

## CHAPTER –4

# PUBLIC FINANCE

1. Delhi continues to have a special status as provided in the Government of N.C.T. of Delhi Act, 1991. In administrative matters, Delhi is a Union Territory with its own Legislature and a Council of Ministers. A number of agencies which directly affect the governance of Delhi, like MCD, NDMC, DDA etc. are not under the administrative ambit of the Delhi Government. This multiplicity of agencies and fragmentation of responsibility results in lack of effective coordination in policy and action on critical fronts.
2. Delhi has a Consolidated Fund separate from the Government of India. Delhi essentially enjoys the same tax jurisdiction as is available to States under the Constitutional division of tax powers. Delhi is now being provided Small Savings Loans by the Government of India on the same formula as is applicable to the States. The present allocation of Central Plan Assistance (C P A) to Delhi is an ad-hoc arrangement and the CPA is provided in shape of 30% grant and 70% loan as applied to non-special category States.
3. Delhi's fiscal powers remained limited on many counts. Till the recent year, Delhi was not entitled to borrow except from the Government of India. The Delhi Government could, therefore, not avail of the benefits of market borrowings, negotiated loans and provident fund to finance its Annual Plan till 2001-02. These benefits are normally available to all States. However, on 6<sup>th</sup> September, 2001, Government of India amended the Government of Union Territories Act, 1963 and the Government of N.C.T. of Delhi Act, 1991 to authorise the Union Territories with Legislature (i.e. NCT of Delhi and Pondichery) to borrow from the market upon the security of the Consolidated Fund of the respective Union Territories and also to provide for separate Public Accounts for both the Union Territories. The amended provision as applicable to Delhi is at Box 4.1 The modalities for implementing these provisions are being worked out. Further, a notification to make these amendments effective from particular date(s) is yet to be made by the Government of India.

#### **BOX 4.1**

##### **Public Account of the Capital and Moneys Credited to it.**

- (1) As from such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf, all other public moneys received by or on behalf of the Lieutenant Governor shall be credited to a public account entitled "the Public Account of the Capital.
- (2) The custody of public moneys, other than those credited to the Consolidated Fund of the Capital or the Contingency Fund of the National Capital Territory of Delhi, received by or on behalf of the Lieutenant Governor, their payment into the Public Account of the Capital and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by rules made by the Lieutenant Governor with the approval of the President.

##### **Borrowing upon the Security of the Consolidated Fund of the Capital**

- (1) The executive power of the Union extends to borrowing upon the Security of the Consolidated Fund of the Capital, within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantee within such limits, if any, as may be so fixed;

Provided that the powers exercisable by the Government of India under this subsection shall also be exercisable by the Lieutenant Governor subject to such conditions, if any, as the Government of India may think fit to impose.

- (2) Any sums required for the purpose of invoking a guarantee shall be charged on the Consolidated Fund of the Capital.

4. Besides the above, in view of the non-inclusion of Delhi in the Terms of Reference of the Eleventh Central Finance Commission (ECFC), Delhi is being deprived of financial benefits on many counts. Delhi is at present getting only discretionary grants in lieu of its share in Central Taxes and that too at a reduced level. The other financial benefits recommended by the ECFC for the States are not being made available to Delhi since a Union Territory is not covered under the Terms of Reference of the ECFC.

## BOX 4.2

While Delhi Government has been making all efforts for prudent financial management, its progress has suffered setbacks because of the lack of necessary action on the part of the Government of India. Delhi Government had requested the Government of India for inclusion of Delhi under the terms of reference of the Eleventh Central Finance Commission (ECFC) but this was not done. This has hurt the interest of Delhi Government in many ways.

### (i) **Non Availability of Due Share in Central Taxes**

According to the present formula of devolution, 29.5% of share in Central Taxes to the States recommended by the ECFC, all the States are getting enhanced share in Central Taxes while Delhi Government's allocation of grant in lieu of share in Central Taxes has been reduced to Rs.325 crore in 2001-02 from Rs.330 crore released in the previous year.

### (ii) **Non Availability of Grants for Local Bodies**

The ECFC has recommended Rs.400 crore per annum for Urban Local Bodies in States during 2000-05. Though according to the provisions of Article 243-I and 243-Y of the Constitution, the recommendations of the first Delhi Finance Commission are being implemented, the Local Bodies in Delhi are being deprived of these benefits.

### (iii) **Non Availability of Grants for Natural Calamity Relief Measures**

The Delhi Government has been incurring expenditure for relief of various natural calamities like flood, fire, drought etc. every year but no calamity relief grant is provided to Delhi as is done for other States.

### (iv) **Grants for upgradation of Standard of Administration and Special Problems**

As the capital of the country, Delhi is faced with various problems particularly due to continuous influx from neighbouring States. The ECFC has recommended grants for Special Problems like Slum Development (Rs.40.00 crore to Rajasthan for various towns and Rs.49.00 crore to Tamil Nadu for Chennai, Madurai and Coimbatore), Upgradation of Water Supply and Sewerage System (Rs.50.00 crore to Bihar for Patna and Ranchi) etc. ECFC has also recommended grants for upgradation of District Administration (Rs.370.00 crore), Fire Services (Rs.201.00 crore), Judicial Administration (Rs.502.90 crore), Health Services (Rs.432.00 crore), Elementary Education (Rs.506.00 crore), Computer Training for School Children (Rs.245.53 crore), Heritage Protection (Rs.122.00 crore), Public Libraries (Rs.139.20 crore) etc. in States during 2000-05. Though Delhi deserves grants for such activities particularly Slum Development, Upgradation of Water Supply and Sewerage System, Improvement in Sanitation etc., Delhi is deprived of these benefits for want of recommendations of the ECFC.

5. The Delhi Government is of the view that Delhi should be covered under the Terms of Reference of successive Central Finance Commissions so that the various financial benefits recommended by the Commission for the States also apply to Delhi.
6. Delhi's present administrative/fiscal arrangement is somewhat peculiar in some respects as compared to other States and Union Territories. This calls for delegation of greater powers and authority to the elected Government.
7. The Dismal performance of various public utilities like Delhi Transport Corporation (DTC), Delhi Vidyut Board (DVB) and Delhi Jal Board (DJB) remains one of the major causes of concern of the Delhi Government. These organisations are a drain on the resources of the Delhi Government. This was one of the main reasons why the Delhi Government had to take Small Savings Loans in excess of the budgetary target during the previous years to meet the Non-Plan deficit of these organisations. This has resulted in an increase in the overall debt liability of the Delhi Government which is another cause of concern at the macro-economic level.
8. The Government has initiated steps to improve the physical and financial performance of these organisations. Memoranda of Understanding (MoU) have been signed for the first time with DVB, DTC and DJB in 2000-01 in an attempt to increase accountability. This system has instilled a greater clarity regarding obligations and commitments of these utilities. Such MoU have also been signed with DTC and DJB during 2001-02.
9. The Delhi Government has also decided to restructure the organisations one by one. The proposed unbundling of DVB into one Generation, one Transmission and three Distribution Companies and alternatively to privatise the distribution business, is the first step in this direction. The restructuring of DVB is likely to take place from 2001-02.
10. The Delhi Government shall next focus on restructuring of DTC. The process has been initiated to obtain advice from experts regarding a road-map for restructuring of DTC. In the case of DJB, a study on Delhi's water supply and sewerage system with World Bank assistance is already under way. The findings and recommendations for bringing about improvement in the physical/financial performance of DJB are expected to be reviewed later this year.
11. Delhi has a vast tax potential but its efforts to tap such sources on occasion get disrupted due to delay in necessary action by the Government of India for amendment of the relevant Acts/laws which have either been passed by the Parliament in relation to Delhi or extended to Delhi from other States by the Ministry of Home Affairs, Government of India (Ref. Box 4.3).

### BOX 4.3

Some major legal hurdles that Delhi Government is facing in raising own resources is that under the existing dispensation, Delhi Assembly is not competent to amend any law either passed by the Parliament in relation to Delhi or extended to Delhi from other States by the Ministry of Home Affairs, without obtaining the prior approval of the Government of India. These process is time consuming. For instance, the upward revision of duties and reduction in the number of slabs of Stamp Duties in Schedule IA of the Indian Stamp Act, 1899 has been allowed to Delhi with effect from 30<sup>th</sup> July, 2001 after a gap of 42 years. Amendment in the Indian Stamp Act, 1899 to prevent the under valuation of property transactions in Delhi has also been made in 2001-02 after a long period of persuasion.

The Fee structure of various services being provided by the Transport Department like driver licence, fitness certificate, permit fees etc. are as per the provision of the Delhi Motor Vehicles Rules, 1993 framed under the Motor Vehicle Act, 1988. Any revision to these rates, therefore, requires the approval of the Government of India. Such rates have been revised by the Government of India in June, 2001.

The remedy to these hurdles is to make the Delhi Legislative Assembly competent to amend or repeal any law which have been enacted by the Parliament specifically for Delhi or the laws which have been extended to Delhi from other States by the Ministry of Home Affairs, Government of India.

12. The Sales Tax Department of Delhi Government has committed to introduce Value Added Tax (VAT) with effect from 1<sup>st</sup> April, 2003 as decided by the Empowered Committee. The department has engaged international experts to assist in the transition to VAT. The implementation of VAT is likely to remove the cascading effect of taxes and levies and ensure simplicity.
13. Delhi Government's realisation of non tax revenue by way of service charges is nominal. This is mainly because of the fact that such charges have not been revised for a long time because of a lack of initiative by the concerned departments or, in some cases, due to the reason that the rates of service charges are even mentioned in the relevant Act which requires amendment to Legislature for revising rates.
14. Further, a major part of non tax revenue of the Delhi Government is interest dues from the local bodies like MCD and NDMC and public utilities like DVB, DTC and DJB. The interest receipts, from the public utilities are nil due to their intrinsic weak financial performance. In the case of DVB, the interest is recovered by converting it into a Non Plan loan during the year . NDMC has been making payment of interest and repayment of loan to Delhi Government regularly. However, they have decided not to take any further loans from Delhi Government from 2001-02. In the case of MCD, both interest and principal due to Delhi Government are being recovered at source from their entitlements of basic tax share from the Delhi Government as per the recommendations of the first Delhi Finance Commission.
15. The Delhi Government has taken various austerity measures which have helped reduce its normal Non Plan revenue expenditure. The various steps taken in this direction are at Box 4.4.

#### BOX 4.4

(1). **Ban on Creation/Filling up of Non-Plan Posts and Appointment on Daily Wages/Contract Basis**

There is a total ban on creation new posts under non-plan and also filling up of posts lying vacant for more than one year except by promotion and in case of operational posts e.g. teachers, doctors, para-medical staff & drivers, etc. No fresh appointment will be made on daily wages and/or on contract basis.

(2) **Ban on Purchase of New Vehicles under Plan and Non-Plan**

The ban on purchase of new vehicles, either in replacement or new purchase continues.

(3) **Economy in Plan and Non-Plan Expenditure Other Than Expenditure on Salary**

The departments will not incur any expenditure on air conditioners, new telephone connections either at residence or offices, purchase of fax/photocopiers, new items of furniture and refrigerators. Austerity must be exercised in expenditure on meetings, conferences, inaugurations and furnishing offices/residence.

(4) **Economy in Expenditure on Advertisement/Publicity and Stationery Items**

The department shall make a 10% mandatory cut during the current financial year on advertisement/publicity and purchase of stationery items with reference to the actual expenditure incurred during the financial year 2000-01.

(5) **Expenditure on Security/Sanitation Services**

The department will, to the extent possible, engage the services of private security agencies/sanitation services for all new offices/facilities. In cases where the department have already engaged private security/sanitation services, they should furnish a certificate to their associate Finance Department to the effect that they have located matching savings to that extent by abolition of posts along with details of posts so abolished.

(6) **Economy in Expenditure on Petrol**

The ceiling on drawal of petrol not exceeding 200 liters per vehicle per month already imposed shall continue to be in force and shall be strictly followed.

(7) **Use of More Than One Staff Car and/or Office Room at One Place**

In a number of cases, the officers who are holding charge of more than one post, in addition to their own duties, are having more than one staff car/office room with them. This is against standing Government instructions and has to be discontinued forthwith.

(8) **Complete Ban on Creation of Post of Dispatch Rider**

Since all departments of the Government are going for computerisation, in future greater use must be made of internet for sending various notes/circulars/urgent communications. Therefore, no proposals for creation of posts of dispatch riders or purchase of motorbikes will be entertained by the Finance Department.

16. The budget for 2001-02 was formulated against this backdrop. The important feature of the finances of the Delhi Government during 2000-01 and 2001-02 (BE) are discussed in the succeeding sections.

## 17. REVENUE RECEIPTS

The statement below indicates the overall position of revenue receipts of the Delhi Government.

### Statement 4.1

#### REVENUE RECEIPT

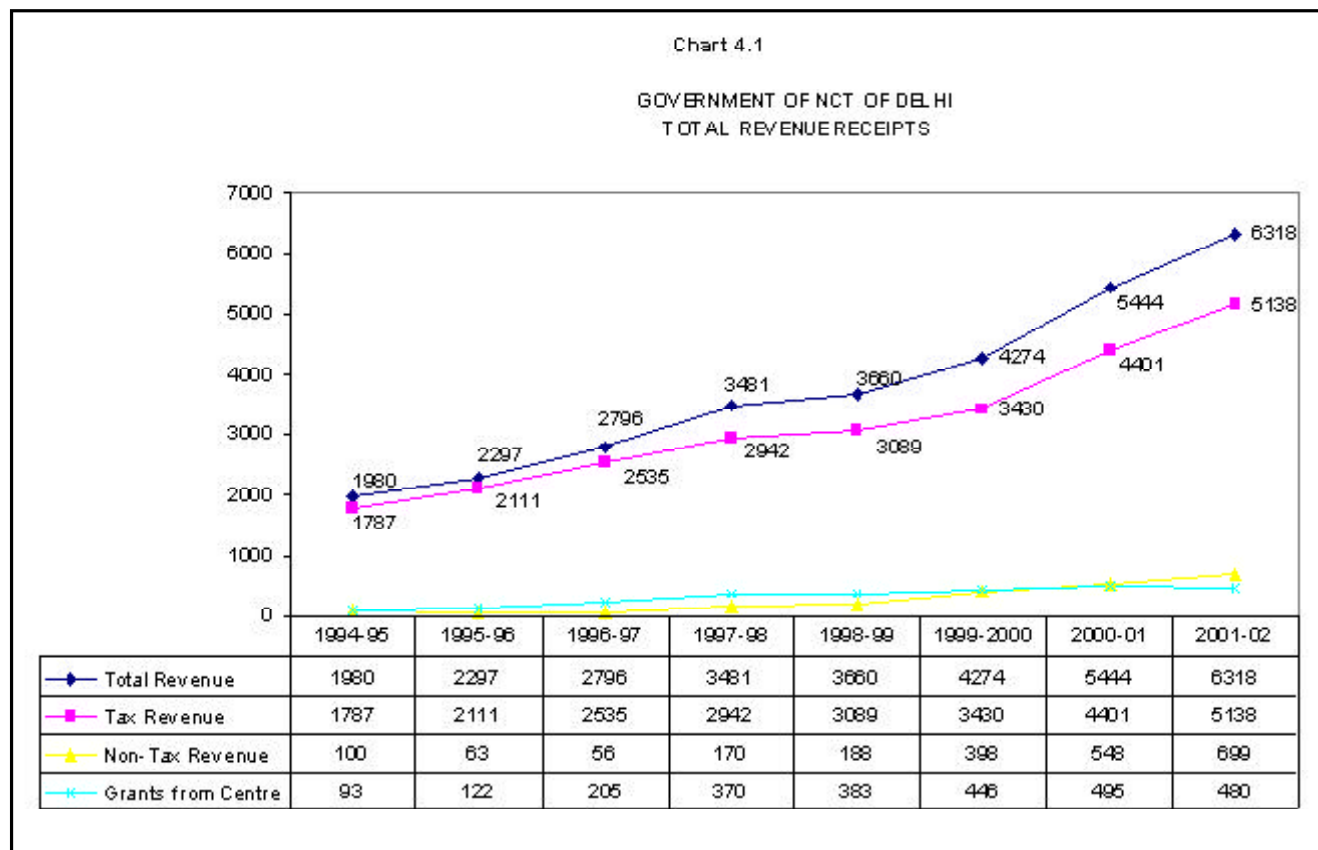
(Rs. in Crore)

SN Item	1994-95	2000-01 Actuals (Tentative)	Annual Average Growth 1994-2001 (%)	Annual Average Growth 1998-2001 (%)	2001-02 (BE)	Achievement (April, 2001 to Jan. 2002)
<b>1. Own Tax Revenue</b>	1787.47	4400.62	14.83%	19.36%	5138.15	4049.58
Of which	(25.49)	(28.28)			(16.76)	(11.80)
(i) Sales Tax	1271.26	3388.89	15.08%	26.45%	3800.00	3074.75
	(26.79)	(44.28)			(12.13)	(10.58)
(ii) State Excise	308.47	557.21	11.24%	2.91%	700.00	492.89
	(8.77)	(-1.62)			(25.63)	(8.47)
(iii) Motor Vehicle Tax	66.49	142.34	17.04%	6.54%	220.00	132.66
	(41.95)	(-11.52)			(54.56)	(11.97)
(iv) Stamps & Registration Fee	111.92	191.68	10.10%	12.66%	250.00	240.80
	(68.40)	(0.64)			(30.43)	(31.34)
(v) Other Taxes	29.12	120.49	33.87%	-15.05%	168.15	108.48
	(18.36)	(-26.48)			(39.54)	(26.97)
<b>2. Own Non-Tax Revenue</b>	99.63	548.35	42.99%	70.80%	699.24	168.98
	(105.00)	(37.83)			(27.52)	(208.58)
<b>3. Grants from the Centre</b>	93.36	495.01	34.10%	13.63%	480.11	35.96
		(10.97)			(-3.01)	
<b>4. Total Revenue Receipts (1+2+3)</b>	1980.46	5443.98	17.63%	21.96%	6317.50	4254.52
	(15.96)	(27.36)			(16.05)	

Source :- Actuals for 1994-95 to 1999-2000 from Finance Accounts, Actuals (Tentative) for 2000-01 from Principal Accounts Office and BE for 2001-02 from Budget of Delhi Government.

Note:- Figures in brackets indicate percentage growth over previous year. (Refer Table 4.1 for further details).

Delhi Government's revenue receipts comprise its own revenue receipts (tax and non-tax) and grants from the Centre (Chart 4.1). The revenue receipts have increased from Rs.1980.46 crore in 1994-95 to Rs.5443.98 crore in 2000-01 registering an average annual growth of 17.63% during 1994-2001. The average annual growth during the last three years 1998-2001 was higher at 21.96%. The revenue receipts are budgeted at Rs.6317.50 crore with a step up of 16.05% over the previous year. (Ref. Table 4.1).



## 18 OWN TAX REVENUE

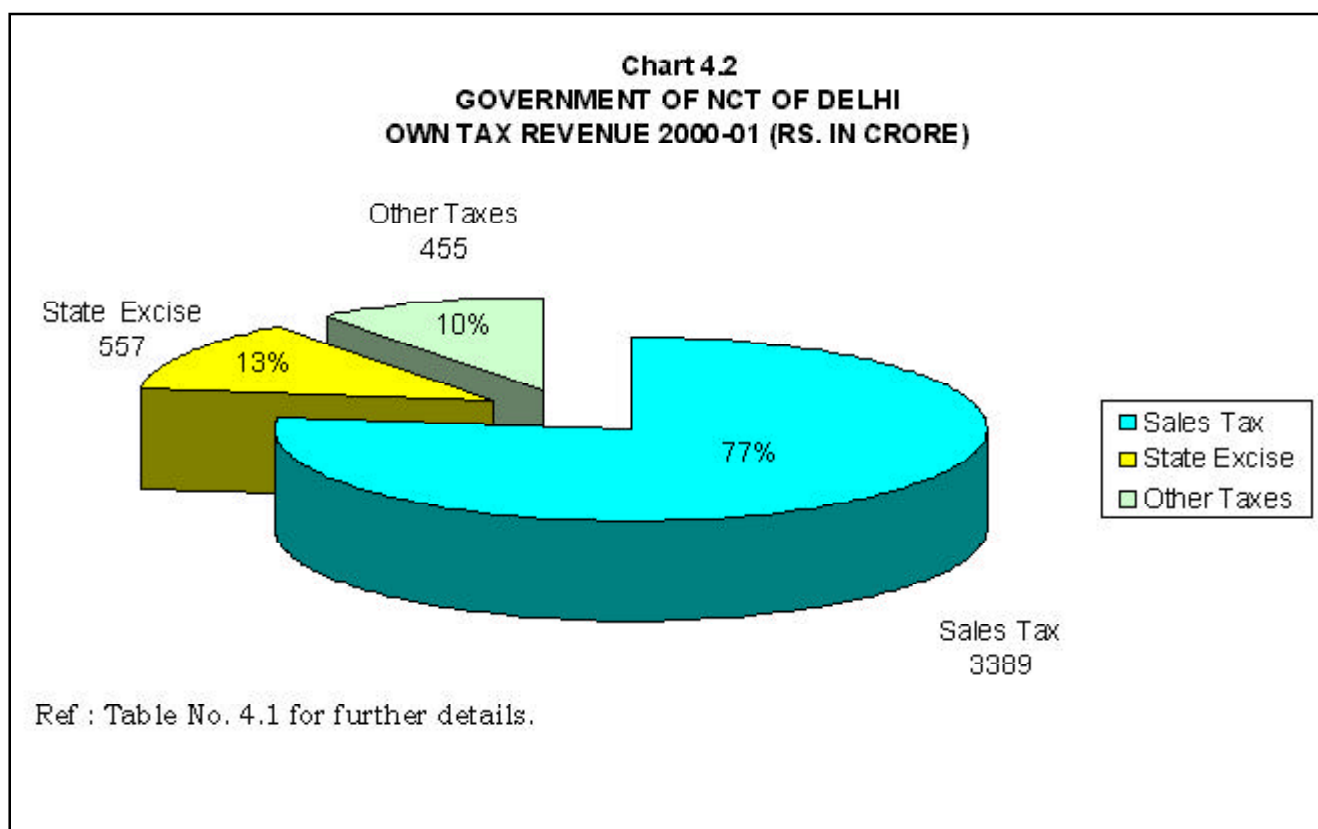
Delhi's own tax revenue consists of Sales Tax, State Excise Duties, Motor Vehicles Tax, Stamp and Registration Fee etc. which contributed more than 80% of the total revenue receipts in 2000-01. Own tax revenue has increased from Rs.1787.47 crore in 1994-95 to Rs.4400.62 crore in 2000-01 at an average annual growth of 14.83% during 1994-2001. This growth was higher at 19.36% during 1998-2001. The Own tax revenue is budgeted at Rs.5138.15 crore in 2001-02 with a growth of 16.76% over the previous year. The tax revenue collection during the first 10 months of 2001-02 is Rs. 4049.58 crore representing a growth of 11.80% over the corresponding period of the previous year.

Sales Tax is the major source of Delhi's own tax revenue. It contributed 77% of the own tax revenue during 2000-01. Sales Tax collection grew from Rs.1271.26 crore in 1994-95 to Rs.3388.89



crore in 2000-01 at an average annual growth of 15.08% during 1994-2001. The growth rate during 1998-2001 was much higher at 26.45%. Sales Tax collection is budgeted at Rs.3800 crore with a growth of 12.13% over the previous year. The collection during first ten months of 2001-02 was Rs.3074.75 crore, a growth of 10.58% over the collections during the corresponding period of last year.

State Excise is the second largest source of tax revenue for Delhi. Excise collections increased from Rs.308.47 crore in 1994-95 to Rs.557.21 crore in 2000-01, an average annual growth of 11.24% during 1994-2001. The main reasons for slow growth in revenues are lifting of prohibition in Haryana, the limited number of retail shops in Delhi etc. State excise is budgeted at Rs.700 crore in 2001-02 with a growth of 25.63%. The collection during first ten months of 2000-01 was Rs.492.89 crore, a growth of 8.47% over collections during the corresponding period of the last year.



## 19 TAX BUOYANCY

The position regarding tax buoyancy (viz. the growth in tax revenue as compared to growth in GSDP) is indicated in the statement below.

**Statement 4.2****TAX BUOYANCY : DELHI**

S.No.	Item	Tax Buoyancy (1994-2001)	Tax Buoyancy (1998-2001)
	<b>Own Tax</b>		
1.	Sales Tax	0.98	2.47
2.	State Excise	0.73	0.27
3.	Tax on Motor Vehicle	1.11	0.61
4.	Stamps & Registration Fee	0.66	1.18
5.	Other Taxes & Duties	2.21	1.40
6.	Total Taxes	0.97	1.81

Source : Finance Accounts of Delhi Government for Own tax and GSDP from Dte. of Economics & Statistics, Delhi Government.

\* The buoyancy of own taxes of Delhi Government was 0.97 during 1994-2001. However, tax buoyancy has been much higher at 1.81 during the last three years. This is testimony to the tax effort mounted in the last three years.

**20. TAXEFFORT**

Though Delhi has one of the highest per capita incomes in the country, its position was 8<sup>th</sup> in terms of State's own tax/GSDP ratio (6.55%) during 1999-2000. Lagging behind were West Bengal (3.83%), Orissa (4.48%), Uttar Pradesh (5.01%), Bihar (5.05%), Madhya Pradesh (5.83%), Rajasthan (6.04%) and Punjab (6.30%). (Ref. Table 4.6)

The following statement indicates the tax revenue as percentage of GSDP in respect of Delhi vis-a-vis the tax revenue as percentage of GDP of all States and the Government of India.

**Statement 4.3**

**OWN TAX REVENUE AS % OF GSDP FOR DELHI VIS-À-VIS OWN TAX REVENUE AS  
% OF GDP OF ALL STATES & GOVT. OF INDIA**

Year	1994-95	1997-98	1998-99	1999-2000
Delhi	6.96	7.18	6.58	6.55
All States	5.50	5.34	5.11	5.32
Govt. of India	6.50	6.30	6.00	6.55

Source :- Reserve Bank of India Bulletin (Finances of State Governments) from 1997-98 to 2001-02. Economic Survey of Government of India, 1998-99 to 2001-02.

## 21. OWN NON TAX REVENUE

Delhi Government's non-tax revenue consists of receipts by way of service charges from general, economic and social services, interest, dividends and profits. The major portion of Delhi's non-tax revenue is interest dues from local bodies and public utilities, like DVB, DTC etc. The interest from the public utilities is not received because of their weak financial performance. The interest from DVB is recovered by converting the interest into a Non-Plan loan at the end of the financial year by way of a book adjustment.

The non-tax revenue increased from Rs.99.63 crore in 1994-95 to Rs.548.35 crore in 2000-01, an average annual growth of 42.99% during 1994-2001. The growth was much higher at 70.8% during 1998-2001, mainly due to the fact that interest from DVB increased from Rs.165.30 crore in 1999-2000 to Rs.398.90 crore in 2000-01. The non-tax Revenue is budgeted at Rs.699.24 crore during 2001-02, a growth of 27.52%. The actual collection during the first ten months of 2001-02 was Rs.168.98 crore. The reason for lower collection as compared to budget estimates is that recovery of interest from DVB and others is made at the close of the financial year (Ref. Table 4.1).

## 22. CENTRAL GRANTS

Revenue from the Centre is available to Delhi Government in the form of grants for State Plan (i.e. 30% of Central Plan Assistance), grants for Centrally Sponsored Schemes and grants in lieu of share in Central Taxes. Grants from the Centre have increased from Rs. 93.36 crore in 1994-95 to Rs.495.01 crore in 2000-01. The growth was much lower during 1998-2001 mainly because the grant from the Centre received a quantum jump from Rs.205.38 crore in 1996-97 to Rs.369.62 crore in 1997-98 when Delhi Government started getting a share in Central taxes for the first time. Thereafter, support in this form has plateaued out. (Ref. Table 4.1 )

## 23. REVENUE EXPENDITURE

The statement below indicates the overall position of Revenue Expenditure of Delhi.

**Statement 4.4**

### REVENUE EXPENDITURE

(Rs. in Crore)

SN	Item	1994-95	2000-01 Actuals (Tentative)	Annual Average Growth 1994-2001(%)	Annual Average Growth 1998-2001 (%)	2001-02 (BE)
	<b>Total Revenue Expenditure (1+2)</b>	<b>1430.91</b>	<b>3696.66</b>	<b>17.19%</b>	<b>14.09%</b>	<b>4481.32</b>
1.	<b>Plan</b>	391.29	967.91	14.31%	10.34%	1225.99
2.	<b>Non-Plan</b> Of which	<b>1039.62</b>	<b>2728.75</b>	<b>18.23%</b>	<b>15.51%</b>	<b>3255.33</b>
(i)	Interest Payment	-	716.76	-	28.76%	894.90
(ii)	Devolution to Local Bodies	95.65	238.56	17.96%	83.56%	262.57

Source : Actuals from 1994-95 to 1999-2000 from Finance Accounts, Actual (Tentative) for 2000-01 from Pr. Accounts office, BE for 2001-02 from Budget of Delhi Government

The major part of revenue expenditure is under non-Plan. Delhi's non-Plan revenue expenditure was 73.82% in 2000-01 as compared to the all States figure of 84.95% during the same year.

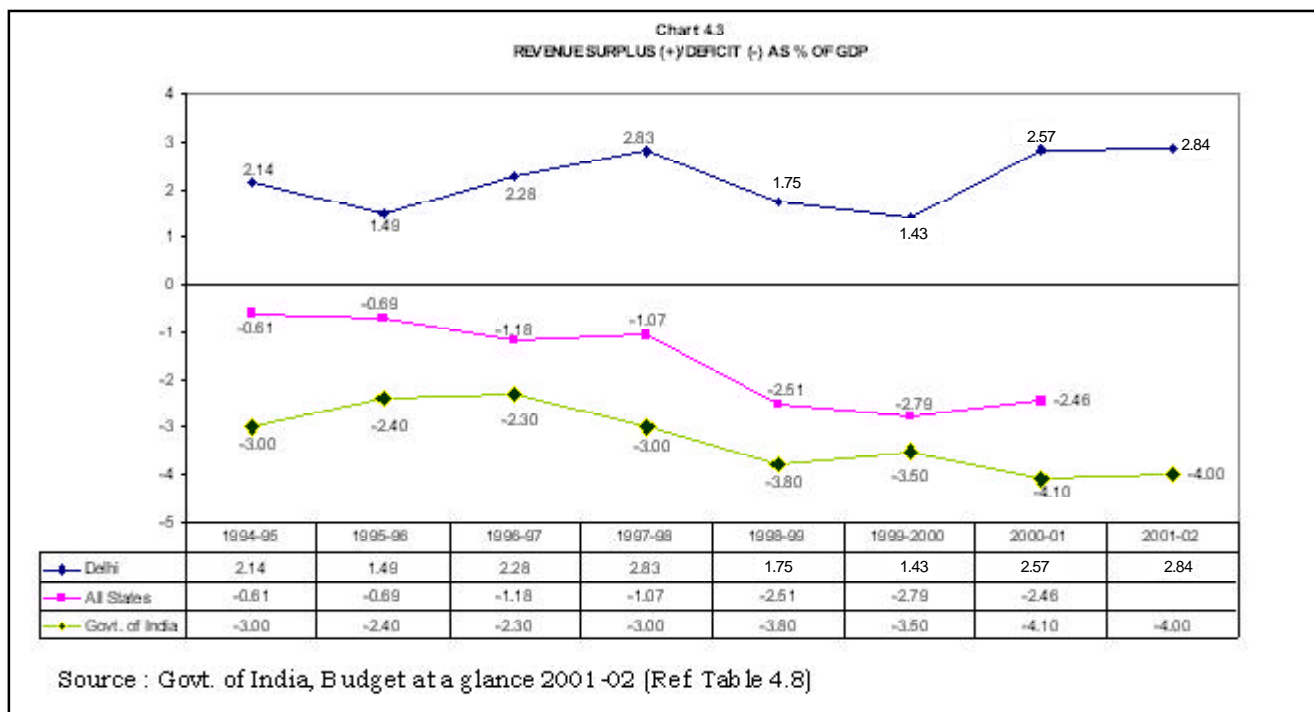
Revenue expenditure of Delhi Government has increased from Rs.1430.91 crore in 1994-95 to Rs.3696.66 crore in 2000-01 with an average annual growth of 17.19% in 1994-2001 and 14.09% in 1998-2001. The average annual growth of revenue expenditure was 2.25 times higher than the average annual inflation of 6.00% in 1998-2001. Revenue expenditure is budgeted at Rs.4481.32 crore in 2001-02 with a growth of 21.23% over the previous year. (Ref. Table 4.3. & 4.4)

Plan revenue expenditure has increased from Rs. 391.29 crore in 1994-95 to Rs. 967.91 crore in 2000-01 with an average annual growth of 14.31% in 1994-2001 and 10.34% in 1998-2001. The Plan revenue expenditure is budgeted at Rs.1225.99 crore for 2001-02, a growth of 26.66% over the previous year.

Non-Plan revenue expenditure has increased from Rs. 1039.62 crore in 1994-95 to Rs.2728.75 crore in 2000-01 with an average annual growth of 18.23% in 1994-2001 and 15.51% in 1998-2001. The non-Plan revenue expenditure is budgeted at Rs. 3255.33 crore for 2001-02, a step up of 19.30% over the previous year.

## 24. REVENUE SURPLUS

While all States taken together have a deficit on the revenue account, Delhi occupies a pride of place in the country by recording a consistent revenue surplus as show in chart 4.3 and statement 4.5 (Ref. Table 4.9 for further details).



**Statement 4.5**

**BALANCE ON REVENUE ACCOUNT 1994-95 TO 2001-02, DELHI**

(Rs. in Crore)

Item	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01 Actuals (Tentative)	2001-02 (BE)
1. Revenue Receipts	1980.46	2296.51	2795.99	3480.72	3660.12	4274.33	5443.98	6317.50
2. Revenue Expenditure	1430.91	1894.24	2031.81	2322.00	2840.12	3523.00	3696.66	4481.32
Revenue (1-2) Surplus	549.55	419.34	764.18	1158.72	820.00	751.33	1747.32	1836.18
Revenue Surplus as % of GSDP (Delhi)	2.14	1.49	2.28	2.83	1.75	1.43	2.57	2.84
Revenue deficit as % of GDP (All States)	-0.61	-0.69	-1.18	-1.07	-2.51	-2.79	-2.46(RE)	N. A.
Revenue Deficit as- % of GDP (Government of India)	3.00	-2.40	-2.30	-3.00	-3.80	-3.50	-4.10	-4.00

Source : Actuals for 1994-95 to 1999-2000 from Finance Accounts, Actuals (Tentative) for 2000-01 from Pr. Accounts Office and BE for 2001-02 from Budget of Delhi Government

Delhi had a revenue surplus of Rs.549.55 crore (2.14% of GSDP) in 1994-95 which has increased to Rs.1747.32 crore (2.57% of GSDP) in 2000-01. Delhi's surplus on the revenue account is budgeted at Rs.1836.18 crore (2.84% of GSDP) in 2001-02. The revenue surplus of Delhi Government has financed about 50% of net capital expenditure (i.e. capital expenditure net of loan re-payment) during 2000-01. Thus, only the balance 50% has to be funded through net loans from the Centre i.e. gross loans less loan repayment.

## 25. CAPITAL RECEIPTS

Delhi Government's capital receipts consists of loans from the Centre including small savings loan and block loan (i.e. 70% of Central Plan Assistance), and recovery of loans and advances from local bodies/public utilities/government servants. The following statement indicates the position of capital receipts of Delhi Government.

## Statement 4.6

### CAPITAL RECEIPTS

(Rs. in Crore)

SN Item	1994-95	2000-01 Actuals (Tentative)	Annual Average Growth 1994-2001(%)	Annual Average Growth 1998-2001(%)	2001-02 (BE)
<b>Total Capital Receipt</b>	547.99	1885.21	20.62%	35.26%	1257.50
Of which					
(i) Block Loan	167.30	259.01	7.11%	8.29%	234.50
(ii) Small Saving Loan	343.03	1505.08	23.29%	41.22%	841.00
(iii) Recovery of Loan & Advances	37.66	121.12	35.21%	48.51%	182.00

Source : Actuals for 1994-95 to 1999-2000 from Finance Accounts, Actuals (Tentative) for 2000-01 from Pr. Accounts Office and BE for 2001-02 from Budget of Delhi Government

Capital receipts of Delhi Government increased from Rs. 547.99 crore in 1994-95 to Rs.1885.21 crore in 2000-01 with an average annual growth of 20.62% during 1994-2001 and 35.26% in 1998-2001. The main reason for the steep increase is the receipt of a large volume of small savings loans during 1998-2001. (Ref. Table 4.2)

Delhi Government's small savings loans have increased from Rs.343.03 crore (1.34% of GSDP) in 1994-95 to Rs.1505.08 crore (2.62% of GSDP) in 2000-01 with an average annual growth of 23.29% in 1994-2001 and 41.22% in 1998-2001. The target for small savings loans for 2001-02 was kept much lower at Rs.841 crore with a view to reducing the debt liability. However, the receipts on this count upto January, 2002 are Rs.1581.41 crore which is far in excess of the budgetary target. The Government is contemplating pre-payment of loan of about Rs.217 crore in 2001-02, as was done in 2000-01 (Rs.162.34 crore) and 1998-99 (Rs.268.32 crore), in addition to the normal repayment.

Delhi's block loan (i.e. 70% of Central Plan Assistance) has increased from Rs.167.30 crore in 1994-95 to Rs.259.01 crore in 2000-01 with an average annual growth of 7.11% in 1994-2001 and 8.29% in 1998-2001. The block loan is budgeted at Rs.234.50 crore for 2001-02. However, subsequently, the Planning Commission has increased the allocation to Rs.279.32 crore (including the provision for PMGY, Slum Development, Road & Bridges and Externally Aided Projects).

Delhi Government's recovery of loans was Rs.121.12 crore during 2000-01, of which a major part was from MCD. The recovery from MCD is being made at source from their basic tax share as already mentioned. The recovery of loan is budgeted at Rs.182.00 crore for 2001-02. (Ref. Table 4.2).

While Delhi Government's borrowings have been increasing rapidly, its recovery of loan is not significant since repayment of principal by DTC, DJB and DVB to Delhi Government is virtually nil. There is an urgent need to improve finances of the three entities so as to protect the financial health of the Government.

## 26. CAPITAL EXPENDITURE

The following statement indicates the position of capital disbursement of Delhi Government.

### Statement 4.7

#### CAPITAL EXPENDITURE

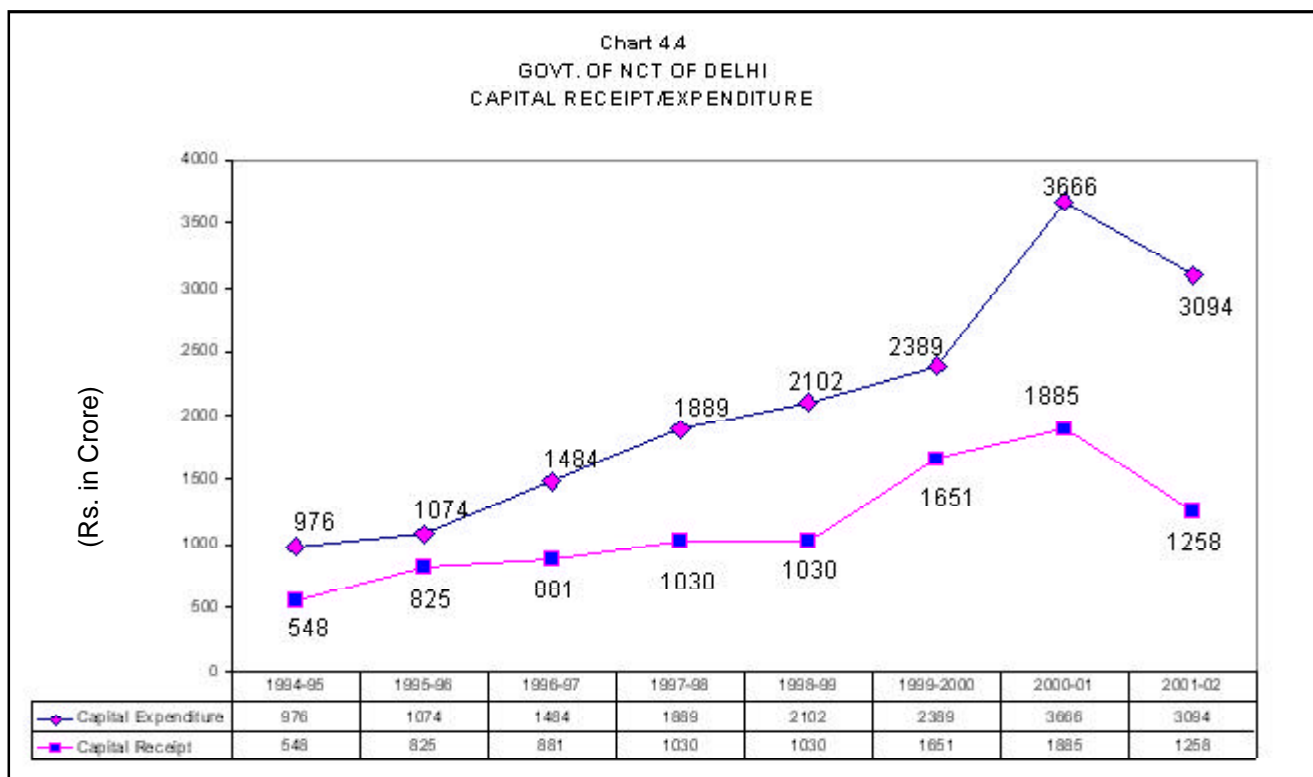
(Rs. in Crore)

SN	Item	1994-95	2000-01 Actuals (Tentative)	Annual Average Growth 1994-2001(%)	Annual Average Growth 1998-2001(%)	2001-02 (BE)
	<b>Total Capital Expenditure</b>	976.11	3665.62	23.53%	32.04%	3093.68
(1)	<b>Plan</b> Of which,	775.89	2154.22	16.45%	31.07%	2628.62
(i)	Capital Outlay	201.47	691.98	21.35%	19.19%	1368.42
(ii)	Loans & Advances	574.42	1462.24	14.04%	38.09%	1260.20
(2)	<b>Non-Plan</b> Of which,	200.22	1511.40	41.18%	33.46%	465.06
(i)	Capital Outlay	11.09	177.25	-	-	7.18
(ii)	Repayment of Loan	-	187.51	-	-16.40%	74.44
(iii)	Loans & Advances	189.13	1146.64	39.87%	25.64%	383.44

Capital disbursement of Delhi Government have increased from Rs.976.11 crore in 1994-95 to Rs.3665.62 crore (6.37% of GSDP) in 2000-01 with an average annual growth of 23.53% in 1994-01 and 32.04% in 1998-2001. The Capital disbursement is budgeted at Rs.3093.86 crore in 2001-02. The Plan component of capital expenditure of Delhi Government was 58.77% in 2000-01 as compared to all States figure of 65.55% in the year. Plan capital expenditure has increased from Rs.775.89 crore in 1994-95 to Rs.2154.22 crore in 2000-01 with an average annual growth 16.45% in 1994-2001 and 31.07% in 1998-2001. Plan capital expenditure is budgeted at Rs.2628.62 crore in 2001-02 with a growth of 22.02% over the previous year.

Non-Plan capital expenditure consists of non-Plan capital outlay, repayment of loans to the

Centre and non-Plan loans and advances to public utilities(like DVB, DTC etc.), local bodies (MCD/NDMC) towards meeting their non-Plan requirements. Non-Plan capital expenditure has increased from Rs.200.22 crore in 1994-95 to Rs.1511.40 crore in 2000-01 with an average annual growth of 41.18% in 1994-2001 and 33.46% in 1998-2001. The Non-Plan capital expenditure is



budgeted lower at Rs.465.06 crore in 2001-02.

## 27. PUBLIC DEBT

The statement below indicates the outstanding loan of Delhi Government and its Debt Servicing liability.



### Statement 4.8

#### PUBLIC DEBT

(Rs. in Crore)

Year	Outstanding debt at the beginning of the year	Loans received during the	Loan repaid during the Year	Outstanding at the end of the year year	Interest Payment
1994-95	117.00 (0.46)	510.33 (1.99)	—	627.33 (2.44)	0.00
1995-96	627.33 (2.23)	796.38 (2.83)	70.00 (0.25)	1353.71 (4.80)	94.00 (0.33)
1996-97	1353.71 (4.04)	851.20 (2.54)	— —	2204.91 (6.58)	189.89 (0.57)
1997-98	2204.91 (5.38)	876.03 (2.14)	—	3080.94 (7.52)	314.08 (0.77)
1998-99	3080.94 (6.56)	975.55 (2.08)	268.32 (0.57)	3788.17 (8.07)	432.34 (0.92)
1999-2000	3788.17 (7.23)	1399.55* (2.67)	4.70 (0.01)	5183.02 (9.90)	530.74 (1.01)
2000-01 Actual (Tentative)	5183.02 (9.01)	1764.09 (3.07)	187.51 (0.33)	6759.60 (11.75)	716.76 (1.25)
2001-02 (BE)	6759.60 (10.47)	1100.71 (1.71)	74.44 (0.12)	7785.87 (12.06)	894.90 (1.39)

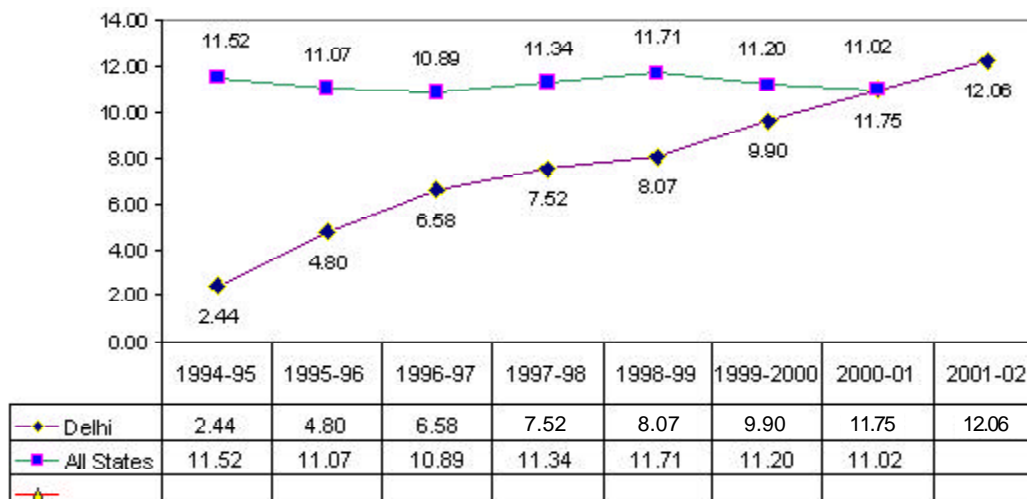
• includes CSS Loan of Rs.0.04 Crore.

Source :- Actuals from 1994-95 to 1999-2000 from Finance Accounts, Actual (Tentative) from Principal Accounts office and BE for 2001-02 from Budget of Delhi Government.

Note:- Figure in bracket indicates percentage to GSDP.

The outstanding loan liability of Delhi Government was Rs.6759.60 crore (11.75 % of GSDP) as on 31<sup>st</sup> March, 2001. The outstanding debt liability is budgeted to increase to Rs.7785.87 crore (12.06% of GSDP) as on 31<sup>st</sup> March, 2002. The debt liability of all States taken together on account of loans from the Centre is projected at 11.02% of GDP at the end of 2000-01. ( Ref. Statement 4.8 and chart 4.5). The outstanding debts of all states is 24.15% of GDP as on 31<sup>st</sup> March, 2001 while including the other loans being received by them.

**Chart 4.5**  
**PUBLIC DEBT (ON ACCOUNT OF LOAN FROM THE CENTRE) AS % OF GDP(Delhi) /GDP(All States)**



Source : Economic Survey of Govt. of India 1998-99 to 2001-02 Reserve Bank of India Bulletin (Finances of State Government).

Note : Reference Table 4.8 for GDP.

## 28. INTEREST PAYMENT

With the increase in outstanding debt, Delhi Government's interest liability has been increasing rapidly. Delhi Government's interest liability grew from Rs.94.00 crore in 1995-96 to Rs.716.76 crore in 2000-01. One of the important parameters for assessing the impact of public debt on State finances is the ratio of interest payment to revenue receipts. The following statement indicates interest payments as percentage of own tax revenue .

**Statement 4.9**

### INTEREST PAYMENT TO THE CENTRE AS PERCENTAGE OF OWN TAX REVENUE

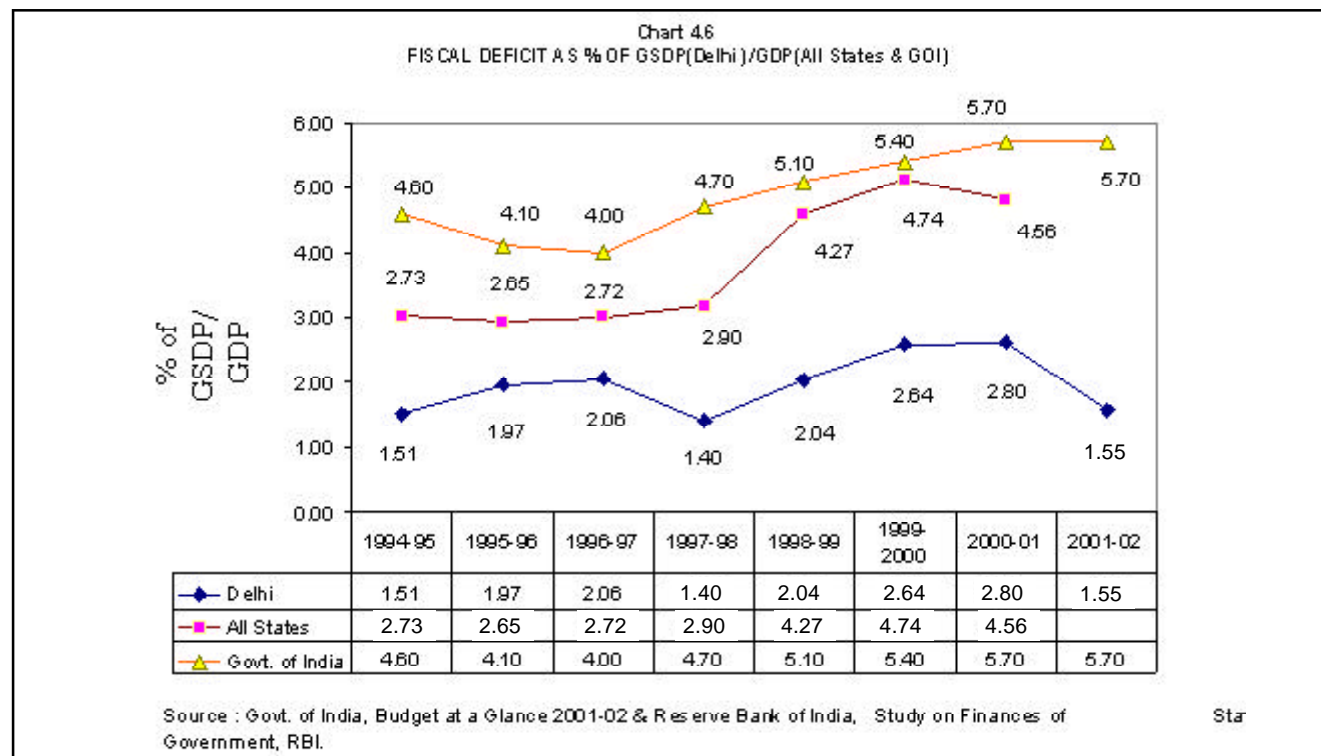
	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01(RE)	2001-02 (BE)
Delhi	5.26	7.49	10.68	14.00	15.47	16.11	16.95
All States @	17.14	21.31	21.56	23.48	24.80	22.92	21.74

Source :- @ Reserve Bank of India Bulletin (Finances of State Governments) from 1997-98 to 2001-02.

Delhi's interest payment to the Centre as a percentage of own tax revenue was 16.11% in 2000-01 as compared to all States figure of 22.92% during the year. While comparing this figure with individual States, Delhi's position is fifth after Kerala(6.64%), Tamil Nadu(12.66%), Karnataka(13.88%) and Haryana(15.11%) (Ref. Table 4.11). It is, pertinent to mention that States also get other loans like market borrowing, negotiated loans, provident fund etc. which are presently not available to Delhi. As such, the total interest burden as a percentage of own tax Revenue of major States is much higher (Ref. Table 4.12).

## 29. FISCAL DEFICIT

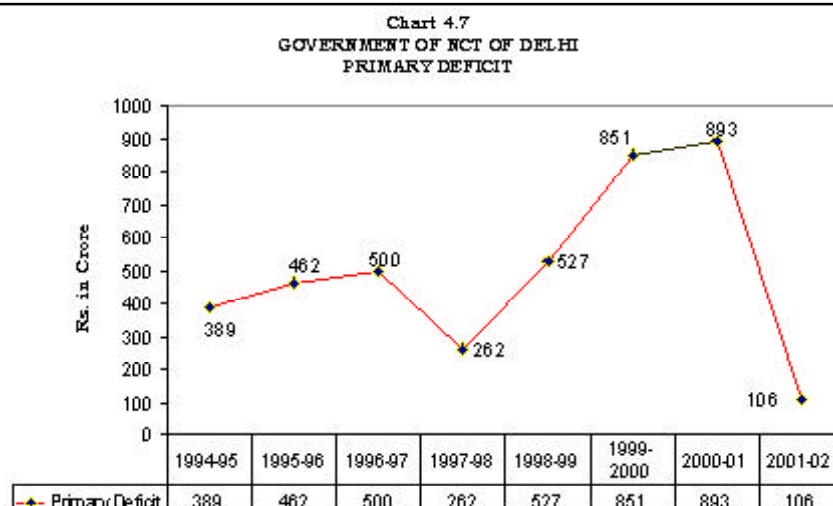
The fiscal deficit is a summary statistical measure that indicates the net borrowing requirement of the Government from all sources. The fiscal deficit of Delhi increased from Rs. 388.90 crore (1.51% of GSDP) in 1994-95 to Rs.1609.67 crore (2.80 % of GSDP) in 2001-02. The fiscal deficit is budgeted lower at Rs.1001.06 crore in 2001-02 (Ref. Table 4.4). However, Delhi Government's non Plan loan liability is likely to be much higher than the budgetary provision because of the likely release of additional non-Plan support of Rs.1410.52 crore towards meeting the non Plan requirements of DVB, DTC and DJB and also MCD during 2001-02. It is, therefore, almost certain that Delhi's fiscal deficit will far exceed the budgetary target of 2001-02. A comparative picture of fiscal deficit of Delhi Government vis-à-vis all States and the Government of India is as below (Chart 4.6).



## 30. PRIMARY DEFICIT

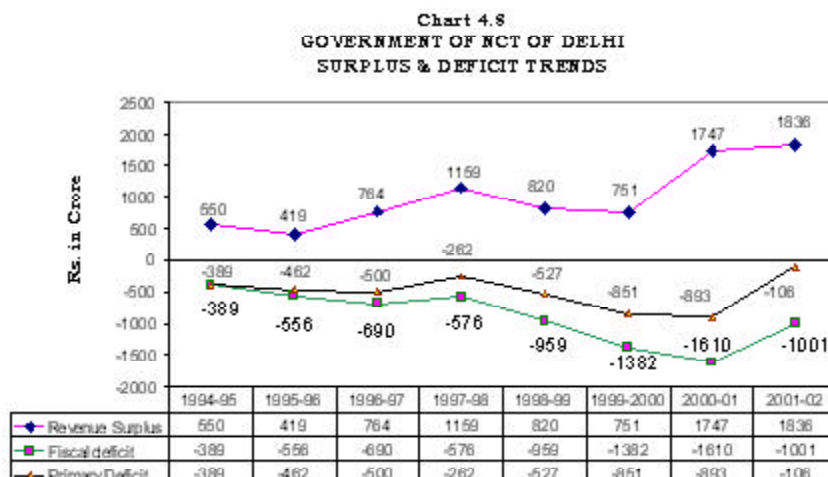
The primary deficit ( the fiscal deficit net of interest payments) is a measure of net borrowing requirements to fund total current consumption and investment expenditure of the Government.

It indicates the sustainability of current fiscal policies. Delhi's primary deficit increased from Rs.388.90 crore (1.51% of GSDP) in 1994-95 to Rs.892.91 crore (1.55% of GSDP) in 2000-01 and is budgeted to be much lower at Rs.106.16 crore in 2001-02. (Table 1.55 & Chart 4.7). Since the fiscal deficit is likely to overshoot the target, the primary deficit is also bound to increase over the budgetary target for 2001-02.



### 31. SURPLUS/DEFICIT TRENDS

Chart 4.8 captures the overall fiscal trends of Delhi since 1994-95.



### 32. CONTRIBUTION OF PUBLIC UTILITIES

The financial performance of the three public utilities in Delhi viz. DVB, DTC, and DJB, has special relevance for the financial performance of Delhi Government. Their losses eat into the resources available for the Annual Plan as Delhi Government is obliged to cover such losses through non-Plan support. Unfortunately all three public utilities are perennial cash losers.

#### (i) DELHI VIDYUT BOARD (DVB)

The financial performance of DVB is indicated below:

**Statement 4.10**

#### **FINANCIAL PERFORMANCE OF DVB**

(Rs. in Crore)

		1995-96	1996-97	1997-98	1998-99	1999-2000	2001-01 Actuals (Tentative)	2001-02 (BE)
1	Operating deficit (-) / Surplus (+)	-412.79	-429.20	-527.54	-939.55	-710.45	-487.32	-537.92
2	Internal Resource surplus(+) / deficit (-)	-500.76	-709.74	-495.68	-708.76	-609.63	-858.36	-721.13
3	Non Plan loan provided by Delhi Government Of which,	225.00	241.75	390.33	453.56	657.89	794.99	120.86
i	By way of diversion of Central Plan Assistance	225.00	241.75	265.93	265.93	292.59	292.59	-
ii	Special Non-Plan loan.	-	-	9.07	50.00	200.00	103.50	-
iii	Conversion of interest into Non-Plan loan.	-	-	115.33	137.63	165.30	398.90	120.86*

• Total interest dues to Delhi Government is Rs.466.97 core, of which Rs.346.11crore was proposed to be paid out of DVB's own resources and the balance Rs.120.86 crore was to be recovered by converting the same into Non-Plan loan.

Source :- Delhi Vidyut Board.

The Government of India has been diverting normal Central Plan Assistance (CPA) of Delhi directly to Badarpur Thermal Power Station (BTPS) against the dues payable by DVB. Such diversion of CPA is shown as non-Plan loan to DVB by the Delhi Government. In addition, Delhi Government is also providing non-Plan loans to meet their non-Plan requirements and also to recover their

interest dues to Delhi Government by converting the interest into non-Plan loan. As per DVB's projected requirements, Delhi Government budgeted a non-Plan loan of Rs.120.86 crore to DVB for 2001-02. However, Delhi Government has already released non-Plan support of Rs.165.48 crore (Rs.104.50 crore as non-Plan grant and Rs.60.98 crore as non-Plan loan to meet the requirements) besides the diversion of CPA of Rs.292.59 crore being made by the Government of India to BTPS. In addition, Rs.466.97 crore of non-Plan loan will be shown against DVB to recover interest dues of Rs.466.97 crore to Delhi Government.

(ii) **DELHI TRANSPORT CORPORATION (DTC)**

The financial performance of DTC is indicated below:

**Statement 4.11**

**FINANCIAL PERFORMANCE OF DTC**

(Rs. in Crore)

		1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2001-01 Actuals (Tentative)	2001-02 (BE)
1	Operating deficit (-) / Surplus (+)	-51.82	-69.64	-145.89	-135.01	-167.85	-149.45	-149.19	-122.76
2	Internal Resource surplus(+) / deficit (-)	-293.38	-373.40	-270.20	-160.55	-191.47	-188.82	-164.71	-148.30
3	Non Plan loan provided by Delhi Govt. Of which,	*	*	65.00	76.22	151.50	233.88	193.75	257.58
i.	Towards salary payments.	-	-	65.00	76.22	151.50	146.63	172.75	148.30
ii	Towards arrears of Fifth Pay Commission/ Provident Fund.	-	-	-	-	-	87.25	21.00	-
iii	Conversion of interest into Non-Plan loan.	-	-	-	-	-	-	-	109.28

- No Non-Plan support was provided since DTC was a PSU under the Government of India.

Source :- Delhi Transport Corporation.

The budgetary provision of non-Plan loan to DTC during 2001-02 is Rs.257.58 crore, of which Rs.148.30 crore is towards salary payments. The remaining loan of Rs.109.28 crore is not to be released in cash but will be shown as non-Plan loan to DTC to recover interest due to Delhi Government in 2001-02. Against the provision of Rs. 148.30 crore, the Delhi Government has already released non-plan loans of Rs. 185.41 crore.

**(ii) DELHI JAL BOARD (DJB)**

The financial performance of DJB is as below:

**Statement 4.12**

**FINANCIAL PERFORMANCE OF DELHI JAL BOARD**

(Rs. in Crore)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01 Actuals (Tentative)	2001-02 (BE)
1. Revenue Receipts								
A Water	80.83	89.47	98.46	95.34	130.84	204.70	200.05	226.03
B Drainage	8.22	4.98	9.41	14.70	20.69	11.57	11.13	22.55
Total (A+B)	89.05	94.45	107.87	110.04	151.53	216.27	211.18	248.58
2 Revenue Expenditure								
(i) Establishment	56.55	65.78	78.84	94.19	121.28	112.80	151.50	173.75
(ii) Electricity (DVB)	32.07	35.25	43.32	91.72	110.65	160.66	140.80	180.00
(iii) Raw Water	3.95	2.98	2.25	3.05	2.07	2.48	4.99	8.50
(iv) Property Tax	5.44	4.00	4.00	9.26	10.00	7.46	8.89	10.00
(v) Debt Charges	144.63	173.82	194.50	245.00	282.70	322.90	357.15	337.66
(vi) Other (Repair & Maintenance etc.)	23.19	25.46	24.86	25.04	28.93	34.17	37.43	54.59
Total 2 (i to vi)	265.83	307.29	347.77	468.26	555.63	640.47	700.76	764.50
3 Non Plan Revenue Surplus (+) / Deficit (-)		-39.01	-45.40	-113.22	-121.39	-101.31	-144.23	-178.26
4. Non Plan loan provided by Delhi Government				20.00			75.00	

Source : - Delhi Jal Board.

DJB has been incurring losses but Delhi Government had not provided non-Plan support till 1999-2000 to meet their requirements, except a non-Plan loan of Rs. 20 crore released during 1997-98 towards meeting their 5<sup>th</sup> Pay Commission arrears. However, Delhi Government is now providing non-Plan loans to DJB. A non-Plan loan of Rs.75 crore was released in 2000-01 and Rs.190.00 crore has been released to meet requirements during 2001-02, though there was no budgetary provision during 2001-02. Out of the Rs.190 crore, about Rs. 100 crore has been paid to DVB to settle outstanding electricity dues payable by DJB.

### 33. FINANCES OF LOCAL BODIES

Delhi has three local bodies viz. Municipal Corporation of Delhi (MCD), New Delhi Municipal Council (NDMC) and Delhi Cantonment Board (DCB). The area and population density of the local bodies as per 2001 Census are as follows:

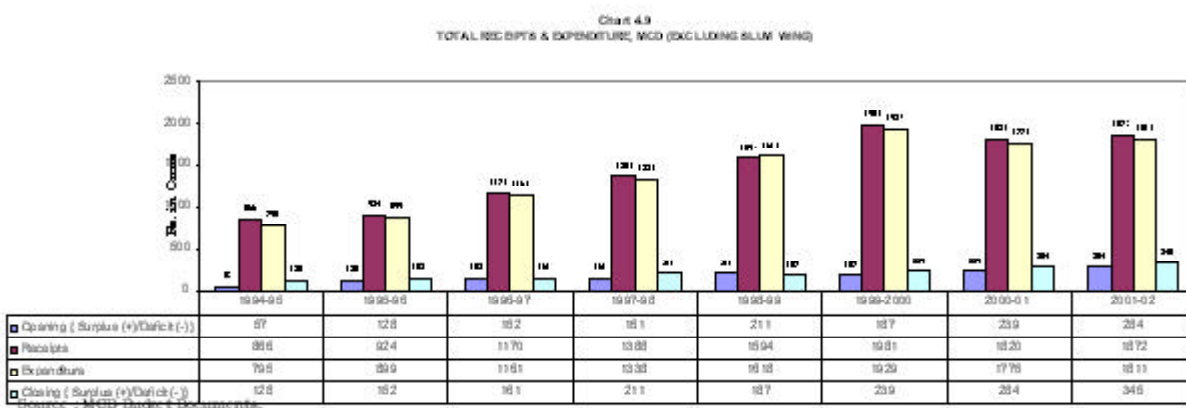
**Statement 4.13**

#### AREA AND POPULATION DENSITY OF LOCAL BODIES, 1991

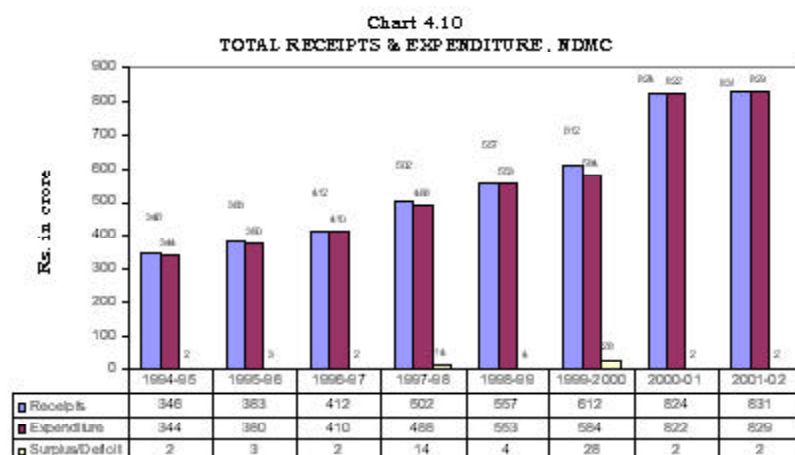
	Area (in Sq. Km.)	Population Density (Persons per Sq. Km.)	
		1991 census	2001 census
MCD	1397.29	6459	9564
NDMC	42.74	7050	6897
DCB	42.97	2197	2896
Delhi	1483.00	6352	9294

Source:- Delhi Statistical Hand Book, 2000

The position of total receipts and expenditure of MCD (excluding Slum Wing) and NDMC is indicated in chart 4.9 and 4.10 respectively.







Source : NDMC Budget 1998-99 to 2001-02.

### 34. DEVOLUTION TO LOCAL BODIES

Devolution to local bodies ( MCD and NDMC) is now made on the basis of the recommendations of the first Delhi Finance Commission(DFC). The Devolution consists of two parts – (i) Basic Tax Share (which is 4.5% of tax revenue of Delhi Government) and (ii) Non Plan grants (upto a maximum of 4% of Tax Revenue of Delhi Government , for maintenance of Resettlement Colonies, Nutrition, Education). The Devolution to Delhi Cantonment Board is being made as per the arrangement existing prior to the recommendations of the first DFC. The following statement provide details of the devolution of funds to local bodies in Delhi.

**Statement 4.14**

#### Devolution to Local Bodies

(Rs. in crore)

		1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2001-01 (BE)
1.	Grant in Aid							
	MCD	71.10	76.96	80.30	100.58	110.89	194.96	145.27
	NDMC	5.17	6.17	6.87	10.32	11.81	8.77	12.40
	DCB	0.60	0.70	0.67	0.74	0.99	1.17	1.28
2.	Compensation & Assignments							
	MCD	86.07	101.72	114.10	79.96	62.34	388.05	231.71
	NDMC	8.45	11.43	13.11	12.48	6.24	5.24	7.54
	DCB	1.13	1.44	1.57	1.13	2.22	2.76	4.11
3	Total (1+2)							
	MCD	157.17	178.68	194.40	180.54	173.23	583.01	376.98
	NDMC	13.62	17.60	19.98	22.80	18.05	14.01	19.94
	DCB	1.73	2.14	2.24	1.87	3.21	3.93	5.39

The second Delhi Finance Commission is already at work to recommend devolution of funds to local bodies for the period 2001-06. The Commission has provided interim recommendations for continuing devolution to the local bodies during 2001-02 on the pattern as existed during 2000-01.

### 35. PLAN FINANCING

The present pattern of Plan funding for Delhi is almost similar to that of the States. The resources available for Annual Plans of Delhi are shown in Table 4.7. The available resources were in excess of the actual Plan expenditure during the period 1994-95 to 2000-01. The statement below indicates the debt and non-debt financing of Annual Plan expenditure/outlay of Delhi.

**Statement 4.15**

**Debt & Non Debt Financing of Annual Plan Expenditure/Outlay**

(Rs. in Crore)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2001-01	2001-02 (BE)
Total Expenditure/Outlay	1144.09	1293.90	1865.08	1954.27	2013.75	2233.28	3087.11	3800.00
Debt	510.33	796.38	851.19	876.03	707.23	1399.54	1601.74	1075.50
Percentage	44.61%	61.55%	45.64%	44.83%	35.12%	62.67%	51.88%	28.30%
Non Debt	633.76	497.52	1013.89	1078.24	1306.52	833.74	1485.37	2724.50
Percentage	55.39%	38.45%	54.36%	55.17%	64.88%	37.33%	48.12%	71.70%

It is worth noting that the Delhi Government pre-paid loans of Rs.268.32 crore in 1998-99 and Rs. 162.34 crore in 2000-01. Since these amounts were not utilised for plan funding, the same have been netted out of the loan receipts of the respective year for determining the debt component of plan expenditure.

### 36. CREDIT DEPOSIT RATIO

There were 1441 branches of all Scheduled Commercial Banks in Delhi as on September 30<sup>th</sup>, 2001. Of these, 300 were branches of State Bank of India and its associates, 956 commercial banks, 29 foreign banks and 156 other scheduled commercial banks. In the past two and half years there has been an increase of 7.30% in the number of bank branches. The average estimated population covered per branch in Delhi as on 30<sup>th</sup> September, 2001 was 9565.

The total deposits of all scheduled commercial banks in Delhi amounted to Rs.113469.09 crore on 30<sup>th</sup> September, 2001, of which Rs.11826.35 crore (10.42%) is accounted for by foreign banks. The comparative picture of per capita credit and credit deposit ratio is indicated below.

**Statement 4.16**

**PER CAPITA CREDIT AND CREDIT DEPOSIT RATIO**

(As on 30-09-2001)

	<b>Delhi</b>	<b>All India</b>
Per capital credit (Rs.)	66410.19	5527.74
Credit Deposit ratio (%)	80.67	56.13

The total credit by all scheduled commercial banks in Delhi was Rs.91533.00 crore as on September 30<sup>th</sup> 2001. The number of reporting office's aggregate deposits, gross bank credits and the credit deposit ratio as on 30<sup>th</sup> September, 2001 are shown in table 4.13