

# Delhi Budget Analysis 2018-19

The Minister of Finance of Delhi, Mr. Manish Sisodia, presented the Budget for financial year 2018-19 on March 22, 2018.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Delhi for 2017-18 is expected to be Rs 6,86,017 crore (at current prices). This is 11.2% higher than the GSDP for 2016-17 (Rs 6,16,826 crore).
- **Total expenditure** for 2018-19 is estimated to be Rs 53,000 crore, a 19.5% increase over the revised estimates of 2017-18. In 2017-18, there was a decrease of Rs 3,630 crore (7.6%) in expenditure over the budget estimates.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 50,076 crore, an increase of 15.2% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) fell short of the budgeted estimate by Rs 1,661 crore.
- **Revenue surplus** for 2018-19 is targeted at Rs 4,465 crore, an increase of 14% over the revised estimates of 2017-18. **Fiscal deficit** is targeted at Rs 2,924 crore, an increase of 2.4% over the revised estimates of 2017-18.
- Allocation towards the education sector increased by 46.2%, followed by a 24% increase each in allocations towards the departments of public health, and development.
- In an effort to reduce air pollution and move towards the use of renewable energy, the government has announced various subsidies including: (i) a subsidy of Rs 30,000 to firms to switch from diesel generators to clean fuel-based generators, and (ii) incentivising industries through subsidy of up to Rs one lakh to switch from existing fuels to Piped Natural Gas.

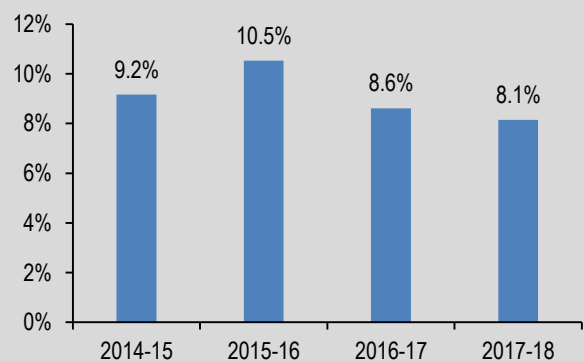
## Policy Highlights

- **Health:** The government has announced a new **Universal Health Insurance Scheme** to cover treatment in empanelled private and government hospitals. For this, a committee has been constituted to formulate detailed guidelines. An outlay of Rs 100 crore has been proposed for this scheme in 2018-19.
- The government aims to set up 530 Mohalla Clinics and 230 clinics in schools by October 2018.
- **Transport:** The government has planned to provide 1,000 new electric buses by March 2019. Further, 1,000 new cluster buses will also be provided. Rs 450 crore has been allocated for these cluster buses.
- **Education:** To promote security and safety in schools, Rs 175 crore has been allocated for installing about 1.3 lakh CCTVs in all government school buildings. Further the government aims to set up 12,748 classrooms and 30 new school buildings till 2018-19.

## Delhi's Economy

- **Economy:** The growth in Gross State Domestic Product (GSDP) of Delhi decreased from 9.2% in 2014-15 to 8.1% in 2017-18.
- **Sectoral growth:** In the year 2017-18, the services sector contributed 85% to state's economy. This is followed by manufacturing, at 12%, and agriculture at 3%.
- While the services sector is the largest contributor, the growth in this sector decreased from 13% in 2014-15 to 7.3% in 2017-18.
- **Per capita income:** The per capita income of Delhi in 2017-18 (at constant prices) was Rs 2,92,714 crore. This is higher than the average national per capita income of Rs 1,12,764 in 2017-18.

Figure 1: GSDP growth in Delhi (year-on-year)



Sources: GSVA by Economic Activities, Central Statistics Office; PRS.

## Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 53,000 crore. This is 19.5% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 50,076 crore, and borrowings of Rs 2,924 crore. Total receipts for 2018-19 (other than borrowings) are expected to be 15.2% higher than the revised estimates of 2017-18.

**Table 1: Budget 2018-19 - Key figures (Rs crore)**

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
<b>Total Expenditure</b>	<b>37,263</b>	<b>48,000</b>	<b>44,370</b>	<b>-7.6%</b>	<b>53,000</b>	<b>19.5%</b>
A. Borrowings*	1,696	2,856	2,856	0%	2,924	2.4%
B. Receipts (except borrowings)	34,558	45,144	43,483	-3.7%	50,076	15.2%
<b>Total Receipts (A+B)</b>	<b>36,254</b>	<b>48,000</b>	<b>46,339</b>	<b>-3.5%</b>	<b>53,000</b>	<b>14.4%</b>
<b>Revenue Deficit</b> (-)/Surplus (+)	<b>5,264</b>	<b>3,789</b>	<b>3,921</b>	<b>3.5%</b>	<b>4,465</b>	<b>13.9%</b>
<b>Fiscal Deficit</b> (-)/Surplus (+)	<b>-1,051</b>	<b>-2,856</b>	<b>-2,856</b>	<b>0.0%</b>	<b>-2,924</b>	<b>2.4%</b>
<b>Primary Deficit</b> (-)/Surplus (+)	<b>1,832</b>	<b>150</b>	<b>15</b>	<b>-90.3%</b>	<b>35</b>	<b>138.4%</b>

Note: BE is Budget Estimate; RE is Revised Estimate. In the absence of the GSDP in 2018-19, it is not possible to calculate deficits as a % of GSDP.

Sources: Budget at a Glance, Delhi Budget Documents 2018-19; 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 4,465 crore in 2018-19. For 2017-18, the government has revised its revenue surplus to Rs 3,921 crore, which is 3.5% higher than the budgeted target of Rs 3,789 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. A fiscal deficit of Rs 2,924 crore is estimated in 2018-19, an increase of 2.4% over the revised estimates of 2017-18. **Primary deficit** is the difference between fiscal deficit and interest payments. In 2018-19, the government has projected a primary surplus of Rs 35 crore. This signifies that the government's net borrowing is needed to meet past debt obligations.

## Expenditure in 2018-19

- **Capital expenditure** for 2018-19 is proposed to be Rs 9,908 crore, which is an increase of 23.2% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state and leads to creation of assets (such as bridges and hospitals), and repayment of loans, among others.
- **Revenue expenditure** for 2018-19 is proposed to be Rs 43,092 crore, which is an increase of 18.6% over the revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance of assets, etc. Note that in 2017-18, Delhi's revenue expenditure was 5.5% lower than its budget estimates, while the capital expenditure was 16% lower.
- In 2018-19, Delhi is expected to spend Rs 4,688 crore on servicing its debt (i.e., Rs 1,729 crore on repaying loans, and Rs 2,959 crore on interest payments). This is 3% higher than the revised estimates of 2017-18.

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

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	8,182	9,573	8,044	-16.0%	9,908	23.2%
Revenue Expenditure	29,082	38,427	36,326	-5.5%	43,092	18.6%
<b>Total Expenditure</b>	<b>37,263</b>	<b>48,000</b>	<b>44,370</b>	<b>-7.6%</b>	<b>53,000</b>	<b>19.5%</b>
A. Loan Repayment	1,655	1,682	1,682	0.0%	1,729	2.7%
B. Interest Payments	2,883	3,006	2,871	-4.5%	2,959	3.1%
<b>Debt Servicing (A+B)</b>	<b>4,537</b>	<b>4,689</b>	<b>4,553</b>	<b>-2.9%</b>	<b>4,688</b>	<b>3.0%</b>

Note: Capital expenditure includes: (i) spending that creates assets, (ii) repayments on the loans taken by the government, and (iii) loans provided by the government. Sources: Delhi Budget Documents 2018-19; PRS.

## Departmental expenditure in 2018-19

The departments listed below account for **83.1%** of the total budgeted expenditure of Delhi in 2018-19. A comparison of Delhi's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

**Table 3: Department-wise plan outlay for Delhi Budget 2018-19 (in Rs crore)**

Department	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget provisions for 2018-19
<b>Urban Development</b> (includes Public Works and Power Department)	12,744	13,772	16,448	19.4%	<ul style="list-style-type: none"> <li>Rs 1,000 crore will be spent on improving dilapidated roads and lanes.</li> <li>Pilot project will be launched to install solar panels over 16 km of cycle tracks.</li> </ul>
<b>Education</b> (includes School and Higher Education Departments)	6,844	8,524	12,460	46.2%	<ul style="list-style-type: none"> <li>12,748 classrooms and 30 new school buildings will be set up.</li> <li>Rs 175 crore has been allocated for installing about 1.3 lakh CCTVs in all government school buildings.</li> </ul>
<b>Social Welfare</b> (includes Women and Child Directorate, Transport and Tourism Departments)	5,344	7,124	6,304	-11.5%	<ul style="list-style-type: none"> <li>Roll out of 1,000 new electric buses planned by March 2019. Rs 450 crore has been allocated towards providing 1,000 new cluster buses.</li> <li>"Jai Bhim Mukhyamantri Pratibha Yojana" launched with an outlay of Rs 45 crore to provide coaching to scheduled caste students.</li> </ul>
<b>Medical and Public Health</b> (includes Directorate of Health Services and allocations to Medical Colleges and Hospitals)	3,671	4,728	5,867	24.1%	<ul style="list-style-type: none"> <li>Rs 403 crore has been allocated for setting up new mohalla clinics and polyclinics in 2018-19.</li> <li>The number of beds in hospitals will be increased from 10,000 to 20,000 beds.</li> </ul>
<b>Development</b> (includes Environment and Irrigation and Flood Control)	1,821	2,401	2,981	24.2%	<ul style="list-style-type: none"> <li>A subsidy of up to Rs 30,000 will be provided to firms to switch from diesel generators to clean fuel-based electricity generators.</li> <li>Incentive of up to Rs one lakh to industries to switch from existing fuels to Piped Natural Gas.</li> </ul>
<b>Total</b>	30,424	36,549	44,060	20.5%	
<b>% of total expenditure</b>	<b>81.7%</b>	<b>82.4%</b>	<b>83.1%</b>		

Sources: Delhi Budget Speech 2018-19; Detailed Demand for Grants 2018-19; PRS.

## Subsidies

The state government provides subsidies across various sectors. Some of these subsidies are shown in Table 4. In addition to the explicit subsidies, the budget provides implicit subsidies such as grant-in-aid to DTC of Rs 1,825 crore, and to the Delhi Electricity Regulatory Commission of Rs 25 crore.

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

Subsidy	Actuals 2016-17	Revised 2017-18	Budget 2018-19	% change from RE 2017-18 to BE 2018-19	Subsidy intended for
Power Subsidy	1,578	1,720	1,720	0%	Subsidy to consumers for consumption of up to 400 units of electricity.
Water Subsidy (through Delhi Jal Board)	320	425	425	0%	Subsidy provided for free water to households consuming up to 20 kilo litres per month.
DTC Concessional Pass	92	100	100	0%	Concessional passes issued to DTC bus commuters.
Consumer subsidy	47	20	3.1	-84.50%	Subsidy provided on essential commodities primarily sugar.

Source: Detailed Demand for Grants 2018-19; PRS.

## Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 47,557 crore, an increase of 18.2% over the revised estimates of 2017-18. Of this, Rs 42,800 crore (90% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 4,757 crore (10% of the revenue receipts) will be **devolved by the centre** in the form of grants.
- **Non-Tax Revenue:** Delhi has estimated to generate Rs 800 crore through non-tax sources in 2018-19. This remains unchanged over the revised estimates of 2017-18.

In 2017-18, government revenue receipts are estimated to be 4.7% (Rs 1,968 crore) less than the budgeted estimates. This decrease is driven by a decline of 5.4% (Rs 2,100 crore) in tax revenue collection, the largest component of the state's revenue (88%).

In 2018-19, grants-in-aid from the centre are estimated to increase by 67% over the revised estimates of 2017-18. This can be attributed to an increase of Rs 2,357 crore (248%) in the allocation towards Centrally Sponsored Schemes.

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

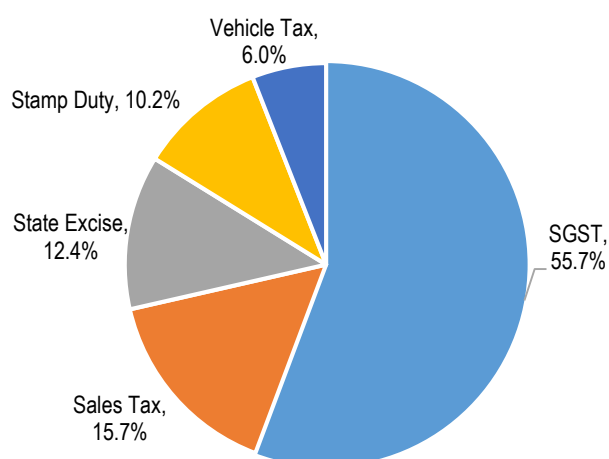
Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	31,140	38,700	36,600	-5.4%	42,000	14.8%
State's Own Non-tax	381	800	800	0.0%	800	0.0%
Grants in aid and contributions	2,825	2,716	2,848	4.8%	4,757	67.0%
<b>Total Revenue Receipts</b>	<b>34,346</b>	<b>42,216</b>	<b>40,248</b>	<b>-4.7%</b>	<b>47,557</b>	<b>18.2%</b>
Recovery of Loans and Advances	211	400	600	50.0%	550	-8.3%
Borrowings	1,696	2,856	2,856	0.0%	2,924	2.4%
Other receipts	-	2,528	2,635	4.2%	1,969	-25.3%
<b>Total Capital Receipts</b>	<b>1,908</b>	<b>5,784</b>	<b>6,091</b>	<b>5.3%</b>	<b>5,443</b>	<b>-10.6%</b>
<b>Total Receipts</b>	<b>36,254</b>	<b>48,000</b>	<b>46,339</b>	<b>-3.5%</b>	<b>53,000</b>	<b>14.4%</b>

Note: Other receipts for the years 2017-18 and 2018-19, include the opening balances for those years.

Sources: Delhi Budget Documents 2018-19; PRS.

- **Tax Revenue:** Total own tax revenue of Delhi is estimated to be Rs 42,000 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2.

**Figure 2: Composition of Tax Revenue in 2018-19 (Budget estimates)**



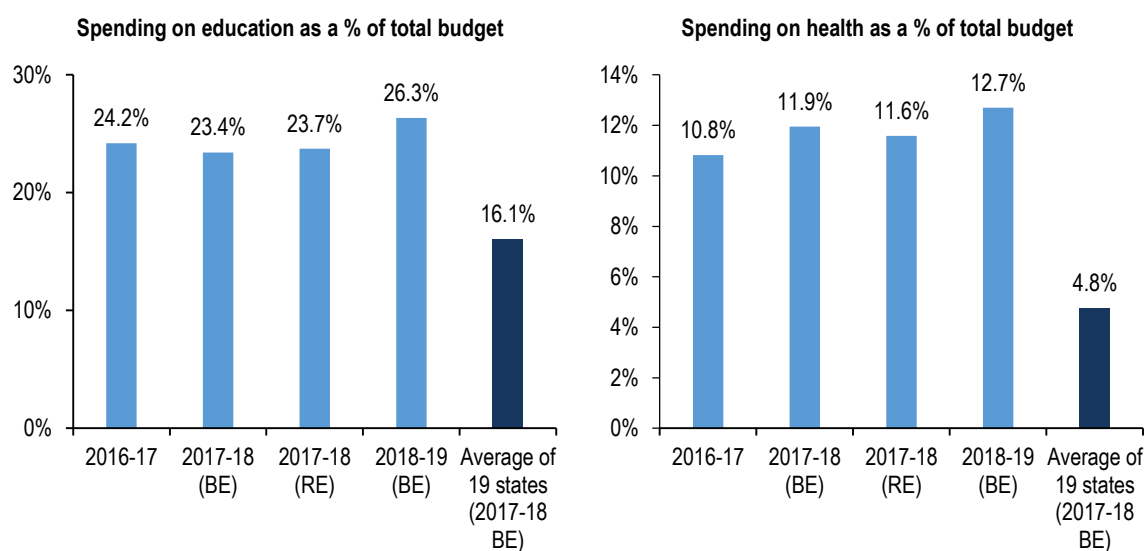
Sources: Delhi Budget Documents 2018-19; PRS.

- State Goods and Services Tax (SGST) is expected to be the largest component of Delhi's tax revenue. It is expected to contribute Rs 23,400 crore (55.7%).
- Sales tax is the second largest component of tax revenue of the state. As a major portion of Sales tax has been subsumed under GST, this tax is now only levied on certain items such as alcohol for human consumption and petroleum products. Sales tax is expected to generate Rs 6,600 crore in 2018-19. This is a decrease of 40.5% from the revised estimates of 2017-18.
- Further, the government is expected to generate Rs 2,500 crore through taxes on vehicles. This is an increase of 16.3% over the revised estimates of 2017-18.
- Stamp Duty will contribute Rs 4,298 crore, which is 10.2% of the state's tax revenue. This is an increase of 14.7%, over the revised estimates of 2017-18.

## Annexure

The graphs below compare Delhi's expenditure on two key sectors as a proportion of its total budget, with 18 other states.<sup>1</sup>

- **Education:** Delhi has allocated 26.3% of its budget towards education in 2018-19. This is higher than the average expenditure allocated to education by 18 other states (using 2017-18 budget estimates).
- **Health:** Delhi has allocated 12.7% of its total expenditure on health, which is significantly higher than the average expenditure of 18 other states.



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<sup>1</sup> The 18 states apart from Delhi are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.