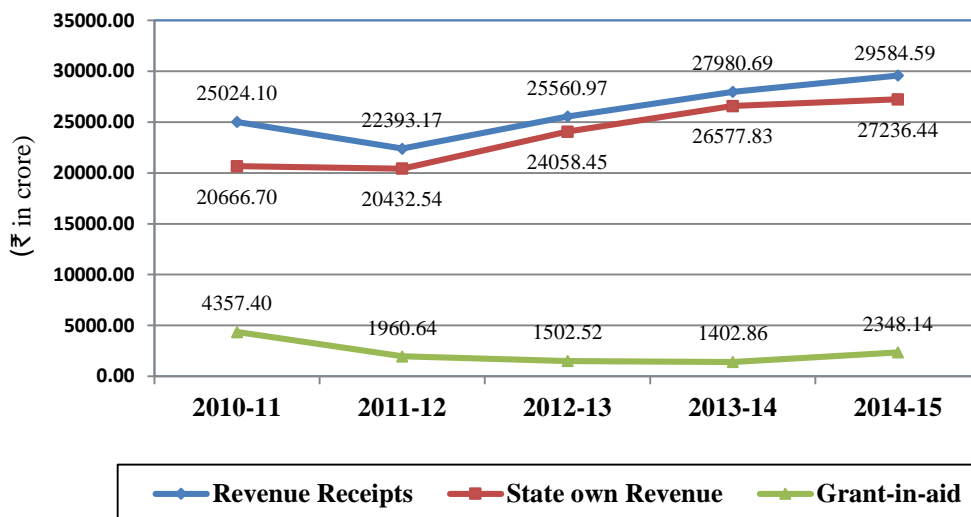


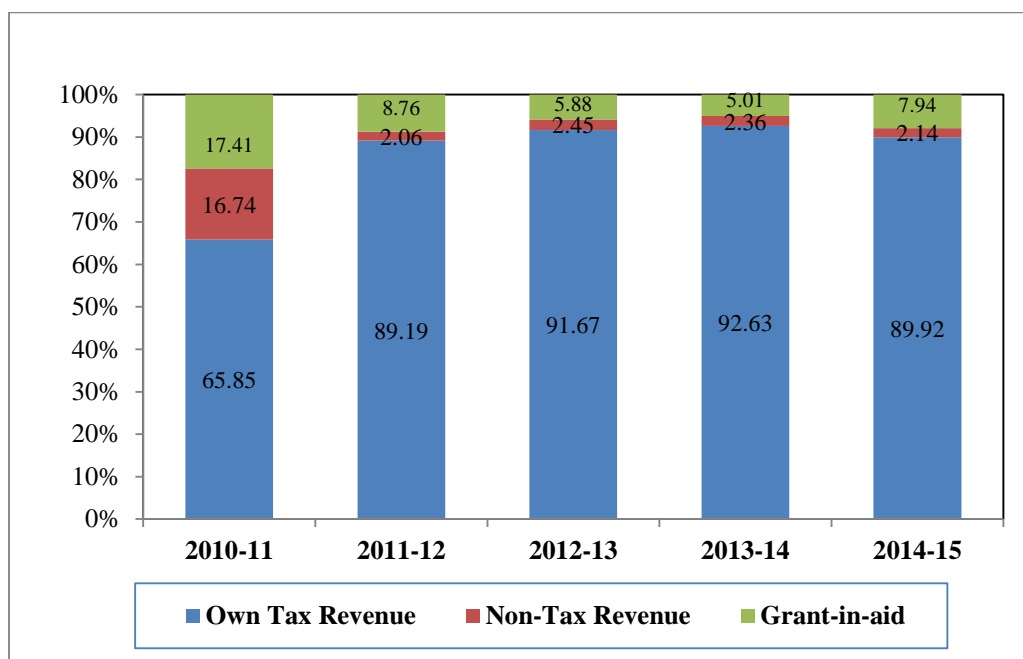
Of the total receipts of the Government of NCT of Delhi, the revenue receipts constituted 93.69 per cent in 2014-15 as against 83.83 per cent in 2010-11.

### 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 2010-11 to 2014-15 are presented in **Appendix 1.3** and also depicted in **Charts 1.3** and **1.4** respectively.

**Chart 1.3 : Trend in Revenue Receipts**



**Chart 1.4: The composition of Revenue Receipts during 2010-15**

The share of State's own tax revenue (₹ 25,918.69 crore) to total revenue receipts (₹ 27980.69 crore) was 92.63 *per cent* in 2013-14 which decreased marginally to 89.92 *per cent* in 2014-15. There was fluctuation in non-tax revenue during the period 2010-15. Delhi's non tax revenue was ₹ 4,188.95 crore in 2010-11 but declined sharply to ₹ 460.87 crore in 2011-12 and then improved to ₹ 632.54 crore in 2014-15. Non tax revenue as share of overall revenue receipts went down from 16.74 *per cent* in 2010-11 to 2.14 *per cent* in 2014-15 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**

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue Receipts (RR)</b> (₹ in crore)	<b>25024.10</b>	<b>22393.17</b>	<b>25560.97</b>	<b>27980.69</b>	<b>29584.59</b>
Rate of growth of RR ( <i>per cent</i> )	22.36	(-)10.51	14.15	9.47	5.73
R R/GSDP ( <i>per cent</i> )	9.90	7.80	7.63	7.15	6.56
<b>Buoyancy Ratios</b>					
Revenue Buoyancy w.r.t GSDP	1.39	(-)0.77	0.85	0.56	0.37
State's Own Tax Buoyancy w.r.t. GSDP	1.40	1.56	1.04	0.63	0.17

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

The revenue receipts have shown an increasing trend over the period 2010-15, 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 5.73 *per cent* in 2014-15 over the previous year while the growth in GSDP was 15.35 *per cent* (**Appendix 1.4**). In the current year the State's tax

buoyancy with reference to GSDP declined to 0.17 *per cent* over 0.63 *per cent* of previous financial year.

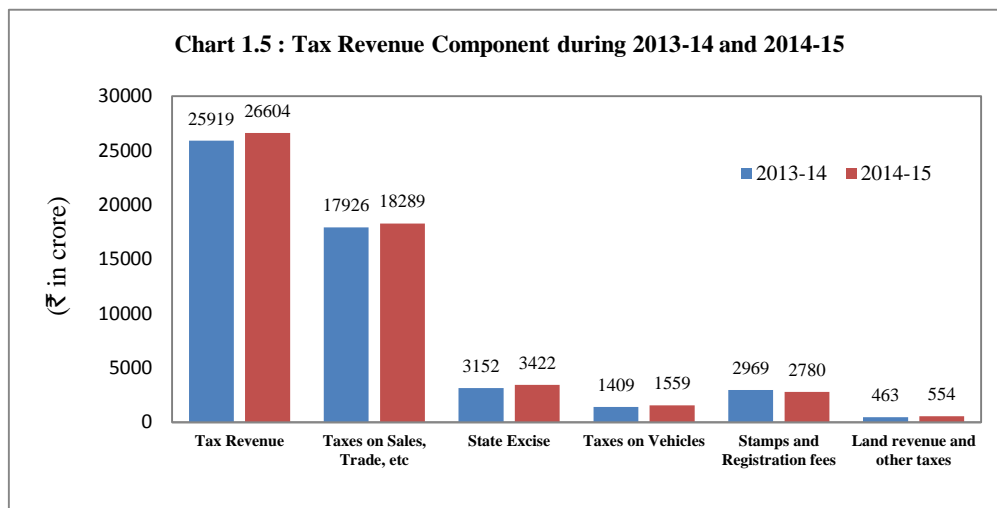
In 2010-11 the State's tax revenue buoyancy w.r.t. GSDP was high (for every one *per cent* growth of GSDP 1.40 *per cent* growth in state's tax revenue). It further increased to 1.56 *per cent* during 2011-12, but the increasing trend could not be maintained and it came down to 0.63 *per cent* during 2013-14 and further declined to 0.17 *per cent* during 2014-15.

### 1.5.1 State's own resources

The revenue receipts of the State showed increasing trend during the period 2010-15. It increased in the year 2014-15 by 5.73 *per cent* as compared to revenue receipts of 2013-14. The share of tax receipts in total receipts increased from 65.85 *per cent* in 2010-11 to 89.92 *per cent* in 2014-15. The share of non-tax receipts in total revenue receipts decreased from 16.74 *per cent* in 2010-11 to 2.14 *per cent* in 2014-15. The share of grants-in-aid also decreased from 17.41 *per cent* in 2010-11 to 7.94 *per cent* in 2014-15.

#### 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 2013-14 and 2014-15

The tax revenue has increased by ₹ 685.21 crore (2.64 *per cent*) during the current year (₹ 26,603.90 crore) over previous year (₹ 25,918.69 crore). The major contribution in revenue was from taxes on Sales, Trade, etc. which contributed about 68.78 *per cent* of the total tax revenue and grew by 2.08 *per cent* over the previous year.

Collection under state excise increased by ₹ 270.76 crore (8.59 *per cent*) while stamp duty decreased by ₹ 189.19 crore (6.37 *per cent*) during 2014-15 over the previous year. Similarly, contribution of taxes on vehicles and other taxes (including land and revenue) have increased by ₹ 149.55 crore (10.61 *per cent*) and ₹ 90.49 crore (19.65 *per cent*) respectively.

## Non- Tax revenue

The non-tax revenue which constituted 2.14 *per cent* of total revenue receipts during 2014-15 decreased by ₹ 3,556.41 crore (84.90 *per cent*) from the year 2010-11.

### 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 2012-13 to 2014-15 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.	2012-13	15803.69	75.70	0.48
	2013-14	17925.71	72.56	0.40
	2014-15	18289.31	49.26	0.27
State Excise	2012-13	2869.74	23.67	0.82
	2013-14	3151.63	13.01	0.41
	2014-15	3422.39	5.29	0.15
Taxes on Vehicles	2012-13	1240.18	28.91	2.33
	2013-14	1409.28	33.63	2.38
	2014-15	1558.83	31.49	2.02

The above table shows that during 2014-15, the percentage of expenditure on collection decreased in Taxes on Sales, Trade etc., State Excise and Taxes on Vehicles over the previous year.

## 1.6 Application of resources

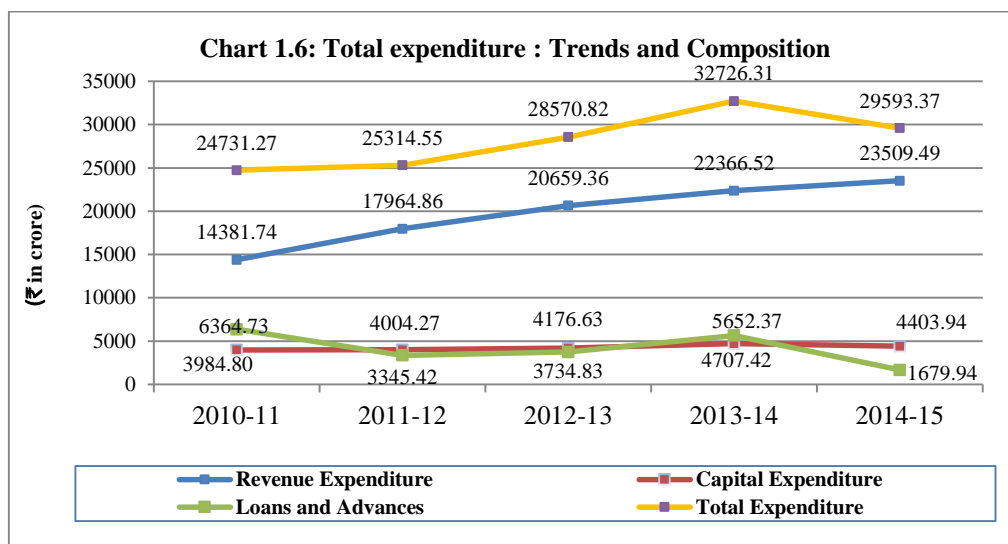
### 1.6.1 Growth and composition of expenditure

States raise resources to perform their functions, maintain their existing nature of delivery of social and economic services, and 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 ₹ 24,731.27 crore in 2010-11 to ₹ 29,593.37 crore in 2014-15.

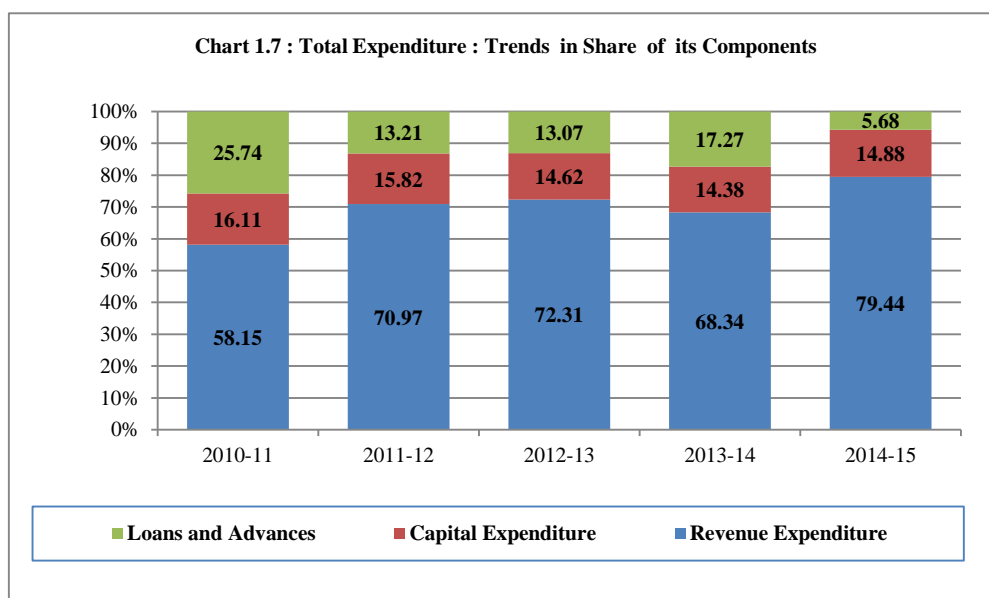
The total expenditure during the current year at ₹ 29,593.37 crore has decreased by ₹ 3,132.94 crore (9.57 *per cent*) over the previous year. Of the total decrease, capital expenditure constituted ₹ 303.48 crore and loans and advances ₹ 3,972.43 crore, while revenue expenditure increased by ₹ 1,142.97 crore. Decrease in share of capital 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 ₹ 14,381.74 crore in 2010-11 to ₹ 23,509.49 crore in 2014-15 which constituted an increase of 63.47 *per cent*. In comparison capital expenditure which was

₹ 3,984.80 crore in 2010-11 increased by ₹ 4,403.94 crore in 2014-15 registering an increase of 10.52 per cent during this period.

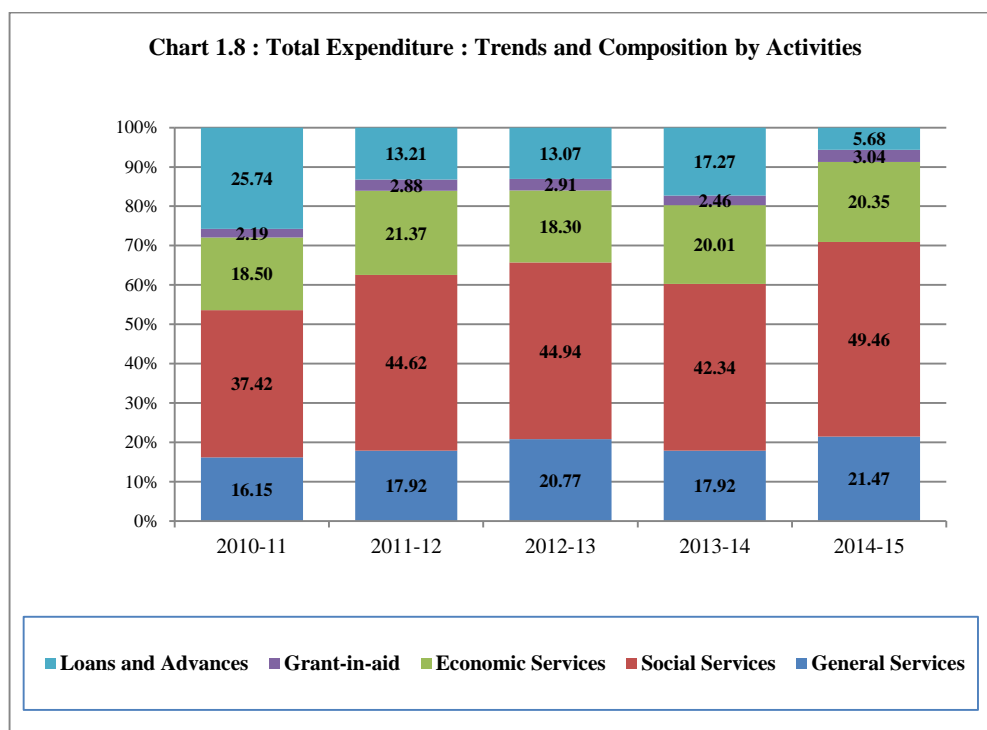
Capital expenditure and revenue expenditure were 21.70 per cent and 78.30 per cent of total expenditure (excluding loans and advances) in 2010-11 while in 2014-15 they were 15.78 per cent and 84.22 per cent respectively. Total expenditure under plan head increased from ₹ 12,165.21 crore in 2013-14 to ₹ 12,345.42 crore in 2014-15 registering an increase of ₹ 180.21 crore while non-plan expenditure increased to ₹ 15,568.01 crore in 2014-15 from ₹ 14,908.73 crore in 2013-14 registering an increase of ₹ 659.28 crore. The share of plan and non-plan expenditure was 44.23 per cent and 55.77 per cent respectively of the total expenditure (excluding loan and advances) during the year 2014-15. **Chart 1.6** presents the trends in total expenditure during 2010-2015.



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 16.15 per cent to 21.47 per cent while share of Social Services increased from 37.42 per cent to 49.46 per cent during 2010-15, whereas total expenditure on loans and advances declined from 25.74 per cent to 5.68 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 2014-15.

**Table-1.4**  
**Fiscal Priority of the State in 2011-12 and 2014-15**

Fiscal Priority by the State**	(In per cent)					
	AE/ GSDP	DE <sup>#</sup> /AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2011-12	15.98	65.39	36.63	13.23	17.10	4.68
Delhi State's Average (Ratio) 2011-12	8.82	79.02	51.58	15.82	18.76	10.37
General Category States Average (Ratio) 2014-15	16.49	69.12	36.50	14.01	16.23	5.04
Delhi State's Average (Ratio) 2014-15	6.56	75.33	53.85	14.88	22.15	11.77
** As per cent to GSDP AE: Aggregate Expenditure      DE: Development Expenditure SSE: Social Service Expenditure      CE: Capital Expenditure <sup>#</sup> Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed. <sup>*</sup> General category States exclude three states viz- Delhi, Goa and Pondicherry						

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 NCT of Delhi in 2011-12 and the current year, 2014-15, with that of the General category States (GCS) and NCT of Delhi.

- Aggregate expenditure of Delhi as a ratio of GSDP was lower in both years 2011-12 and 2014-15 as compared to GCS.
- Government gave fiscal priority to DE in 2011-12 and 2014-15 as its ratio to AE was higher than the average ratio of GCS.
- The ratio of CE to AE was higher in 2011-12 and marginally lower during 2014-15 as compared to GCS.
- The ratio of expenditure on education to AE was higher than GCS in 2011-12 and further increased in 2014-15.
- The priority given to health in Delhi was much higher than GCS in both years 2011-12 and 2014-15.

### 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

**\*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.

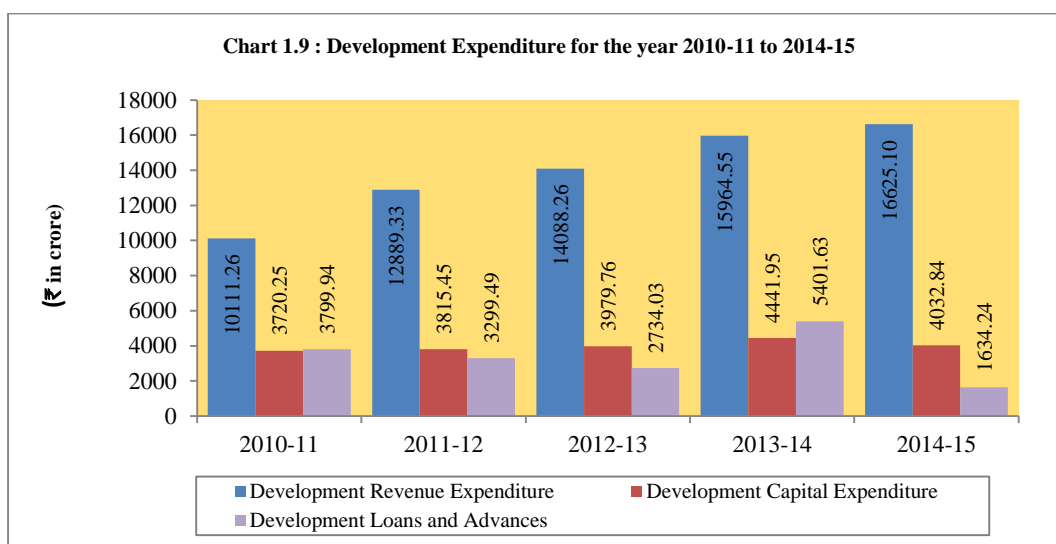
**Merit goods** are commodities that public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore, wishes to encourage their consumption. Examples of such 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.

created on account of decline in debt servicing in recent years. **Table 1.5** and **Chart 1.9** show the trends in development expenditure during the current year and the previous years.

**Table 1.5**  
**Development expenditure**

Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15 (₹ in crore)	
					Budget Estimates	Actual
<b>Development Expenditure (a to c below)</b>	17631.45	20004.27	20802.05	25808.13	24466.62	22292.18
<b>a. Development Revenue Expenditure</b>	10111.26	12889.33	14088.26	15964.55	18373.64	16625.10
<b>b. Development Capital Expenditure</b>	3720.25	3815.45	3979.76	4441.95	4503.71	4032.84
<b>c. Development Loans and Advances</b>	3799.94	3299.49	2734.03	5401.63	2092.15	1634.24

Source: Finance Accounts of respective years



Actual development expenditure during 2014-15 under revenue and capital was lower by ₹ 1,748.54 crore and ₹ 470.87 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 64.42 per cent and 8.40 per cent respectively during the years 2010-11 to 2014-15. The development capital expenditure decreased by ₹ 409.11 crore in 2014-15 and the development loan and advances decreased by ₹ 3,767.39 crore respectively over the previous year.

## **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 2015, the Government had invested ₹ 17,660.35 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The return on this investment was a meager 0.07 *per cent* in 2014-15. The return ranged between 0.07 and 0.37 *per cent* during 2010-15. The Government paid interest at the average rate of 8.59 *per cent* on its borrowings during 2014-15. The details are given in **Table 1.6**:

**Table 1.6**  
**Return on investment**

	(₹ in crore)				
Investment/return/cost of borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year	12616.58	14655.90	16388.15	17060.35	17660.35
Return	46.59	33.00	26.25	11.95	12.90
Return (%)	0.37	0.23	0.16	0.07	0.07
Average rate of interest on Govt. borrowing (%)	9.10	9.77	9.73	9.21	8.59
Difference between interest rate and return (%)	8.73	9.54	9.57	9.14	8.52

The increase in investment in 2014-15 over the previous fiscal year was on account of new investment of ₹ 600.00 crore in Delhi Metro Rail Corporation Ltd. Out of total investment of ₹ 17,660.35 crore in 23 companies, only five Companies viz, (i) Delhi Co-operative Housing Finance Society Ltd., (ii) Indraprastha Medical Corporation Ltd., (iii) Delhi State Civil Supply, (iv) Tourism and Transportation Development Corporation and (v) Indraprastha Gas Ltd. having investment of ₹ 74.38 crore upto March 2015 gave dividend of ₹ 12.90 crore during 2014-15 which was 17.34 *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 2015 was ₹ 57,189.61 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	2011-12	2012-13	2013-14	2014-15
Opening Balance	45147.73	47877.9	50887.82	55737.28
<b>Amount advanced during the year</b>	3345.41	3734.83	5652.37	1679.94
Amount repaid during the year	376.25	724.90	802.91	227.61
Closing Balance	48116.90	50887.82	55737.28	57189.61
Net addition	2969.17	3009.93	4849.46	1452.33
Interest Receipts	174.14	340.03	379.35	350.52
Interest receipts as percentage of outstanding Loans and advances	0.36	0.67	0.68	0.61

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 2014-15 were in the sectors of water supply and sanitation (₹ 15,783.88 crore), urban development schemes (₹ 1,749.59 crore), road transport (₹ 13,698.65 crore), power projects (₹ 10,450.52 crore) and miscellaneous loans (₹ 14,909.19 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 2015, compared with the corresponding position as on 31 March 2014. 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

**Table 1.8** gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

**Table 1.8**  
**Fiscal liabilities – basic parameters**

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal liabilities (₹ in crore)	30140.09	29608.29	29242.71	32080.32	32497.91
Rate of growth ( <i>per cent</i> )	13.55	-1.76	-1.23	9.70	1.30
<b>Ratio of Fiscal Liabilities to:</b>					
GSDP ( <i>per cent</i> )	11.92	10.31	8.73	8.20	7.20
Revenue Receipts ( <i>per cent</i> )	120.44	132.22	114.40	114.65	109.85
Own Resources ( <i>per cent</i> )	145.84	144.91	121.55	120.70	119.32
<b>Buoyancy of Fiscal Liabilities with reference to:</b>					
GSDP (Ratio)	0.84	-0.13	-0.07	0.58	0.08
Revenue Receipts (Ratio)	0.61	0.17	-0.09	1.02	0.23
Own Resources (Ratio)	0.61	1.55	-0.07	0.93	0.52

Overall fiscal liabilities of the State increased from ₹ 30,140.09 crore in 2010-11 to ₹ 32,497.91 crore in 2014-15 (7.82 *per cent*). The fiscal liabilities of ₹ 32,497.91 crore during 2014-15 comprised of obligations on account of 'Share of small savings collection' of ₹ 29,171.51 crore, 'loan to cover gap in resources' of ₹ 3,326.39 and 'Co-operative assistance to other Co-operatives' of ₹ 0.01 crore. The fiscal liabilities stood at 1.10 times of the revenue receipts and 1.19 times of the State's own resources as at the end of 2014-15.

### 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 as a *per cent* of GSDP; 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 1.9** shows the debt sustainability of the State according to these indicators for the period from 2010-11 to 2014-15.

**Table 1.9**  
**Debt Sustainability: Indicators and Trends**

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Debt/ GSDP Ratio	11.92	10.31	8.73	8.20	7.20
Sufficiency of Non-Debt Receipts (Resource Gap)	4210.52	(-)6274.57	821.95	790.57	(-)114.37
Net Availability of Borrowed Funds	3595.88	(-)531.80	(-)365.58	2837.60	417.59
Burden of Interest Payments (Interest Payment/ Revenue Receipts Ratio)	10.31	13.03	11.20	10.09	9.38

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

- The growth rate of debt (Fiscal liabilities) has decreased from 13.55 *per cent* in 2010-11 to 1.30 *per cent* in 2014-15 (Table 1.8) and GSDP has also shown a marginal decrease from 16.14 *per cent* to 15.35 *per cent* (Appendix 1.4) during the same period. This resulted in debt GSDP ratio going down from 11.92 *per cent* in 2010-11 to 7.20 *per cent* in 2014-15.
- Revenue receipts and revenue expenditure both have increased by ₹ 1,603.90 crore and ₹ 1,142.97 crore respectively in 2014-15 against previous year. Loan and advances decreased by ₹ 575.31 crore in 2014-15 against previous year. This effected the resource gap which moved into negative territory and decreased to (-) ₹ 114.37 crore in 2014-15 from ₹ 790.57 crore in 2013-14.
- The burden of interest payment showed mixed trend vis-a-vis. It increased from 10.31 *per cent* in 2010-11 to 13.03 *per cent* in 2011-12 and then

\* 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.

† 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.

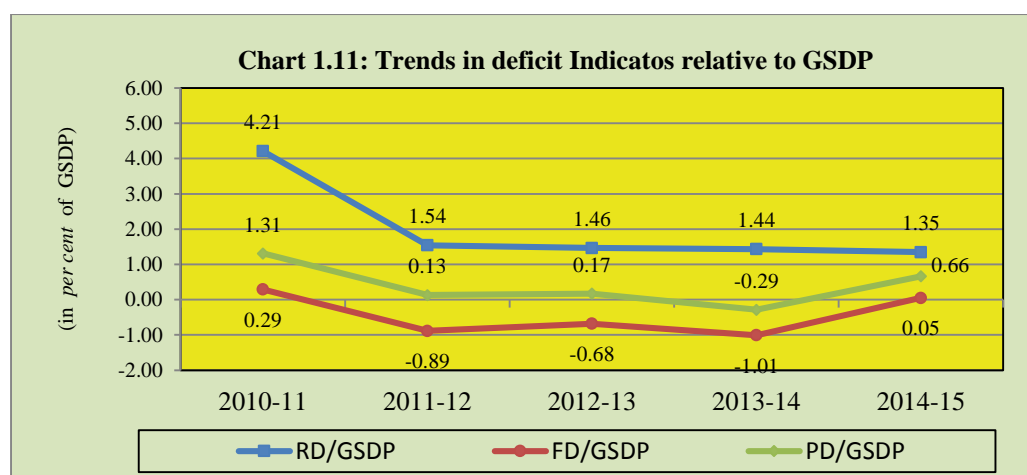
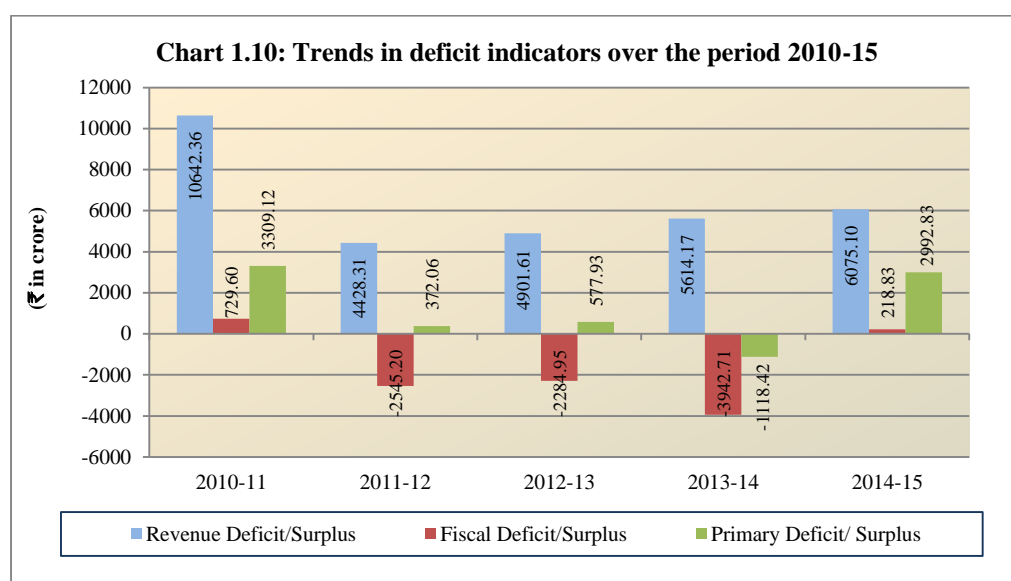
gradually decreased to 9.38 *per cent* during 2014-15 due to growth in revenue receipt and less interest payment.

### 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 2010-11 to 2014-15.





Revenue surplus indicates the excess of revenue receipts over revenue expenditure. The State consistently enjoyed revenue surplus during 2010-15. It was ₹ 10,642 crore in 2010-11 fell down to ₹ 4,428.31 in 2011-12 and stood at ₹ 6,075.10 crore in 2014-15.

The fiscal deficit which represents the total borrowing of the State and the resource gap showed mixed figures during 2010-15. There was a Fiscal surplus of ₹ 729.60 crore in 2010-11 which turned to deficit of ₹ 2,545.20 crore in 2011-12. Fiscal deficit marginally decreased to ₹ 2,284.95 crore in 2012-13 and then increased to ₹ 3,942.71 crore in 2013-14. Fiscal deficit again turned to surplus during 2014-15 at ₹ 218.83 crore.

The primary deficit indicates the excess of primary expenditure (total expenditure net of interest payments) over fiscal deficit. The State had a primary surplus in 2010-11 which had shown decreasing trend down to (-) ₹ 1,118.42 crore in 2013-14, but, it again became positive at ₹ 2,992.83 crore in 2014-15.

Revenue receipts increased by 5.73 per cent in 2014-15, but revenue expenditure increased by 5.11 per cent when compared to previous year which resulted in increase of revenue surplus by ₹ 460.93 crore over the previous year i.e., 2013-14.

### 1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficits is shown in **Table 1.10:**

**Table 1.10**  
**Components of Fiscal Deficit**

(₹ in crore)						
	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	Fiscal Deficit/ Surplus*(-/+)	(+)729.60	(-)2545.20	(-)2284.95	(-)3942.71	218.83
2	Revenue Deficit /Surplus (-/+)	10642.36	4428.31	4901.61	5614.17	6075.10
3	Net Capital Expenditure	(-)3984.80	(-) 4004.27	(-)4176.63	(-)4707.42	(-)4403.94
4	Net Loans and Advances	(-)5927.96	(-)2969.17	(-)3009.93	(-)4849.46	(-)1452.32
<b>Financing Pattern of Fiscal Deficit**</b>						
1	Loans from GOI	3595.88	(-)531.80	365.58	2837.60	417.60
* 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 2010-15, borrowed funds were being used only for capital expenditure and repayment of debt as given in **Table 1.11:**



**Table 1.11**  
**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)
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
2014-15	29812.20	20735.49	4403.94	1679.94	26819.37	9076.71	2992.83

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

The State had a primary surplus of ₹ 3,309.12 crore in 2010-11. Non-debt receipts could not cover the primary expenditure resulting in primary deficit of ₹ 1,118.42 crore in 2013-14. In 2014-15, the state had again primary surplus of ₹ 2,992.83 crore. Capital expenditure decreased by ₹ 303.48 crore during the year 2014-15 over the previous year. However, Capital expenditure as a percentage of primary expenditure marginally increased to 16.42 *per cent* in 2014-15 against 15.74 *per cent* over the previous year. This was significant when compared to 17.99 *per cent* in 2010-11. 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 had increased by ₹ 1,603.90 crore (5.73 *per cent*) over the previous year. The tax revenue had increased by ₹ 685.21 crore (2.64 *per cent*) while non-tax revenue decreased by ₹ 26.60 crore (4.04 *per cent*) and grants from Government of India increased by ₹ 945.28 crore (67.38 *per cent*) over the previous year. Capital expenditure decreased by ₹ 303.48 crore (6.45 *per cent*) in 2014-15 over the previous year. The share of State's own tax revenue to total revenue receipts was 89.92 *per cent* in 2014-15.

The total expenditure during 2014-15 at ₹ 29,593.37 crore has decreased by ₹ 3,132.94 crore (9.57 *per cent*) over the previous year. Of the total decrease, capital expenditure constituted ₹ 303.48 crore and loans and advances constituted ₹ 3,972.43 crore while the revenue expenditure increased by ₹ 1,142.97 crore.

The Government had invested ₹ 17,660.35 crore (as of 31 March 2015) in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on Government investment was 0.07 *per cent* while the Government paid interest at an average rate of 8.59 *per cent* on its borrowings during 2014-15.

Overall fiscal liabilities of the State increased from ₹ 30,140.09 crore in 2010-11 to ₹ 32,497.91 crore in 2014-15 (7.82 *per cent*). The fiscal liabilities

stood at 1.10 times of the revenue receipts and 1.19 times of the State's own resources as at the end of 2014-15.

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 ₹ 460.93 crore during the year 2014-15 over the previous year. The fiscal deficit of ₹ 3,942.71 crore in 2013-14 turned to fiscal surplus of ₹ 218.83 crore in 2014-15 and primary deficit of ₹ 1,118.42 crore during 2013-14 turned to primary surplus of ₹ 2,992.83 crore in 2014-15.

### **1.13 Recommendations**

The State government may consider:

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