

# Abstract

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With a specially carved-out functional and fiscal arrangement with the central government under which the Government of National Capital Territory of Delhi (NCT) has fewer expenditure responsibilities, but essentially the same fiscal jurisdiction as is available to states under the Constitution, a pronounced urban character, a per capita income which is 78–90 percent higher than the all-India average, and a diversified economic and industrial base, Delhi occupies a unique place in the fiscal, demographic, and economic set-up of the Indian union. Yet, a careful analysis of the finances of the Government of Delhi shows little, if any, buoyancy in its fiscal performance. The own revenue to GSDP ratio of 9.41 percent for Delhi is significantly lower than the own revenue to non-agricultural GSDP ratios of most states. The recovery rate of expenditure in respect of services that are outside the pure merit goods category is a bare 0.55 percent, raising questions about the government's capacity to effectively deal with the issue of implicit subsidies.

The finances of the Government of Delhi are further strained on account of the dismal performance of the Delhi Transport Corporation (DTC), the Delhi Vidyut Board (DVB), and the Delhi Water Board (DWB) whose combined losses in 1996–97, amounted to 3.8 percent of Delhi's GSDP and nearly 37 percent of Delhi's total revenue receipts. Their inability to fix correct prices and plug inefficiencies has meant using up a substantial portion of Delhi's budgetary resources, often at the cost of investments in the much-needed sectors of roads, urban development, and environment. Failure to undertake comprehensive reforms of the property tax system and design a structure of rates of other taxes and fees that would cover at least the administration costs has kept the finances of the Municipal Corporation of Delhi (MCD) at low levels.

Shoring up the untapped revenue potential, reduction of implicit subsidies by better pricing of activities that can be charged according to use, expenditure restructuring in favour of the under-funded sectors, major overhauling of public utilities and of the financial structure of MCD constitute the reform agenda for Delhi.