

Delhi Budget Analysis 2017-18

The Minister of Finance of Delhi, Mr. Manish Sisodia, presented the Budget for Delhi for the financial year 2017-18 on March 8, 2017.

Budget Highlights

- The **Gross State Domestic Product** of Delhi for 2016-17 is estimated to be Rs 6,22,385 crore (current prices). This is 13% higher than the estimates for 2015-16. GSDP estimates for 2017-18 are not available.
- **Total expenditure** for 2017-18 is estimated to be Rs 48,000 crore, an increase of 16.5% over the revised estimates of 2016-17. In 2016-17, the total expenditure was revised to Rs 41,200 crore, a decrease of Rs 5,400 crore (11.6%) from the budget estimates of 2016-17.
- **Total receipts** (excluding borrowings) for 2017-18 are estimated to be 14.9% higher than revised estimates of 2016-17, at Rs 42,616 crore. In 2016-17, total receipts fell short of the budgeted target by Rs 4,689 crore.
- A **revenue surplus** of Rs 3,789 crore is expected in 2017-18, which is lower than the revised estimates of 2016-17, a revenue surplus of Rs 4,846 was observed. **Fiscal deficit** is targeted at Rs 3,702 crore, as compared to the revised estimate of Rs 2,462 crore in 2016-17. **Primary deficit** is targeted at Rs 695 crore.
- Allocation towards the development sector (including environment, flood control and irrigation) is expected to increase by 67%, followed by a 24% increase in allocations to medical and public health, and 18% increase in education, over the revised estimate of 2016-17.
- Subsidy for the power sector is expected to be Rs 1,600 crore, an increase of 1.4% over the revised estimates of 2016-17. Subsidy on water is expected to be Rs 353 crore.
- Rs 18,500 crore has been allocated for programmes and projects across all sectors in 2017-18. These include allocations for education, social welfare, urban development and water supply.

Policy Highlights

- **Mohalla clinics:** The number of Mohalla clinics is proposed to be increased from 150 in 2016-17 to around 1,000 in 2017-18.
- **Education:** The State Council of Educational Research and Training (SCERT) and District Institutes of Education and Training (DIETs) are proposed to be restructured. Two new DIETs will be opened in Delhi.

Delhi's Economy

Economy

Between 2011-12 and 2015-16, the state's GSDP grew at an average annual rate of 7.4% (at constant prices). Over this period, per capita income increased from Rs 1,85,044 to Rs 2,27,755, an average increase of 5.3%.

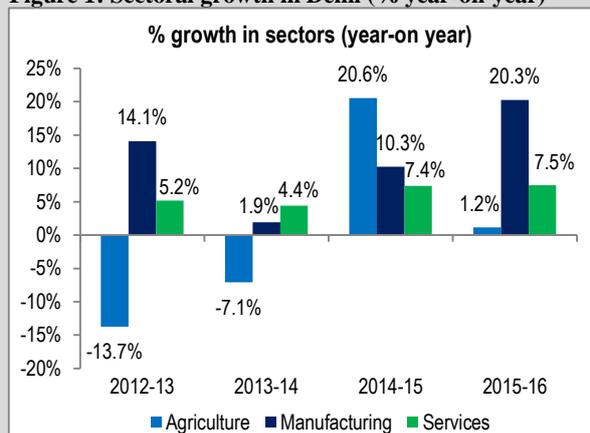
In 2015-16, the state's GDP grew at 8.3%, at constant prices. The services sector, which contributed to 70% of GSDP, grew at 7.5%. The manufacturing sector, contributing 14% of the GSDP grew at 20.3%, while the agriculture sector grew at 1.2% (at constant prices) as compared to 2014-15.

Workforce Participation

Worker Population Ratio is the proportion of workers to the total population aged 15 years and above. The ratio for Delhi (2015-16) was 40.8%, lower than 41.8% in 2012-13. Note that in 2015-16, the national average stood at 50.5%.

Source: Lok Sabha Unstarred Question No. 682, Answered on February 6, 2017.

Figure 1: Sectoral growth in Delhi (% year-on-year)



Note: 2015-16 data is as of July 2016. Agriculture includes mining. Source: Central Statistics Office; PRS.

Budget Estimates for 2017-18

- The total expenditure in 2017-18 is targeted at Rs 48,000 crore. The revised estimates for the total expenditure in 2016-17 was Rs 41,200 crore, which is 11.6% (Rs 5,400 crore) less than the budgeted target of 2016-17.
- The expenditure in 2017-18 is proposed to be met through receipts (other than borrowings) of Rs 42,616 crore and borrowings of Rs 2,856 crore. Total receipts for 2017-18 (other than borrowings) are expected to be 14.9% higher than the revised estimate of 2016-17.

Table 1: Budget 2017-18 - key figures (in Rs crore)

Items	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE of 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Total Expenditure	35,196	46,600	41,200	-11.6%	48,000	16.5%
<i>Of which: Repayment of loans</i>	1,435	1,987	1,655	-16.7%	1,682	1.7%
A. Borrowings	2,241	3,174	3,000	-5.5%	2,856	-4.8%
B. Receipts (except borrowings)	35,082	41,772	37,083	-11.2%	42,616	14.9%
Total Receipts (A+B)	37,323	44,946	40,083	-10.8%	45,472	13.4%
Revenue Deficit (-)/Surplus(+)	8,656	5,543	4,846	-12.6%	3,789	-21.8%
Fiscal Deficit (-)/Surplus(+)	1,322	-2,841	-2,462	-13.3%	-3,702	50.3%
Primary Deficit (-)/Surplus(+)	4,132	554	420	-24.1%	-695	-265.4%

Notes: In the absence of estimates of the GSDP in 2017-18, it is not possible to calculate deficits as % of GSDP.

Sources: Delhi State Budget Documents 2017-18; PRS.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus indicates an income over expenditure of the government on services provided by it. The government has estimated a revenue surplus of Rs 3,789 crore in 2017-18. For 2016-17, the government has revised its revenue surplus to Rs 4,846 crore, which is 12.6% lower than the budgeted target of Rs 5,543 crore.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities of the government. The government has projected a fiscal deficit of Rs 3,702 crore in 2017-18, compared to Rs 2,462 crore in the revised estimates of 2016-17.

Expenditure in 2017-18

- The state government's expenditure can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total capital expenditure is proposed to increase by 4.9% to Rs 9,573 crore over the revised estimates of 2016-17. This includes expenditure which leads to creation of assets, repayment of loans, among others.
- Total revenue expenditure for 2017-18 is proposed to be Rs 38,427 crore, which is an increase of 19.8% over the revised estimates of 2016-17. This expenditure includes payment of salaries, administration of government programs, etc.

Table 2: Expenditure budget 2017-18 (in Rs crore)

Item	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Capital Expenditure	8,853	10,752	9,124	-15.1%	9,573	4.9%
Revenue Expenditure	26,343	35,848	32,076	-10.5%	38,427	19.8%
Total Expenditure	35,196	46,600	41,200	-11.6%	48,000	16.5%
A. Loan Repayment	1,435	1,987	1,655	-16.7%	1,682	1.7%
B. Interest Payments	2,810	3,395	2,883	-15.1%	3,006	4.3%
Debt Servicing (A+B)	4,245	5,382	4,537	-15.7%	4,689	3.3%

Sources: Delhi State Budget Documents 2017-18; PRS.

Departmental expenditure in 2017-18

The departments below account for **82%** of the estimated expenditure of Delhi in 2017-18.

Table 3: Department-wise plan outlay for Delhi Budget 2017-18 (in Rs crore)

Department	2015-16 Actuals	2016-17 Revised	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18	Budget provisions for 2017-18
Urban Development (includes Public Works and Power Department)	12,390	13,661	14,847	8.7%	<ul style="list-style-type: none"> 5,000 toilets are proposed to be constructed in 2017-18, compared to 8,000 in 2016-17 so far. New shelters are proposed to be constructed for homeless persons in Nangloi Phase-II, Dwarka Sector- 3, Rohini Sector- 5, and Geeta Colony, under the National Urban Livelihood Mission.
Education (includes School and Higher Education Departments)	6,208	7,656	9,066	18.4%	<ul style="list-style-type: none"> 24 new schools are proposed to be started and construction for 10,000 new classrooms is proposed to be started in this year. 400 new libraries are to be opened in government schools for classes 6-10.
Social Welfare (includes Women and Child, Transport and Tourism Departments)	5,233	5,853	6,591	12.6%	<ul style="list-style-type: none"> 736 more buses are proposed to be added this year, to the existing 5,815 buses. A Commission for Senior Citizens is proposed to be set up, which will deal with issues related to the welfare and protection of senior citizens.
Medical and Public Health (includes Health Services and allocations to Medical Colleges and Hospitals)	3,300	4,059	5,033	24.0%	<ul style="list-style-type: none"> The number of hospital beds in Delhi is proposed to be increased from 10,000 to 20,000 in this year. Five de-addiction centres for juveniles are proposed to be established in Delhi government hospitals and institutions.
Development (includes Revenue, Environment and Irrigation and Flood Control)	2,267	2,202	3,677	67.0%	<ul style="list-style-type: none"> The number of Ambient Air Quality Monitoring Stations are proposed to be increased from 6 to 26. These Stations monitor pollution levels on a real-time basis. Rs 600 crore has been allocated to the Delhi Rural Development Board, which aims to create infrastructure in rural areas in Delhi.
Total	29,397	33,431	39,214	17.3%	
% of total expenditure	83.5%	81.1%	81.7%		
Other departments	5,799	7,769	8,786	13.1%	
Total expenditure	35,196	41,200	48,000	16.5%	

Sources: Delhi Budget Speech 2017-18; Detailed Demand for Grants 2017-18; PRS.

Subsidies

The government provides subsidies across various sectors such as power and transport. Some of these subsidies are shown in Table 4.

Table 4: Subsidies in 2017-18 (in Rs crore)

Subsidy	Actuals 2015-16	Revised 2016-17	Budgeted 2017-18	% change RE 2016-17 to BE 2017-18	Subsidy intended for
Power Subsidy	1,443	1,578	1,600	1.4%	Subsidy provided for power bills of consumers consuming up to 400 units of electricity
Water Subsidy	190	325	353	8.6%	Subsidy provided for water free of cost, to households consuming up to 20 kilo litres per month
DTC Concessional Pass	84	92	92	0.0%	Concessional passes issued to DTC buss commuters
Consumer subsidy	39	47	71	51.1%	Subsidy provided on sugar and to keep consumer prices under control

Sources: Detailed Demand for Grants 2017-18; Delhi State Budget Documents 2017-18; PRS.

Receipts in 2017-18

- The total revenue receipts for 2017-18 are estimated to be Rs 42,216 crore, an increase of 14.3% over the revised estimates of 2016-17.
- Tax revenue is expected to increase by 19.3% (Rs 6,270 crore) in 2017-18 over the revised estimates of 2016-17. Non-tax revenue is estimated to increase by 75% (Rs 344 crore).
- Grants-in-aid from the central government, including grants in lieu of central taxes are expected at Rs 2,716 crore in 2017-18, Rs 1,320 crore (33%) less than the revised estimate of 2016-17.

Table 5: Break up of state government receipts (in Rs crore)

Item	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
State's Own Tax	30,225	36,525	32,430	-11.2%	38,700	19.3%
State's Own Non tax	515	996	456	-54.2%	800	75.4%
Grants in aid and contributions	4,258	3,870	4,036	4.3%	2,716	-32.7%
Total Revenue Receipts	34,999	41,391	36,922	-10.8%	42,216	14.3%
Recovery of Loans and Advances	82	379	159	-58.1%	397	150.0%
Borrowings	2,241	3,174	3,000	-5.5%	2,856	-4.8%
Total Capital Receipts	2,325	3,555	3,161	-11.1%	3,256	3.0%
Total Receipts	37,323	44,946	40,083	-10.8%	45,472	13.4%

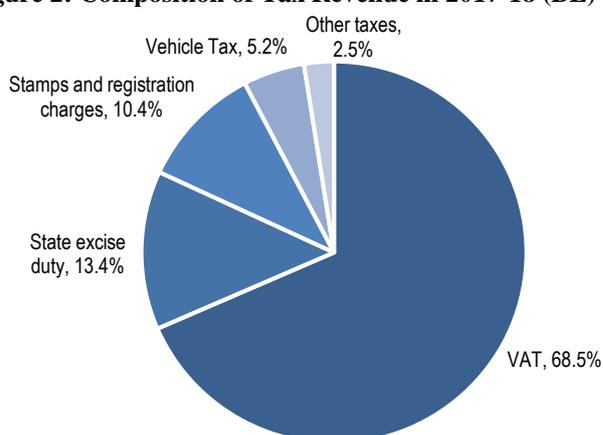
Sources: Delhi State Budget Documents 2017-18; PRS.

Revenue estimates in 2016-17

In 2016-17, the budgeted estimates for tax revenue as well as non-tax revenue were revised downward. While the state estimated to receive Rs 36,525 crore as tax revenue in 2016-17, the revised estimate was lower by 11.2%, at Rs 32,430 crore. This was mainly owing to a Rs 2,500 crore (10.2%) shortfall in the estimate of revenue from sales tax.

Non-tax revenue was estimated at Rs 996 crore, and the revised estimate was 54% lower, at Rs 456 crore. Under non-tax revenue, interest receipts from public sector undertakings were budgeted to be Rs 200 crore in 2016-17, which were revised down to Rs 3 crore. Further, the estimate of interest received from local bodies was revised from Rs 400 crore in 2016-17 to Rs 99 crore.

Figure 2: Composition of Tax Revenue in 2017-18 (BE)



Sources: Delhi State Budget Documents 2017-18; PRS.

- Tax revenue will also be generated through levy of stamp duties and registration fees on real estate transactions and taxes on vehicles, among others.
- **Non Tax Revenue:** Delhi is expected to generate Rs 800 crore (excluding grants-in-aid from the central government) through non-tax sources in 2017-18. For 2016-17, the government has revised its non-tax revenue estimates to Rs 456 crore, 54% lower than the budgeted target of Rs 996 crore.
- Interest receipts and dividends on loans provided to public sector undertakings and local bodies are expected to be the largest source of non-tax revenue in 2017-18, at Rs 400 crore.

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