

## CHAPTER I

### FINANCES OF THE STATE GOVERNMENT

#### 1.1 Introduction

This chapter provides an overview of the finances of the State Government during the financial year 2015-16 by benchmarking against past trends of major fiscal aggregates. *Appendix 1.1* contains profile of Punjab and *Appendix 1.2* contains the structure of the Government Accounts and layout of the Finance Accounts of the State Government on which this Report is based.

##### 1.1.1 Profile of the State

Punjab is an agrarian State. The State is located in the north-western corner of India. It spreads over a geographical area of 50,362 sq kms and ranks 19<sup>th</sup> among States in terms of area. It has been organized into 22 districts. The districts have further been divided into 82 sub divisions, 147 blocks and 12,581 villages.

As per 2011 census, the State's population increased from 2.44 crore in 2001 to 2.77 crore in 2011 recording a decadal growth of 13.52 *per cent*. The population of the State accounts for 2.29 *per cent* of the country's population and ranks 15<sup>th</sup> among States in terms of population. The population density of the State increased from 484 persons per sq km in 2001 to 551 persons per sq km in 2011 which is higher than the population density of 382 persons per sq km at national level.

The Gross State Domestic Product (GSDP) of a State measures the value of goods and services produced within the State. As per estimates prepared by the Economic and Statistical Organization of Punjab, the GSDP at current market prices was ₹ 4,08,815 crore (Advance) for the year 2015-16. At current prices, the per capita income of the State was ₹ 1,05,143 (Provisional), ₹ 1,14,561 (Quick) and ₹ 1,26,063 (Advance) for the years 2013-14, 2014-15 and 2015-16 respectively.

##### 1.1.2 Salient features of financial management of the State Government

All receipts of the State Government are required to be accounted for in the Consolidated Fund of the State constituted under Article 266(1) of the Constitution of India. Expenditure therefrom is authorised by the State Legislature through Appropriation Act. Money so authorised by the Appropriation Act is spent as per provisions contained in the Punjab Financial Rules, the Departmental Financial Rules and instructions issued by the Finance Department from time to time. The Punjab Financial Rules contain the financial regulations of general nature issued by the Finance Department for the guidance of various departments and offices. The Departmental Financial Rules are the Rules relating to the Public Works and Forest Departments. The accounts of the State Government are kept in three parts viz. (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. The annual accounts of the State Government consist of the Finance Accounts and the Appropriation Accounts. The Finance Accounts of the Government of Punjab are laid out in twenty two statements.

In May 2003, the State Government enacted the Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003 to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudential debt management. Subsequently, in March 2011, the State Government amended the FRBM Act on the recommendations of the Thirteenth Finance Commission (TFC) and enacted FRBM (Amendment) Act, 2011, on the basis of which targets up to the year 2014-15 were fixed.

Fourteenth Finance Commission (FFC) recommended the State Government to amend their FRBM Act to provide for the statutory flexible limits on fiscal deficit and also to provide a statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision.

FFC also recommended the State Government to adopt a template for collating, analysing and annually reporting the total extended public debt in the budget, as a supplement to the budget, to assess the debt position of the State in the context of risks arising from guarantees, off-budget borrowings and accumulated losses of financially weak public sector enterprises. In order to accord greater sanctity and legitimacy to fiscal management legislation, State Government was recommended to replace the existing FRBM Act with a Debt Ceiling and Fiscal Responsibility Legislation, specifically invoking Article 293 (1) of the Constitution of India.

However, the State Government has taken no action to amend its FRBM Act as per recommendations of the FFC during 2015-16.

### 1.1.3 Gross State Domestic Product

The GSDP of a State measures the value of goods and services produced within the State. The trends in the annual growth of India's Gross Domestic Product (GDP) at current prices and Punjab's GSDP at current prices are indicated in **Table 1.1**.

**Table 1.1: Trends in Gross State Domestic Product**

Year	2011-12	2012-13	2013-14 (P)	2014-15 (Q)	2015-16 (A)
India's GDP (₹ in crore)	8736039	9951344	11272764	12488205	13567192
Growth rate of GDP (per cent)	20.52	13.91	13.28	10.78	8.64
State's GSDP (₹ in crore)	266628	297734	334714	368011	408815
Growth rate of GSDP (per cent)	17.87	11.67	12.42	9.95	11.09

Source: Official website of Ministry of Statistics and Programme Implementation, Government of India ([www.mospi.nic.in](http://www.mospi.nic.in)) as on 29<sup>th</sup> July 2016 for India's GDP and Economic and Statistical Adviser, Government of Punjab for Punjab's GSDP.  
P = Provisional; Q = Quick; and A = Advance

### 1.1.4 Summary of fiscal transactions

**Table 1.2** presents the summary of the State Government's fiscal transactions during the year 2015-16 *vis-à-vis* those of 2014-15. **Appendix 1.3-Part A** provides the abstract of receipts and disbursements for the year 2015-16 as well as the summarized financial position of the State Government as on 31 March 2016.

Table 1.2: Summary of the fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2014-15	2015-16		2014-15	2015-16		
<b>Section A: Revenue</b>							
				<b>Total</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>Revenue receipts</b>	<b>39022.85</b>	<b>41523.38</b>	<b>Revenue expenditure</b>	<b>46613.49</b>	<b>44762.59</b>	<b>5310.90</b>	<b>50073.49</b>
Tax revenue	25570.20	26690.49	General services	23043.09	24677.97	35.47	24713.44
Non-tax revenue	2879.73	2650.27	Social services	13729.05	10980.35	3917.51	14897.86
Share of Union taxes/ duties	4702.97	8008.90	Economic services	9237.32	8398.12	1357.92	9756.04
Grants from Government of India	5869.95	4173.72	Grants-in-aid and Contributions	604.03	706.15	0.00	706.15
<b>Section B: Capital</b>							
<b>Misc. Capital Receipts</b>	<b>0.52</b>	<b>0.26</b>	<b>Capital Outlay</b>	<b>3118.44</b>	325.87	2733.55	<b>3059.42</b>
Recoveries of Loans and Advances	137.14	218.45	Disbursement of Loans and Advances	270.27	5968.59	0.00	5968.59
Public Debt receipts*	11362.81	20207.21	Public Debt repayments*	3213.98	3830.30	0.00	3830.30
Contingency Fund	0.00	0.00	Contingency Fund	0.00	0.00	0.00	0.00
Public Account receipts#	42451.18	54552.21	Public Account disbursements#	40526.50	53446.58	0.00	53446.58
Opening Cash Balance	630.42	(-137.76)	Closing Cash Balance	(-137.76)	(-14.63)	0.00	(-14.63)
<b>TOTAL</b>	<b>93604.92</b>	<b>116363.75</b>	<b>TOTAL</b>	<b>93604.92</b>	<b>108319.30</b>	<b>8044.45</b>	<b>116363.75</b>

Source: Finance Accounts of the respective years (figures rounded off to ₹ 0.01 crore).

\* Excluding net transactions under ways and means advances.

# Public Account receipts/disbursements have been shown in this table as gross figures and at other places in the Report as net of disbursement. Further, these exclude transactions of investment of cash balances and departmental cash chests. The net effect of these transactions is included in the opening and closing cash balances in the row next below.

### 1.1.5 Significant changes over the previous year

The following are the major changes in fiscal transactions during 2015-16 over the previous year:

- Revenue receipts increased by ₹ 2,500 crore (6.41 per cent) which is net effect of increase in tax revenue (₹ 1,120 crore: 4.38 per cent) and of share of Union taxes and duties (₹ 3,306 crore: 70.29 per cent). This increase of ₹ 4,426 crore was offset by a decrease of ₹ 1,926 crore in non-tax revenue (₹ 230 crore: 7.99 per cent) and grants from GoI (₹ 1,696 crore: 28.90 per cent).
- Revenue expenditure increased by ₹ 3,460 crore (7.42 per cent), which is due to increase of revenue expenditure for General Services (₹ 1,670 crore) followed by Social Services (₹ 1,169 crore), Economic Services (₹ 519 crore) and grants-in-aid and contributions (₹ 102 crore).
- Public debt receipts increased significantly by ₹ 8,844 crore (77.84 per cent) whereas public debt repayments exhibited an increase of only ₹ 616 crore (19.16 per cent).
- Public account receipts increased by ₹ 12,101 crore (28.51 per cent) while public account disbursements increased by ₹ 12,920 crore (31.88 per cent).
- Net closing cash balances increased by ₹ 123 crore (89.38 per cent).

### 1.1.6 Review of the fiscal situation

Fourteenth Finance Commission (FFC) and the State Government set fiscal targets to be achieved during 2015-16. However, the State Government did not amend its FRBM Act during 2015-16 as per recommendations of the FFC to set targets. Targets *vis-à-vis* achievements in respect of major fiscal aggregates are as under:

**Table 1.3: Targets *vis-à-vis* achievements in respect of major fiscal aggregates**

Fiscal Variables	2015-16				
	Targets as prescribed in the FFC	Targets proposed in the Budget	Actuals	Percentage variation of actuals over	
				Targets of FFC	Targets of Budget
Revenue Deficit/GSDP ( <i>per cent</i> )	(-1.87)	(-1.60)	(-2.09)	(-0.22)	(-0.49)
Fiscal Deficit/GSDP ( <i>per cent</i> )	(-3.00)	(-2.98)	(-4.25)	(-1.25)	(-1.27)
Ratio of total outstanding debt of the Government to GSDP ( <i>per cent</i> )	32.09	31.21	31.66	(-0.78)	0.10

Source: Recommendations of Fourteenth Finance Commission (FFC) and Budget at a glance (2015-16) and Finance Accounts (2015-16).

Targets under FFC are with reference to the targeted figures of GSDP and actuals are with reference to the actual GSDP.

The Government could not contain the revenue deficit and fiscal deficit at the levels prescribed by FFC and projected in the State budget estimates. Though the Debt-GSDP ratio was within the target fixed by FFC, it was marginally higher than the level projected in the budget estimates.

### 1.1.7 Budget estimates and actuals

The budget presented by the State Government provides description of projections or estimates of revenue and expenditure for a particular fiscal year. The budget estimates *vis-à-vis* actuals in respect of various fiscal parameters for the year 2015-16 are given in **Appendix 1.4**. The budget estimates *vis-à-vis* actuals in respect of important fiscal parameters are given in **Table 1.4**.

**Table 1.4: Important fiscal parameters: Budget Estimates *vis-à-vis* Actuals**  
(₹ in crore)

2015-16	Tax Revenue	Non-tax Revenue	Revenue Receipts	Revenue Expenditure	Interest Payments	Capital Expenditure	Revenue Deficit	Fiscal Deficit	Primary Deficit
BE	29352	3804	46229	52623	9900	4857	(-)6394	(-)11895	(-)1995
Actuals	26690	2650	41523	50073	9782	3059	(-)8550	(-)17360	(-)7578

Source: Finance Accounts and Budget at a Glance 2015-16

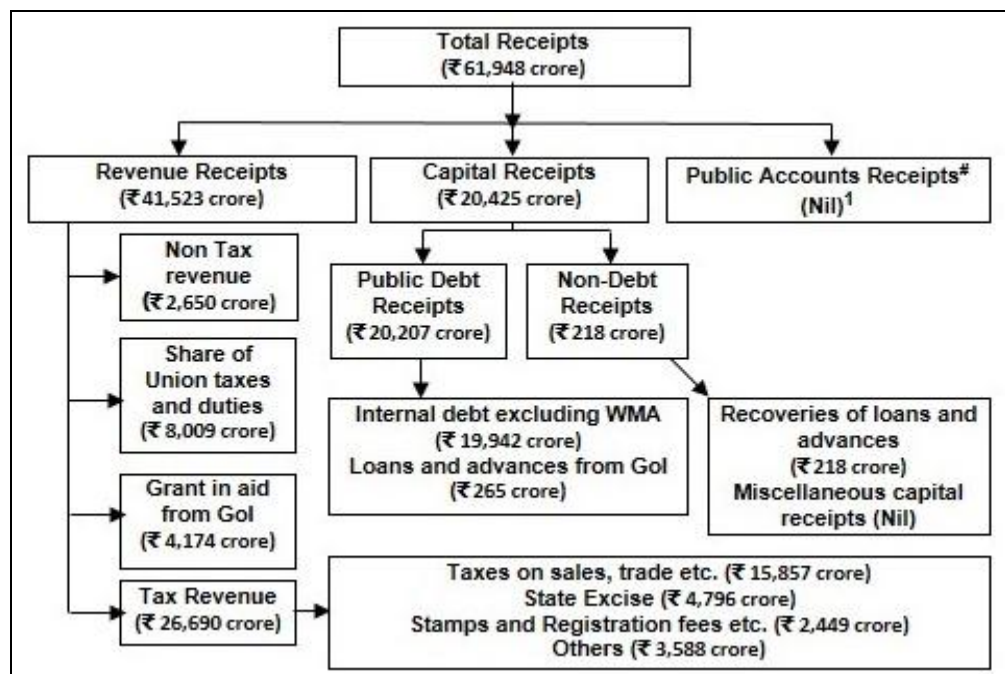
The revenue deficit, fiscal deficit and primary deficit were higher by ₹ 2,156 crore (33.72 *per cent*), ₹ 5,465 crore (45.94 *per cent*) and ₹ 5,583 crore (279.85 *per cent*) respectively than the budget estimates. Total revenue receipts remained lower than budget estimates by ₹ 4,706 crore (10.18 *per cent*), tax revenue by ₹ 2,662 crore (9.07 *per cent*) and non-tax revenue by ₹ 1,154 crore (30.34 *per cent*). The capital expenditure incurred during 2015-16 was just 62.98 *per cent* of budget estimates and only five to six *per cent* of its total expenditure during 2011-15. However, it has come down to five *per cent* in 2015-16 (**Appendix 1.6**) which indicates that asset creation was not given as much priority as intended in the budget estimates.

## 1.2 Resources of the State

### 1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Besides, there are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the consolidated fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts are indicated in **Table 1.2**. **Chart 1.2** depicts the trends in various components of the receipts of the State during 2011-12 to 2015-16. The position of total receipts of the State is depicted in **Chart 1.1**:

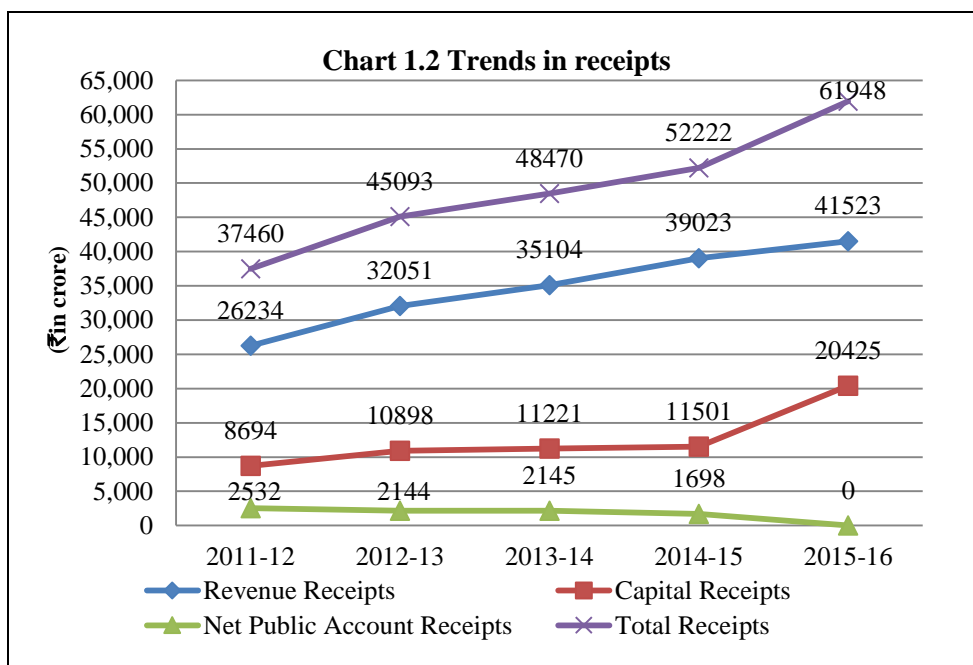
**Chart 1.1 : Composition of receipts of the State during 2015-16**



Source : Finance Accounts

These figures are net of Public Account after disbursements.

<sup>1</sup> Against receipts of ₹66,018 crore in Public Account, disbursements were ₹70,236 crore, rendering net Public Account as (-)₹4,218 crore. Therefore net Public Account Receipts are shown as NIL.

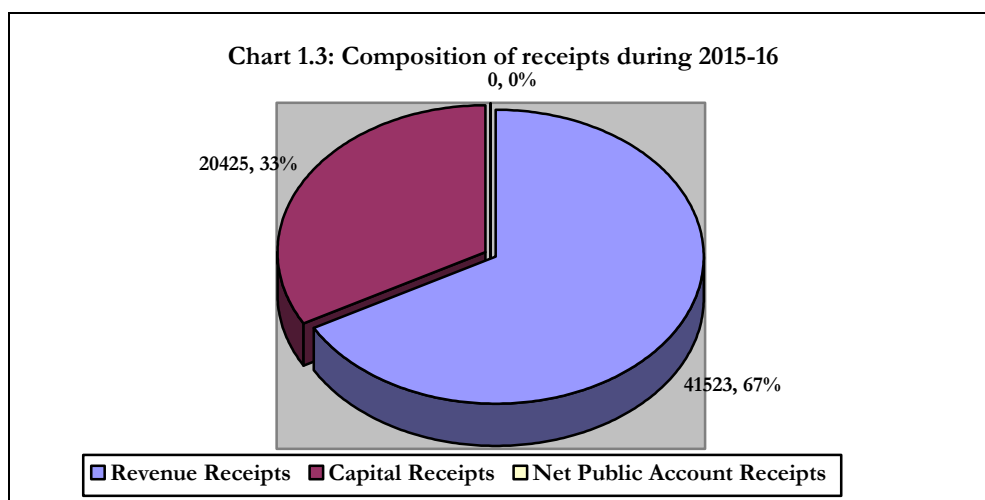


During the period 2011-12 to 2015-16 revenue receipts and capital receipts increased from ₹ 26,234 crore and ₹ 8,694 crore to ₹ 41,523 crore and ₹ 20,425 crore respectively.

The net public account receipts exhibited a decreasing trend during 2011-16 as it decreased from ₹ 2,532 crore in 2011-12 to ₹ 1,698 crore in 2014-15. During 2015-16, the public account disbursements exceeded the public accounts receipts by ₹ 4,218 crore<sup>2</sup>, resulting in nil net public account receipts.

Overall, the total receipts increased from ₹ 37,460 crore to ₹ 61,948 crore during 2011-12 to 2015-16.

The composition of resources of the State during the current year is given in **Chart 1.3:**



During the year 2015-16, contribution of revenue and capital receipts towards total receipts was 67 per cent and 33 per cent respectively.

<sup>2</sup> Against receipts of ₹ 66,018 crore in Public Account, disbursements were ₹ 70,236 crore, rendering net Public Account as (-) ₹ 4,218 crore. Therefore net Public Account Receipts are shown as NIL.



### 1.2.2 Non-deposit of revenue receipts into the Consolidated Fund of the State

Article 266 (1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by the issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be entitled “the Consolidated Fund of the State”.

Audit noticed following irregularities in non-depositing of revenue receipts into the Consolidated Fund of the State:

#### (i) Establishment of Fund outside Government Accounts

The State Government established Punjab Education Development Fund (Fund) as mentioned in **Appendix 1.5** through enactment of an Act. Under the Act, the revenue receipts amounting to ₹ 150.03 crore were credited to this Fund during 2015-16 and an expenditure of ₹ 118.10 crore was incurred from the accumulated receipts of the Fund, which was in violation of the Constitutional provisions.

#### (ii) Irregular retention of Government receipt in fund of a society

Punjab Treasury Rule 8(1) also provides that all moneys received by the Government shall, without undue delay be deposited in full into the Consolidated Fund of the State and it shall not be appropriated to meet departmental expenditure nor otherwise kept apart from the Consolidated Fund of the State.

Audit observed (April 2014) that Punjab Police had been charging capitation fee (fee) for imparting training to police personnel of other States. To enhance/upgrade the training infrastructure of the Punjab Police, Chief Secretary to Government of Punjab decided (October 2011) to form a Punjab Police Training and Trainers Development Society (Society) and credit 50 per cent of the fee received from other States into Society’s account. Accordingly, the Society was formed in March 2012 and out of fee of ₹ 9.19 crore collected between April 2012 and March 2016, ₹ 4.47 crore<sup>3</sup> were credited into the Society’s account. Prior to formation of society (March 2012), the capitation fee received from other States was being credited into the Consolidated Fund of the State. Out of fund of ₹ 4.47 crore, the Society utilized ₹ 2.39 crore towards running and maintenance of training centers.

The Director General of Police, Punjab stated (June 2015) that the amount was being credited into Society’s account in compliance to the decision taken in October 2011. The reply was not acceptable as the said decision was not in line with Constitution of India and the provisions of the Punjab Treasury Rules.

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S.No.	Name of Training Center	Fee collected	Fee deposited in Societies account
1	CTC Bahadurgarh	0.22	0.11
2	PPA Phillaur	3.54	1.77
3	PRTC Jahan Khelan	5.43	2.59
	<b>Total</b>	<b>9.19</b>	<b>4.47</b>

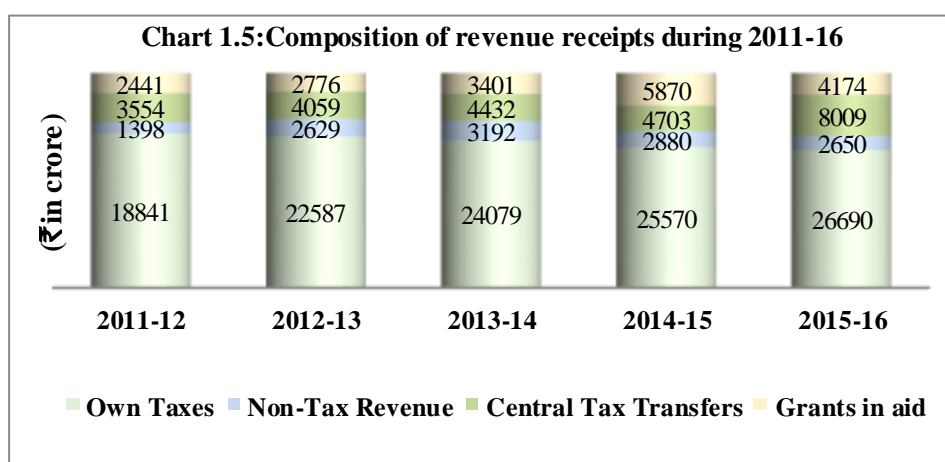
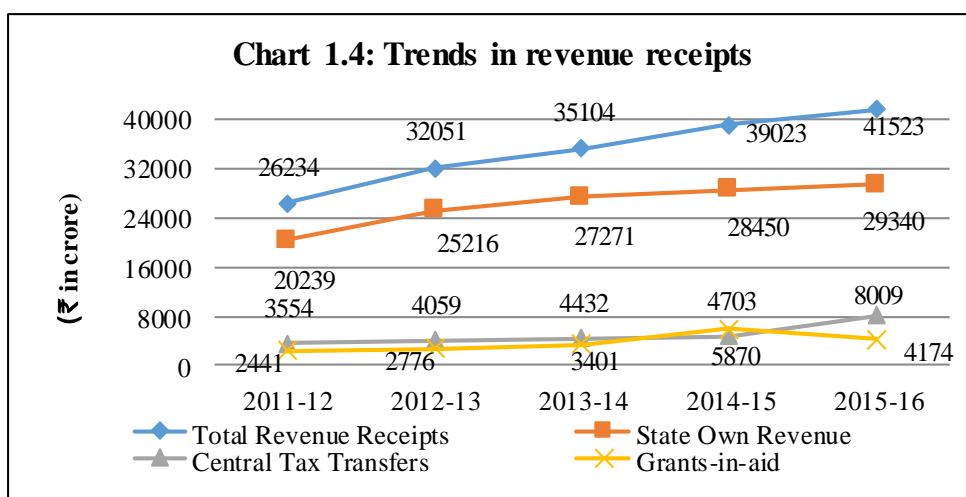
The matter was referred to Government in May 2016; reply was awaited (October 2016).

**1.2.3 Funds transferred to State implementing agencies outside the State budget**

The Government of India (GoI) had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes/programmes in the social and economic sectors. From 2014-15 onwards, GoI decided (May 2014) to route these funds through State budget. However, Finance Accounts showed that an amount of ₹ 648.14 crore was released directly to the State implementing agencies/organizations during the year 2015-16.

**1.3 Revenue receipts**

**Statement 14** of the Finance Accounts detail the revenue and capital receipts of the State Government. The revenue receipts consist of the State’s own tax and non-tax revenues, share of Union taxes/duties and grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2011-16 are presented in **Appendix 1.6** and also depicted in **Charts 1.4** and **1.5** respectively.





The revenue receipts increased by ₹ 2,500 crore (6.41 *per cent*) in 2015-16 over the previous year which was due to increase in tax revenue (₹ 1,120 crore: 4.38 *per cent*) and share of Union taxes and duties (₹ 3,306 crore: 70.30 *per cent*). This increase of ₹ 4,426 crore was offset by a decrease of ₹ 1,926 crore in non-tax revenue (₹ 230 crore: 7.99 *per cent*) and grants from GoI (₹ 1,696 crore: 28.89 *per cent*). The revenue receipts during the current year (₹ 41,523 crore) were less by ₹ 4,706 crore (10.18 *per cent*) as compared to projections in the budget estimates (₹ 46,229 crore) for the year 2015-16 (*Appendix 1.4*).

The trends in revenue receipts relative to GSDP are presented in **Table 1.5**.

**Table 1.5: Trends in revenue receipts**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue receipts (RR) (₹ in crore)</b>	<b>26234</b>	<b>32051</b>	<b>35104</b>	<b>39023</b>	<b>41523</b>
Rate of growth of RR ( <i>per cent</i> )	(-)4.98	22.17	9.52	11.16	6.41
RR/GSDP ( <i>per cent</i> )	9.84	10.76	10.49	10.60	10.16
<b>Buoyancy ratios<sup>4</sup></b>					
Revenue buoyancy w.r.t GSDP	(-)0.28	1.90	0.77	1.12	0.58
State's own tax buoyancy w.r.t GSDP	0.67	1.70	0.53	0.62	0.40
Revenue buoyancy w.r.t. State's own taxes	(-)0.42	1.12	1.44	1.80	1.46

Source: Finance Accounts

The revenue receipts increased from ₹ 26,234 crore in 2011-12 to ₹ 41,523 crore in 2015-16 at an annual average growth rate of 8.86 *per cent*. The ratio of revenue receipts to GSDP increased from 9.84 in 2011-12 to 10.76 *per cent* in 2012-13 and decreased to 10.16 *per cent* in 2015-16. The revenue buoyancy with reference to GSDP went up from (-)0.28 in 2011-12 to 1.90 in 2012-13 but came down to 0.58 in 2015-16. The State's own tax buoyancy with reference to GSDP, having gone up to 1.70 in 2012-13 from 0.67 in 2011-12, again came down to 0.40 in 2015-16. Revenue buoyancy with reference to State's own taxes exhibited a growth of 1.46 in 2015-16 as compared to negative growth of (-) 0.42 in 2011-12.

### 1.3.1 State's own resources

The State's share in Union taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission. The State's performance in mobilization of resources was assessed in terms of its own resources comprising of own-tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2015-16 *vis-à-vis* assessment made by Fourteenth Finance Commission (FFC) are given in **Table 1.6**.

<sup>4</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of fiscal variable with respect to a given change in the base variable.

**Table 1.6: Tax and non-tax receipts vis-à-vis projections**

	FFC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FFC projections	Budget estimates
Own Tax revenue	33827	29352	26690	(-)21.10	(-)9.07
Non-tax revenue	3273	3804	2650	(-)19.03	(-)30.34

Source: Report of FFC, Annual Financial Statement 2015-16 and Finance Accounts

In respect of own-tax revenue and non-tax revenue, State Government fell short of projections made by FFC and in budget estimates.

### 1.3.1.1 Tax revenue

The collections in respect of major taxes and duties are given in **Table 1.7:**

**Table 1.7: Components of State's own tax revenue**

(₹ in crore)

Revenue Receipt	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on Sales, Trade etc.	11172 (12)	13218 (18)	14847 (12)	15455 (4)	15857 (3)
State Excise	2755 (16)	3332 (21)	3765 (13)	4246 (13)	4796 (13)
Taxes on Vehicles	850 (30)	995 (17)	1146 (15)	1394 (22)	1475 (6)
Stamp Duty and Registration fees	3079 (33)	2920 (-5)	2500 (-14)	2474 (-1)	2449 (-1)
Land Revenue	25 (32)	37 (48)	42 (14)	47 (12)	55 (17)
Taxes and Duties on Electricity	928 (-35)	2035 (119)	1710 (-16)	1875 (10)	1968 (5)
Other taxes and duties on commodities and services	32 (33)	50 (56)	69 (38)	79 (14)	90 (14)
<b>Total Own Tax Revenue</b>	<b>18841 (12)</b>	<b>22587 (20)</b>	<b>24079 (7)</b>	<b>25570 (6)</b>	<b>26690 (4)</b>

Source: Finance Accounts

Figures in parenthesis show rate of growth over previous year

The State's own-tax revenue during 2015-16 was lower by ₹ 2,662 crore (9.07 per cent) than the assessment of ₹ 29,352 crore made in the budget estimates.

### 1.3.1.2 Non-tax revenue

In the current year, the share of non-tax revenue in total revenue receipts came down to 6.38 per cent from 7.38 per cent in the previous year. The non-tax revenue decreased by 7.96 per cent during the current year over the previous year. The composition and growth in State's non-tax revenue is given in **Table 1.8.**

**Table 1.8: Components of State's non-tax revenue**

(₹ in crore)					
Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Receipts	170.16 (0)	170.47 (0)	174.68 (2)	193.88 (11)	225.28 (16)
Dividends and Profits	1.73 (179)	0.33 (-81)	1.46 (342)	1.48 (1)	1.46 (-1)
Misc General Services	323.71 (-92)	1420.73 (339)	1640.32 (15)	1473.47 (-10)	999.84 (-32)
Road Transport	183.35 (22)	222.51 (21)	199.68 (-10)	161.67 (-19)	148.49 (-8)
Other non-tax receipts	719.50 (-2)	815.17 (13)	1175.35 (44)	1049.23 (-11)	1275.20 (22)
<b>Total Non-Tax revenue</b>	<b>1398.45</b> <b>(-74)</b>	<b>2629.21</b> <b>(88)</b>	<b>3191.49</b> <b>(21)</b>	<b>2879.73</b> <b>(-10)</b>	<b>2650.27</b> <b>(-8)</b>

Source: Finance Accounts

Figures in parenthesis show rate of growth over previous year

### 1.3.1.3 Grants-in-aid

The position of grants-in-aid received during the period 2011-12 to 2015-16 are presented in **Table 1.9**.

**Table 1.9: Grants-in-aid from Government of India**

(₹ in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan Grants	874.11	894.91	1064.11	2003.87	1274.64
<b>Total non-plan grants</b>	<b>874.11</b>	<b>894.91</b>	<b>1064.11</b>	<b>2003.87</b>	<b>1274.64</b>
Plan Grants <i>of which</i>					
Grants for State Plan Schemes	694.06	684.19	1058.26	3597.61	2320.12
Grants for Central Plan Schemes	5.68	60.63	7.67	80.06	341.76
Grants for Centrally Sponsored plan Schemes	866.79	1135.84	1271.34	188.41	237.20
<b>Total plan grants</b>	<b>1566.53</b>	<b>1880.66</b>	<b>2337.27</b>	<b>3866.08</b>	<b>2899.08</b>
<b>Total grants</b>	<b>2440.64</b>	<b>2775.57</b>	<b>3401.38</b>	<b>5869.95</b>	<b>4173.72</b>
Percentage increase in grants over previous year	1.73	13.72	22.55	72.58	(-)28.90
Revenue Receipts	26234.41	32051.15	35103.54	39022.85	41523.38
Percentage increase in revenue receipts over previous year	(-)4.98	22.17	9.52	11.16	6.41
Percentage of total grants to revenue receipts	9.30	8.66	9.69	15.04	10.05

Source: Finance Accounts

**Table 1.9** shows that grants-in-aid from GoI increased at an annual average rate of 16.34 per cent during the period 2011-12 to 2015-16. It decreased by 28.90 per cent in 2015-16 over the previous year. Contribution of grants-in-aid towards revenue receipts also decreased from 15.04 per cent in 2014-15 to 10.05 per cent in 2015-16. During the period 2011-12 to 2015-16, contribution of grants-in-aid towards revenue receipts ranged between 8.66 per cent and 15.04 per cent.

### 1.3.1.4 Central tax transfer

The actual release of share in Union taxes and duties to State Government during 2010-16 *vis-à-vis* projections made by Thirteenth Finance Commission and Fourteenth Finance Commission is tabulated in **Table 1.10**.

**Table 1.10: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections**

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	1.389 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.411 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of TFC)	3207	3051	(-) 156
2011-12		3665	3554	(-) 111
2012-13		4398	4059	(-) 339
2013-14		5278	4432	(-) 846
2014-15		6333	4703	(-) 1630
2015-16	1.577 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.589 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of FFC)	NA	8009	--

Source: Reports of the TFC & FFC and Finance Accounts

State Government's share in Union taxes increased by ₹ 3,306 crore (70.30 *per cent*) during 2015-16 over the previous year due to change in the criterion and weight considered by the FFC for devolution of inter-se share of taxes to States.

### 1.3.1.5 Cost of collection

The figures of major own tax receipts, expenditure incurred on collection of these own taxes and percentage of such expenditure to own tax revenue receipts *vis-à-vis* All India Average percentage are given in **Appendix 1.7**. During the period 2011-12 to 2013-14, the percentage of expenditure on collection to collection in respect of various components of State's own tax revenue is lower than the All India averages except in Taxes on Sales, Trades etc. for the years 2011-12 to 2012-13.

## 1.4 Capital receipts

The capital receipts are non-debt capital receipts such as proceeds from disinvestment of equity in Government companies/corporations, recoveries of loans and advances and debt capital receipts credited under public debt section of the Consolidated Fund. The public debt receipts fall broadly under two categories-(a) loans/advances from the Union Government; and (b) borrowings from banks, financial institutions through negotiated loans or open market borrowings through issue of State Development Loans. The share of non-debt capital receipts and loans/advances from the Union Government was negligible and capital receipts were mainly on account of borrowing from banks, financial institutions and open market, as detailed in **Table 1.11**.

**Table 1.11: Trends in growth and composition of capital receipts***(₹ in crore)*

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Capital Receipts</b>	<b>14965.61</b>	<b>22340.80</b>	<b>24253.30</b>	<b>31361.21</b>	<b>38646.75</b>
Miscellaneous Capital Receipts	0.24	0.21	0.51	0.52	0.26
Recovery of Loans and Advances	94.50	174.09	112.30	137.15	218.45
<b>Public Debt Receipts</b>	<b>14870.88</b>	<b>22166.50</b>	<b>24140.49</b>	<b>31223.54</b>	<b>38428.04</b>
<i>Internal Debt</i>	<i>14721.38</i>	<i>21944.56</i>	<i>23762.52</i>	<i>30656.92</i>	<i>38162.71</i>
<i>Growth rate</i>	<i>37.05</i>	<i>49.07</i>	<i>8.28</i>	<i>29.01</i>	<i>24.48</i>
<i>Loans and advances from GoI</i>	<i>149.50</i>	<i>221.94</i>	<i>377.97</i>	<i>566.62</i>	<i>265.33</i>
<i>Growth rate</i>	<i>(-)22.51</i>	<i>48.45</i>	<i>70.30</i>	<i>49.91</i>	<i>-53.17</i>
Rate of growth of debt Capital Receipts	36.00	49.06	8.90	29.34	23.07
Rate of growth of non-Debt capital receipts	(-)84.15	83.98	(-)35.28	22.04	58.87
Rate of growth of GSDP	17.87	11.67	12.42	9.95	11.09
Rate of growth of Capital Receipts ( <i>per cent</i> )	29.77	49.28	8.56	29.31	23.23

Source: Finance Accounts and for GSDP—Economic and Statistical Adviser, Government of Punjab

### 1.5 Public Account receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund of the State, are kept in the Public Account set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature. Here, the State Government acts as a banker. The balance after disbursements is the fund available with the State Government for use, as given in **Table 1.12**.

**Table 1.12: Detail of net Public Account receipts***(₹ in crore)*

Source of State Receipts	Public Account receipts		Disbursements from Public Account		Excess of receipts over disbursements	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Small Savings, Provident Fund, etc.	3683.39	3440.60	1948.02	2331.65	1735.37	1108.95
Reserve Funds	668.51	590.15	18.97	1115.61	649.54	(-)525.46
Deposits and advances	4448.72	5693.70	4850.69	5579.35	(-)401.97	114.35
Suspense and Miscellaneous*	38098.33	56189.20	38386.81	61108.09	(-)288.48	(-)4918.89
Remittances	90.50	104.35	87.28	101.64	3.22	2.71
<b>Total</b>	<b>46989.45</b>	<b>66018.00</b>	<b>45291.77</b>	<b>70236.34</b>	<b>1697.68</b>	<b>(-)4218.34</b>

Source: Finance Accounts of respective years

\* Includes transactions of investment of cash balances and departmental cash chest.

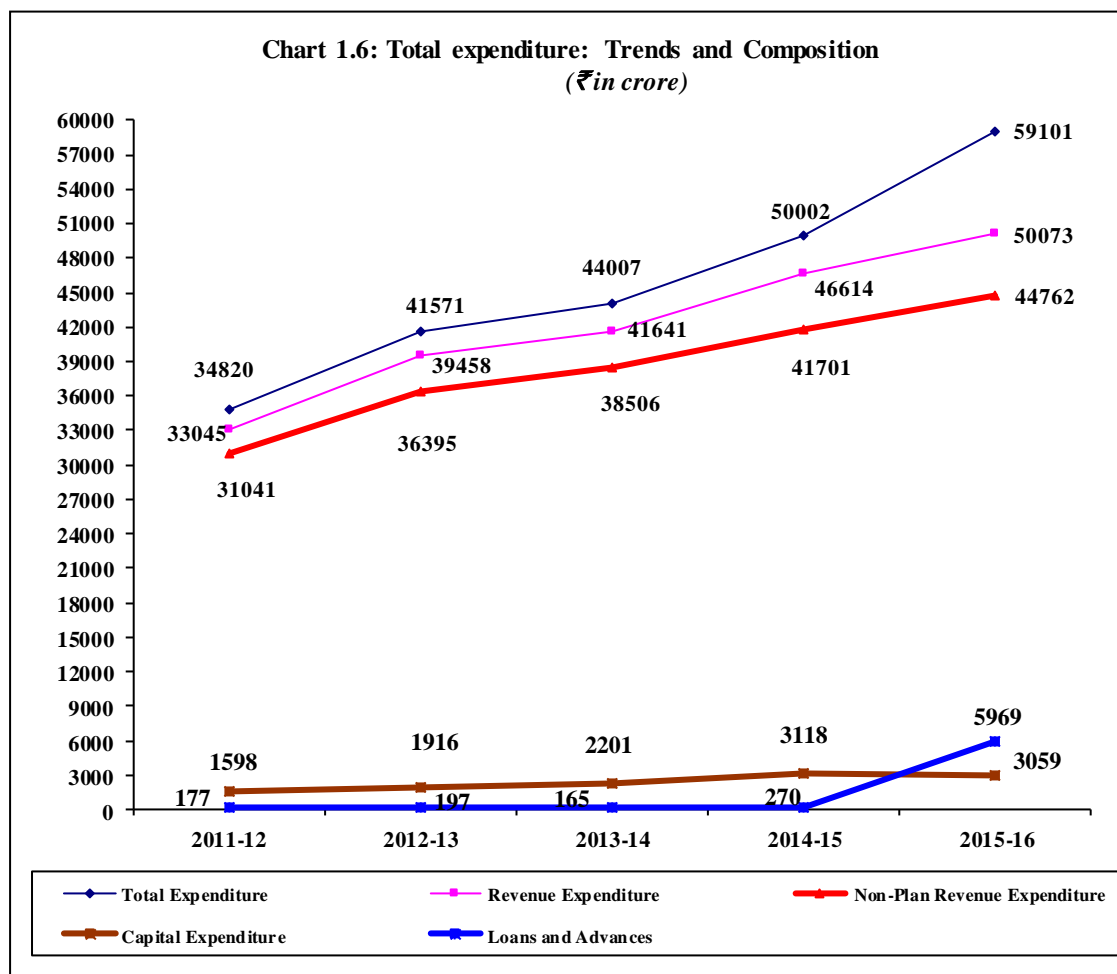
The disbursements exceeded the receipts in public account by ₹ 4,218 crore during 2015-16. The excess of disbursements over the receipts was mainly due to increase in investment of ₹ 4,888.08 crore in Cash Investment Account during 2015-16.

## 1.6 Application of resources

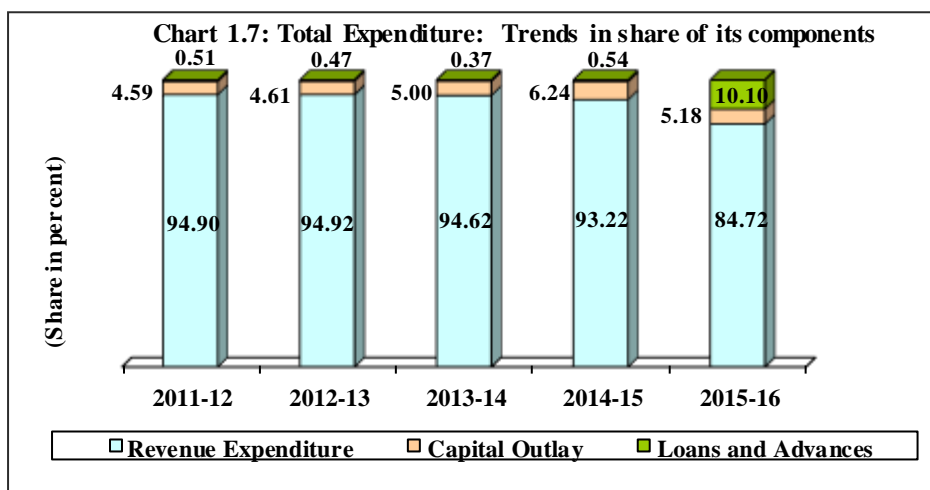
The Government raises resources to perform their sovereign functions, to maintain the existing level of delivery in social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Analysis of the allocation of expenditure at the State Government level assumes significance, since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

### 1.6.1 Growth and composition of expenditure

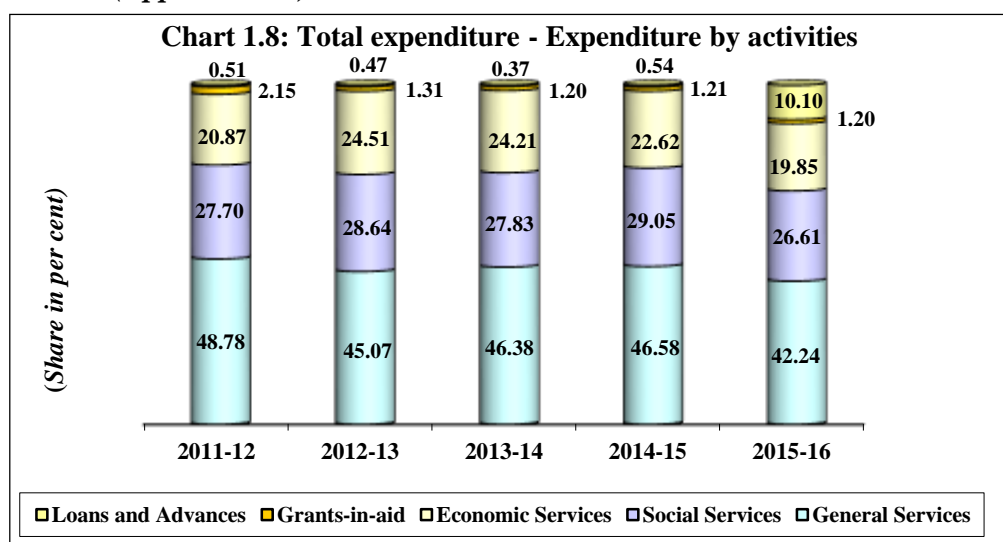
**Chart 1.6** presents the trends of total expenditure over the period of the last five years (2011-16). Its composition in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7** and **1.8** respectively.







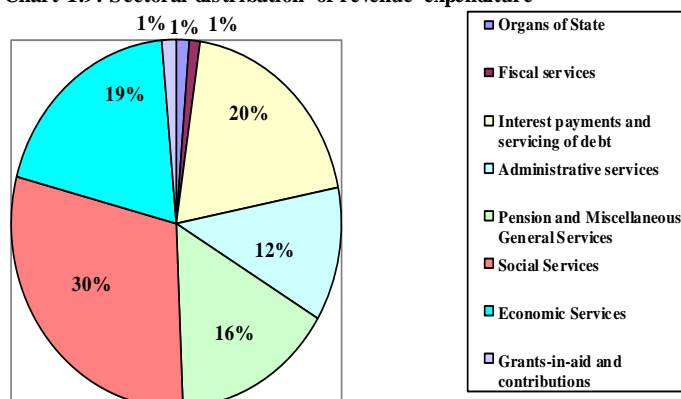
The total expenditure of the State Government increased by 69.73 per cent from ₹ 34,820 crore in 2011-12 to ₹ 59,101 crore in 2015-16. It increased by ₹ 9,099 crore (18.20 per cent) over the previous year. The revenue expenditure increased by ₹ 3,459 crore (7.42 per cent), the capital expenditure decreased by ₹ 59 crore (1.89 per cent) and disbursement of loans and advances increased by ₹ 5,699 crore (2,110.74 per cent) during the current year over the previous year. The revenue expenditure continued to constitute a dominant proportion (85 to 95 per cent) of the total expenditure during the years 2011-16 (**Chart 1.7 and Appendix 1.6**). During this period, it grew at an annual average growth rate of 8.95 per cent. The plan revenue expenditure contributed only six to 11 per cent of the total revenue expenditure, whereas the non-plan revenue expenditure was 89 to 94 per cent during the period 2011-16 (**Appendix 1.6**).



The movement of relative share of various components of expenditure (**Chart 1.8**) indicates that the share of general services in total expenditure decreased from 48.78 per cent in 2011-12 to 42.24 per cent in 2015-16, social services decreased from 27.70 per cent to 26.61 per cent and economic services decreased from 20.87 per cent to 19.85 per cent during the same period. The development expenditure i.e. 'expenditure on social and

economic services' together decreased from 49 per cent in 2011-12 to 46 per cent in 2015-16.

Chart 1.9: Sectoral distribution of revenue expenditure



The revenue expenditure increased by ₹ 3,459 crore (7.42 per cent) from ₹ 46,614 crore in 2014-15 to ₹ 50,073 crore in 2015-16. The overall increase is the result of significant increase from the previous year under the heads Crop Husbandry (₹ 2,390.19 crore: 87.18 per cent), General Education (₹ 1,076.27 crore: 14.87 per cent), Interest payments (₹ 821.29 crore: 9.17 per cent), Pensions and other retirement benefits (₹ 583.61 crore: 8.05 per cent), Police (₹ 252.13 crore: 5.95 per cent), Relief on Account of Natural Calamities (₹ 247.91 crore: 90.11 per cent), Medical and Public Health (₹ 237.62 crore: 10.95 per cent), Civil Supplies (₹ 188.20 crore: 73.04 per cent), Roads and Bridges (₹ 130.16 crore: 81.18 per cent), Social Security and Welfare (₹ 124.81 crore: 9.92 per cent) and Compensation and assignments to Local Bodies and Panchayati Raj Institutions (₹ 102.12 crore: 16.91 per cent) partly offset by decrease mainly under Power (₹ 1,994.86 crore: 79.64 per cent), Other Rural Development Programmes (₹ 418.52 crore: 49.86 per cent), Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 369.59 crore: 41.48 per cent), Urban Development (₹ 224.89 crore: 76.37 per cent), Public Works (₹ 101.76 crore: 21.65 per cent) and Elections (₹ 72.31 crore: 61.38 per cent). The sector-wise distribution of revenue expenditure is shown in **Chart 1.9**.

During the current year, capital expenditure decreased by ₹ 59 crore (1.89 per cent) over the previous year. This decrease was the net result of decrease mainly under capital outlay on Other General Economic Services (₹ 132.09 crore: 56.74 per cent), capital outlay on Urban Development (₹ 77.89 crore: 30.36 per cent), capital outlay on Roads and Bridges (₹ 50.26 crore: 5.43 per cent), offset by the increase under capital outlay on Education, Sports, Art and Culture (₹ 89.33 crore: 58.11 per cent) and capital outlay on Major Irrigation (₹ 43.67 crore: 87.71 per cent).

The capital expenditure during the current year (₹ 3,059 crore) was less by 37 per cent of the projections made in the State Budget (₹ 4,857 crore).

### 1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.13** presents the trends in expenditure on these components during 2011-12 to 2015-16.

**Table 1.13: Trends in components of committed expenditure**

Sr. No	Components of committed expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
						BE	Actuals
1	Salaries and Wages <sup>§</sup> ,	12403 (47)	14120 (44)	14852 (42)	16304 (42)	18799 (41)	17437 (42)
	<i>Under Non-Plan Head</i>	12081	13727	14496	15615	18354	17032
	<i>Under Plan Head*</i>	322	393	356	689	445	405
2	Interest payments	6280 (24)	6831 (21)	7820 (22)	8960 (23)	9900 (21)	9782 (24)
3	Pensions	5657 (22)	5966 (19)	6277 (18)	7249 (19)	7182 (16)	7833 (19)
4	Subsidies	3215 (12)	5132 (16)	4904 (14)	4772 (12)	5974 (13)	5080 (12)
	<b>Total committed expenditure</b>	<b>27555</b>	<b>32049</b>	<b>33853</b>	<b>37285</b>	<b>41855</b>	<b>40132</b>
	<b>Total revenue expenditure<sup>#</sup></b>	<b>33045</b>	<b>39458</b>	<b>41641</b>	<b>46614</b>	<b>52623</b>	<b>50073</b>
	<b>Revenue receipts</b>	<b>26234</b>	<b>32051</b>	<b>35104</b>	<b>39023</b>	<b>46229</b>	<b>41523</b>

Source: Finance Accounts

Figures in parenthesis indicate percentage to Revenue Receipts

<sup>§</sup> Salaries (2015-16): ₹17,128.48 crore + Wages (2015-16): ₹308.61 crore

\* Plan Head includes centrally sponsored schemes

<sup>#</sup> includes expenditure other than committed expenditure.

#### 1.6.2.1 Salaries

**Table 1.14** presents the targets of various components of committed expenditure *vis-à-vis* actuals during 2015-16.

**Table 1.14: Committed expenditure *vis-à-vis* targets during 2015-16**

Item	FFC	2014-15	2015-16	
			BE	Actuals
Salaries	--	16004	18490	17128
Interest payments	9293	8960	9900	9782
Pensions	7575	7249	7182	7833
Subsidies	--	4772	5974	5080
<i>of which Power subsidy</i>	--	4642	--	4847

Source: Report of FFC, Annual Financial Statement 2015-16 and Finance Accounts

**Table 1.14** shows that the expenditure on salaries in 2015-16 increased by ₹ 1,124 crore (7.02 per cent) over the previous year. Salaries and wages as a percentage of revenue receipts is 42 per cent, which is very high.

#### 1.6.2.2 Interest payments

**Table 1.13** shows that the interest consumed 24 per cent of revenue receipts as against 23 per cent during the previous year. **Table 1.14** shows the interest

payments though remained within the estimated Budget (₹ 9,900 crore), exceeded the targets fixed for the year by FFC by ₹ 489 crore (5.26 per cent).

### 1.6.2.3 Subsidies

**Table 1.14** shows that the subsidies during the current year rose by ₹ 308 crore (6.45 per cent) over the previous year.

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or take the shape of concessions. Some implicit subsidies extended during 2015-16 are detailed in the **Table 1.15**.

**Table 1.15: Details of implicit subsidies during the year 2015-16**

		(₹ in crore)
Sr. No.	Scheme	Amount
1	Free books to scheduled caste students (Ist to Xth Class)	44.77
2	Reimbursement to Transport department in respect of facility to physically handicapped and blind in Government/ PRTC buses	11.33
3	Reimbursement to Transport department in lieu of free concessional travel facility to women above the age of 60 years in Government/PRTC buses	0.97
4	Shagun to Scheduled Castes girls/widows/divorcees and daughters of widows at the time of their marriage	72.00
5	Shagun to Backward classes and Christian girls/widows/divorcees and daughters of widows	17.97
	<b>Total</b>	<b>147.04</b>

Source: Detailed Appropriation Accounts for the year 2015-16

### 1.6.2.4 Pension payments

**Table 1.14** shows that during 2015-16, the pension payments recorded a growth of ₹ 584 crore (8.06 per cent) over the previous year. Pension payment exceeded the projections of FFC and budget estimates by ₹ 258 crore (3.41 per cent) and ₹ 651 crore (9.06 per cent) respectively.

### 1.6.3 Financial assistance to the local bodies/other institutions

The assistance provided by way of grants and loans to the local bodies and other institutions during the current year and the previous years is presented in **Table 1.16**.

**Table 1.16: Financial assistance to Local Bodies and Other Institutions***(₹ in crore)*

Institutions	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	905.58	921.18	564.95	689.66	599.09	864.67
Municipal Corporations and Municipalities	71.90	43.13	109.10	0.00	106.00	0.00
Zila Parishads and Other Panchayati Raj Institutions	131.48	132.39	99.27	93.36	0.33	0.00
Development Agencies	0.43	127.67	754.92	1107.74	399.79	422.39
Hospitals and Other Charitable Institutions	90.14	105.06	98.15	266.91	96.47	107.97
<b>TOTAL</b>	<b>1199.53</b>	<b>1329.43</b>	<b>1626.39</b>	<b>2157.67</b>	<b>1201.68</b>	<b>1395.03</b>
Assistance as percentage of RE	3.63	3.37	3.91	4.63	2.28	2.79

Source: Calculated on the basis of Finance Accounts and demand for grants 2015-16

During 2015-16, the financial assistance to the local bodies and other institutions, though more than the budget estimates by ₹ 193.35 crore (16.09 per cent), decreased considerably by ₹ 762.64 crore (35.35 per cent) over the previous year. This decrease was mainly due to decrease in assistance to the Development Agencies (₹ 685.35 crore: 61.87 per cent), Hospitals and Other Charitable Institutions (₹ 158.94 crore: 59.55 per cent) and Zila Parishads and Other Panchayati Raj Institutions (₹ 93.36 crore: 100 per cent), off-set by increase in assistance to Educational Institutions (₹ 175.01 crore: 25.38 per cent).

The overall quantum of financial assistance to the local bodies and other institutions remained between 2.79 and 4.63 per cent of the revenue expenditure during 2011-16.

## 1.7 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure involves adequacy and efficiency of the expenditure.

### 1.7.1 Adequacy of public expenditure

Adequacy of public expenditure means whether there are enough provisions for providing public services. The responsibilities to incur expenditure on social sector and economic infrastructure are largely assigned to the State Governments. For enhancing the levels of human development, the States are required to step up their expenditure on key social services like education, health etc. The fiscal priority (ratio of expenditure on a particular category to the aggregate expenditure) to a particular sector is considered low if it is below the respective national average. The fiscal priority of the State

Government with regard to development expenditure, expenditure on social sector and capital expenditure etc. is shown in **Table 1.17**.

**Table 1.17: Fiscal priority of the State in 2012-13 and 2015-16**

<i>(In per cent)</i>							
Fiscal Priority of the State	AE/ GSDP	DE <sup>#</sup> / AE	SSE/ AE	ESE/ AE	CE/ AE	Education <sup>*</sup> / AE	Health/ AE
<b>General Category States Average (Ratio) 2012-13</b>	14.14	70.03	38.47	29.70	13.70	17.72	4.72
<b>Punjab (Ratio) 2012-13</b>	13.96 (98.73)	53.50 (76.40)	28.64 (74.45)	24.51 (82.53)	4.61 (33.65)	16.40 (92.55)	4.58 (97.03)
<b>General Category States Average (Ratio) 2015-16</b>	16.05	70.63	36.29	34.34	14.89	15.63	4.45
<b>Punjab (Ratio) 2015-16</b>	14.46 (90.09)	56.49 (79.98)	26.61 (73.33)	29.88 (87.01)	5.18 (34.79)	14.88 (95.20)	4.41 (99.10)

*Source: Figures calculated on the basis of the Finance Accounts of the respective States*

*AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE: Capital Expenditure*

*<sup>#</sup> Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.*

*\* Expenditure on Education includes expenditure on Sports, Art & Culture.*

*Figures in parenthesis indicate percentage to General category States*

*Source for Punjab's GSDP: Economic and Statistical Adviser, Government of Punjab.*

*Source for other state's GSDP: Official website of Ministry of Statistics and Programme Implementation, Government of India ([www.mospi.nic.in](http://www.mospi.nic.in)) as on 29<sup>th</sup> July 2016.*

**Table 1.17** shows that:

- In 2012-13, public expenditure, as indicated by the ratio of aggregate expenditure to GSDP, was 98.73 *per cent* in the State as compared to the General Category States (GCS) which further came down to 90.09 *per cent* in 2015-16.
- Development expenditure refers to the expenditure on economic and social sector. Increased priority to development expenditure will result in better human and physical asset formation which will further increase the growth prospects of the State. In the case of Punjab, lower priority was given to development expenditure, as lower proportion of the aggregate expenditure as compared to GCS was spent under this head. Punjab spent 53.50 *per cent* in 2012-13 and 56.49 *per cent* in 2015-16 of aggregate expenditure on development whereas GCS average expenditure on development ranged between 70.03 *per cent* and 70.63 *per cent* during this period. However, the ratio of development expenditure incurred by Punjab to the average expenditure incurred by GCS has gone up from 76.40 *per cent* in 2012-13 to 79.98 *per cent* in 2015-16.
- Similarly, lower priority had been given to the expenditure in Social Sector as lower proportion of aggregate expenditure was spent on this sector as compared to the GCS in the country. The ratio of social sector expenditure incurred by Punjab to the average expenditure incurred by GCS has come down from 74.45 *per cent* in 2012-13 to 73.33 *per cent* in 2015-16.
- Capital expenditure increases the asset creation which will generate



opportunities for higher growth. In Punjab, the ratio of capital expenditure to the aggregate expenditure was much lower as compared to the GCS. However, the ratio of capital expenditure incurred by Punjab to the average capital expenditure incurred by GCS has gone up from 33.65 *per cent* in 2012-13 to 34.79 *per cent* in 2015-16.

- In the case of education, the ratio of expenditure incurred by the State Government to average expenditure incurred by GCS has gone up from 92.55 *per cent* in 2012-13 to 95.20 *per cent* in 2015-16, i.e. variation has narrowed.
- In the health sector the ratio of expenditure incurred by the Government of Punjab to average expenditure incurred by GCS has also gone up from 97.03 *per cent* in 2012-13 to 99.10 *per cent* in 2015-16.

### 1.7.2 Efficiency of public expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure, the efficiency of expenditure (use) is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.18** presents the expenditure incurred in various sectors during the year 2015-16, **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years' expenditure.

**Table 1.18: Expenditure incurred in various sectors**

(₹ in crore)

Sector	Total expenditure	Amount of committed expenditure	Per cent spent on committed expenditure	Amount of capital expenditure	Per cent spent on capital expenditure
General services	25007.28	23894.26	95.55	252.88	1.01
Social services	15726.49	8905.61	56.63	828.63	5.27
Economic services	17661.58	7368.48	41.72	1977.91	11.20

Source: Calculated on the basis of Finance Accounts

**Table 1.18** shows that the capital expenditure incurred in various sectors during the year 2015-16 ranged between one and 11 *per cent* of the total expenditure.

**Table 1.19: Development expenditure**

(₹ in crore)

Components of development expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actual
<b>Total development expenditure (a to c)</b>	<b>17042</b> <b>(48.94)</b>	<b>22241</b> <b>(53.50)</b>	<b>23017</b> <b>(52.30)</b>	<b>26019</b> <b>(52.04)</b>	<b>32559</b> <b>(55.93)</b>	<b>33388</b> <b>(56.49)</b>
a. Development revenue expenditure	15511 (44.54)	20342 (48.93)	20919 (47.54)	22967 (45.93)	27344 (46.97)	24654 (41.71)
b. Development capital expenditure	1402 (4.03)	1754 (4.22)	1982 (4.50)	2866 (5.73)	4615 (7.93)	2806 (4.75)
c. Development loans and advances	129 (0.37)	145 (0.35)	116 (0.26)	186 (0.37)	600 (1.03)	5928 (10.03)

(Figures in parenthesis indicate percentage to aggregate expenditure)

Source: Calculated on the basis of Finance Accounts and Annual Financial Statement 2015-16

**Table 1.19** shows that the total development expenditure increased by ₹ 16,346 crore (95.92 per cent) from 2011-12 to 2015-16 and by ₹ 7,369 crore (28.32 per cent) during the current year over the previous year.

The development revenue expenditure increased from ₹ 15,511 crore in 2011-12 to ₹ 24,654 crore in 2015-16. The development revenue expenditure increased by ₹ 1,687 crore (7.35 per cent) during the current year over the previous year, whereas it was less by ₹ 2,690 crore (9.84 per cent) when compared with the BE of the State for the year 2015-16.

The development capital expenditure increased from ₹ 1,402 crore in 2011-12 to ₹ 2,806 crore in 2015-16. It is only 4.75 per cent of aggregate expenditure in the current year and was 4.03 per cent in 2011-12. It implies that the State Government was giving less priority to capital expenditure for development.

**Table 1.20: Expenditure on selected Social and Economic Services vis-à-vis respective total expenditure**

(In per cent)

Social/Economic Infrastructure	2014-15		2015-16	
	Ratio of CE to TE	In RE, the share of S&W	Ratio of CE to TE	In RE, the share of S&W
<b>Social Services (SS)</b>				
General Education	0.81	75.21	1.70	72.24
Health & Family Welfare	0.00	72.81	0.08	67.37
Water Supply, Sanitation, Housing and Urban Development	34.42	35.70	37.71	44.55
<b>Total (SS)</b>	<b>5.47</b>	<b>59.80</b>	<b>5.27</b>	<b>59.38</b>
<b>Economic Services (ES)</b>				
Agriculture and Allied Activities	2.22	20.62	1.21	13.29
Irrigation & Flood Control	34.88	69.82	36.39	76.77
Power and Energy	0.00	0.03	0.00	0.16
Transport	66.63	42.67	58.46	31.15
<b>Total (ES)</b>	<b>18.02</b>	<b>23.59</b>	<b>11.20</b>	<b>23.71</b>
<b>Total (SS+ES)</b>	<b>11.02</b>	<b>45.23</b>	<b>8.41</b>	<b>45.26</b>

CE: Capital Expenditure; TE: Total Expenditure; RE: Revenue Expenditure; S&amp;W: Salary and Wages.

Source: Calculated on the basis of Finance Accounts

**Table 1.20** shows that in 2015-16, the ratio of capital expenditure (CE) to the total expenditure (TE) decreased by 0.20 per cent on the Social Services (SS)

and by 6.82 *per cent* on Economic Services (ES) over the previous year.

The share of salaries and wages components in revenue expenditure on SS decreased from 59.80 *per cent* to 59.38 *per cent* and in case of ES it increased from 23.59 *per cent* to 23.71 *per cent* during the current year over the previous year.

The combined ratio of CE to TE on SS and ES decreased by 2.61 during 2015-16 over the previous year, while the share of salaries and wages in revenue expenditure on SS and ES increased from 45.23 to 45.26 *per cent*.

### **1.7.3 End use of various cesses imposed by State Government**

State Government imposed various cesses for meeting expenditure for specific purposes. End use of major cesses imposed by the State Government was checked to ascertain whether the amount collected on account of these cesses was utilised for meeting expenditure on specific purposes only or other expenditure was also met from the amount of cess. The findings are as under:

#### **(i) Cultural Cess**

The State Government imposed (April 2013) a cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges etc. under the Punjab Ancient, Historical Monuments, Archaeological sites and Cultural Heritage Maintenance Board Act, 2013. The proceeds of the cess were to be credited by the agencies concerned directly into the Consolidated Fund of the State (CFS). The cess so collected was to be released by the State Government under the Plan Scheme to the Board established under the Act for meeting expenditure on:

- (i) preservation and conservation of the protected/unprotected monuments in the State;
- (ii) construction of the buildings of State/National importance and repayment of loans raised for construction/creation of the buildings of State/National importance;
- (iii) operation and maintenance and upkeep of the buildings under sub section (ii) above; and
- (iv) any other building.

During the year 2015-16, an amount of ₹ 88.57 crore was deposited by various agencies on account of cultural cess in the Consolidated Fund of the State. Out of this, the Director, Cultural Affairs, Archaeology and Museums, Punjab, who is a member secretary of the Board, spent ₹ 79.72 crore for meeting the intended expenses. The balance amount of ₹ 8.85 crore remained in the Government account.

#### **(ii) Social Infrastructure Cess**

State Government, by insertion of a new section (3-D) in the Indian Stamp Act, 1899 (as applicable to Punjab) imposed (February 2013) the social infrastructure cess at the rate of one *per cent* on all those instruments mentioned in entry 23 of Schedule I-A of the Act which are chargeable with

duty under section 3 and additional duty under sections 3-B and 3-C. The cess so collected was to be utilised for providing and improving infrastructure in the social sector. As per information provided by the Department of Revenue and Rehabilitation, ₹ 220.77 crore was collected during the year 2015-16 on account of this cess and deposited in Consolidated Fund of the State.

As regards expenditure out of the cess collected, the reply of the Finance Department was awaited (October 2016). Thus, Audit could not ascertain as to whether the cess collection was utilized for specific purpose or not.

**(iii) Building and Other Construction Workers Welfare Cess**

The Building and Other Construction Workers Welfare Act and the Building and Other Construction Workers Welfare Cess Act provide that in order to provide basic amenities and welfare facilities to workers engaged in construction activities, State Government shall collect a cess on the cost of construction incurred by an employer at the rates notified by the Central Government and deposit it with the Board constituted for carrying out the welfare schemes for construction workers. The State Government instructed (November 2008) all the heads of the Departments/Boards/ Autonomous Bodies/Local Authorities to collect cess at the rate of one *per cent* of cost of construction, as notified by the Central Government vide notification dated 26 September 1996, and deposit it with the Punjab Buildings and Other Construction Workers Welfare Board.

The cess so collected was required to be spent for the social security schemes and welfare measures adopted by the Board for the benefit of building and other construction workers in the State. Detail of cess collected by the Board and expenditure incurred there from are given in the **Table 1.21**.

**Table 1.21: Detail of cess collected**

(₹ in crore)

Year	Actual receipts				Actual expenditure		
	Cess collected	Beneficiaries contribution	Interest earned	Total receipts	Administrative expenditure	Expenditure on schemes	Total expenditure
2009-10	37.68*	0.130	0.69	38.50	1.28	--	1.28
2010-11	92.69	0.004	2.98	95.67	1.06	0.14	1.20
2011-12	112.95	0.023	4.92	117.89	1.47	1.15	2.62
2012-13	122.03	0.870	25.92	148.82	1.34	1.23	2.57
2013-14	120.52	1.600	43.48	165.60	2.60	79.18	81.78
2014-15	155.49 <sup>§</sup>	1.900	47.50	204.89	3.43	61.73	65.16
2015-16	132.49	3.130	55.95	191.57	4.00	122.71	126.71
<b>Total</b>	<b>773.85</b>	<b>7.657</b>	<b>181.44</b>	<b>962.94</b>	<b>15.18</b>	<b>204.73</b>	<b>219.77</b>

Source: Departmental figures

\* Cess of 2009-10 includes ₹0.93 crore cess collected during 2008-09.

<sup>§</sup> Cess collected during 2014-15 increased due to credit of cess after close of 2014-15.

**Table 1.21** showed that against the available cess of ₹ 962.94 crore, the Board could utilize only ₹ 219.77 crore (22.82 *per cent*) during 2009-16 on the welfare activities with the result that an unspent amount of ₹ 743.17 crore (77.18 *per cent*) was lying with the Board as on 31 March 2016.

**1.7.4. Non-release of funds by treasury**

It is incumbent upon the Government that budgeted funds are released to the concerned departments. However, information collected from Director, Treasury and Accounts, Punjab showed that during the year 2015-16 the treasuries did not release payment of ₹ 3,397.85 crore in respect of bills presented before them.

**1.8 Analysis of Government expenditure and investments**

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low level but also meet its capital expenditure/ investment including loans and advances. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital works undertaken by the State Government during the current year *vis-à-vis* the previous years.

**1.8.1 Financial results of irrigation works**

The financial results of nine<sup>5</sup> major irrigation projects involving a capital expenditure of ₹ 507.97 crore at the end of March 2016 showed that revenue realised from these projects during 2015-16 (₹ 135.29 crore) was only 26.63 *per cent* of the capital expenditure on these projects. This return was not sufficient to cover even the total working expenses and maintenance charges (₹ 404.95 crore) and interest charges (₹ 25.09 crore) during the year 2015-16. After meeting the direct working expenditure and interest charges of ₹ 430.04 crore, these projects suffered a net loss of ₹ 294.76 crore.

**1.8.2 Incomplete projects**

The department-wise information pertaining to the incomplete projects (scheduled to be completed between 2008-09 and 2015-16) as on 31 March 2016 is given in the **Table 1.22**.

**Table 1.22: Department-wise profile of incomplete projects**

(₹ in crore)					
Department	Number of incomplete projects	Initial budgeted cost	Revised cost of projects	Expenditure	Cost overrun
Buildings and Roads	4	16.66	NA	4.97	NA
Irrigation	5	2498.78	NA	402.71	NA
	2	70.71	87.15	39.07	16.44
<b>TOTAL</b>	<b>11</b>	<b>2586.15</b>		<b>446.75</b>	

Source: Finance Accounts

NA stands for Not Available

<sup>5</sup> (i) Upper Bari Doab Canal; (ii) Sirhind canal; (iii) Sutlej valley project (Eastern canal); (iv) Shah Nahar Canal Project; (v) Madhopur Beas Link Project; (vi) Harike Project; (vii) Installation of 96 tubewells in Shahkot block of Jalandhar district; (viii) Installation of 150 tubewells along main branch to augment Irrigation supplies from Upper Bari Doab Canal tracts; and (ix) Installation of 108 tubewells in Mahilpur block of Hoshiarpur district.

Out of total 11 incomplete projects, four projects budgeted for ₹ 16.66 crore were in Public Works Department (B&R) and seven projects budgeted for ₹ 2,569.49 crore were in Irrigation Department. Of the seven incomplete projects in Irrigation Department, cost overrun of ₹ 16.44 crore was noticed in two projects. The expenditure of ₹ 446.75 crore incurred on these incomplete projects is yet to yield the intended benefits.

### 1.8.3 Investment and return

(i) The investment and return on investment is given in **Table 1.23**:

**Table 1.23: Return on investment**

Investment/return/ cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	3831.73	3832.65	3862.16	3977.48	4064.56
Return (₹ in crore)	1.73	0.33	1.46	1.48	1.46
Return ( <i>per cent</i> )	0.05	0.01	0.04	0.04	0.04
Average rate of interest on Government Borrowing ( <i>per cent</i> )	7.96	7.79	8.04	8.35	8.09
Difference between interest rate and return ( <i>per cent</i> )	7.91	7.78	8.00	8.31	8.05

Source: Finance Accounts

During 2015-16, the return on investment from Co-operative Banks and Societies (₹ 0.03 crore) and Statutory Corporations, Joint Stock Companies (₹ 0.18 crore) and Government Companies (₹ 1.25 crore) was ₹ 1.46 crore (0.04 *per cent*). The return was only between 0.01 and 0.05 *per cent* during 2011-16 while the average rate of interest paid by the State Government on its borrowings was between 7.79 and 8.35 *per cent* during the same period.

(ii) The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2016 is given in **Table 1.24**.

**Table 1.24: Equity, loans, guarantees outstanding as per Finance Accounts vis-à-vis records of PSUs**

Particulars	(₹ in crore)		
	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3636.60	7833.78	4197.18
Loans	7171.09	10131.49	2960.40
Guarantees	38659.88	38658.45	(-)1.43

Source: Finance Accounts and records of PSUs

Audit observed that the differences occurred in respect of 29 PSUs and some of the differences were pending reconciliation since 1985-86. The



Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

#### 1.8.4 Loans and advances by the State Government

In addition to the investments in Co-operative Societies, Corporations and Companies, the State Government has also been providing loans and advances to many institutions/organizations. **Table 1.25** presents the position of outstanding loans and advances as on 31 March 2016 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

**Table 1.25: Position of outstanding loans and advances and interest received/paid**  
(₹ in crore)

Quantum of loans/ interest receipts/ cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Balance of loans outstanding	2324	2406	2429	2482	2615
Amount advanced during the year	177	197	165	270	5968
Amount recovered during the year	95	174	112	137	218
Closing Balance of the loans outstanding	2406	2429	2482	2615	8365
Interest received	40	44	48	55	30
Interest received as <i>per cent</i> to the outstanding Loans and Advances	1.66	1.83	1.93	2.10	0.36
Interest paid as <i>per cent</i> to the outstanding fiscal liabilities of the Government	7.96	7.79	8.04	8.35	8.09
Difference between the rate of, interest paid and interest received ( <i>per cent</i> )	(-)6.30	(-)5.96	(-) 6.11	(-)6.25	(-)7.73

Source: Finance Accounts

During 2015-16, ₹ 5,968 crore were advanced as loans against ₹ 270 crore during previous year. The steep increase in the advancement of loans and advances of ₹ 5,698 crore in the current year was mainly due to loan of ₹ 5,597 crore to Punjab State Power Corporation Limited (PSPCL) for repayment of its loans relating to the implementation of the Ujwal Discom Assurance Yojna (UDAY). Another transaction of ₹ 4,262.65 crore for repayment of loans of PSPCL by the State Government under UDAY scheme was also carried out on 31 March 2016 as a cashless transaction through Reserve Bank of India (RBI), which was not accounted for in the Finance Accounts of the State Government. As such, loans of the State Government have been understated to the tune of ₹ 4,262.65 crore.

The total outstanding loan increased from ₹ 2,615 crore in 2014-15 to ₹ 8,365 crore (excluding ₹ 4,262.65 crore advanced to PSPCL) in the year 2015-16. The interest receipts of ₹ 30 crore during the current year decreased by ₹ 25 crore (45.45 *per cent*) over the previous year. While the interest payment during 2015-16 was 8.09 *per cent* of its outstanding fiscal liabilities, the interest received was only 0.36 *per cent* of the outstanding loans and advances.

**1.8.5 Cash balances and investment of cash balances**

**Table 1.26** depicts the cash balances and investments made by the State Government out of the cash balances during the year 2015-16. Total investment out of cash balances during 2015-16 were ₹ 5,238.43 crore. The State Government earned interest of ₹ 12.31 crore on these investments during the current year. The cash balances at the close of the current year increased from ₹ (-)137.76 crore of the previous year to ₹ (-)14.63 crore mainly due to increase of ₹ 4,888.08 crore in investment held in the cash balance investment account and increase of ₹ 400 crore in investment of earmarked fund<sup>6</sup> over previous year.

**Table 1.26: Cash balances and investment of cash balances**

		(₹ in crore)		
	Overall Cash Position of the Government	As on 31 <sup>st</sup> March 2015	As on 31 <sup>st</sup> March 2016	Increase(+)/ Decrease(-)
<b>(A)</b>	<b>General Cash Balances-</b>			
<b>1</b>	<b>Deposits with Reserve Bank of India</b>	<b>(-)1064.36</b>	<b>(-)6265.20</b>	<b>(-)5200.84</b>
<b>2</b>	<b>Investment held in the Cash balance Investment Account</b>	<b>350.35</b>	<b>5238.43</b>	<b>(+) 4888.08</b>
(i)	<i>GoI Securities</i>	101.99	58.18	(-)43.81
(ii)	<i>GoI Treasury Bills</i>	248.32	5180.21	(+)4931.89
(iii)	<i>Punjab State Power Corporation Bonds</i>	0.04	0.04	0.00
	<b>Total (A)</b>	<b>(-)714.01</b>	<b>(-)1026.77</b>	<b>(-)312.76</b>
<b>(B)</b>	<b>Other Cash Balances and Investments-</b>			
<b>1</b>	Cash with departmental officers viz Forest and Public Works	575.34	611.23	(+)35.89
<b>2</b>	Permanent advances for contingent expenditure with departmental officers	0.23	0.23	0.00
<b>3</b>	Investments of earmarked fund	0.68	400.68	(+)400.00
	<b>Total (B)</b>	<b>576.25</b>	<b>1012.14</b>	<b>(+)435.89</b>
	<b>Total (A) and (B)</b>	<b>(-)137.76</b>	<b>(-)14.63</b>	<b>(+)123.13</b>
	<b>Interest realised on investment</b>	<b>2.03</b>	<b>12.31</b>	<b>(+)10.28</b>

Source: Finance Accounts

Under an agreement with the RBI, the Government of Punjab has to maintain a minimum balance of ₹ 1.56 crore on all days with the bank. If the balance falls below the agreed minimum balance on any day, the deficiency is made good by taking ways and means advances/overdraft from the RBI.

As per statement 6 of the Finance Accounts, State Government obtained ways and means advance of ₹ 13,905.72 crore on 117 occasions during 2015-16, which were fully repaid. However, an amount of ₹ 20.69 crore was paid as interest on these advances.

During 2015-16, the State Government availed shortfall of ₹ 9.36 crore on 19 occasions and overdraft of ₹ 4,305.75 crore on 41 occasions, which were fully repaid during the year itself. Rupees 6.81 crore were paid as interest on these shortfalls/ overdrafts.

<sup>6</sup> State Disaster Relief Fund–Investment account

### 1.8.6 Parking of fund outside Government Accounts

In terms of Rule 2.10 of Punjab Financial Rules Vol.-I, no money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time.

An amount of ₹ 611.23 crore as on 31 March 2016 pertaining to Major Head 8671-Departmental Balances was lying with Departmental Officers as idle cash. Idle cash balances of ₹ 474.65 crore, ₹ 596.67 crore and ₹ 575.34 crore were noticed at the close of financial years 2012-13, 2013-14 and 2014-15, respectively. These balances should have been remitted by the Departmental Officers into treasury by 31 March of the respective years.

## 1.9 Assets and liabilities

### 1.9.1 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 capture the fiscal liabilities and the assets created out of the expenditure incurred. *Appendix 1.3-Part B* gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position as on 31 March 2015. The liabilities consist mainly of internal borrowings; loans and advances from GoI; receipts from the Public Account; and Reserve Funds. The assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

In real terms, during 2015-16, the assets grew by ₹ 8,936.30 crore (23.24 per cent) whereas the liabilities increased by ₹ 17,474.74 crore (15.55 per cent) over the previous year. The ratio of Financial Assets to Liabilities rose to 36.49 per cent in 2015-16 from 34.21 per cent in the previous year. Out of the total public debt of ₹ 1,03,195 crore outstanding as on 31 March 2016, ₹ 82,480 crore (79.93 per cent) had been applied for financing the accumulated revenue deficit of the State.

### 1.9.2. Ujwal DISCOM Assurance Yojana

With the objective of financial turnaround of Power Distribution Companies (DISCOMs), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal DISCOM Assurance Yojana (UDAY) to improve the operational and financial efficiency of the State DISCOMs. As per the scheme, the States were to take over 75 per cent of DISCOM debt as on 30 September 2015 over two years by transfer of grant to DISCOM i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17. In case the State was unable to absorb the interest burden of the entire grant immediately, the transfer of grant could be spread over to three years i.e. 25 per cent each in 2015-16, 2016-17 and 2017-18, with the remaining transfer through State loan to DISCOM.

Accordingly, a tripartite Memorandum of Understanding (MoU) was entered into amongst GoI, Government of Punjab (GoP) and Punjab State Power Corporation Limited (PSPCL) i.e. Punjab DISCOM on 4 March 2016. As per

MoU, GoP, in line with the provisions of the scheme, committed to take over 50 per cent (₹ 10,418.84 crore) of the Punjab DISCOM debt<sup>7</sup> in 2015-16 and 25 per cent (₹ 5,209.42 crore) in 2016-17. For this purpose, GoP arranged for the funds of ₹ 9,859.72 crore by issuing UDAY bonds during 2015-16. However, instead of taking over 50 per cent of the debt by transfer of grant during 2015-16, GoP transferred ₹ 9,859.72 crore in the form of loan to PSPCL in departure from the provisions of the scheme and State's commitment, which resulted in only swapping the debts of PSPCL rather than taking over its debts.

Further, it was observed that out of ₹ 9,859.72 crore, transaction of ₹ 4,262.65 crore for repayment of loans of PSPCL (Punjab DISCOM) by GoP under the scheme was carried out on 31 March 2016 as a cashless transaction through Reserve Bank of India (RBI), which was not accounted for in the Finance Accounts (2015-16) of the State Government. The impact of this transaction on the State's fiscal position has been discussed in paragraphs 1.8.4, 1.10.1(i) and 1.11.1(i).

The matter was referred to the State Government in (August 2016); reply was awaited (October 2016).

### 1.9.3 Fiscal liabilities

Fiscal liabilities comprise Public Debt and Other Liabilities. The Public Debt consists of market loans, loans from banks/financial institutions; and loans and advances from the GoI. The other liabilities include deposits under small savings scheme, provident funds and other deposits. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. The trends in outstanding fiscal liabilities, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts of the State and State's own resources as also the buoyancy of fiscal liabilities with respect to these parameters during the period 2011-16 are presented in **Table 1.27**.

**Table 1.27: Fiscal liabilities–Basic Parameters**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Fiscal liabilities (₹ in crore)</b>	<b>83099</b>	<b>92282</b>	<b>102234</b>	<b>112366</b>	<b>129441</b>
<i>Rate of Growth (per cent)</i>	11.12	11.05	10.78	9.91	15.20
<b>Public debt</b>	<b>64161</b>	<b>71211</b>	<b>78669</b>	<b>86818</b>	<b>103195</b>
<i>Internal debt</i>	60902	68001	75338	83203	99629
<i>Loans and advances from the GoI</i>	3259	3210	3331	3615	3566
<b>Public Accounts liabilities</b>	<b>18938</b>	<b>21071</b>	<b>23565</b>	<b>25548</b>	<b>26246</b>
<b>Ratio of fiscal liabilities to</b>					
<i>GSDP (per cent)</i>	31.17	30.99	30.54	30.53	31.66
<i>Revenue receipts (per cent)</i>	316.76	287.92	291.23	287.95	311.73
<i>Own resources (per cent)</i>	410.59	365.95	374.88	394.96	441.16
<b>Buoyancy of Fiscal liabilities to</b>					
<i>GSDP (ratio)</i>	0.62	0.95	0.87	1.00	1.37
<i>Revenue receipts (ratio)</i>	(-)2.23	0.50	1.13	0.89	2.37
<i>Own resources (ratio)</i>	(-)1.28	0.45	1.32	2.29	4.85

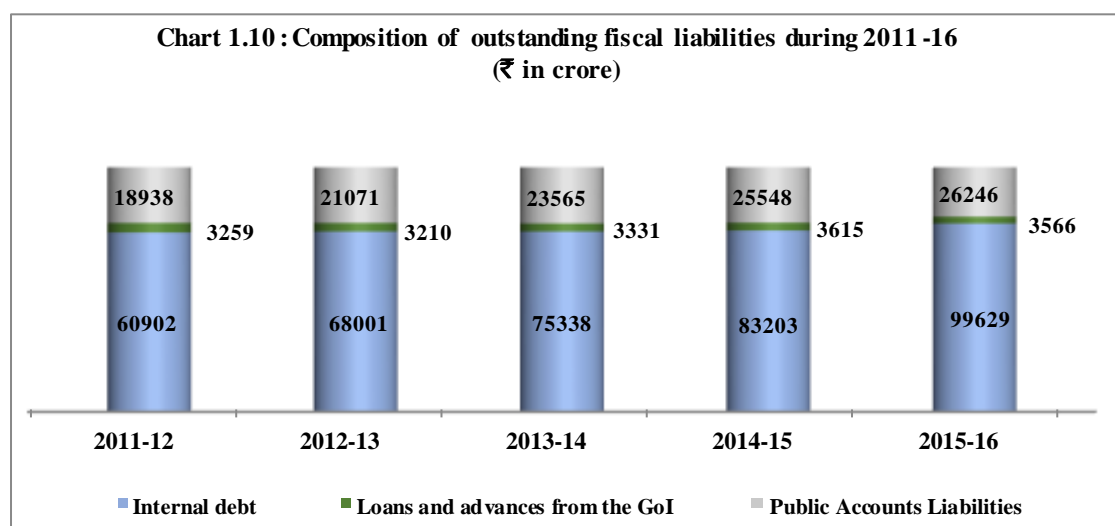
Source: Calculated on the basis of Finance Accounts and GSDP figures obtained from the Economic and Statistical Adviser, Government of Punjab.

<sup>7</sup> Total outstanding debt was ₹ 20,837.68 crore as on 30 September 2015.

There was an increase of ₹ 17,075 crore (15.20 per cent) in fiscal liabilities during the current year over the previous year, which is attributed mainly to increase of ₹ 16,377 crore (95.91 per cent) under Public debt and ₹ 698 crore (4.09 per cent) under Other liabilities.

- Public debt increased due to increase in Market loans (₹ 9,199.01 crore) and Bonds (₹ 5,533.34 crore) raised for advancement of loans and advances to Punjab State Power Corporation Limited (PSPCL) for repayment of its loans in compliance to the implementation of the Ujwal Discom Assurance Yojna (UDAY).
- Other liabilities increased due to increase of ₹ 1,108.95 crore in Small Savings, Provident Funds, etc. and ₹ 165.76 crore in Deposits not bearing interest, offset by Reserve funds by ₹ 576.86 crore.

The composition of outstanding fiscal liabilities during the year 2011-12 to 2015-16 is as presented in **Chart 1.10**.



The overall fiscal liabilities of the State Government had been on the rise and it increased from ₹ 83,099 crore as on 31 March 2012 to ₹ 1,29,441 crore as on 31 March 2016. At the end of the current year, the Consolidated Fund liabilities (₹ 1,03,195 crore) comprised of internal debt of ₹ 99,629 crore and loans of ₹ 3,566 crore from GoI. The Public Account liabilities during the current year (₹ 26,246 crore) comprised of small savings, provident fund (₹ 19,371 crore) and interest bearing and non-interest bearing obligations like deposits and other earmarked funds (₹ 7,275 crore). The total fiscal liabilities went up at an annual average growth rate of 11.61 per cent during the period 2011-12 to 2015-16.

#### 1.9.4 Management of Reserve Funds

Reserve Funds exist for specific and well defined purposes and are fed by contributions or grants from the Consolidated Fund or from outside agencies. It comprises of interest bearing reserve funds and non-interest bearing reserve funds. **Table 1.28** presents the position of reserve funds as on 31 March 2016.

**Table 1.28: Position of Reserve Funds**

(₹ in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Reserve Funds bearing interest</b>					
<b>1. Closing balance</b>	<b>2607</b>	<b>3240</b>	<b>3579</b>	<b>4228</b>	<b>4103</b>
Investments made from balance	Nil	Nil	Nil	Nil	400
2. Funds utilised for intended purposes	160	13	238	19	716
3. Interest paid on interest-bearing reserve funds	245	276	311	374	390
<b>Reserve Funds not bearing interest</b>					
<b>Closing balance</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
Investments made from balance	0.68	0.68	0.68	0.68	0.68
Cumulative aggregate balance	2616	3249	3588	4237	4112
<b>Inoperative Reserve Funds</b>					
No. of inoperative funds	4	4	4	4	4
Amount	9	9	9	9	9

Source: Finance Accounts of respective years

**Table 1.28** shows that the cumulative aggregate balance in Reserve Funds as on 31 March 2016 was ₹ 4,112 crore. Of this, ₹ 400.68 crore (9.74 per cent) were invested. As per Finance Accounts, four Reserve Funds<sup>8</sup> not bearing interest have been inoperative since 1982-83.

### **1.9.5 Investment of State Disaster Response Fund**

The GoI, Ministry of Home Affairs constituted (September 2010) the State Disaster Response Fund (SDRF) at State level for providing immediate relief to the victims of natural calamities and issued guidelines for administration of this fund. As per paragraph 19 of the guidelines, the accretions to the SDRF together with the income earned on the investment of the SDRF is required to be invested in one or more of the instruments viz. (a) Central Government dated securities; (b) auctioned treasury bills; and (c) interest earning deposits and certificates of deposits with scheduled commercial banks.

As per Finance Accounts, only ₹ 400 crore were invested during 2015-16. However, the balance of ₹ 3,981.47 crore was lying un-invested in SDRF as on 31 March 2016.

### **1.9.6 Status of guarantees**

The State Government gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, cooperative banks and societies etc. Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State. As per Statement 9 of the Finance Accounts, details of the guarantees given by the State Government during the last five years is given in **Table 1.29**.

<sup>8</sup> (i) Development Funds for Agricultural purposes; (ii) Industrial Development Funds; (iii) Other Development and Welfare Funds; and (iv) Food grains – Reserve Funds.



**Table 1.29: Guarantees given by the Government of Punjab***(₹ in crore)*

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding amount of guarantees at the end of the year	45714	58102	61411*	66782 <sup>#</sup>	56752

Source: Finance Accounts

\* Outstanding guarantees for the year 2013-14 differ due to change in source of information from entities (till previous year) to State Government.

<sup>#</sup> Outstanding guarantees at the beginning of the year differ from the outstanding guarantees at the end of previous year. The reasons for the difference in figures are awaited from State Government (September 2016).

The outstanding guarantees for ₹ 56,752 crore as on 31 March 2016 was in respect of banks and financial institutions (₹ 875 crore); cash credit facilities (₹ 28,057 crore); and working capital to companies, corporations, co-operative societies and banks (₹ 27,820 crore<sup>9</sup>).

In terms of recommendation of the Twelfth Finance Commission, the State Government introduced the 'Guarantee Redemption Fund Scheme' (GRF) in December 2007 (revised on 8 January 2014 with effect from the financial year 2013-14) with the objective of meeting its obligations arising out of the Guarantees issued on behalf of the State level bodies. As per the guidelines, the State Government is required to contribute with an initial contribution of minimum one *per cent* of outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* in next five years.

Accordingly, the State Government was required to make a minimum contribution of ₹ 600.61 crore for the year 2013-14 (one *per cent* of outstanding guarantees of ₹ 60,061.25 crore at the end of 2012-13), ₹ 307.06 crore for the year 2014-15 (0.50 *per cent* of outstanding guarantee of ₹ 61,411 crore at the end of 2013-14) and ₹ 333.91 crore for the year 2015-16 (0.50 *per cent* of outstanding guarantee of ₹ 66,782.36 crore at the end of 2014-15) which was not done. As such, the State Government did not contribute ₹ 1,241.58 crore to the GRF as required under the guidelines *ibid*. Non-contribution to GRF has also resulted into understatement of revenue expenditure by ₹ 333.91 crore during 2015-16 with consequent impact on revenue deficit and fiscal deficit of the State Government.

### 1.9.7 Off-budget borrowings

The term 'off-budget borrowings' refers to incurring liabilities by Government without bringing them into Government Accounts. These may also arise when Government does not fully pay moneys it owes to Government companies/corporations. While a reasonable amount of unpaid bills are always there in the system due to time taken in passing the claims, these become a cause of concern when the magnitude is sizeable and non-payment could be attributed to lack of budget provision.

(i) Atta Dal Scheme was introduced by the Government of Punjab in March 2007 to provide wheat and dal at subsidized rates to poor families of

<sup>9</sup> Includes ₹ 9,323 crore on account of Cash Credit facilities to Punjab State Co-operative Supply and Marketing Federation Limited (Markfed).

the State every month. Punjab State Civil Supplies Corporation Limited (PUNSUP) being the nodal implementing agency of the State submits bills in respect of various procurement agencies for differential cost (i.e. difference between purchase cost and issue price to beneficiaries), fixed by the State Government under Atta Dal Scheme.

As on 31 March 2016, an amount of ₹ 2,120.69 crore<sup>10</sup> (pertaining to the period from August 2007 to March 2016) was payable by the State Government to PUNSUP under the Scheme.

(ii) Punjab Urban Development Agency (PUDA), raised loans of ₹ 2,000 crore<sup>11</sup>, which were passed on to the State Government. The responsibility to repay the same was taken by the State Government. The State Government booked this amount under the Receipt Head “0075-Miscellaneous General Services” instead of passing it through Major Head “6003-Internal Debt” of the State Government. Mention had been made in the Reports of the Comptroller and Auditor General of India on State Finances for the years 2013-14 and 2014-15, with regard to repayment of ₹ 176.88 crore (2013-14) and ₹ 466.68 crore (2014-15) by the State Government, respectively.

During the year 2015-16, State Government continued this practice and repaid ₹ 495.26 crore by booking it as revenue expenditure under the Major Head 2216-Housing, 02-Urban Housing, 190-Assistance to Public Sector and Other Undertaking, 01-Assistance to PUDA, 50-Other charges thereby overstating the revenue expenditure.

## **1.10 Debt management**

Debt management is the process of establishing and executing a strategy for managing the Government’s debt in order to raise the required amount of funding, pursue its cost and risk objectives, keep the public debt at sustainable levels and to meet any other public debt management goals the government may set through enactment or any other annual budget announcements.

### **1.10.1 Debt profile of the State**

#### **(i) Growth of debt**

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Saving Fund and loans from financial institutions, etc.), Loans and advances from the Central Government and Other liabilities (Small savings, Provident Fund, Reserve Fund, Deposits).

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<sup>10</sup> PUNSUP: ₹ 1,286.40 crore, MARKFED: ₹ 363.95 crore, Punjab Agro Food grains Corporation Limited (PAFCL): ₹ 251.25 crore and Punjab State Warehousing Corporation (PSWC): ₹ 219.09 crore.

<sup>11</sup> ₹ 1,000 crore in 2012-13 and ₹ 1,000 crore in 2013-14.

**Table 1.30: Debt Growth Rate***(₹ in crore)*

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1. Internal Debt (Percentage of internal debts to total public debt)</b>	<b>60902</b>	<b>68001</b>	<b>75338</b>	<b>83203</b>	<b>99629</b>
	<b>(95)</b>	<b>(95)</b>	<b>(96)</b>	<b>(96)</b>	<b>(97)</b>
(i) Market Loans (Percentage of market loans to total public debt)	34504	43063	50318	58003	67202
	(54)	(60)	(64)	(67)	(65)
(ii) Ways & Means Advances from RBI	107	158	593	0	0
(iii) Loans from Financial Institutions	4069	3061	3047	2895	8543
(iv) Special Securities issued to NSSF	22222	21719	21380	22305	23884
<b>2. Loans from Government of India</b>	<b>3259</b>	<b>3210</b>	<b>3331</b>	<b>3615</b>	<b>3566</b>
<b>Total Public debt</b>	<b>64161</b>	<b>71211</b>	<b>78669</b>	<b>86818</b>	<b>103195</b>
<b>Other liabilities</b>	<b>18938</b>	<b>21071</b>	<b>23565</b>	<b>25548</b>	<b>26246</b>
<b>Total debt</b>	<b>83099</b>	<b>92282</b>	<b>102234</b>	<b>112366</b>	<b>129441</b>

Source: Finance Accounts

During the period from 2011-12 to 2015-16, total Public debt increased from ₹ 64,161 crore to ₹ 1,03,195 crore (60.84 per cent). During the current year, Public debt increased by ₹ 16,377 crore (18.86 per cent) over the previous year. This increase was due to increase in Internal debt by ₹ 16,426.09 crore (19.74 per cent), offset by ₹ 49.19 crore (1.36 per cent) in Loans and advances from Central Government. The increase in Internal debt, was due to raising of Bonds of ₹ 5,597.07 crore for advancement of loans and advances to Punjab State Power Corporation Limited (PSPCL) for repayment of its loans in compliance to the implementation of the Ujwal Discom Assurance Yojna (UDAY). The share of market borrowings in total Public debt went up from 54 per cent to 65 per cent during 2011-16.

The internal debt, which constituted 97 per cent of the total public debt, was understated to the extent of ₹ 4,262.65 crore, as one transaction of borrowing, as pointed out in paragraph 1.9.2, remained outside the Government Accounts.

In addition to this, outstanding cash credit limit to the tune of ₹ 9,014 crore availed of by the State Government under food credit arrangements was not accounted for in the Government Accounts thereby understating the debt by another ₹ 9,014 crore, as discussed in paragraph 1.10.4(ii).

**(ii) Maturity profile of debt****Table 1.31: Maturity profile of repayment of State debt as on 31 March 2016**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	4473.74	4.34
1 – 3	14017.53	13.58
3 – 5	18525.79	17.95
5 – 7	23367.30	22.64
7 and above	40832.37	39.57
Others <sup>12</sup>	1978.17	1.92
<b>TOTAL</b>	<b>103194.90</b>	<b>100.00</b>

Source: Calculated on the basis of Finance Accounts

<sup>12</sup> Represents ₹ 1,977.85 crore representing loans of back to back basis, recoveries of which are being made by Central Government itself, ₹ 27.57 lakh repayment of which is on the basis of actual recoveries and ₹ 4.35 lakh representing market loans not bearing interest for which maturity profile was not available.

**Table 1.31**, indicates that the State Government has to repay 18 per cent (₹ 18,491 crore) of its debt within the next three years, 18 per cent (₹ 18,526 crore) between 3-5 years and 23 per cent (₹ 23,367 crore) between 5-7 years. It signifies that State has to repay 58.51 per cent of its debt (₹ 60,384.36 crore) in the next seven years. This is an alarming position and the State is heading towards a serious debt repayment position, especially when its major irrigation projects had accumulated losses of ₹ 1,601.05 crore<sup>13</sup> during 2011-16 and the application of debt raised by the State Government towards creation of new assets remained below six per cent of total expenditure during 2011-16.

The State needs to formulate a well thought out debt management strategy and step up resource mobilization to ensure debt stability. Unless such efforts are made in this regard, the State would face serious debt servicing challenges, which could lead to a situation of debt trap.

**Table 1.32: Details of utilization of borrowed funds towards repayment, net capital expenditure and revenue expenditure**

(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal) (percentage)	Net capital expenditure (Percentage)	Portion of Revenue expenditure met out of borrowings (Percentage)
1	2	3	4	5=2-3-4
2011-12	17403	8947 (51)	1598 (10)	6858 (39)
2012-13	24311	15116 (62)	1916 (8)	7279 (30)
2013-14	26285	16683 (63)	2200 (8)	7402 (28)
2014-15	32922	23075 (70)	3118 (10)	6729 (20)
2015-16	38428	22051 (57)	3059 (8)	13318 (35)

Source: Finance Accounts

**Table 1.32** shows that during 2011-12 to 2015-16, State Government utilised major portion (51 to 70 per cent) of its current borrowings for repayment of earlier borrowings, 20 to 39 per cent for revenue expenditure and only 8 to 10 per cent of borrowings were utilised for capital expenditure.

If this position continues, Punjab would not be able to generate additional revenue to service its debt and it would have no option but to raise new borrowings every year to repay the borrowings of earlier years.

### 1.10.2 Debt sustainability in Punjab

Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GSDP. A falling debt/GSDP ratio can be considered as leading towards stability. The ratio of interest payments to revenue receipts is also used to measure debt sustainability. In this section, assessment of the sustainability of public debt is made using trends observed in critical variables.

<sup>13</sup> ₹ 296.05 crore during 2011-12; ₹ 302.75 crore during 2012-13; ₹ 369.08 crore during 2013-14; ₹ 338.41 crore during 2014-15 and ₹ 294.76 crore during 2015-16.

**Table 1.33: Details of debt, interest on debt and its repayment vis-à-vis GSDP, revenue receipts and debt receipts***(In per cent)*

	2011-12	2012-13	2013-14	2014-15	2015-16
Rate of growth of outstanding debt	11.12	11.05	10.78	9.91	15.20
Rate of growth of GSDP	17.87	11.67	12.42	9.95	11.09
Buoyancy of Debt/GSDP	0.62	0.95	0.87	1.00	1.37
Average interest rate of outstanding debt	7.96	7.79	8.04	8.35	8.09
Interest/Revenue Receipt	24	21	22	23	24
Debt Repayment/Debt Receipts	51.41	62.18	63.47	70.09	57.38
Net Debt available to the State (₹ in crore)	8456	9195	9602	9847	16377

- Where falling debt/GSDP ratio is indicative of stability, debt/GSDP ratio exhibited reverse trend, as it increased from 0.62 in 2011-12 to 1.37 in 2015-16.
- There was no improvement in the ratio of interest payments to revenue receipts during 2011-16, which is indicative of no significant improvement in debt sustainability.
- The percentage of debt repayments to debt receipts decreased by 12.71 per cent over the previous year.
- Availability of net debt to State increased by 93.67 per cent during 2011-16, as it increased from ₹ 8,456 crore in 2011-12 to ₹ 16,377 crore in 2015-16.

### 1.10.3 Buoyancy of assets to liabilities

The ratio of aggregate assets to aggregate fiscal liabilities could also be considered a surrogate measure of quality of application of borrowed funds. **Table 1.34** shows the buoyancy of assets with respect to liabilities.

**Table 1.34: Buoyancy of assets to liabilities***(₹ in crore and growth in per cent)*

Period	Aggregate liabilities	Aggregate assets	Ratio of assets to liabilities	Annual growth of liabilities	Annual growth of assets	Buoyancy of assets to liabilities
2011-12	83322	30916	37.10	11.24	5.50	0.49
2012-13	92543	32730	35.37	11.07	5.87	0.53
2013-14	102275	35924	35.13	10.52	9.76	0.93
2014-15	112391	38450	34.21	9.89	7.03	0.71
2015-16	129866	47386	36.49	15.55	23.24	1.49

Source: Finance Accounts

The ratio of assets to liabilities in 2015-16 was 36.49 per cent as compared to 37.10 per cent in the year 2011-12. This means that over the years, the liabilities have grown faster than assets, with the rising trend indicating unsustainability of debt.

#### **1.10.4 Raising of loans in excess of net borrowing limit fixed by Government of India**

(i) Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of GoI if any part of a loan, which has been made to the State by GoI, is still outstanding.

The GoI, Ministry of Finance, Department of Expenditure fixed (April 2015) the net borrowing ceiling of the State Government for the financial year 2015-16 as ₹ 11,914 crore and instructed the State Government to ensure that its incremental borrowings from all sources remained within this ceiling.

As per Statement 6 of the Finance Accounts *viz.* statement of borrowings and other liabilities, incremental borrowings of the State Government were ₹ 17,075 crore during the financial year 2015-16 which exceeded the net borrowing ceiling by ₹ 5,161 crore (43 *per cent*).

(ii) Government of India also directed that in case the outstanding balances in Cash Credit Limits (CCL) accounts for food procurement operations by the State at the end of the financial year exceeded the opening balances at the beginning of the year, the net increase would be considered against the borrowing space of the State for the year 2015-16.

The Food and Supply Department, Government of Punjab was sanctioned CCL of ₹ 42,851.70 crore for the first time during 2015-16 under food credit arrangement. Against this CCL, State Government availed CCL of ₹ 37,807 crore. Out of this, ₹ 9,014 crore remained unadjusted, which was required to be considered against borrowing space of the State, but was not considered. This resulted into understatement of debts to the extent of ₹ 9,014 crore.

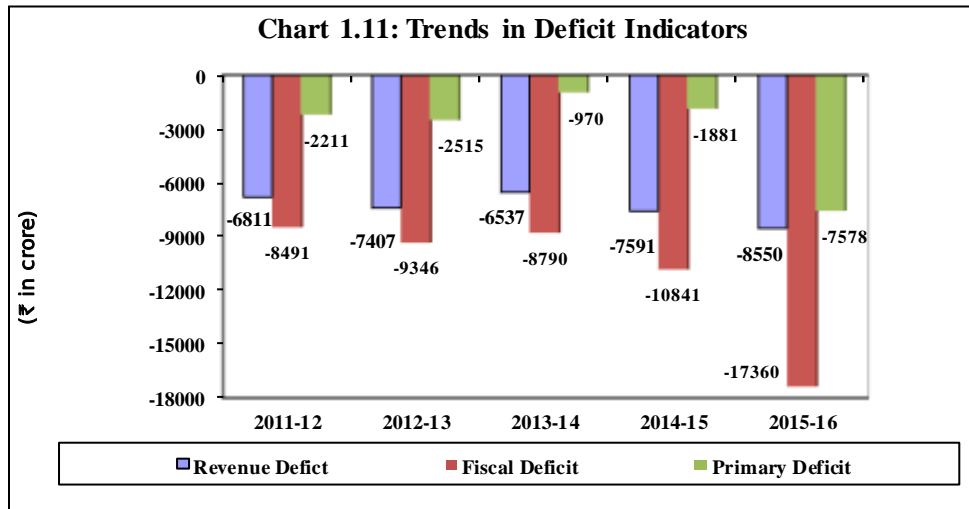
### **1.11 Fiscal imbalances**

Three key fiscal parameters—revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit represents the gap between the Government's 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 are applied are important pointers to its fiscal health.

#### **1.11.1 Trends in deficits**

(i) **Charts 1.11 and 1.12** present the trends in deficit indicators over the period 2011-16.

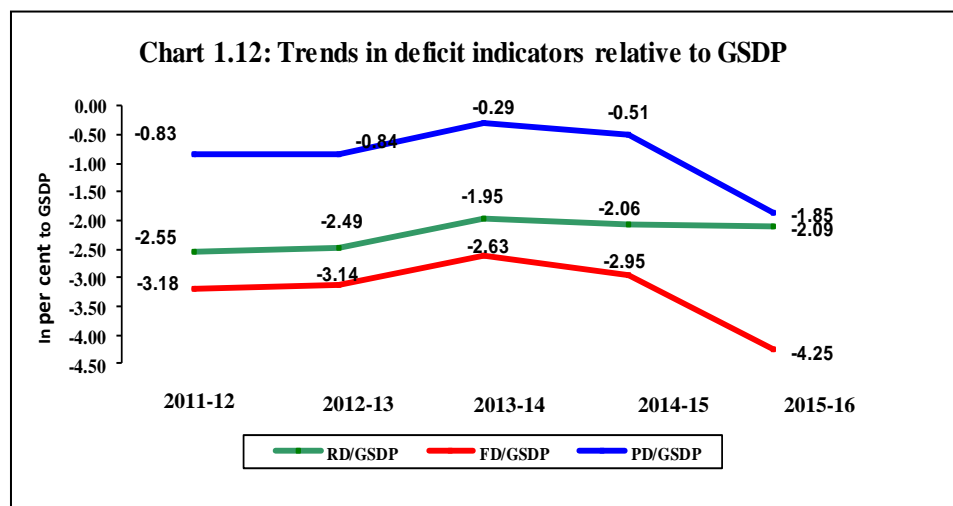




The revenue deficit, which indicates the excess of revenue expenditure over the revenue receipts, rose to the level of ₹ 8,550 crore (2.09 per cent of GSDP) in the current year from ₹ 6,811 crore (2.55 per cent of GSDP) in the year 2011-12.

The fiscal deficit, which represents the total borrowings of the State i.e. its total resource gap, increased from ₹ 8,491 crore (3.18 per cent of GSDP) in 2011-12 to ₹ 17,360 crore in 2015-16 (4.25 per cent of GSDP). The fiscal deficit included market borrowings of ₹ 9,199 crore and Bonds of ₹ 5,533 crore raised by State Government in compliance to the implementation of the Ujwal Discom Assurance Yojna (UDAY). This resource gap is understated by ₹ 4,262.65 crore, due to non-accountal of a transaction of borrowing in the Government Accounts, as mentioned in paragraph 1.9.2 and 1.10.1(i).

The primary deficit, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipt, was ₹ 2,211 crore (0.83 per cent of GSDP) in 2011-12 and rose to the level of ₹ 7,578 crore (1.85 per cent of GSDP) in the current year.



The State Government stated (November 2016) that the targets of fiscal deficit as stipulated in the FRBM Act had been maintained. As regards revenue deficit, it was added that the targets could not be met as the commitments on the State's revenue expenditure were higher than the revenue receipts, which were based on the economic forces and those were not in the control of the State Government. The reply was not acceptable as the State Government had neither amended the FRBM Act, 2003 to fix any targets nor had it achieved the targets fixed by FFC and those in the State budget.

### 1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit is reflected in the **Table 1.35**.

**Table 1.35: Components of Fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
<b>Components of Fiscal Deficit (1+2+3)</b>		8491 (3.18)	9346 (3.14)	8790 (2.63)	10841 (2.95)	17360 (4.25)
1	Revenue Deficit	6811 (2.55)	7407 (2.49)	6537 (1.95)	7591 (2.06)	8550 (2.09)
2	Net Capital Expenditure	1598 (0.60)	1916 (0.64)	2200 (0.66)	3117 (0.85)	3059 (0.75)
3	Net Loans and Advances	82 (0.03)	23 (0.01)	53 (0.02)	133 (0.04)	5751 (1.41)
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	7740	8559	7255	7685	9199
2	Loans from GoI	(-37)	(-49)	121	283	(-49)
3	Special Securities issued to NSSF	(-924)	(-503)	(-339)	925	1579
4	Loans from Financial Institutions	(-855)	(-956)	421	(-745)	5648
5	Small Savings, PF etc.	1640	1565	1964	1735	1110
6	Deposits and Advances	436	(-66)	192	(-402)	114
7	Suspense and Miscellaneous	129	17	(-241)	(-288)	5
8	Remittances	11	(-6)	(-110)	3	3
9	Reserve Fund	315	632	339	650	(-126)
10	Increase/Decrease in cash balance with RBI	36	152	(-812)	995	(-123)
<b>Overall Deficit</b>		<b>8491</b>	<b>9346</b>	<b>8790</b>	<b>10841</b>	<b>17360</b>

Source: Finance Accounts

Figures in brackets indicate percentage to GSDP.

\*All these figures are net of disbursements/outflows during the year.

The fiscal deficit of the State was met mainly from market borrowings (₹ 9,199 crore), loans from financial institutions (₹ 5,648 crore), special securities issued to NSSF (₹ 1,579 crore) and small savings, provident funds, etc. (₹ 1,110 crore).

### 1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were

not having any asset backup. The bifurcation of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The ratio of revenue deficit to fiscal deficit decreased from 80.22 *per cent* in 2011-12 to 49.25 *per cent* in 2015-16 (*Appendix 1.6*) which was due to increase of ₹ 6,519 crore (60 *per cent*) in fiscal deficit over previous year.

The bifurcation of the factors resulting into primary deficit of the Government during the period 2011-16 (*Table 1.36*) reveals that non-debt receipts of the State were not enough to meet the primary expenditure requirements.

**Table 1.36: Details of primary deficit during 2011-16**

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances disbursed	Primary expenditure	Primary deficit (-)
1	2	3	4	5	6 (3+4+5)	7 (2-6)
2011-12	26329	26765	1598	177	28540	(-)2211
2012-13	32225	32627	1916	197	34740	(-)2515
2013-14	35217	33821	2201	165	36187	(-)970
2014-15	39161	37654	3118	270	41042	(-)1881
2015-16	41741	40291	3059	5969	49320	(-)7579

Source: Finance Accounts

## 1.12 Conclusions

The revenue receipts increased from ₹ 26,234 crore in 2011-12 to ₹ 41,523 crore in 2015-16 at an annual average growth rate of 8.86 *per cent*, whereas the revenue expenditure grew at an annual average growth rate of 8.95 *per cent*. The revenue expenditure continued to constitute a dominant proportion (85 to 95 *per cent*) of the total expenditure during the years 2011-16.

The capital expenditure decreased by ₹ 59 crore (1.89 *per cent*) over the previous year. The capital expenditure incurred during 2015-16 was just 62.98 *per cent* of budget estimates which indicates that asset creation was not given as much priority as intended in the budget estimates.

Eleven projects, scheduled for completion between 2008-09 and 2015-16 were incomplete. The expenditure of ₹ 446.75 crore incurred on these incomplete projects is yet to yield the intended benefits and the major irrigation projects caused the State Government to suffer a loss of ₹ 294.76 crore during 2015-16.

The return on investment from Co-operative Banks and Societies and Statutory Corporations, Joint Stock Companies and Government Companies was only between 0.01 and 0.05 *per cent* during 2011-16 while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.79 and 8.35 *per cent* during the same period.

During 2015-16, there was increase of ₹ 5,698 crore in the advancement of loans and advances, which was mainly due to loan of ₹ 5,597 crore to Punjab

State Power Corporation Limited for repayment of its loans relating to the implementation of the Ujwal Discom Assurance Yojna. Another transaction of ₹ 4,262.65 crore carried out on 31 March 2016 as a cashless transaction through Reserve Bank of India, for repayment of loans of Punjab State Power Corporation Limited by the State Government under Ujwal Discom Assurance Yojna was not accounted for by the State Government. As such, loans of the State Government were understated to the extent of ₹ 4,262.65 crore.

The ratio of Financial Assets to Liabilities rose to 36.49 *per cent* in 2015-16 from 34.21 *per cent* in the previous year.

Total debt (including other liabilities) increased from ₹ 64,161 crore in 2010-11 to ₹ 1,03,195 crore in 2015-16. The Debt/GSDP ratio exhibited reverse trend, as it increased from 0.62 in 2011-12 to 1.37 in 2015-16. There was no improvement in the ratio of interest payments to revenue receipts during 2011-16, which is indicative of no significant improvement in debt sustainability. The percentage of debt repayments to debt receipts decreased by 12.71 *per cent* over the previous year.

The revenue deficit rose to ₹ 8,550 crore (2.09 *per cent* of GSDP) in the current year from ₹ 6,811 crore (2.55 *per cent* of GSDP) in the year 2011-12.

The fiscal deficit increased from ₹ 8,491 crore (3.18 *per cent* of GSDP) in 2011-12 to ₹ 17,360 crore in 2015-16 (4.25 *per cent* of GSDP).

The primary deficit was ₹ 2,211 crore (0.83 *per cent* of GSDP) in 2011-12 and rose to the level of ₹ 7,578 crore (1.85 *per cent* of GSDP) in the current year.

### **1.13 Recommendations**

*The Government may consider:*

- (i) *according due priority to capital expenditure, obtaining better value for the investments and utilizing the debt receipts for asset creation; and*
- (ii) *forming a committee to assess the reasons for insufficient return on investment from Statutory corporations, Government companies, Cooperative banks and Societies and to suggest the remedial measures.*

### **1.14 Response of Government to the recommendations**

The State Government stated (November 2016) that:

- (i) efforts were being made to increase the capital expenditure and to ensure that money available for capital expenditure had been spent for the purpose for which it had been provided; and
- (ii) the Directorate of Public Enterprises and Disinvestment had been directed to prepare a background note and added that a committee for the purpose would also be constituted, if so required.