

Chapter I: Finances of the Government National Capital Territory of Delhi

1.1 Introduction

The accounts of the Government of the National Capital Territory (NCT) of Delhi are kept in two parts. (i) Consolidated Fund, and (ii) Contingency Fund (**Appendix -I, Part A**). There is no public account for the Government of NCT of Delhi. Transaction relating to debt (other than those included in Consolidated Fund), deposits, advances, remittances and suspense are merged in the Public Account of the Union Government. Similarly, the cash balance of the Government of NCT of Delhi is merged and forms part of the general cash balance of the Union Government. The Finance Accounts of the Government of National Capital Territory of Delhi are laid out in sixteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund and Contingency Fund of Govt. of NCT of Delhi. The lay out of the Finance Accounts is depicted in **Appendix –I, Part B**.

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarizes the finances of the Government of NCT of Delhi for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1.1: Summary of receipts and disbursements for the year 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
Section-A: Revenue				Non Plan	Plan	Total	
10843.53	Revenue receipts	12193.61	6515.39	Revenue expenditure	5734.82	2020.66	7755.48
8939.28	Tax revenue	10155.80	2223.82	General services	2734.07	76.31	2810.38
1398.96	Non-tax revenue	1463.58	3310.30	Social services	2146.13	1701.06	3847.19
-----	Share of Union Taxes/Duties	-----	573.48	Economic services	322.78	243.29	566.07
505.29	Grants from Government of India	574.23	407.79	Grants-in-aid and Contributions	531.84	----	531.84
Section-B: Capital							
	Misc Capital Receipts		1502.42	Capital Outlay	(-)148.15	1931.09	1782.94
319.68	Recoveries of Loans and Advances	228.64	2900.27	Loans and Advances disbursed	2157.84	1136.40	3294.24
5896.45	Public debt receipts*	4002.14	223.66	Repayment of Public Debt*	133.76		133.76
-----	Public Account receipts♥	-----	-----	Public Account disbursements♥	-----	-----	-----
1450.56	Opening Cash Balance♣	7368.48	7368.48	Closing Cash Balance♣	----	-----	10826.45
18510.22	Total	23792.87	18510.22	Total			23792.87

♥Public Accounts are submitted to the Government of India as part of their accounts.

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

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

Following are the significant changes during 2006-07 over the previous year:

- Revenue receipts grew by Rs.1,350.08 crore (12.45 per cent). The increase was mainly contributed by tax revenue (Rs.1,216.52 crore) and non-tax revenue (Rs.64.62 crore).
- Revenue expenditure and Capital expenditure increased by Rs.1,240.09 crore and Rs.280.52 crore respectively.
- The recoveries of loans and advances decreased by Rs.91.04 crore while the disbursement of loans and advances increased by Rs.393.97 crore.
- Public debt receipts as well as repayment decreased by Rs.1,894.31 crore and Rs.89.90 crore respectively.
- The cash balances at the close of 2006-07 increased by Rs.3,457.97 crore over the previous year as a result of inflows and outflows of the funds stated above during the year.

1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the NCT Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2.**

Table 1.2: Key Fiscal Indicators

		(Rupees in crore)	
2005-06	Sr. No.	Major Aggregates	2006-07
10843.53	1.	Revenue Receipts (2+3+4)	12193.61
8939.28	2.	Tax Revenue	10155.80
1398.96	3.	Non-Tax Revenue	1463.58
505.29	4.	Other Receipts	574.23
319.68	5.	Non-Debt Capital Receipts	228.64
319.68	6.	<i>Of which</i> Recovery of Loans & Advances	228.64
11163.21	7.	Total Receipts (1+5)	12422.25
6617.52	8.	Non-Plan Expenditure	7744.51
4866.95	9.	On Revenue Account	5734.82
1672.82	10.	<i>Of which</i> Interest Payments	2210.23
1750.57	11.	On Capital Account	*2009.69
1687.78	12.	<i>Of which</i> loans disbursed	2157.84
4300.56	13.	Plan Expenditure	5088.15
1648.44	14.	On Revenue Account	2020.66
2652.12	15.	On Capital Account	3067.49
1212.48	16.	<i>Of which</i> loans disbursed	1136.40
10918.07	17.	Total Expenditure (13+8)	12832.66
(+)4328.14	18.	Revenue surplus (+) (1-9-14)	(+) 4438.13
(+)245.14	19.	Fiscal surplus (+)/ deficit (-) (1+5-17)	(-) 410.41
(+)1917.96	20.	Primary surplus (+) {(1+5)-(17-10)}	(+) 1799.82

* Non plan capital expenditure was (-) Rs.148.15 crore

Table-1.2 shows that revenue receipts increased by Rs.1,350.08 (12.45 per cent) during 2006-07 while revenue expenditure increased by Rs.1,240.09 crore (19.03 per cent) over the previous year resulting in an improvement in revenue surplus by Rs.109.99 crore during the current year from the level of Rs.4,328.14 crore in the previous year. The incremental surplus of Rs.109.99 crore in revenue account in 2006-07 along with a decrease of Rs.91.04 crore under non-debt capital receipts accompanied with an increase of Rs.674.49 crore in capital expenditure and disbursement of loans and advances resulted in fiscal deficit of Rs.410.41 crore in 2006-07 from the fiscal surplus of Rs.245.14 crore in 2005-06. Given the fiscal deficit of Rs.655 crore during 2006-07, primary surplus had declined by only Rs.118 crore due to increase in interest payments by Rs.537 crore in 2006-07 over the previous year.

1.2 Methodology Adopted for the Assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the Statements of Finance Accounts are analyzed wherever necessary over the period of last five years and observations are made on their behaviour assuming that GSDP is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices.

Table 1.3: Trends in growth and composition of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP)* (Rupees in crore)	71936.88	80880.59	91981.26	105385.47	113487.00*
Growth rate of GSDP	7.81	12.43	13.72	14.57	7.68

*Estimated using log linear regression equation on the GSDP series at current prices (with 1999-2000 as base) for 1999-2000 to 2005-06.

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The key fiscal aggregates for the purpose are grouped under four major heads: (i) Trends in Growth and Composition of Aggregate Receipts, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the

selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix-II**.

1.3 Trends in Growth and Composition of Aggregate Receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise of recoveries of loans and advances, public debt receipts. **Table-1.4** presents the trends in growth and composition of the total receipts of the State Government during the period 2002-07.

Table 1.4: Trends in Growth and Composition of the Total Receipts

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	6665.94	7348.53	8562.63	10843.53	12193.61
II Capital Receipts	3868.36	4920.31	4539.31	6216.13	4230.78
Recovery of Loans and Advances	206.63	255.73	527.96	319.68	228.64
Public Debt Receipts	3661.73	4664.58	4011.35	5896.45	4002.14
Miscellaneous Capital Receipts	---	---	---	---	---
III Contingency Fund	Not operated	Not operated	Not operated	Not operated	Not operated
IV Public Account Receipts*	---	---	---	---	---
Total Receipts	10534.30	12268.84	13101.94	17059.66	16424.39

*Public Account receipt of Government of NCT of Delhi is merged with the Public Accounts of the Government of India.

The share of revenue receipts in total resources of the State increased from 63 per cent in 2002-03 to 74 per cent in 2006-07 with inter-year variations. The share of capital receipts declined correspondingly from 37 per cent to 26 per cent during this period. The total receipts of the State Government increased by 55.91 per cent from Rs.10,534.30 crore in 2002-03 to Rs.16,424.38 crore in 2006-07, of which Revenue Receipts increased by 82.92 per cent from Rs.6,665.94 crore in 2002-03 to Rs.12,193.61 crore in 2006-07.

While non debt capital receipts increased by 10.65 *per cent* from Rs.206.63 crore in 2002-03 to Rs.228.63 crore in 2006-07, the debt capital receipts, which create future repayment obligations, increased from Rs.3,661.73 crore in 2002-03 to Rs.4,002.14 crore in 2006-07. The recovery of loans and advances decreased by Rs. 91.04 crore over previous year.

1.3.1 Revenue Receipts

Statement-9 of the Finance Accounts details the revenue receipts of the Government by minor heads. The revenue receipts consist of its own tax and non-tax revenues, and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-1.5**.

Table 1.5: Revenue Receipts - Basic Parameters

Sources of Revenue Receipts	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR) (Rupees in crore)	6665.94	7348.53	8562.63	10843.53	12193.61
Own Taxes (Rupees in crore) (Percentage share in RR)	5324.19 (79.87)	5884.17 (80.07)	7106.13 (82.99)	8939.28 (82.44)	10155.80 (83.29)
Non-Tax Revenue (Rupees in crore) (Percentage share in RR)	829.56 (12.45)	950.34 (12.93)	921.39 (10.76)	1398.96 (12.90)	1463.58 (12.00)
Grants-in-aid (Rupees in crore) (Percentage share in RR)	512.19 (7.68)	514.02 (7.00)	535.11 (6.25)	505.29 (4.66)	574.23 (4.71)
Rates of growth					
Revenue Receipts (per cent)	6.59	10.24	16.52	26.64	12.45
State's Own taxes	8.73	10.52	20.77	25.80	13.61
Non-Tax Revenue	(-) 5.31	14.56	(-) 3.05	51.83	4.62
RR/GSDP (per cent)	9.27	9.09	9.31	10.29	10.74
Buoyancy Ratios					
Revenue Receipts with GSDP	0.84	0.82	1.20	1.83	1.62
State's own taxes with GSDP	1.12	0.85	1.51	1.77	1.77
Revenue Buoyancy with reference to State's own taxes	0.75	0.97	0.80	1.03	0.91
GSDP Growth (per cent)	7.81	12.43	13.72	14.57	7.68

General Trends:

The revenue receipts of the State have shown an increasing trend over the period 2002-07 with the share of its own sources comprising of tax and non tax revenue also indicating an increasing trend from 93 *per cent* in 2002-03 to 95 *per cent* in 2006-07. The increase of 12.45 *per cent* in revenue receipts during 2006-07 was mainly on account of an increase in State's own taxes (13.61 *per cent*) and non-tax revenue (4.62 *per cent*).

Tax Revenue

The Tax Revenue has increased by Rs.1,216.52 crore (13.61 *per cent*) during the current year (Rs.10,155.80 crore) over previous year (Rs.8,939.28 crore). The revenue from sales taxes not only contributed about three fourth of the total tax revenue but also increased by 13 *per cent* over the previous year. The value added tax (VAT) introduced in April 2005 had enhanced the buoyancy of sales tax revenue and generated higher collection of Rs.1,300.63 crore during 2005-06 and Rs.865.23 crore during 2006-07. Stamp duty increased by Rs.90.32 crore and taxes on vehicles increased by Rs.64.10 crore during 2006-07 because of more registration of properties and vehicles respectively over the previous year. Table 1.6 below shows the trends in the composition of tax revenue of the State during 2002-07.

Table 1.6: Components of Tax Revenue

Components	(Rupees in crore)				
	2006-07	2005-06	2004-05	2003-04	2002-03
Sales tax/ Value Added Tax (VAT)	7365.79 (72.53)	6500.56 (72.72)	5199.93 (73.18)	4435.07 (75.37)	3883.17 (72.94)
State excise	1133.18 (11.16)	1024.80 (11.46)	843.68 (11.87)	710.12 (12.07)	725.68 (13.63)
Stamp duty	917.97 (9.04)	827.65 (9.26)	668.34 (9.40)	435.23 (7.40)	436.80 (8.20)
Taxes on vehicles	362.84 (3.57)	298.74 (3.34)	195.98 (2.76)	175.24 (2.98)	160.40 (3.01)
Others	376.02 (3.70)	287.53 (3.22)	198.20 (2.79)	128.51 (2.18)	118.14 (2.22)
Total tax revenue	10155.80 (100)	8939.28 (100)	7106.13 (100)	5884.17 (100)	5324.19 (100)

Non Tax Revenue

The Non Tax Revenue which constituted 12.00 *per cent* of total revenue receipts during 2006-07 increased by Rs.64.62 crore recording a growth rate of 4.62 *per cent* over previous year. The growth of non-tax revenue during the last five year ended 2002-07 indicated an increase by 76.43 *per cent* largely on account of increase in interest receipts from Rs.741.42 crore in 2002-03 to Rs.1,284.98 crore in 2006-07. The interest receipts have shared on average 89 *per cent* of the total non tax receipts during the period 2002-07. Table 1.7 below shows the trends in the composition of non-tax revenue of the State during 2002-07.

Table 1.7: Components of Non-tax Revenue

(Rupees in crore)					
Components	2006-07	2005-06	2004-05	2003-04	2002-03
Interest receipts	1284.98 (87.80)	1254.17 (89.65)	821.96 (89.21)	868.83 (91.42)	741.42 (89.38)
Dividend and Profit	22.17 (1.51)	38.62 (2.76)	3.75 (0.41)	6.03 (0.63)	7.19 (0.87)
General services	62.23 (4.25)	49.11 (3.51)	48.18 (5.23)	41.45 (4.36)	45.18 (5.44)
Social services	31.91 (2.18)	31.60 (2.26)	27.73 (3.01)	22.30 (2.35)	22.63 (2.73)
Economic services	62.29 (4.26)	25.46 (1.82)	19.77 (2.14)	11.73 (1.24)	13.14 (1.58)
Total non tax revenue	1463.58 (100)	1398.96 (100)	921.39 (100)	950.34 (100)	829.56 (100)

Note: Figures in brackets indicate percentage of total non-tax revenue.

Grants-in-aid

Although trends in Grants-in-aid indicated an increase from Rs.512.19 crore in 2002-03 to Rs.574.23 crore in 2006-07 but its relative share in relation to revenue receipts decreased from 7.68 *per cent* in 2002-03 to 4.71 *per cent* in 2006-07

Revenue Arrears

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs.9,253.49 crore, of which Rs.9,253.44 crore relates Sales Tax / Value Added Tax while Rs.0.05 crore pertained to Luxury Tax. The reasons for the high volume of arrears relating to taxes on Sales, trade etc. was not furnished by the department in spite of various reminders (November 2007). In the case of Luxury Tax the, outstanding arrear in the beginning of the year was Rs.0.96 crore which decreased to Rs.0.05 crore at the end of the year.

1.4 Application of resources

1.4.1 Growth of Expenditure

Statement 10 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to 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 Rs 9,269.00 crore in 2002-03 to Rs 12,832.66 crore in 2006-07. Total

expenditure, its annual growth rate and ratios/buoyancies of expenditure with reference to the State GSDP and revenue receipts are indicated in **Table-1.8**.

Table 1.8: Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE)* (Rupees in crore)	9269.00	10042.98	10573.77	10918.07	12832.66
Rate of Growth (<i>per cent</i>)	9.76	8.35	5.29	3.26	17.54
TE/GSDP Ratio (<i>per cent</i>)	12.88	12.42	11.50	10.36	11.31
RR /TE Ratio (<i>per cent</i>)	71.92	73.17	80.98	99.32	95.02
Buoyancy Ratio of Total Expenditure with reference to:					
GSDP	1.25	0.67	0.39	0.22	2.28
Revenue Receipts	1.48	0.82	0.32	0.12	1.41

*Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

The total expenditure during the current year at Rs.12,832.66 crore has increased by Rs.1,914.59 crore (17.54 *per cent*) over previous year. Of the total increase, revenue expenditure contributed Rs.1,240.08 crore (64.77 *per cent*), capital expenditure shared Rs.280.52 crore (18.67 *per cent*) and remaining Rs.393.99 crore (16.56 *per cent*) by loans and advances. The bifurcation of total expenditure into plan and non-plan expenditure revealed that the share of plan and non plan expenditure was 47.61 *per cent* and 52.39 *per cent* respectively. The increase in total expenditure was mainly on account of increase in interest payments by Rs.537.41 crore, Education, Sports, Art & Culture by Rs.290.55 crore, Health & Family Welfare by Rs.191.68 crore and Transport by Rs.127.49 crore under revenue expenditure over the previous year.

There was an upward trend in the ratio of revenue receipts to total expenditure from 71.92 *per cent* in 2002-03 to 95.02 *per cent* in 2006-07 with a marginal decline from 99.32 *per cent* in 2005-06 indicating an overall decreasing reliance on the borrowed funds. On the other hand ratio of total expenditure with GSDP indicated the downward trends from 12.88 *per cent* in 2002-03 to 11.31 *per cent* in 2006-07 with inter year variations. The buoyancy of total expenditure with reference to GSDP although widely fluctuated with just 0.39 and 0.22 in 2004-05 and 2005-06 due to low growth rate of total expenditure during these years but in the last year it picked up and stood at 2.28 in 2006-07 indicating increasing propensity of the government to spend with the increase in GSDP and revenue receipts.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.9**.

Table 1.9: Components of Expenditure – Relative Share

	(in per cent)				
	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	17.06	18.53	20.50	21.13	23.04
Of which Interest payments	12.03	13.61	14.83	15.32	17.22
Social Services	30.59	27.77	32.26	33.40	31.81
Economic Services	8.50	9.76	12.40	15.16	15.34
Grants-in-aid	3.32	3.08	3.43	3.74	4.14
Loans and Advances	40.53	40.86	31.41	26.56	25.67

The movement of relative share of the various components of expenditure indicated that share of General Services including interest payment has increased from 17.06 *per cent* in 2002-03 to 23.04 *per cent* in 2006-07, and the share of economic services has steeply increased from 8.50 *per cent* to 15.34 *per cent* during this period. The increase in share of economic services was mainly on account of increase in expenditure on the roads and bridges. The shares of social services remained almost stable with minor inter year variations while the share of loans and advances declined sharply during the period.

1.4.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment, to discharge the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratios and buoyancies with reference to GSDP and revenue receipts are indicated in **Table-1.10**.

Table 1.10: Revenue Expenditure: Basic Parameters

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	4598.20	5087.09	5827.48	6515.39	7755.48
<i>Of which</i>					
Non-Plan Revenue Expenditure (NPRE)	3380.00	3765.17	4435.36	4866.95	5734.82
Plan Revenue Expenditure (PRE)	1218.20	1321.92	1392.12	1648.44	2020.66
Rate of Growth (<i>per cent</i>)					
Revenue Expenditure	(-) 8.84	10.63	14.55	11.80	19.03
NPRE	9.42	11.40	17.80	9.73	17.83
PRE	(-)37.69	8.51	5.31	18.41	22.58
Ratios					
RE as a <i>per cent</i> of TE	49.61	50.65	55.11	59.68	60.44
NPRE as <i>per cent</i> of TE	36.47	37.49	41.95	44.58	44.69
NPRE as <i>per cent</i> of RR	50.71	51.24	51.80	44.88	47.03
Buoyancy Ratio of RE with reference to:					
GSDP	(-)1.13	0.86	1.06	0.81	2.48
Revenue Receipts	1.34	1.04	0.88	0.44	1.53

Revenue expenditure of the State has consistently increased at an average rate of 9.43 *per cent* from Rs.4,598.20 crore in 2002-03 to Rs.7,755.47 crore in 2006-07. During the year 2006-07 the revenue expenditure increased by Rs.1,240.09 crore (19.03 *per cent*) over the previous year of which NPRES shared Rs.867.87 crore (70 *per cent*) while the remaining Rs.372.22 (30 *per cent*) was on account of increase in plan revenue expenditure. The increase in NPRES during 2006-07 was mainly due to more expenditure on Interest Payments (Rs.537.41 crore); Education, Sports, Art & Culture (Rs.149.38 crore) while increase in PRES was largely on account of increase in Education, Sports, Art & Culture (Rs. 72.53 crore) and Health and Family Welfare (Rs.158.05 crore).

1.4.3 Committed Expenditure

Accounts in respect of Salary, Pension and Subsidies are not maintained separately. As regard interest payments details are given below:

Table 1.11: Interest payments

	(Rupees in crore)				
Interest Payments	2002-03	2003-04	2004-05	2005-06	2006-07
Interest Payments	1114.78	1367.27	1568.56	1672.82	2210.23
Revenue Receipts	6665.94	7348.53	8562.63	10843.53	12193.61
Interest payments as per cent to					
Revenue receipts	16.72	18.61	18.32	15.43	18.13
Revenue Expenditure	24.24	26.88	26.92	25.67	28.50

The Government of NCT of Delhi is not empowered to raise loans in the open market, however, its requirement of borrowed funds are met from the Consolidated Fund of India. During 2006-07 interest payments have increased by 32.13 *per cent* mainly due to increase of borrowed funds from Government of India in the form of NCT of Delhi's share in the collection of small savings from Rs. 16026.86 crore in 2004-05 to Rs. 25568.00 crore in 2006-07. The interest payments were 18.13 *per cent* of the total revenue receipts and 28.50 *per cent* of total revenue expenditure during 2006-07.

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. **Table 1.12** gives these ratios during 2002-07.

Table 1.12: Indicators of Quality of Expenditure

(Rupees in crore)					
Components of Expenditure	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure	4598.20	5087.09	5827.48	6515.39	7755.48
Capital Expenditure	914.07	852.72	1425.52	1502.42	1782.94
As per cent of Total Expenditure*					
Revenue Expenditure	83.41	85.64	80.34	81.26	81.30
Capital Expenditure	16.59	14.35	19.66	18.74	18.70
As per cent of GSDP					
Revenue Expenditure	6.39	6.29	6.33	6.18	6.83
Capital Expenditure	1.27	1.05	1.55	1.43	1.57

*Total Expenditure excludes Loans & Advances.

The share of revenue expenditure in the total expenditure (excluding loans and advances) remained on an average around 82.6 *per cent* during the period 2002-07 leaving inadequate resources for capital expenditure including asset creation. During 2006-07 the share of revenue and capital expenditure in total expenditure were 81 and 19 *per cent* respectively. These trends indicate that major proportion of total expenditure excluding loans and advances was being incurred towards meeting the current consumption requirements.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.13** summarizes the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2002-07.

Table 1.13: Expenditure on Social Services

(Rupees in Crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07
General Education					
Revenue Expenditure	1153.27	1158.37	1565.54	1583.12	1805.20
Capital Expenditure	84.26	113.37	116.36	78.42	146.89
Health and Family Welfare					
Revenue Expenditure	523.29	576.70	695.78	778.90	950.21
Capital Expenditure	118.97	128.74	149.45	129.31	149.68
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	562.79	558.80	541.23	632.44	705.81
Capital Expenditure	160.10	(-)3.39	101.49	110.85	(-)90.27
Other Social Services					
Revenue Expenditure	214.30	216.00	214.92	315.84	385.96
Capital Expenditure	18.61	40.41	26.07	18.20	27.29
Total (Social Services)	2835.59	2789.00	3410.84	3647.08	4080.77
Revenue Expenditure	2453.65	2509.87	3017.47	3310.30	3847.18
Capital Expenditure	381.94	279.13	393.37	336.78	233.59

The allocation to social services increased from Rs.2,835.59 crore in 2002-03 to Rs.4,080.77 crore in 2006-07 with significant increase from 2004-05 onward. Expenditure on Social Services during current year (Rs.4,080.77 crore) accounted for 42.78 *per cent* of total expenditure (excluding loans and advances) and 67 *per cent* of developmental expenditure¹. During 2006-07, general education, health and family welfare and water supply sanitation, housing and urban development shared about 90 *per cent* of total expenditure incurred on social services. Of the total increase of Rs.433.69 crore on social services in 2006-07 over the previous year, expenditure on education increased by Rs.290.55 crore (66.99 *per cent*) followed by on health and family welfare by Rs.191.68 crore (44.19 *per cent*) which was partly compensated by decrease of Rs.127.75 crore on water supply, sanitation, housing and urban development. As education and health sectors consumed about 3/4th of total expenditure on social services, the share of revenue expenditure in total expenditure on social services amounted to 94 *per cent* during 2006-07. These trends indicate the Government's increasing commitment to improve social well being of the society.

1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity in the economy. The expenditure on Economic Services (Rs.1,968.58 crore) accounted for 20.64 *per cent* of the total expenditure, excluding loans and advances (Table 12). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 92.80 *per cent* of the expenditure.

Table 1.14: Expenditure on Economic Sector

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture and Allied Activities					
Revenue Expenditure	32.94	32.29	37.39	42.10	47.02
Capital Expenditure	41.20	2.19	3.16	103.00	6.22
Irrigation and Flood Control					
Revenue Expenditure	40.51	41.77	44.97	52.92	49.40
Capital Expenditure	21.38	19.00	18.35	41.68	18.04
Power & Energy					
Revenue Expenditure	24.26	112.17	3.51	75.88	95.34
Capital Expenditure	--	-	0.50	3.26	160.48
Transport					
Revenue Expenditure	156.40	221.94	211.17	336.41	304.75
Capital Expenditure	400.07	472.94	895.42	890.72	1145.65
Other Economic Services					
Revenue Expenditure	62.04	54.23	75.46	66.17	69.56
Capital Expenditure	9.22	24.08	21.47	43.28	72.12
Total (Economic Services)	788.03	980.61	1311.40	1655.42	1968.58
Revenue Expenditure	316.15	462.40	372.50	573.48	566.07
Capital Expenditure	471.88	518.21	938.90	1081.94	1402.51

¹ Development expenditure is defined as the total expenditure made on social and economic services.

The expenditure on Economic Sector during the year has increased by 18.92 *per cent* (Rs.313.16 crore) over the previous year. The expenditure on Economic Services accounted for 20.64 *per cent* of the total expenditure of the State of which Revenue Expenditure accounted for 28.76 *per cent* and capital expenditure accounting for remaining 71.24 *per cent*. The increase in the current year was predominantly on account increase in expenditure of Rs.176.68 crore (56.42 *per cent*) on Power & Energy and Rs.223 crore (71.30 *per cent*) on Transport which was partly compensated by decrease in spending on Agriculture and Allied activities and Irrigation and Flood Control.

1.5.4 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the five year period 2002-07 is presented in **Table 1.15**

Table 1.15: Financial Assistance

	(Rupees in crore)				
Financial Assistance to Institutions	2002-03	2003-04	2004-05	2005-06	2006-07
Municipal Corporation of Delhi	855.28	864.08	1169.94	1065.04	1908.47
New Delhi Municipal Council	19.72	24.79	40.41	28.39	37.35
Delhi Cantonment Board	1.25	1.47	1.64	1.68	1.85
Delhi Jal Board	60.69	54.25	8.03	130.91	1606.59
Delhi Vidyut Board/ DESU/ DERC	23.33	2.25	2.50	3.50	4.50
DISCOM	-	52.75	-	-	89.99
Others*	128.59	114.31	96.69	138.07	1280.16
Total	1088.66	1113.90	1319.21	1367.59	4928.91
Assistance as per percentage of total expenditure	11.75	11.09	12.48	12.53	38.41

*Others includes assistance of Rs 883.51 crore given to Delhi Transport Corporation in 2006-07.

The total assistance at the end of 2006-07 increased by 260.41 *per cent* over the previous fiscal year which was largely on account of increase in assistance to Municipal Corporation of Delhi, Delhi Jal Board and others which included assistance of Rs.883.51 crore given to Delhi Transport Corporation in 2006-07. Assistance to local bodies and other institution as percentage of total expenditure also increased from 12.53 *per cent* in 2005-06 to 38.41 *per cent* in 2006-07.

1.5.5 Delay in furnishing utilization certificates

Of the 4610 utilization certificates (UC) due in respect of grants and loans aggregating Rs.12,217.42 crore paid up to 2005-06 (upto 30 September 2005), 2786 UCs for an aggregate amount of Rs.7,041.82 crore were in arrears. Details of PAO-wise break-up of outstanding UCs relating to financial assistance provided by the State government are given in **Appendix –III**.

1.5.6 Misappropriations, losses and defalcations etc.

State Government reported nil cases of misappropriation, defalcation, etc up to the period ending March 2007.

1.5.7 Write off of losses, etc

As reported to Audit, no loss was written-off during 2006-07, due to theft, fire and irrecoverable revenue, etc.

1.6 Assets and Liabilities

1.6.1 Trends in Growth and composition of Assets and Liabilities

In the 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 -IV** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities in this Appendix consist of, loans and advances from the GOI, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

1.6.2 Investment and returns

As of 31 March 2007, Government had invested Rs. 2850.38 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.16**). The return on this investment was very small ranging between 0.22 per cent and 1.87 per cent in the last five years while the Government paid interest at the average rate of 8.87 to 11.17 per cent on its borrowings during 2002-2007.

Table 1.16: Return on Investment

	2002-03	2003-04	2004-05	2005-06	2006-07
Investment at the end of the year (Rupees in crore)	1148.39	1378.29	1715.19	2063.66	2850.38
Return (Rupees in crore)	7.19	6.03	3.75	38.62	*22.17
Return (per cent)	0.63	0.44	0.22	1.87	0.78
Average rate of interest on government borrowing (per cent)	11.17	10.65	10.34	8.87	9.35
Difference between interest rate and return (per cent)	10.54	10.21	10.12	7.00	8.57

*Pertain to year 2005-06

Total investments in Government companies etc. increased from Rs.2,063.66 crore at the end of March 2006 to Rs.2,850.38 crore at the end of March 2007. The increase in investments in 2006-07 over the previous fiscal year was mainly on account of new investment of Rs.307.60 crore, Rs.150.00 crore in Delhi Metro Rail Corporation Limited and Indraprastha Power Generation Company Limited respectively and conversion of loan in to equity of Rs.323.19 crore in Pragati Power Corporation Ltd. Major investments were made mainly in Delhi Rail Metro Corporation Limited, Pragati Power Corporation Limited and Indraprastha Power Generation Company Limited which constituted 90.95 *per cent* of the total investments made upto March 2007. As per the latest accounts finalized for these three corporations, only Pragati Power Corporation Limited gave dividend of Rs.14.00 crore to the Government for the year 2005-06.

1.6.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporation and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2007 was Rs.30,790.21 crore (**Table 1.17**). Interest received against these loans advanced was 4.17 *per cent* during 2006-07 as against the cost of borrowing of the Government of 9.35 *per cent* during the year.

Table 1.17: Average Interest Received on Loans Advanced by the State Government

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	14953.67	18503.77	22351.21	25144.02	27724.60
Amount advanced during the year	3756.73	4103.17	3320.77	2900.26	3294.24
Amount repaid during the year	206.63	255.73	527.96	319.68	228.64
Closing Balance	18503.77	22351.21	25144.02	27724.60	*30467.02
Net addition	3550.10	3847.44	2792.81	2580.58	3065.60
Interest Receipts	741.42	868.83	821.96	1254.17	1284.80
Average interest receipts as <i>per cent</i> to outstanding Loans and advances	4.01	3.88	3.27	4.52	4.22
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	9.82	9.55	9.79	7.71	8.64
Difference between interest payments and interest receipts (<i>per cent</i>)	5.81	5.67	6.52	3.19	4.42

*A loan of Rs 323.19 crore was converted into equity.

Loans outstanding towards State level organizations/institutions constitute the major proportion of total outstanding loans of NCT Delhi. The majority of the State enterprises and institutions to whom the loans and advances were given and remained outstanding at the end of 2006-07 by the government of NCT of Delhi were in the sectors of water supply (Rs.4,241.54 crore), sewerage and

sanitation (Rs.2,045.13 crore), urban development (Rs.854.52 crore), Road Transport (Rs.5,032.39 crore) and in Energy Sector for Power Projects (Rs.9,612.13 crore). During 2006-07, the loans from the government were given to the institutions working in the areas of transport (Rs.941.51 crore); water supply (Rs.488.50 crore); sewerage and sanitation (Rs.259.50 crore) and urban development (Rs.170 crore). The outstanding loans of the Government advanced to state level enterprises increased by 65 *per cent* during the period 2002-07 indicating the increasing reliance of the state level enterprises on Government funds for financial requirement.

Trends in **Table 1.17** also revealed that loans advanced to state level enterprises increased at the rate higher than the speed of recovery of loans and advances resulting in an increase in outstanding loans and advances during this period.

1.7 Undischarged Liabilities

1.7.1 Fiscal Liabilities – Public Debt and Guarantees

The fiscal liabilities of the state, are shown in **Table-1.18** along with its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.18: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities (Rupees in crore)*	11352.79	14317.16	16026.86	21699.65	25568.04
Rate of Growth (<i>per cent</i>)	31.82	26.11	11.94	35.40	17.83
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	15.78	17.70	17.42	20.59	22.53
Revenue Receipts (<i>per cent</i>)	170.31	194.83	187.17	200.12	209.68
Own Resources (Tax and Non-tax revenue) (<i>per cent</i>)	184.49	209.48	199.65	209.90	220.05
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	4.07	2.10	0.87	2.43	2.32
Revenue Receipts (ratio)	4.83	2.55	0.72	1.33	1.43
Own Resources (ratio)	4.82	2.36	0.68	1.23	1.44

*Includes only loans and advances from the Central Government largely in the form NCT of Delhi's share in the collections of small savings.

Overall fiscal liabilities of the State increased from Rs.11,352.79 crore in 2002-03 to Rs.25,568.04 crore in 2006-07. The growth rate was 17.83 *per cent* during 2006-07 over previous year. The ratio of fiscal liabilities to GSDP decreased from 4.07 *per cent* in 2002-03 to 2.32 *per cent* in 2006-07. These liabilities stood at 2.10 times the revenue receipts and 2.20 times of the States own resources as at the end of 2006-07. The fiscal liabilities had grown faster than the State's GSDP. The buoyancy of these liabilities with respect to GSDP

during the year was 2.32 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 2.32 *per cent*.

1.7.2 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP 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 sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilization in term of debt/ GSDP ratio.

1.7.3 Debt Stabilization

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt multiply by rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilization are indicated in **Table 1.19**.

Table 1.19: Debt Stabilization: Indicators and Trends

	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate (<i>per cent</i>)	11.17	10.65	10.34	8.87	9.35
GSDP Growth (<i>per cent</i>)	7.81	12.43	13.72	14.57	7.68
Interest spread (<i>per cent</i>)	(-)3.36	1.78	3.38	5.70	(-)1.67
Outstanding Debt at the beginning of the year (Rs in crore)	8612.02	11352.79	14317.16	16026.86	21699.65
Quantum Spread (Rs in crore)	(-)289.36	(+)202.08	(+)483.92	(+)913.53	(-)362.38
Primary Deficit (-) / surplus (+) (Rs in crore)	(-)1281.65	(-)1071.45	(+)85.38	(+)1917.96	(+)1799.82
Quantum Spread + Primary Deficit	(-)1571.01	(-)869.37	(+)569.30	(+)2831.49	(+)1437.44

Table 1-19 reveals that quantum spread together with primary deficit was negative during 2002-03 and 2003-04 and turned into positive thereafter during 2004-07. Contrary to these trends, the ratio of fiscal liabilities to GSDP of the NCT of Delhi indicated an increasing trend during the period 2002-07. This seems to be mainly on account of the fact that fiscal liabilities of the NCT of Delhi consist of largely its share in small savings which has steeply

increased during the period. However, given the relatively low ratio of fiscal liabilities to GSDP ratio and declining trends in fiscal deficit to GSDP ratio indicates debt stability as well as its higher capacity to sustain the debt in ensuing years.

1.7.4 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. **Table 1.20** indicates the resource gap as defined for the period 2002-07.

Table 1.20: Incremental revenue receipts and Revenue Expenditure
(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure*	Interest Payments	Total Expenditure	
2002-03	161.01	(-)650.10	204.16	(-)445.94	606.95
2003-04	731.69	236.40	252.49	488.89	242.80
2004-05	1486.33	539.10	201.29	740.39	745.94
2005-06	2072.62	583.63	104.26	687.89	1384.73
2006-07	1259.03	702.68	537.41	1240.09	18.94

*Revenue expenditure less interest payments.

The negative resource gap indicated the non-sustainability of debt while the positive resource gap strengthens the capacity of the state to sustain the debt. During the period 2002 -07, the positive resource gap indicates towards the increasing capacity of the state to sustain the debt in the medium to long run.

1.7.5 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in government revenue.

Table 1.21 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table 1.21: Net Availability of Borrowed Funds

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Loans and Advances from GOI					
Receipt	3661.73	4664.58	4011.35	5896.45	4002.14
Repayment (Principal + Interest)	944.50	1677.19	2301.65	223.66	133.75
Net Fund Available	2717.23	2987.39	1709.70	5672.79	3868.39
Net Fund Available (<i>per cent</i>)	74.21	64.04	42.62	96.21	96.66

1.8 Management of deficits

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 applied are important pointers to its fiscal health.

1.8.1 Trends in Deficits

Revenue surplus showed increasing trends during the last five years. It increased by 114.64 *per cent* in 2006-07 from the base year 2002-03. While, fiscal deficit decreased by 82.87 *per cent* over the last five years (2002-03 to 2006-07).

Table 1.22: Fiscal Imbalances: Basic Parameters

	(Rupees in crore)				
Parameters	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue deficit (-)/Surplus (+)	(+) 2067.74	(+) 2261.44	(+) 2735.15	(+) 4328.14	(+) 4438.13
Fiscal deficit (-)/Surplus (+)	(-)2396.43	(-)2438.72	(-)1483.18	(+)245.14	(-)410.41
Primary deficit (-)/Surplus (+)	(-)1281.65	(-)1071.45	(+)85.38	(+)1917.96	(+)1799.82
RS/GSDP (<i>per cent</i>)	(+) 2.87	(+) 2.80	(+) 2.97	(+) 4.11	(+) 3.91
FD/GSDP (<i>per cent</i>)	(-)3.33	(-)3.02	(-)1.61	(+)0.23	(-)0.36
PD/GSDP (<i>per cent</i>)	(-)1.78	(-)1.32	(+)0.09	(+)1.82	(+)1.59
RD/FD (<i>per cent</i>)	(-)86.28	(-)92.73	(-)184.41	(+)1765.58	(-)1081.39

Table 1.22 reveal that the revenue account experienced a consistent improvement in term of consistently increasing revenue surplus during the period 2002-07 which turned into a huge surplus of Rs.4,328.14 crore during 2005-06 and further increased to Rs.4,438.14 crore in the current year. An improvement in the revenue surplus of Rs.110.00 crore during the current year was mainly on account of an increase of Rs.1,320.08 crore in revenue receipts

during 2006-07 against an increase of Rs.1,240.08 crore in revenue expenditure over the previous year.

The incremental surplus of Rs.110.00 crore in revenue account in 2006-07 along with a decrease of Rs.91.05 crore under non-debt capital receipts accompanied with an increase of Rs.674.50 crore in capital expenditure and disbursement of loans and advances resulted in fiscal deficit of Rs.410.41 crore in 2006-07 from the fiscal surplus of Rs.245.14 crore in 2005-06. Given the increase of fiscal deficit of Rs.655 crore during 2006-07, primary surplus had declined by only Rs.118 crore due to increase in interest payments by Rs.537 crore in 2006-07 over the previous year.

1.8.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit² into primary revenue deficit³ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Since NCT of Delhi has experienced revenue surplus during the period 2002-07, the borrowed funds were used in activities resulting in expansion in the asset backup of the State.

Table 1.23: Primary deficit/Surplus – Bifurcation of factors

(Rupees 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)
2002-03	6872.57	3483.42	914.07	3756.73	8154.22	(+)3389.15	(-)1281.65
2003-04	7604.26	3719.82	852.72	4103.17	8675.71	(+)3884.44	(-)1071.45
2004-05	9090.59	4258.92	1425.52	3320.77	9005.21	(+)4831.67	(+)85.38
2005-06	11163.21	4842.57	1502.42	2900.26	9245.25	(+)6320.64	(+)1917.96
2006-07	12422.24	5545.24	1782.94	3294.24	10622.42	(+)6877.00	(+)1799.82

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-07 reveals (Table 1.23) that the State has not only primary revenue surplus throughout this period but it increased from Rs.3,389.15 crore in 2002-03 to Rs.6,877 crore in 2006-07. In other words, non debt receipt of the State were enough to meet the primary expenditure requirement in the revenue account rather left some receipts to meet the expenditure under the capital account. It was only during 2002-03 and 2003-04, the NCT of Delhi experienced the primary deficit when total non-debt

² Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.

³ Primary revenue deficit defined as gap between non interest revenue expenditure of the state and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

receipts fell short of the total primary expenditure and thereafter it continued to have primary surplus indicating the fact that the it has met its primary expenditure requirement out of its non-debt receipts and borrowed funds are largely used to meet its past debt obligations.

1.9 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. The fiscal situation as emerged from the above analysis can be viewed in terms of selected fiscal indicators. **Table 1.24** presents a summarized position of Government finances over 2002-2007, with reference to 22 key indicators classified in five groups: (i) Resource Mobilization, (ii) Expenditure Management, (iii) Management of Fiscal Imbalances, (iv) Management of fiscal Liabilities and (v) others that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 1.24: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6
I Resource Mobilization					
Revenue Receipts/ GSDP	9.27	9.09	9.31	10.29	10.74
Own Tax revenue/GSDP	7.40	7.28	7.73	8.48	8.95
Own Non-Tax Revenue/GSDP	1.15	1.17	1.00	1.33	1.29
II Expenditure Management					
Total Expenditure/GSDP	12.88	12.42	11.50	10.36	11.31
Total Expenditure/Revenue Receipts	139.05	136.67	123.49	100.69	105.24
Revenue Expenditure/Total Expenditure	49.61	50.65	55.11	59.68	60.44
Expenditure on Social Services/Total Expenditure	37.58	34.23	39.74	40.93	39.09
Expenditure on Economic Services/Total Expenditure	33.79	37.96	27.06	29.03	23.78
Capital Expenditure/Total Expenditure	9.86	8.49	13.48	13.76	13.89
Capital Expenditure on Social and Economic Services/Total Expenditure.	9.21	7.94	12.60	10.94	12.75
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	(+)2.87	(+)2.80	(+)2.97	(+)4.11	(+)3.91
Fiscal deficit/GSDP	(-)3.33	(-)3.02	(-)1.61	(+)0.23	(-)0.36
Primary Deficit (surplus) /GSDP	(-)1.78	(-)1.32	(+)0.09	(+)1.82	(+)1.59
Revenue Deficit/Fiscal Deficit	86.28	92.73	184.41	1765.58	(-)1081.39
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	15.78	17.70	17.42	20.59	22.53
Fiscal Liabilities/RR	170.31	194.83	187.17	200.12	209.68
Percentage of primary deficit to quantum spread	(-)442.92	(-)530.21	17.64	209.95	(-)496.67
Percentage of Debt Redemption (Principal +Interest) to Total Debt Receipts	25.79	35.96	57.38	3.97	3.34

V Other Fiscal Health Indicators					
Return on Investment	0.63	0.44	0.22	1.87	0.78
Balance from Current Revenue (Rs in crore)	1140.98	1402.44	1606.42	5988.41	6458.79
Percentage of Financial Assets to Liabilities	97.37	96.04	95.90	83.76	79.83

The ratio of revenue receipts and states own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts especially of State's own resources indicates States access to resources relative to the enlargement of base in terms of GSDP. The ratio of total revenue receipts as well as of State's own taxes to GSDP had indicated an increasing trend during the period 2002-07 with a marginal dip in 2003-04. The ratio of revenue receipts to GSDP during the current year is 10.74 *per cent* an increase of 0.45 percentage points over previous year. During 2005-06 and 2006-07, the ratio of own taxes to GSDP showed significant improvement indicating reforms in tax laws and procedures especially in sales tax (implementation of VAT since April 2005) resulting in higher degree of compliance and collections during the period.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure showed increasing trends during the period 2002-07. The share of loans and advances disbursed by the government of NCT of Delhi although exhibited a declining trend but during 2006-07 it constituted little more than 1/4th of total expenditure during the year. As a result, the capital expenditure relative to total expenditure exhibited relative stagnation during the last three years (2004-07). The relative stability in the share of capital expenditure was also reflected by a significant decline in asset back of the fiscal liabilities during the last two years. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 95 *per cent* during 2006-07 indicates decreasing dependence on borrowed funds. The ratio further increases to 96.80 *per cent* if non-debt capital receipts of the State are added to the revenue receipts during 2006-07. On the contrary, fiscal liabilities to revenue receipts and GSDP showed increasing trends on account of the fact that the fiscal liabilities of NCT of Delhi comprise of only its share in the collections of small savings which is not related to its borrowing requirements. Another peculiar feature is exhibited by the declining debt redemption to total debt receipts ratio probably due the fact that public accounts of NCT Delhi form the part of the Public Accounts of the Government of India.

1.10 Conclusion

The fiscal performance of NCT of Delhi viewed in terms of key fiscal parameters – revenue, fiscal and primary deficits – indicates mixed trend as

revenue surplus has marginally improved (Rs.110 crore) while primary surplus slightly declined (Rs.118 crore) and fiscal surplus (Rs.245 crore) turned into a deficit of Rs.410 crore during 2006-07 over the previous year. The appreciable feature of fiscal trends was that 96.8 *per cent* of the total expenditure is met through its own non-debt receipts comprising of tax revenue, non tax revenue and non-debt capital receipts during 2006-07. However, recovery of interest receipts as *per cent* to outstanding loans and advances disbursed by the NCT of Delhi remained grossly inadequate to cover the cost of borrowings during the period 2002-07. Moreover, the investments of government of NCT of Delhi also yielded negligible rate of return relative to the interest rate paid on the borrowed funds during the period 2002-07. The increasing share of revenue expenditure during the period 2002-07 which has reached to 60 *per cent* of total expenditure and relatively higher share of loans and advances disbursed by the NCT of Delhi (which constituted little more than 1/4th of the total expenditure during 2006-07) led to a near stagnation in the capital expenditure relative to total expenditure during the last three years (2004-07) which was also reflected by a significant decline in asset back up of the fiscal liabilities during the last two years.