EXECUTIVE SUMMARY

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This Report on the finances of the Government of National Capital Territory of Delhi (GNCTD) provides an independent assessment of the fiscal position of the Delhi Government for FY 2024-25. It analyses GNCTD's overall financial health and reviews its revenue and expenditure trends, assesses its debt position, evaluates its compliance with fiscal responsibility laws and compares its performance against fiscal health indicators.

Economic Growth and GSDP

NCT of Delhi's economy showed healthy growth during the FY 2024-25, with GSDP at ₹12.15 lakh crore registering growth of 9.17 *per cent* over the previous financial year. NCT of Delhi contributed 3.67 *per cent* to the GDP of India in 2024-25.

The annual growth of per capita GSDP (6.39 *per cent*) measured in terms of CAGR during the period 2015-2025 remained lower than the annual growth in per capita GDP (8.14 *per cent*) during the same period. This is evidenced from the fact that the per capita GSDP of the NCT of Delhi which was 177.07 *per cent* more than the per capita GDP of the country in 2015-16 was 135.34 *per cent* greater at the end of 2024-25. This reflects the slightly slower economic growth of the GNCTD compared to the rest of the country.

Revenue Receipts

It was observed that the revenue receipts of the GNCTD grew by 9.57 *per cent*, driven by higher tax collections, most notably GST. However, non-tax revenue growth was negative (-11.04 *per cent*) and grants from the Centre declined. GNCTD's own revenue performance has improved and dependence on central grants-in-aid over the years has declined.

Revenue Expenditure

Expenditure of GNCTD was dominated by higher growth of revenue expenditure (88.38 *per cent*), particularly committed costs and subsidies leaving limited fiscal space for capital investment. Subsidies increased by ₹ 3,222 crore (172.48 *per cent*) during the period 2015-25, mainly due to increase in power subsidies by ₹ 2,033 core (128.83 *per cent*).

Capital Expenditure

Capital expenditure during the period 2015-25 showed a declining trend ranging from 7 *per cent* to 15 *per cent* of total expenditure, reflecting constraints in infrastructure investment and capital formation.

Capital expenditure has shown a declining trend rather than consistent growth, indicating reduction in the GNCTD's investment in long-term assets and infrastructure. In year 2021-22, it was ₹ 8,311 crore which gradually declined and became ₹ 3,695 crore in year 2024-25. The overall share of capital expenditure relative to the economy has been declining in the last few years, suggesting that the GNCTD has not consistently prioritized asset creation in line with its growth objectives. This pattern implies limited fiscal space for sustained investment in infrastructure and development programs, potentially affecting long-term economic growth and service delivery.

Sectoral Expenditure

The Sector-wise expenditure pattern shows that social services continue to dominate spending (49 to 55 *per cent* of total expenditure), reflecting the government's focus on welfare and social development programs such as health, education and social security. While this focus on social welfare is notable, it necessitates a balanced approach to optimize resource allocation ensuring that both debt obligations and welfare commitments are met without undermining long term growth.

Financial assistance to local bodies and institutions

In respect of local bodies and other institutions, we observed that very low financial assistance ranging from 6 to 27 *per cent* was given to the local bodies and other institutions for creation of capital assets signifying that majority of the assistance ranging from 73 to 94 *per cent* was going towards day-to-day expenditure of the local bodies and other institutions during the period 2015-2025.

Investments

Investments in Government companies and corporations has risen from ₹18,492 crore (2015-16) to ₹ 21,810 crore (2024-25), but returns remain negligible (below 1 *per cent*), far lower than the 7.6-8.7 *per cent* cost of borrowings, indicating inefficient use of public funds and fiscal stress. Few entities declare dividends, while large sums remain blocked in defunct or non-performing units. In absence of an effective dividend policy aligned with GoI norms and weak departmental monitoring, compliance is poor. The GNCTD needs to review viability of non-performing entities, consider disinvestment and enforce dividend declarations to improve returns and ease fiscal burden.

Debt sustainability

Overall, GNCTD's debt trajectory shows low risk of fiscal stress, disciplined borrowing and favourable sustainability indicators. However, continued focus is needed to ensure borrowings support growth-enhancing investments rather than being absorbed primarily by repayments.

Therefore, to make available more resources for sustained investment spending in physical and human capital formation to accelerate and attain potential growth, GNCTD needs to focus on additional resource mobilization. Additional tax resources should come mainly from improved tax collection, as well as strengthening enforcement to enhance compliance, along with other measures to raise non-tax revenues.

Conclusion

There is a need for revenue augmentation, better expenditure control and structural reforms to ensure long-term fiscal health. Transparency should be enhanced in ensuring timely accounting and reporting. Steps should be taken for more judicious budget provisioning.

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