

CHAPTER - I

Financial position of the Government of NCT 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-1.1(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 1.1(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 2007-08 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 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
					Non Plan	Plan	Total
Section-A: Revenue							
12193.	Revenue receipts	14912.38	7755.48	Revenue expenditure	6441.51	3329.01	9770.52
10155.	Tax revenue	11782.80	2810.38	General services	3128.77	120.49	3249.26
1463.	Non-tax revenue	1816.70	3847.19	Social services	2346.06	2876.04	5222.10
-----	Share of Union Taxes/Duties		566.07	Economic services	299.37	332.48	631.85
574.	Grants from Government of India	1312.88	531.84	Grants-in-aid and Contributions	667.32	-	667.32
Section-B: Capital							
	Misc Capital Receipts		1782.94	Capital Outlay	3.10	3761.36	3764.46
228.	Recoveries of Loans and Advances	231.26	3294.24	Loans and Advances disbursed	1694.97	1954.89	3649.56
4002.	Public debt receipts*	746.02	133.75	Repayment of Public Debt*	975.09		975.09
-----	Public Account receipts♥	-----	-----	Public Account disbursements♥	-----	-----	-----
7368.	Opening Cash Balance♣	10826.46	10826.46	Closing Cash Balance♣	-----	-----	8556.49
23792.87	Total	26716.12	23792.87	Total			26716.12

♥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 2007-08 over the previous year:

- Revenue receipts grew by Rs. 2718.77 crore (22.30 per cent). The increase was mainly contributed by tax revenue (Rs. 1627.00 crore) and non-tax revenue (Rs. 353.12 crore) and grants from Government of India (Rs. 738.65 crore).
- Revenue expenditure and Capital expenditure increased by Rs. 2015.04 crore (25.98 per cent) and Rs. 1981.52 crore (111.14 per cent) respectively.
- The recoveries of loans and advances and the disbursement of loans increased by Rs. 2.62 crore (1.15 per cent) and Rs. 354.82 crore (10.77 per cent).
- Public debt receipts decreased by Rs. 3256.12 crore (81.36 per cent) and repayment increased by Rs. 841.33 crore (629 per cent) respectively.
- The cash balances at the close of 2007-08 decreased by Rs. 2269.96 crore (20.97 per cent) 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)			
2006-07	Sr. No.	Major Aggregates	2007-08
12193.61	1.	Revenue Receipts (2+3+4)	14912.38
10155.80	2.	Tax Revenue	11782.80
1463.58	3.	Non-Tax Revenue	1816.70
574.23	4.	Other Receipts	1312.88
228.64	5.	Non-Debt Capital Receipts	231.26
228.64	6.	Of which Recovery of Loans & Advances	231.26
12422.25	7.	Total Receipts (1+5)	15143.64
7744.51	8.	Non-Plan Expenditure	8399.50
5734.82	9.	On Revenue Account	6441.51
2210.23	10.	Of which Interest Payments	2504.34
2009.69	11.	On Capital Account	*1957.99
2157.84	12.	Of which loans disbursed	1954.89
5088.15	13.	Plan Expenditure	8785.04
2020.66	14.	On Revenue Account	3329.01
3067.49	15.	On Capital Account	5456.03
1136.40	16.	Of which loans disbursed	1694.17
12832.66	17.	Total Expenditure (13+8)	17184.54
(+) 4438.13	18.	Revenue surplus (+) (1-9-14)	(+)5141.86
(-) 410.41	19.	Fiscal surplus (+)/ deficit (-) (1+5-17)	(-)2040.90
(+) 1799.82	20.	Primary surplus (+) {(1+5)-(17-10)}	(-)463.44

* Excluding public debts

Table-1.2 shows that revenue receipts increased by Rs. 2,718.77 (22.30 per cent) as against an increase in revenue expenditure of Rs. 2015.04 crore (25.98 per cent) during 2007-08 over the previous year resulting in an improvement in revenue surplus by Rs. 703.73 crore. Despite an increase in revenue surplus along with an increase of Rs. 2.62 crore under non-debt capital receipts, fiscal deficit increased by Rs. 1630.49 crore mainly due to increase of Rs. 2336.84 crore in capital expenditure in 2007-08 over the previous year. Although interest payments increased marginally by Rs. 294.11 crore in 2007-08 but the steep increase in fiscal deficit reduced the primary surplus from Rs. 1799.82 crore in 2006-07 to Rs. 463.44 crore during the current 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 behavior. 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

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP)* (Rupees in crore)	78804	89920	101800#	118240\$	126150*
Growth rate of GSDP	10.88	14.11	13.21	16.15	6.69

Provisional, \$Quick Estimates

*As the Government of NCT of Delhi has not released the figures for GSDP for 2007-08, it is estimated using log linear regression equation on the GSDP series at current prices (with 1999-2000 as base) for 1999-2000 to 2006-07.

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-1.2**.

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 and public debt receipts. **Table-1.4** presents the trends in growth and composition of the total receipts of the State Government during the period 2003-08.

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

(Rupees in crore)

Sources of State's Receipts	2003-04	2004-05	2005-06	2006-07	2007-08
I Revenue Receipts	7348.53 (59.90 %)	8562.63 (65.35 %)	10843.53 (63.56 %)	12193.61 (74.24 %)	14912.38 (93.85 %)
II Capital Receipts	4920.31 (40.10 %)	4539.31 (36.65 %)	6216.13 (36.44 %)	4230.78 (25.76 %)	977.28 (06.15 %)
Recovery of Loans and Advances	255.73 (02.08 %)	527.96 (04.03 %)	319.68 (01.87 %)	228.64 (13.92 %)	231.26 (01.46 %)
Public Debt Receipts	4664.58 (38.01 %)	4011.35 (30.62 %)	5896.45 (34.56 %)	4002.14 (24.37 %)	746.02 (04.69 %)
Miscellaneous Capital Receipts	---	---	---	---	-
III Contingency Fund	Not operated	Not operated	Not operated	Not operated	Not operated
IV Public Account Receipts*	---	---	---	---	-
Total Receipts	12268.84	13101.94	17059.66	16424.39	15889.66

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

The composition of the total receipts of the NCT of Delhi has significantly changed during the period 2003-08 in favour of revenue receipts the share of which has increased from 60 per cent in 2003-04 to 94 per cent in 2007-08. A steep increase in its share was observed in 2007-08 over the previous year. A sharp decline in public debt receipts from Rs. 4002 crore (24 per cent) to Rs. 746 crore (5 per cent) due to decline in net collection under small savings in Delhi.

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, 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	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) (Rupees in crore)	7348.53	8562.63	10843.53	12193.61	14912.38
Own Taxes (Rupees in crore) (Percentage share in RR)	5884.17 (80.07)	7106.13 (82.99)	8939.28 (82.44)	10155.80 (83.29)	11782.80 (79.01)
Non-Tax Revenue (Rupees in crore) (Percentage share in RR)	950.34 (12.93)	921.39 (10.76)	1398.96 (12.90)	1463.58 (12.00)	1816.70 (12.18)
Grants-in-aid (Rupees in crore) (Percentage share in RR)	514.02 (7.00)	535.11 (6.25)	505.29 (4.66)	574.23 (4.71)	1312.88 (8.81)
Rates of growth					
Revenue Receipts (per cent)	10.24	16.52	26.64	12.45	22.30
State's Own taxes	10.52	20.77	25.80	13.61	16.02
Non-Tax Revenue	14.56	(-) 3.05	51.83	4.62	24.13
RR/GSDP (per cent)	9.32	9.52	10.65	10.31	11.82
Buoyancy Ratios					
Revenue Receipts with GSDP	0.94	1.17	2.02	0.77	3.33
State's own taxes with GSDP	0.97	1.47	1.95	0.84	2.39
Revenue Buoyancy with reference to State's own taxes	0.97	0.80	1.03	0.91	1.39
GSDP Growth (per cent)	10.88	14.11	13.21	16.15	6.69

General Trends:

The revenue receipts of the State have indicated an increasing trend over the period 2003-08 but the relative shares of its own tax and non-tax revenue exhibited relative stability during the period. The share of Grants-in-aid indicated wide variations and its share increased sharply from 4.7 per cent in 2006-07 to 8.8 per cent during the current year.

Tax Revenue

The Tax Revenue has increased by Rs. 1626.99 crore (16.02 per cent) during the current year (Rs. 11782.79 crore) over previous year (Rs. 10155.80 crore). The revenue from sales taxes not only contributed about three fourth of the total tax revenue but also increased by 12.82 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. 865.23 crore during 2006-07 and Rs. 944.70 crore during 2007-08. Stamp duty increased by Rs. 400.42 crore and taxes on vehicles increased by Rs. 57.36

crore during 2007-08 over the previous year. **Table-1.6** below shows the trends in the composition of tax revenue of the State during 2003-08.

Table 1.6: Components of Tax Revenue

(Rupees in crore)					
Components	2003-04	2004-05	2005-06	2006-07	2007-08
Sales tax/ Value Added Tax (VAT)	4435.07 (75.37)	5199.93 (73.18)	6500.56 (72.72)	7365.79 (72.53)	8310.49 (70.53)
State excise	710.12 (12.07)	843.68 (11.87)	1024.80 (11.46)	1133.18 (11.16)	1301.25 (11.04)
Stamp duty	435.23 (7.40)	668.34 (9.40)	827.65 (9.26)	917.97 (9.04)	1318.40 (11.19)
Taxes on vehicles	175.24 (2.98)	195.98 (2.76)	298.74 (3.34)	362.84 (3.57)	420.20 (3.57)
Others	128.51 (2.18)	198.20 (2.79)	287.53 (3.22)	376.02 (3.70)	432.46 (3.67)
Total tax revenue	5884.17 (100)	7106.13 (100)	8939.28 (100)	10155.80 (100)	11782.80 (100)

Non Tax Revenue

The Non Tax Revenue which constituted 12.18 *per cent* of total revenue receipts during 2007-08 increased by Rs. 353.12 crore recording a growth rate of 24.13 *per cent* over previous year mainly due to increase in interest receipts from public sector and other undertaking (Rs. 115.15 cr) and local bodies (Rs. 228.59 cr). The growth of non-tax revenue during the last five years (2003-08) indicated an increase of 91.63 *per cent* largely on account of increase in interest receipts from Rs. 868.93 crore in 2003-04 to Rs. 1,634.79 crore in 2007-08. The interest receipts have shared on average 90 *per cent* of the total non tax receipts during the period 2003-08. **Table-1.7** below shows the trends in the composition of non-tax revenue of the State during 2003-08.

Table 1.7: Components of Non-tax Revenue

(Rupees in crore)					
Components	2003-04	2004-05	2005-06	2006-07	2007-08
Interest receipts	868.83 (91.42)	821.96 (89.21)	1254.17 (89.65)	1284.98 (87.80)	1634.79 (89.99)
Dividend and Profit	6.03 (0.63)	3.75 (0.41)	38.62 (2.76)	22.17 (1.51)	31.15 (1.71)
General services	41.45 (4.36)	48.18 (5.23)	49.11 (3.51)	62.23 (4.25)	85.20 (4.69)
Social services	22.30 (2.35)	27.73 (3.01)	31.60 (2.26)	31.91 (2.18)	37.47 (2.06)
Economic services	11.73 (1.24)	19.77 (2.14)	25.46 (1.82)	62.29 (4.26)	28.09 (1.55)
Total non tax revenue	950.34 (100)	921.39 (100)	1398.96 (100)	1463.58 (100)	1816.70 (100)

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

Grants-in-aid

Grants-in-aid increased from Rs. 514.02 crore in 2003-04 to Rs. 1312.88 crore in 2007-08 mainly due to increase in block grants under plan heads (Rs. 553.45 crore) and under the head 'other grants' (Rs. 166.13 cr) under non plan head.

Revenue Arrears

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 8464.69 crore, of which Rs. 8463.96 crore relates to Sales Tax / Value Added Tax which include Rs. 6108.92 crore balance in respect of which department is unable to furnish details and Rs. 1897.78 crore on account of arbitration/ court cases. In the case of Luxury Tax, the outstanding arrear in the beginning of the year was Rs. 0.05 crore which increased to Rs. 0.73 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. 10042.08 crore in 2003-04 to Rs. 17184.54 crore in 2007-08. 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

	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE)* (Rupees in crore)	10042.98	10573.77	10918.07	12832.66	17184.54
Rate of Growth (<i>per cent</i>)	8.35	5.29	3.26	17.54	33.91
TE/GSDP Ratio (<i>per cent</i>)	12.74	11.75	10.72	10.85	13.62
RR /TE Ratio (<i>per cent</i>)	73.17	80.98	99.32	95.02	86.78
Buoyancy Ratio of Total Expenditure with reference to:					
GSDP	0.77	0.82	0.78	1.09	5.07
Revenue Receipts	0.82	0.32	0.12	1.41	1.52

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

The total expenditure during the current year at Rs. 17184.54 crore has increased by Rs. 4351.88 crore (33.91 *per cent*) over previous year. Of the total increase, revenue expenditure contributed Rs. 2015.04 crore (46.30 *per cent*), capital

expenditure shared Rs. 1981.52 crore (45.53 *per cent*) and remaining Rs. 355.32 crore (8.17 *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 51.12 *per cent* and 48.88 *per cent* respectively. The increase in revenue expenditure was due to increase in the expenditure on interest payment (Rs. 294.12 crore), general education (Rs. 302.82 crore), assistance to local bodies (Rs. 526.60 crore), Health & Family welfare (Rs. 191 crore), Housing (Rs. 144.50 crore) and Water supply and sanitation (Rs. 113.74 crore). Increase in the capital expenditure was due to increase in expenditure on Power Project (Rs. 941.55 crore) and Road Transport (Rs. 618.08 crore). There was an upward trend in the ratio of revenue receipts to total expenditure from 73.17 *per cent* in 2003-04 to 86.78 *per cent* in 2007-08 with a marginal decline from 95.02 *per cent* in 2006-07 indicating an overall decreasing reliance on the borrowed funds. The revenue receipts constitute 87 *per cent* of total expenditure during 2007-08 indicating that the remaining 13 *per cent* was met from borrowings.

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

	<i>(in per cent)</i>				
	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	18.53	20.50	21.13	23.04	21.79
Of which Interest payments	13.61	14.83	15.32	17.22	16.79
Social Services	27.77	32.26	33.40	31.81	35.02
Economic Services	9.76	12.40	15.16	15.34	4.24
Grants-in-aid	3.08	3.43	3.74	4.14	4.47
Loans and Advances	40.86	31.41	26.56	25.67	34.48

The movement of relative share of the various components of expenditure indicated that share of General Services including interest payment has increased from 18.53 *per cent* in 2003-04 to 21.79 *per cent* in 2007-08 and the share of economic services has steeply decreased from 9.76 *per cent* to 4.24 *per cent* during this period after reaching the peak level of 15.34 *per cent* during 2006-07. The shares of social services increased from 27.77 *per cent* to 35.02 *per cent* during this 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)				
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE) Of which	5087.09	5827.48	6515.39	7755.48	9770.52
Non-Plan Revenue Expenditure (NPRE)	3765.17	4435.36	4866.95	5734.82	6441.51
Plan Revenue Expenditure (PRE)	1321.92	1392.12	1648.44	2020.66	3329.01
Rate of Growth (per cent)					
Revenue Expenditure	10.63	14.55	11.80	19.03	25.98
NPRE	11.40	17.80	9.73	17.83	12.32
PRE	8.51	5.31	18.41	22.58	64.75
Ratios					
RE as a per cent of TE	50.65	55.11	59.68	60.44	56.85
NPRE as per cent of TE	37.49	41.95	44.58	44.69	37.48
NPRE as per cent of RR	51.24	51.80	44.88	47.03	43.20
Buoyancy Ratio of RE with reference to:					
GSDP	0.97	1.03	0.89	1.18	3.88
Revenue Receipts	1.04	0.88	0.44	1.53	1.16

Revenue expenditure of the State has increased at an average rate of 16.40 per cent from Rs. 5087.09 crore in 2003-04 to Rs. 9770.52 crore in 2007-08. During 2007-08 the revenue expenditure increased by Rs. 2015.04 crore (25.98 per cent) over the previous year of which NPRE shared Rs. 706.69 crore (35.07 per cent) while the remaining Rs. 1308.35 crore (64.93 per cent) was on account of increase in plan revenue expenditure. The increase in NPRE during 2007-08 was mainly due to interest Payments (Rs. 294.20 crore), Education, Sports, Art & Culture (Rs. 181.05 crore) while increase in PRE was largely on account of increase in Water Supply and Sanitation, Housing and Urban Development (Rs. 768.70 crore); Education, Sports, Art & Culture (Rs. 167.99 crore), Health and Family Welfare (Rs. 156.37 crore), and Social Welfare & Nutrition (Rs. 64.17 crore).

1.4.3 Committed Expenditure

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

Table 1.11: Interest payments

	(Rupees in crore)				
Interest Payments	2003-04	2004-05	2005-06	2006-07	2007-08
Interest Payments	1367.27	1568.56	1672.82	2210.23	2504.34
Revenue Receipts	7348.53	8562.63	10843.53	12193.61	14912.38
Interest payments as per cent to					
Revenue receipts	18.61	18.32	15.43	18.13	16.79
Revenue Expenditure	26.88	26.92	25.67	28.50	25.63

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. The interest payments were 16.79 *per cent* of the total revenue receipts and 25.63 *per cent* of total revenue expenditure during 2007-08.

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 2003-08.

Table 1.12: Indicators of Quality of Expenditure

(Rupees in crore)					
Components of Expenditure	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure	5087.09	5827.48	6515.39	7755.48	9770.52
Capital Expenditure	852.72	1425.52	1502.42	1782.94	3764.46
As per cent of Total Expenditure *					
Revenue Expenditure	85.64	80.34	81.26	81.30	72.19
Capital Expenditure	14.35	19.66	18.74	18.70	27.81
As per cent of GSDP					
Revenue Expenditure	6.45	6.48	6.40	6.56	7.74
Capital Expenditure	1.08	1.58	1.48	1.51	2.98

* Total Expenditure excludes Loans & Advances.

The relative shares of revenue and capital expenditure in the total expenditure (excluding loans and advances) have changed over the period 2003-08, i.e. the share of revenue expenditure has decreased from 86 *per cent* in 2003-04 to 72 *per cent* in 2007-08 while that of capital expenditure correspondingly increased from 14 to 28 *per cent* during the period. However, due to non-availability of break up of revenue expenditure in its salary and non-salary components and the nature of capital expenditure during the period, it would not be appropriate to comment upon the quality of expenditure solely on their relative shares in total expenditure.

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 2003-08.

Table 1.13: Expenditure on Social Services
(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Education					
Revenue Expenditure	1158.37	1565.54	1583.12	1805.20	2154.24
Capital Expenditure	113.37	116.36	78.42	146.89	254.37
Health and Family Welfare					
Revenue Expenditure	576.70	695.78	778.90	950.21	1153.89
Capital Expenditure	128.74	149.45	129.31	149.68	161.29
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	558.80	541.23	632.44	705.81	1490.65
Capital Expenditure	(-3.39)	101.49	110.85	(-90.27)	169.02
Other Social Services					
Revenue Expenditure	216.00	214.92	315.84	385.96	423.32
Capital Expenditure	40.41	26.07	18.20	27.29	41.45
Total (Social Services)	2789.00	3410.84	3647.08	4080.77	5848.23
Revenue Expenditure	2509.87	3017.47	3310.30	3847.18	5222.10
Capital Expenditure	279.13	393.37	336.78	233.59	626.13

The allocation to social services increased from Rs. 2789.00 crore in 2003-04 to Rs. 5848.23 crore in 2007-08 with significant increase from 2004-05 onward. Expenditure on Social Services during current year (Rs. 5848.23 crore) accounted for 43 *per cent* of total expenditure (excluding loans and advances) and 69 *per cent* of developmental expenditure¹. During 2007-08, general education, health and family welfare and water supply sanitation, housing and urban development shared about 92 *per cent* of total expenditure incurred on social services. Of the total increase of Rs. 1767.46 crore on social services in 2007-08 over the previous year, Rs. 863.59 crore (49 *per cent*) was on water supply and sanitation, housing and urban development due to increase in assistance to local bodies, Rs. 456.52 crore (25.83 *per cent*) on education followed by Rs. 215.29 crore (12 *per cent*) on health and family welfare. These trends indicate the Government's increasing commitment to improve the provision and delivery of social services.

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. 3488.12 crore) accounted for 25.77 *per cent* of the total expenditure, excluding loans and advances (**Table-1.12**) and 37.36 *per cent* of total development expenditure (Rs. 9336.35 cr). Of this,

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

Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 92.55 *per cent* of the expenditure.

Table 1.14: Expenditure on Economic Sector
(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities					
Revenue Expenditure	32.29	37.39	42.10	47.02	43.70
Capital Expenditure	2.19	3.16	103.00	6.22	9.41
Irrigation and Flood Control					
Revenue Expenditure	41.77	44.97	52.92	49.40	51.61
Capital Expenditure	19.00	18.35	41.68	18.04	31.00
Power & Energy					
Revenue Expenditure	112.17	3.51	75.88	95.34	97.11
Capital Expenditure	-	0.50	3.26	160.48	1102.03
Transport					
Revenue Expenditure	221.94	211.17	336.41	304.75	292.78
Capital Expenditure	472.94	895.42	890.72	1145.65	1600.56
Other Economic Services					
Revenue Expenditure	54.23	75.46	66.17	69.56	146.64
Capital Expenditure	24.08	21.47	43.28	72.12	113.27
Total (Economic Services)	980.61	1311.40	1655.42	1968.58	3488.12
Revenue Expenditure	462.40	372.50	573.48	566.07	631.85
Capital Expenditure	518.21	938.90	1081.94	1402.51	2856.27

The expenditure on Economic Sector during the year has increased by 77.19 *per cent* (Rs. 1519.54 crore) over the previous year. The increase in the current year was predominantly on account increase in expenditure of Rs. 943.32 crore (62.07 *per cent*) on Power & Energy and Rs. 442.94 crore (29.15 *per cent*) on Transport which was essentially the capital expenditure as it constituted almost *cent per cent* of total increment in expenditure in these two sectors. The expenditure on Economic Services thus accounted for 20.29 *per cent* of the total expenditure of the State of which Revenue Expenditure accounted for 18.11 *per cent* and capital expenditure accounting for remaining 81.90 *per cent* during 2007-08.

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 2003-08 is presented in **Table 1.15**.

Table 1.15: Financial Assistance

	(Rupees in crore)				
Financial Assistance to Institutions	2003-04	2004-05	2005-06	2006-07	2007-08
Municipal Corporation of Delhi	864.08	1169.94	1065.04	1908.47	2381.47
New Delhi Municipal Council	24.79	40.41	28.39	37.35	75.35
Delhi Cantonment Board	1.47	1.64	1.68	1.85	2.02
Delhi Jal Board	54.25	8.03	130.91	1606.59	2129.03
Delhi Vidyut Board/ DESU/ DERC	2.25	2.50	3.50	4.50	4.50
DISCOM	52.75	-	-	89.99	-
Others*	114.31	96.69	138.07	1280.16	2681.09
Total	1113.90	1319.21	1367.59	4928.91	7273.46
Assistance as per percentage of total expenditure	11.09	12.48	12.53	38.41	42.32

*Others includes assistance of Rs. 1092.07 crore and Rs. 744.73 crore given to Delhi Transport Corporation and PPCL in 2007-08.

The grants and loan extended to local bodies and other institutions with inter year variations increased by 47.57 per cent from Rs. 4929 crore in 2006-07 to Rs. 7273 cr during the current year. The share of grants and loans in revenue expenditure ranged between 11 per cent and 42 per cent during 2003-08. Another important trend emerged from the table 1.15 is that of the total increase of Rs. 2344.55 crore in 2007-08 over the previous year, other institutions shared (Rs. 1400.93 crore: 60 per cent) followed by Delhi Jal Board (Rs. 522.44 crore: 22 per cent) and Municipal Corporation of Delhi (Rs. 473.00 crore: 20 per cent). These trends indicate the fact that huge financial assistance was given on ad hoc basis to various institutions during 2007-08, the major beneficiary under this category being Delhi Transport Corporation (Rs. 1092.17 crore and Pragati Power Corporation Ltd. (Rs. 744.73 crore).

1.5.5 Delay in furnishing utilization certificates

Of the 5487 utilization certificates (UC) due in respect of grants and loans aggregating Rs. 14010.09 crore paid up to 2007-08 (upto 30 September 2008), 3847 UCs for an aggregate amount of Rs. 8688.00 crore were in arrears. PAO-wise break-up of outstanding UCs relating to financial assistance provided by the State government are given in **Appendix-1.3**.

1.5.6 Misappropriations, losses and defalcations etc.

State Government reported nil cases of misappropriation, defalcation, etc up to the period ending March 2008.

1.5.7 Write off of losses, etc.

As reported to Audit, no loss was written-off during 2007-08, 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 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-1.4** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. 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 2008, Government had invested Rs. 8235.43 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 10.65 *per cent* on its borrowings during 2003-2008.

Table 1.16: Return on Investment

	2003-04	2004-05	2005-06	2006-07	2007-08
Investment at the end of the year (Rupees in crore)	1378.29	1715.19	2063.66	2850.38	8235.4
Return (Rupees in crore)	6.03	3.75	38.62	22.17	31.1
Return (<i>per cent</i>)	0.44	0.22	1.87	0.78	0.3
Average rate of interest on government borrowing (<i>per cent</i>)	10.65	10.34	8.87	9.35	9.8
Difference between interest rate and return (<i>per cent</i>)	10.21	10.12	7.00	8.57	9.4

Total investments in Government companies etc. increased from Rs. 2,850.38 crore at the end of March 2007 to Rs. 8235.44 crore at the end of March 2008. The increase in investments in 2007-08 over the previous fiscal year was mainly on account of new investment of Rs. 456.49 crore, Rs. 347.54 crore and Rs. 377.30 crore in Delhi Metro Rail Corporation Limited, Indraprastha Power Generation Company and Delhi Transport Corporation Limited respectively and conversion of loan in to equity of Rs. 3452.00 crore in Delhi Transco Ltd. Major investments were made mainly in Delhi Metro Rail Corporation Limited, Delhi Transco Ltd., Indraprastha Power Generation Company Limited and Delhi Transport Corporation which constituted 86.04 *per cent* of the total investments made up to March 2008.

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 2008 was Rs. 30418.31 crore (**Table 1.17**). Interest received against these loans advanced was 5.37 *per cent* which was Rs. 1634.79 crore during 2007-08 as against the cost of borrowing of the Government of 9.88 *per cent* during the year calculate Rs. 3005.33 crore which shows loss of Rs. 1370.54 crore on accumulated loss as on 31.3.2008.

Table 1.17: Average Interest Received on Loans Advanced by the State Government
(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	18503.77	22351.21	25144.02	27724.60	*27000.02
Amount advanced during the year	4103.17	3320.77	2900.26	3294.24	3649.55
Amount repaid during the year	255.73	527.96	319.68	228.64	231.26
Closing Balance	22351.21	25144.02	27724.60	30467.02	30418.31
Net addition	3847.44	2792.81	2580.58	3065.60	3418.29
Interest Receipts	868.83	821.96	1254.17	1284.98	1634.79
Average interest receipts as <i>per cent</i> to outstanding Loans and advances	3.88	3.27	4.52	4.22	5.37
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	10.65	10.34	8.87	9.35	9.84
Difference between interest payments and interest receipts (<i>per cent</i>)	6.77	7.07	4.35	5.13	4.47

*Prior period adjustment of Rs.15.00 crore due to conversion of loan of Social Services into Grant-in-aid and Rs. 3452.00 crore adjusted due to loan as equity under Energy Sector.

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 2007-08 by the government of NCT of Delhi were in the sectors of water supply (Rs. 5010.39 crore), sewerage and sanitation (Rs. 2425.48 crore), urban development (Rs.1003.03 crore), Road Transport (Rs. 6349.47 crore) and in Energy Sector for Power Projects (Rs. 6217.71 crore). During 2007-08, the loans from the government were given to the institutions working in the areas of Social Services (Rs. 1337.55 crore), Energy (Rs. 130.71 crore), Transport (Rs. 1317.07 crore), Special loan to MCD and DJB (Rs. 75 crore and Rs. 786.62 crore) under miscellaneous Loans head.

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

	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities (Rupees in crore)*	14317.16	16026.86	21699.65	25568.04	25338.96
Rate of Growth (<i>per cent</i>)	26.11	11.94	35.40	17.83	(-)0.9
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	18.16	17.82	21.31	21.62	20.08
Revenue Receipts (<i>per cent</i>)	194.83	187.17	200.12	209.68	169.92
Own Resources (Tax and Non-tax revenue) (<i>per cent</i>)	209.48	199.65	209.90	220.05	186.32
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	2.02	0.84	2.68	1.10	(-)0.13
Revenue Receipts (ratio)	2.55	0.72	1.33	1.43	0.04
Own Resources (ratio)	2.36	0.68	1.23	1.44	2.04

*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. 14317.16 crore in 2003-04 to Rs. 25338.96 crore in 2007-08. The fiscal liabilities of Rs. 25338.96 crore comprised of small saving collection (Rs. 25338.92 crore and cooperative assistance to other cooperatives (Rs. 0.04 crore). The growth rate was (-) 0.9 *per cent* during 2007-08. The ratio of fiscal liabilities to GSDP increased marginally from 18.16 *per cent* in 2003-04 to 20.08 *per cent* in 2007-08. These liabilities stood at 1.7 times of the revenue receipts and 1.86 times of the States own resources as at the end of 2007-08.

1.7.2 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to 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.

1.7.3 Debt Stabilization

A prior condition for debt sustainability is the debt stabilization in terms of debt/ GSDP ratio. 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-GSDP 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 multiplied 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

	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate (<i>per cent</i>)	10.65	10.34	8.87	9.35	9.84
GSDP Growth (<i>per cent</i>)	10.88	14.11	13.21	16.15	6.69
Interest spread (<i>per cent</i>)	0.23	3.77	4.34	6.80	-3.15
Outstanding Debt at the beginning of the year (Rs. in crore)	11352.79	14317.16	16026.86	21699.65	25568.03
Quantum Spread (Rs. in crore)	(+)202.08	(+)483.92	(+)913.53	(-)362.38	-767.04
Primary Deficit (-)/surplus (+) (Rs. in crore)	(-)1071.45	(+)85.38	(+)1917.96	(+)1799.82	(+)463.44
Quantum Spread + Primary Deficit	(-)869.37	(+)569.30	(+)2831.49	(+)1437.44	(-)303.60

Table-1.19 reveals that quantum spread together with primary deficit was positive during 2004-07 and turned into negative during 2007-08. Contrary to these trends, the ratio of fiscal liabilities to GSDP of the NCT of Delhi indicated an increasing trend during the period 2003-08. 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 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. 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.

Table 1.20 indicates the resource gap as defined for the period 2003-08.

**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	
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
2007-08	2721.39	1720.93	294.11	2015.04	706.35

During the period 2003-08 the resource gap remains positive varying between Rs. 19 crore in 2006-07 and Rs. 1384.73 crore in 2005-06. The primary expenditure has consistently increased during the period 2003-08 and more steeply during the current year, the size of the positive resource gap varied primarily due to variations in incremental non-debt receipts during the period. The consistent positive resource gap indicates towards the enhanced capacity of the NCT of Delhi 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)				
	2003-04	2004-05	2005-06	2006-07	2007-08
Loans and Advances from GOI					
Receipt	4664.58	4011.35	5896.45	4002.14	746.02
Repayment (Principal + Interest)	1677.19	2301.65	223.66	133.75	3479.44
Net Fund Available	2987.39	1709.70	5672.79	3868.39	(-)2733.42
Net Fund Available (<i>per cent</i>)	64.04	42.62	96.21	96.66	(-)366.40

The debt redemption ratio remained far below the unity till 2006-07 but in 2007-08 it significantly exceeded the unity mainly due to steep fall in debt receipts from Rs. 4002 crore to Rs. 746 crore while the repayments have sharply increased from Rs. 134 crore to Rs. 3479 crore in 2007-08 over the previous year.

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 170.49 *per cent* in 2007-08 from the base year 2003-04. While, fiscal deficit increased by 16.3 *per cent* over the last five years (2003-04 to 2007-08).

Table 1.22: Fiscal Imbalances: Basic Parameters

	(Rupees in crore)				
Parameters	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-)/Surplus (+)	(+) 2261.44	(+) 2735.15	(+) 4328.14	(+) 4438.13	(+) 5141.86
Fiscal deficit (-)/Surplus (+)	(-)2438.72	(-)1483.18	(+)245.14	(-)410.41	(-)2040.90
Primary deficit (-)/Surplus (+)	(-)1071.45	(+)85.38	(+)1917.96	(+)1799.82	(+)463.44
RS/GSDP (<i>per cent</i>)	(+) 2.86	(+) 3.04	(+) 4.25	(+) 3.75	(+) 4.07
FD/GSDP (<i>per cent</i>)	(-)3.09	(-)1.65	(+)0.24	(-)0.35	(-) 1.62
PD/GSDP (<i>per cent</i>)	(-)1.35	(+)0.09	(+)1.88	(+)1.52	(+) 0.37
RD/FD (<i>per cent</i>)	(-)92.73	(-)184.41	(+)1765.58	(-)1081.39	(-)251.94

Table-1.22 reveal that the revenue account experienced a consistent improvement in revenue surplus during the period 2003-08 which stood at Rs. 5141.86crore in the current year. An improvement in the revenue surplus of Rs. 703.73 crore during the current year was mainly on account of an improvement in revenue receipts vis-à-vis revenue expenditure which was primarily on account of increase in NCT of Delhi's own resources which

constituted around 73 per cent of the total incremental receipts (Rs. 2719 crore) during the current year.

Despite of an increase in revenue surplus along with a marginal increase of Rs. 2.62 crore in non-debt capital receipts, fiscal deficit increased by Rs. 1630.49 crore mainly due to a steep increase of Rs. 2015.04 crore (26 per cent) in capital expenditure in 2007-08 over the previous year which in turn also led to steep fall in primary surplus from Rs. 1799.82 crore in 2006-07 to Rs. 463.44 crore during the current year. Relative to GSDP, fiscal deficit although increased from 0.35 per cent in 2006-07 to 1.62 per cent in the current year but it remained quite low and within the norm of 3 per cent recommended by TFC.

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	NDR vis-à-vis Primary Revenue Expenditure	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
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
2007-08	15143.64	7266.18	3764.46	3649.56	14680.20	(+)7877.46	(+)463.44

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2003-08 reveals (Table-1.23) that throughout this period, the primary deficit was experienced only in 2003-04 and that too was on account of capital expenditure incurred and loans and advances disbursed by the State Government. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which to some extent may be desirable to improve the productive capacity of the State's economy.

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 revenue receipts indicates the extent to which the revenue receipts of the State are able to meet the primary expenditure incurred under revenue account.

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 2003-2008, 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	2003-04	2004-05	2005-06	2006-07	2007-08
1	2	3	4	5	6
I Resource Mobilization					
Revenue Receipts/ GSDP	9.32	9.52	10.65	10.31	11.82
Own Tax revenue/GSDP	7.46	7.90	8.78	8.59	9.34
Own Non-Tax Revenue/GSDP	1.20	1.02	1.37	1.23	1.44
II Expenditure Management					
Total Expenditure/GSDP	12.74	11.75	10.72	10.85	13.62
Total Expenditure/Revenue Receipts	136.67	123.49	100.69	105.24	115.24
Revenue Expenditure/Total Expenditure	50.65	55.11	59.68	60.44	56.86
Expenditure on Social Services/Total Expenditure	34.23	39.74	40.93	39.09	41.81
Expenditure on Economic Services/Total Expenditure	37.96	27.06	29.03	23.78	28.72
Capital Expenditure/Total Expenditure	8.49	13.48	13.76	13.89	21.90
Capital Expenditure on Social and Economic Services/Total Expenditure.	7.94	12.60	10.94	12.75	20.26
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	(+)2.86	(+)3.04	(+)4.25	(+)3.75	(+)4.07
Fiscal deficit/GSDP	(-)3.09	(-)1.65	(+)0.24	(-)0.35	(-) 1.62
Primary Deficit (surplus)/GSDP	(-)1.35	(+)0.09	(+)1.88	(+)1.52	(+) 0.37
Revenue Deficit/Fiscal Deficit	92.73	184.41	1765.58	(-)1081.39	(-)251.94
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	18.16	17.82	21.32	21.62	20.09
Fiscal Liabilities/RR	194.83	187.17	200.12	209.68	169.91
Percentage of primary deficit to quantum spread	(-)530.21	17.64	209.95	(-)496.67	
Percentage of Debt Redemption (Principal +Interest) to Total Debt Receipts	35.96	57.38	3.97	3.34	466.40
V Other Fiscal Health Indicators					
Return on Investment	0.44	0.22	1.87	0.78	0.38
Balance from Current Revenue (Rs. in crore)	1402.44	1606.42	5988.41	6458.79	7671.30
Percentage of Financial Assets to Liabilities	96.04	95.90	83.76	79.83	85.39

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts are comprised not only of the tax and non-tax resources but also the transfers

from Union Government. The ratio of revenue receipts to GSDP during the current year is 11.82 *per cent* an increase of percentage points over previous year. During 2007-08, 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 mobilization efforts. The revenue expenditure as a percentage to total expenditure indicated the increasing trend till 2006-07 but it declined in 2007-08 primarily due to a steep increase in capital expenditure during the year. 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 however decreased to 87 *per cent* in 2007-08 reflecting dependence on borrowed funds has increased during the year to finance its expenditure requirements. Increase in share of plan expenditure, capital expenditure and expenditure on social services are the welcome changes which need to be sustained in the ensuing years. Moreover, growth in fiscal liabilities is arrested during the year and relative to GSDP, NCT of Delhi's own resources as well as revenue receipts, they remained within the manageable limits.

The increase in revenue surplus accompanied with deterioration in fiscal deficit and primary surplus reveals the mixed trend in its fiscal performance during the year. Since deterioration in fiscal deficit was primarily due to steep increase in capital expenditure and relative to GSDP it was still well below 3 *per cent* norm, the increase is not a cause of alarm. Moreover, it was accompanied with a huge amount of positive BCR indicating the availability of adequate resources for plan schemes/projects.

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 improved (Rs. 703.73 crore) while deterioration was observed in fiscal deficit (Rs. 1630.49 crore) and primary surplus (Rs. 2263.26 crore) during 2007-08 over the previous year. These trends may however be seen in view of the fact that capital expenditure has increased by Rs. 2015.04 crore (26 *per cent*) in 2007-08 over the previous year and around 73 *per cent* of the total incremental receipts (Rs. 2719 crore) during the current year are contributed by NCT of Delhi's own resources. The appreciable feature of the expenditure pattern during the year was that it has steadily changed in favour of capital expenditure, plan expenditure and

expenditure on social services. 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 2003-08. 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 2003-08.