

**Chapter-II**  
**Finances of the State**



## Chapter-II

### Finances of the State

#### 2.1 Major changes in key fiscal aggregates in 2020-21 vis-à-vis 2019-20

Major changes in key fiscal aggregates of the State during the financial year 2020-21, compared to the previous year, are given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"><li>• Revenue receipts of the State increased by 12.14 <i>per cent</i></li><li>• Own tax receipts of the State increased by 0.19 <i>per cent</i></li><li>• Own Non-tax receipts decreased by 37.60 <i>per cent</i></li><li>• State's Share of Union Taxes and Duties increased by 2.82 <i>per cent</i></li><li>• Grants-in-Aid from Government of India increased by 66.02 <i>per cent</i></li></ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"><li>• Revenue expenditure increased by 13.82 <i>per cent</i></li><li>• Revenue expenditure on General Services increased by 12.01 <i>per cent</i></li><li>• Revenue expenditure on Social Services increased by 11.25 <i>per cent</i></li><li>• Revenue expenditure on Economic Services increased by 6.14 <i>per cent</i></li><li>• Expenditure on Grants-in-Aid and Contributions increased by 86.01 <i>per cent</i></li></ul>
<b>Capital Outlay</b>	<ul style="list-style-type: none"><li>• Capital outlay decreased by 75.42 <i>per cent</i></li><li>• Capital outlay on General Services increased by 37.01 <i>per cent</i></li><li>• Capital outlay on Social Services increased by 133.26 <i>per cent</i></li><li>• Capital outlay on Economic Services decreased by 88.51 <i>per cent</i></li></ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"><li>• Recoveries of Loans and Advances decreased by 99.69 <i>per cent</i></li><li>• Disbursement of Loans and Advances increased by 22.09 <i>per cent</i></li></ul>
<b>Public Debt</b>	<ul style="list-style-type: none"><li>• Public Debt Receipts increased by 22.31 <i>per cent</i>*</li><li>• Repayment of Public Debt decreased by 12.48 <i>per cent</i></li></ul>
<b>Public Account</b>	<ul style="list-style-type: none"><li>• Public Account Receipts increased by 12.53 <i>per cent</i></li><li>• Disbursement of Public Account increased by 15.77 <i>per cent</i></li></ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"><li>• Cash balance increased by 335.18 <i>per cent</i></li></ul>

Source: Finance Accounts

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

#### 2.2 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

**Table 2.2: Details of sources and application of funds during 2019-20 and 2020-21**

(₹ in crore)

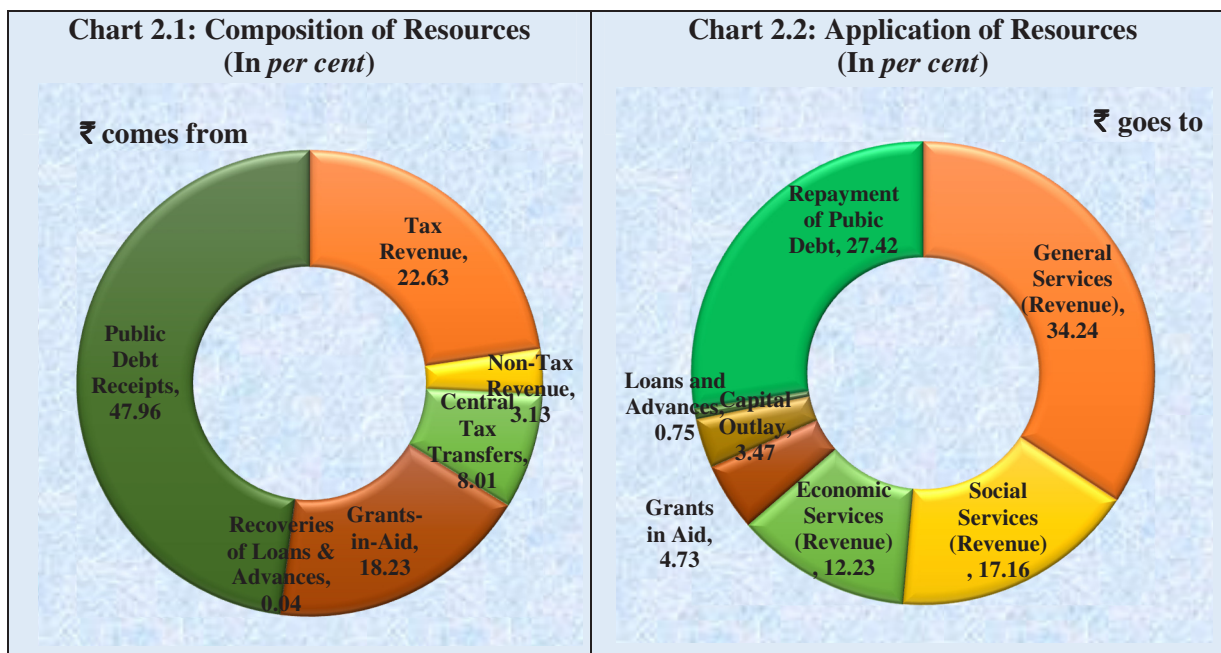
	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-) (per cent)
<b>Sources</b>	Opening Cash Balance with RBI	1,325	2,125	(+800 (60))
	Revenue Receipts	61,575	69,048	(+7,473 (12))
	Recoveries of Loans and Advances	16,070	50	(-16,020 (-100))
	Public Debt Receipts (Net)	15,202	29,061*	(+13,859 (91))
	Public Account Receipts (Net)	2,424	646	(-1,778 (-73))
	<b>Total</b>	<b>96,596</b>	<b>1,00,930</b>	<b>(+4,334 (4))</b>
<b>Application</b>	Revenue Expenditure	75,860	86,344	(+10,484 (14))
	Capital Outlay	17,828	4,382	(-13,446 (-75))
	Disbursement of Loans and Advances	783	956	(+173 (22))
	Closing Cash Balance with RBI	2,125	9,248	(+7,123 (335))
	<b>Total</b>	<b>96,596</b>	<b>1,00,930</b>	<b>(+4,334 (4))</b>

Source: Finance Accounts

\* Includes ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

**Appendix 2.1** provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

Composition and application of resources in the Consolidated Fund of the State during 2020-21 is given in **Chart 2.1** and **Chart 2.2**.



Source: Finance Accounts

## 2.3 Resources of the State

The resources of the State are described below:

1. **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).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

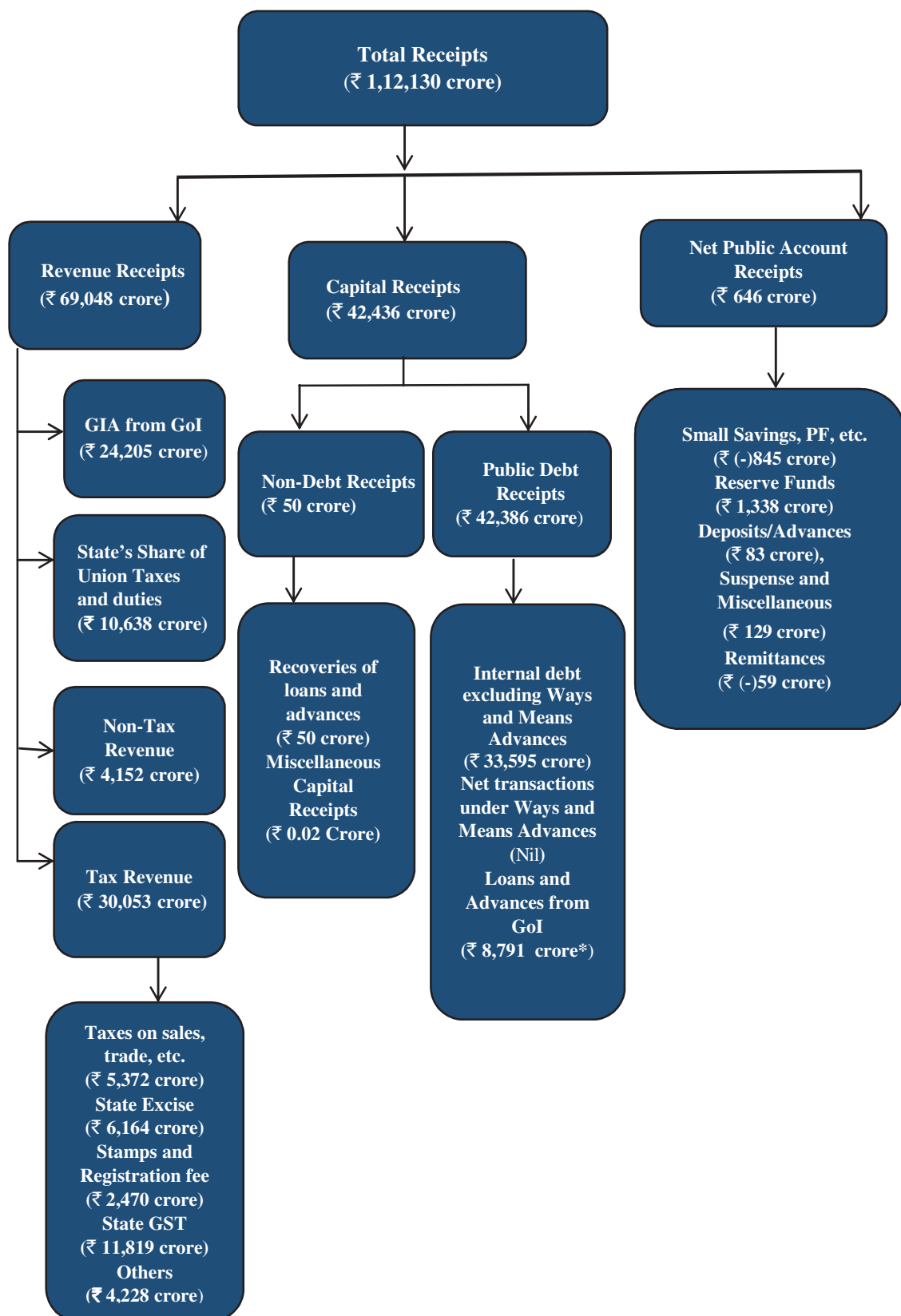
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These 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.

### 2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of total receipts of the State is depicted in **Chart 2.3**.

**Chart 2.3: Composition of receipts of the State during 2020-21**



Source: Finance Accounts

\* Includes ₹ 8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

## 2.3.2 State's Revenue Receipts

### 2.3.2.1 Trends and growth of Revenue Receipts

Trends and growth of revenue receipts with respect to Gross State Domestic Product (GSDP) over the five-year period (2016-21) are shown in **Table 2.3**. The trends and composition of revenue receipts over the same period are presented in **Appendix 2.2**.

**Table 2.3: Trends in Revenue Receipts**

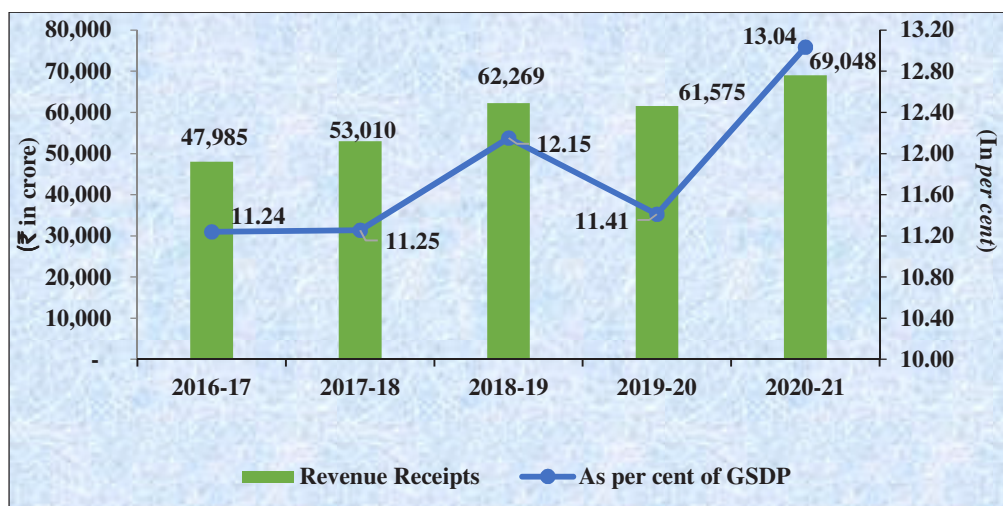
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Revenue Receipts (RR)</b>	<b>47,985</b>	<b>53,010</b>	<b>62,269</b>	<b>61,575</b>	<b>69,048</b>
Rate of growth of RR ( <i>per cent</i> )	15.56	10.47	17.47	(-)1.11	12.14
Own Tax Revenue	27,747	30,423	31,574	29,995	30,053
Non-Tax Revenue	5,863	4,319	7,582	6,654	4,152
<b>Own Revenue</b>	<b>33,610</b>	<b>34,742</b>	<b>39,156</b>	<b>36,649</b>	<b>34,205</b>
<b>State's share in Union taxes and duties</b>	<b>9,599</b>	<b>10,617</b>	<b>12,005</b>	<b>10,346</b>	<b>10,638</b>
<b>Grants- in aid from GoI</b>	<b>4,776</b>	<b>7,651</b>	<b>11,108</b>	<b>14,580</b>	<b>24,205</b>
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	14.55	3.37	12.71	(-)6.40	(-)6.67
GSDP (2011-12 Series)	4,26,988	4,71,014	5,12,511	5,39,687 (Q)	5,29,703 (A)
Rate of growth of GSDP ( <i>per cent</i> )	9.46	10.31	8.81	5.30	(-)1.85
RR/GSDP ( <i>per cent</i> )	11.24	11.25	12.15	11.41	13.04

Source: Finance Accounts for Revenue Receipts and Economic and Statistical Organisation, GoP for GSDP figures Q-Quick Estimates and A-Advance Estimates

**Table 2.3** shows that the revenue receipts increased by 43.89 *per cent* from ₹ 47,985 crore in 2016-17 to ₹ 69,048 crore in 2020-21. During the period of five years, it increased at an annual average growth rate of 10.91 *per cent*.

Trends of revenue receipts are shown in **Chart 2.4**.

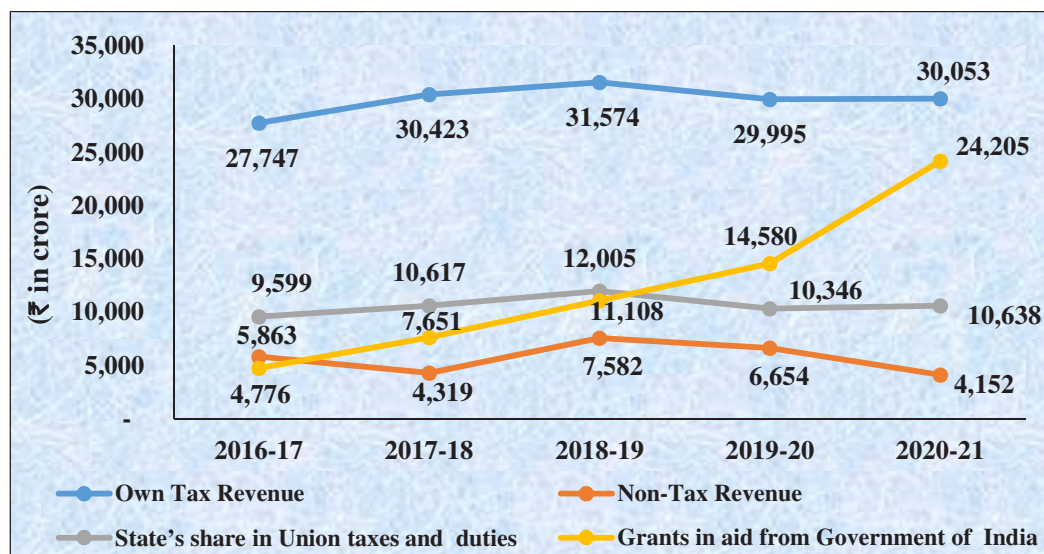
**Chart 2.4: Trends of Revenue Receipts**



Source: Finance Accounts

Trends in composition of revenue receipts are given in **Chart 2.5**.

**Chart 2.5: Trend of components of Revenue Receipts**



Source: Finance Accounts

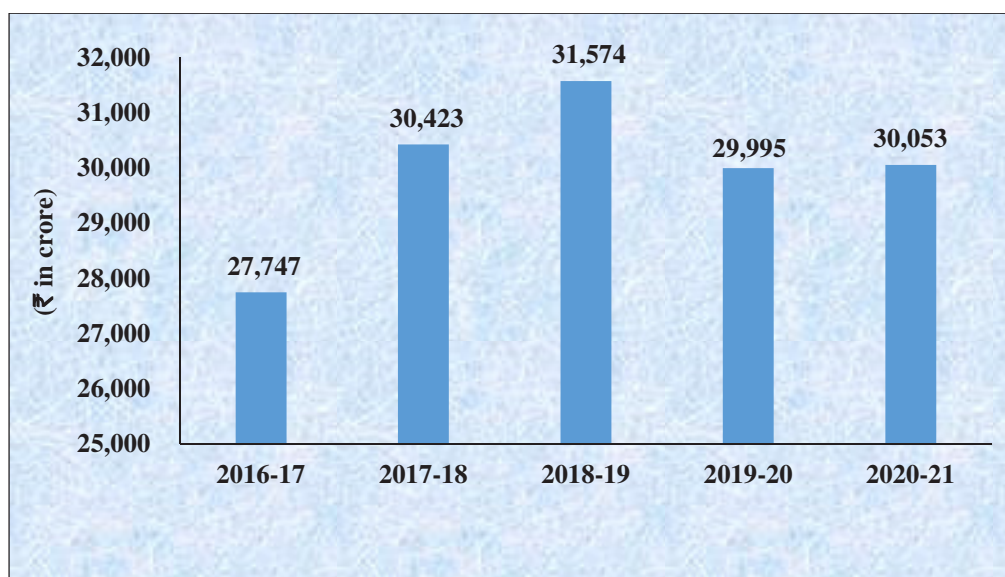
### 2.3.2.2 State's Own Resources

#### (i) Own tax revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, stamp duty and registration fees, land revenue, taxes on goods and passengers, etc.

Trends of own tax revenue and analysis of its components during the period 2016-21 are shown in **Chart 2.6** and **Table 2.4** respectively.

**Chart 2.6: Trends of Own Tax Revenue during 2016-21**



Source: Finance Accounts



**Table 2.4: Components of State's Own Tax Revenue**

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Taxes on Sales, Trade etc.	17,587	11,160	6,572	5,223	5,372	
SGST	0	7901	13,273	12,751	11,819	
State Excise	4,406	5,136	5,072	4,865	6,164	
Taxes on Vehicles	1,548	1,911	1,861	1,994	1,472	
Stamp Duty and Registration fees	2,044	2,135	2,298	2,258	2,470	
Land Revenue	68	91	69	66	68	
Taxes on Goods and Passengers	1	0	0	0	3	
Other taxes	2,093	2,089	2,429	2,838	2,685	
<b>Total</b>	<b>27,747</b>	<b>30,423</b>	<b>31,574</b>	<b>29,995</b>	<b>30,053</b>	

Source: Finance Accounts

The total own tax revenue slightly increased by ₹ 58 crore (0.19 per cent) during the current year over the previous year. The increase in receipts under State Excise (₹ 1,299 crore) and Taxes on Sales, Trade etc. (₹ 149 crore), was offset by decrease in receipts under SGST (₹ 932 crore) and Taxes on Vehicles (₹ 522 crore). Increase in State Excise was attributed to renewal of groups upto 99 per cent under the renewal process of the Excise Policy 2020-21, besides allowing the licencees to get additional quota on paying higher license fee. Decrease in SGST was due to increase in refunds and COVID-19 pandemic during 2020-21. Whereas, decrease in Taxes on Vehicles was attributed to registration of lesser number of vehicles due to COVID-19 pandemic. Government of Punjab had also exempted taxes of all commercial vehicles from 23 March 2020 to 19 May 2020 and in respect of Stage Carriage and Educational Institution buses from 20 May 2020 to 31 December 2020.

#### (a) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the goods and services tax considering an annual growth of 14 per cent from the base year, for a period of five years. In case of Punjab, the finalised revenue figure was ₹ 14,975.46 crore during the base year of 2015-16.

The projected revenue in accordance with base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2020-21 is given in **Table 2.5**.

**Table 2.5: Detail of collection of GST and compensation from GoI**

(₹ in crore)

Year	Projected revenue amount	Revenue collected amount <sup>#</sup>	Compensation due amount	Compensation received amount	Shortfall (-)/ Excess (+)
1	2	3	4 = 2-3	5	6= 5-4
2017-18 <sup>1</sup>	14,596.58	9,486.15	5,110.43	4,037.00	(-),073.43
2018-19	22,186.80	12,482.76	9,704.04	7,129.00	(-),575.04
2019-20	25,292.96	12,676.00	12,616.96	8,804.54	(-),3,812.42
2020-21	28,833.97	11,685.98	17,147.99	18,053.05*	(+),905.06
<b>Total</b>	<b>90,910.31</b>	<b>46,330.89</b>	<b>44,579.42</b>	<b>38,023.59</b>	<b>(-),6,555.83</b>

Source: Finance Accounts of the respective years and Excise and Taxation Department

<sup>#</sup> includes pre-GST figures of VAT and CST (net of refunds) and revenue from taxes subsumed in GST by excluding VAT and GST on petroleum products and liquor.

\* ₹8,359 crore given as loan by GoI to the State Government and booked under Major Head '6004-Loans and Advances from the Central Government 09-Other Loans for States/ Union Territory with Legislature Schemes 101-Block Loans'.

The growth in GST collection in the State was lesser than projected growth and there was total shortfall of ₹ 44,579.42 crore during 2017-21 against the projected GST receipt of ₹ 90,910.31 crore. GoI has released ₹ 38,023.59 crore upto March 2021 as compensation including release of ₹ 8,359 crore as back-to-back loan to the State in lieu of GST Compensation shortfall.

The Principal Secretary (Finance) while attributing the reasons for decline in GST receipts mainly to COVID impact during the year, stated (December 2021) that the matter regarding compensation in lieu thereof was being pursued with GoI.

#### **(b) Audit of GST Receipts**

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. In case of Punjab, which is a Model-II State, role-based access to back-end application was provided to office of the Principal Accountant General (Audit), Punjab in December 2020. However, the access was limited to their premises only and the matter of providing remote access was under consideration. The accounts for the year 2020-21 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

#### **(c) Analysis of arrears of revenue and arrears of assessment**

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

<sup>1</sup> Amount for the year 2017-18 pertains to nine months period i.e. from July 2017 to March 2018.

**Arrears of revenue**

As on 31 March 2021, the arrears of revenue in respect of principal heads of revenue were ₹ 15,463.35 crore, of which ₹ 3,335.16 crore were outstanding for more than five years, as depicted in **Table 2.6**.

**Table 2.6: Arrears of revenue***(₹ in crore)*

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021
1.	Taxes/VAT on Sales, Trade, etc.	13,538.26	3,087.23
2.	Goods and Services Tax	898.69	0.00
3.	Forests and Wildlife	35.13	12.61
4.	State Excise	365.34	17.97
5.	Taxes on Vehicles	217.54	124.99
6.	Land Revenue	191.87	0.08
7.	Stamps and registration Fee	216.52	92.28
<b>Total</b>		<b>15,463.35</b>	<b>3,335.16</b>

Source: Departmental Information.

**Arrears in assessment**

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Department of Taxation in respect of Sales Tax/VAT and GST is depicted in **Table 2.7**.

**Table 2.7: Arrears of assessment**

Sr. No.	Head of Revenue	Cases pending at the beginning of 2020-21	New cases due for assessment during 2020-21	Total cases due for assessment	Cases disposed of during 2020-21	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, etc.	72,667*	52,460	1,25,127	67,975	57,152	54.32

Source: Departmental information

\* Opening Balance differs by 11560 cases from the closing balance of 2019-20 due to revised assessment policy of the State Government.

During the period 2016-21, the number of pending cases at the end of the respective years were 85,151 (2016-17); 1,06,781 (2017-18); 94,605 (2018-19); and 72,667 (2019-20) as against 57,152 cases at the end of 2020-21. Disposal of cases during this period ranged between 19.47 per cent and 25.90 per cent, whereas it was 54.32 per cent during the current year.

**(d) Details of evasion of tax detected by the Department, refund cases, etc.**

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department concerned.

The details of cases of evasion of tax detected by the Excise and Taxation Department and Transport Department, cases finalised and the demand for additional tax raised; and details of refund cases during the year 2020-21, as reported by the concerned departments, are depicted in **Table 2.8** and **Table 2.9** respectively.

**Table 2.8: Evasion of tax detected**

Sr. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on Sales, Trade, etc.	0*	0	0	0	0	0
2.	Goods and Services Tax	29#	81	110	32	3.48	78
3.	Taxes on Vehicles	6	0	6	6	0.22	0
4.	Land Revenue	21	1	22	0	0	22
<b>Total</b>		<b>56</b>	<b>82</b>	<b>138</b>	<b>38</b>	<b>3.70</b>	<b>100</b>

Source: Departmental information

\* As regards difference in closing balance of previous year and opening balance of current year; and Nil cases detected during the current year, the Department stated (October 2021) that cases on which assessment process had been initiated were accounted for as arrears of assessment instead of evasion of tax detected.

# The Department attributed (October 2021) the variation in closing balance of previous year and opening balance of current year to change in source/method of collection of information.

**Table 2.9: Details of refund cases**

(₹ in crore)

Sr. No.	Particulars	GST		Sales Tax/VAT		State Excise		Taxes on Vehicles	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,260	161.20	2,592*	236.06#	210	27.40	4	0.02
2.	Claims received during the year	9,101	1,136.93	1,837	182.88	0	0.00	0	0.00
3.	Refunds made during the year	7,413	840.50	2,442	221.38	0	0.00	0	0.00
4.	Refunds rejected during the year	1,000	194.12	806	123.08	0	0.00	0	0.00
5.	Balance outstanding at the end of year	1,948	263.51	1,181	74.48	210	27.40	4	0.02

Source: Departmental information

\*Differs by 26 cases due to correction of arithmetical error in respect of district Mohali.

# Differs by ₹ 11.62 crore due to correction of arithmetical error in respect of district Mohali.

**(ii) Non-tax revenue**

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Trends in components of State's non-tax revenue during 2016-21 are shown in **Table 2.10**.

**Table 2.10: Components of State's Non-tax Revenue***(₹ in crore)*

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	1,293.80	1,404.94	1,455.26	2,105.51	144.38*	
Dividends and Profits	3.88	4.45	4.24	4.24	1.26	
Other non-tax receipts	4,565.52	2,909.00	6,122.79	4,544.33	4,006.49	
a) Major and medium Irrigation	93.61	71.37	24.22	92.49	91.92	
b) Road Transport	213.89	158.69	208.99	176.35	110.17	
c) Urban Development	95.89	72.43	65.31	44.53	49.78	
d) Education, Sports, Art and Culture	95.89	41.87	56.75	196.22	137.70	
e) Non-ferrous mining	42.08	122.40	36.13	90.88	120.56	
f) Pensions and Other Retirement Benefits	26.32	32.14	26.03	121.88	209.90	
g) Miscellaneous General Services	3,028.08	1,478.97	4,851.58	2,743.87	2,208.41	
h) Other or Miscellaneous	969.76	931.13	853.78	1,078.11	1,078.05	
<b>Total</b>	<b>5,863.20</b>	<b>4,318.39</b>	<b>7,582.29</b>	<b>6,654.08</b>	<b>4,152.13</b>	

Source: Finance Accounts

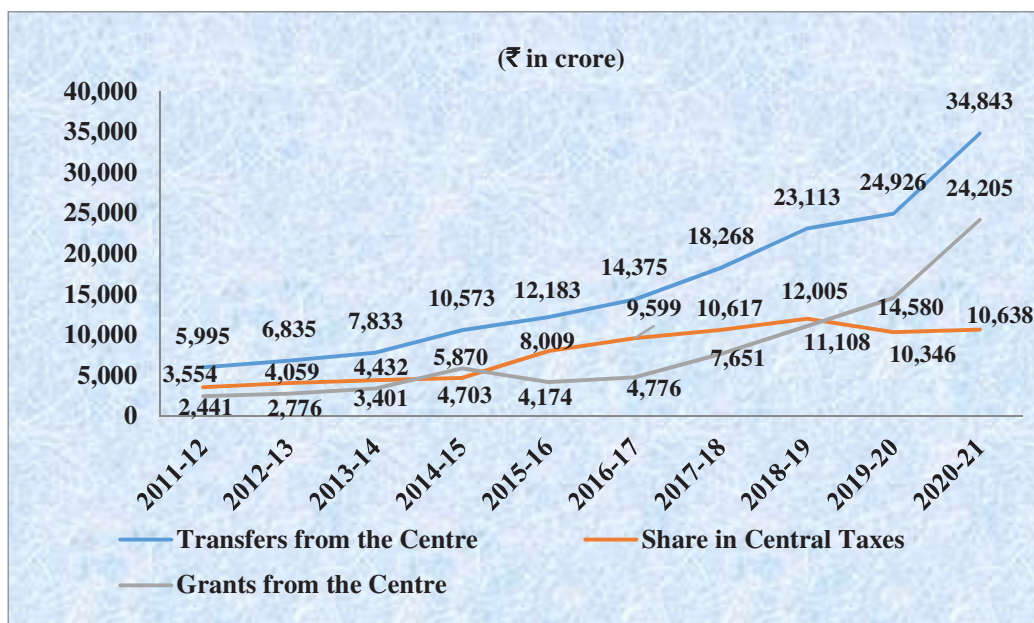
\* Includes an amount of ₹2.90 crore on account of book adjustment for interest due from Government Commercial Departments/Undertakings.

During the year 2020-21, the decrease of ₹ 2,501.95 crore (37.60 per cent) in total non-tax revenue over the previous year was mainly due to decrease of ₹ 1,961.13 crore in interest receipts and ₹ 537.84 crore in other non-tax receipts. The decrease in interest receipts was due to lesser receipts on account of interest from Public Sector and other Undertakings (₹ 1,307.70 crore) mainly due to conversion of UDAY loans to Punjab State Power Corporation Limited (PSPCL) into equity in 2019-20 and in Other Receipts (₹ 657.03 crore). The decrease in other non-tax receipts was mainly under Miscellaneous General Services (₹ 535.46 crore) which was mainly due to lesser receipts under Other Receipts (₹ 553.23 crore).

**2.3.2.3 Transfers from the Centre**

Trends in transfers from the Centre for the last ten years are shown in **Chart 2.7**.

Chart 2.7: Trends in transfers from Centre



Source: Finance Accounts

**(i) Central tax transfer**

The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by Thirteenth Finance Commission, Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2010-11 to 2020-21 is tabulated in **Table 2.11**.

**Table 2.11: 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 per cent of net proceeds of all shareable taxes excluding service tax and 1.411 per cent of net proceeds of shareable service tax (as per recommendations of 13 <sup>th</sup> FC)	3,207	3,051	(-)156
2011-12		3,665	3,554	(-)111
2012-13		4,398	4,059	(-)339
2013-14		5,278	4,432	(-)846
2014-15		6,333	4,703	(-)1,630
2015-16	1.577 per cent of net proceeds of all shareable taxes excluding service tax and 1.589 per cent of net proceeds of shareable service tax (as per recommendations of 14 <sup>th</sup> FC)	8,009*	8,009	--
2016-17		9,600*	9,600	--
2017-18	As per Fiscal Consolidation Roadmap of State Government	10,617	10,617	--
2018-19		12,009	12,005	(-)4
2019-20		13,319	10,346	(-)2,973
2020-21	1.788 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 <sup>th</sup> FC)	9,834	10,638	(+)804

Source: Reports of the 13<sup>th</sup> FC, 14<sup>th</sup> FC, 15<sup>th</sup> FC, Finance Accounts and Annual Financial Statements

\* Fiscal Consolidation Roadmap (FCR) for the years 2015-16 to 2019-20 was prepared by the State Government in 2017-18 and the actual tax devolution figures for the year 2015-16 and 2016-17 were adopted as the projected figures for the respective years.

The State Government's share in Union taxes and duties increased by ₹ 292 crore (2.82 per cent) during 2020-21 over the previous year.

During the period 2015-21, State's share in Union taxes and duties had increased by ₹ 41,416 crore (209.18 per cent) over the period of Thirteenth Finance Commission i.e. 2010-15.

Trends in components of Central tax transfers are shown in **Table 2.12**.

**Table 2.12: Central Tax transfers**

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	--	151.60	2,964.16	2,935.85	3,179.01
Integrated Goods and Services Tax (IGST)	--	1,072.32	236.60	--*	--#
Corporation Tax	3,082.07	3,252.81	4,176.53	3,527.47	3,197.28
Taxes on Income other than Corporation Tax	2,142.05	2,746.76	3,075.85	2,764.01	3,276.09
Customs	1,325.80	1,072.00	851.31	655.78	576.80
Union Excise Duties	1,513.94	1,120.50	565.74	455.97	359.30
Service Tax	1,528.78	1,201.05	109.29	--	42.87
Other Taxes <sup>2</sup>	7.09	(-)0.10	25.66	6.77	7.03
<b>Total</b>	<b>9,599.73</b>	<b>10,616.94</b>	<b>12,005.14</b>	<b>10,345.85</b>	<b>10,638.38</b>
Percentage of increase over previous year	19.86	10.60	13.08	-13.82	2.83
Percentage of total Central tax transfers to Revenue Receipts	20.01	20.03	19.28	16.80	15.41

Source: Finance Accounts

\* Amount of ₹ 7,166.64 crore received from GoI during 2019-20 was accounted for under Major Head 0006 - SGST.

# Booking of share of net proceeds assigned to States (Minor Head-901) under Sub-Major Heads '01-IGST on Import/Export of Goods and Services' and '02-IGST on Domestic Supply of Goods and Services' has been discontinued w.e.f. 01 April 2020 as per correction slip issued by the Controller General of Accounts, New Delhi.

## (ii) Grants-in-aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components are shown in **Table 2.13**.

<sup>2</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

**Table 2.13: Grants-in-aid from Government of India**

<i>(₹ in crore)</i>					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants*	1,610.35	--	--	--	--
Grants for State Plan Schemes*	2,523.14	--	--	--	--
Grants for Centrally Sponsored Plan Schemes*	563.69	(-)0.63	(-)74.21	(-)68.84	(-)0.48
Grants for Centrally Sponsored Schemes	78.65	3,096.13	3,091.70	2,864.31	2,880.41
Finance Commission Grants	0.00	355.69	719.54	2,710.13	11,481.23
Other transfers/Grants to States/Union Territories with Legislature	0.00	4,199.81	7,370.34	9,074.43	9,843.85
<b>Total</b>	<b>4,775.83</b>	<b>7,651.00</b>	<b>11,107.37</b>	<b>14,580.03</b>	<b>24,205.01</b>
Percentage of increase over the previous year	14.43	60.20	45.18	31.26	66.01
Percentage of GIA to Revenue Receipts	9.95	14.43	17.84	23.68	35.06

Source: Finance Accounts

\* Non-plan and plan grants merged with effect from 01 April 2017.

**Table 2.13** shows that the GIA from GoI increased at an annual average rate of 43.42 per cent during the period 2016-17 to 2020-21. Other transfers to State during 2020-21 include GST Compensation of ₹ 9,694 crore. The increase in GIA during the current year (66.01 per cent) over the previous year was due to substantial increase in Finance Commission grants by ₹ 8,771 crore (323.64 per cent) and GST compensation by ₹ 890 crore (10.10 per cent). The increase in Finance Commission Grants was mainly due to post-devolution revenue deficit grant of ₹ 7,659 crore recommended by the 15<sup>th</sup> FC for the year 2020-21 and ₹ 1,540 crore as clearance of backlog of grants recommended by 14<sup>th</sup> FC for Panchayati Raj Institutions (PRIs). Further, the contribution of GIA towards revenue receipts increased from 9.95 per cent in 2016-17 to 35.06 per cent in 2020-21.

### **(iii) Fifteenth Finance Commission Grants**

The Fifteenth Finance Commission (15<sup>th</sup> FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF). Details of grants provided by GoI are given in **Table 2.14**.



**Table 2.14: Recommended amount, actual release and transfers of Grant-in-aid***(₹ in crore)*

Transfers	Recommendation of 15 <sup>th</sup> FC for 2020-21	Actual release by GoI during 2020-21	Release by State Government
			Total (%age of release by GoI)
<b>(i) Grants to PRIs</b>	<b>1,388.00</b>	<b>1,041.00</b>	<b>347.00 (33.33)</b>
(a) Tied Grant	694.00	347.00	0.00 (0)
(b) Un-tied Grants	694.00	694.00	347.00 (50)
<b>(ii) Grants to ULBs</b>	<b>668.00</b>	<b>668.00</b>	<b>623.00 (93.26)</b>
(a) One million plus cities (for ambient air quality)	90.00	90.00	45.00 (50)
(b) One million plus cities (for SWM and sanitation)	90.00	90.00	90.00 (100)
(c) Non-million plus cities (un-tied grants for local needs)	244.00	244.00	244.00 (100)
(d) Non-million plus cities (tied grants for drinking water, rain water harvesting, SWM and Sanitation)	244.00	244.00	244.00 (100)
<b>Total for Local Bodies</b>	<b>2,056.00</b>	<b>1,709.00</b>	<b>970.00 (56.76)</b>
<b>SDRF</b>	Centre share	495.00	247.50 (50)
	State share	165.00	82.50
<b>Total for SDRF</b>	<b>660.00</b>	<b>495.00</b>	<b>330.00</b>
<b>Grand Total</b>	<b>2,716.00</b>	<b>2,204.00</b>	<b>1,300.00</b>

Source: 15<sup>th</sup> FC Report and departmental information  
PRIs - Panchayati Raj Institutions and ULBs - Urban Local Bodies.

- As against amount of ₹ 1,388 crore recommended by the 15<sup>th</sup> FC in respect of PRIs, GoI released ₹ 1,041 crore during 2020-21 and remaining amount of ₹ 347 crore during 2021-22. Out of total ₹ 1,388 crore released by GoI, GoP released ₹ 347 crore during 2020-21 and ₹ 1,041 crore during 2021-22.
- Out of the amount of ₹ 668 crore released by GoI during 2020-21 in respect of ULBs, GoP released ₹ 623 crore during 2020-21 and the remaining amount of ₹ 45 crore was released in 2021-22.
- In respect of SDRF, 15<sup>th</sup> FC recommended Centre and State share in the ratio of 75:25. As against the amount of ₹ 495 crore released by GoI as per the recommendation of 15<sup>th</sup> FC, GoP released ₹ 330 crore (GoI share: ₹ 247.50 crore and State share: ₹ 82.50 crore) during 2020-21 and the remaining amount of ₹ 330 crore (GoI share: ₹ 247.50 crore and State share: ₹ 82.50 crore) during 2021-22.

### 2.3.3 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Trends of capital receipts and its components during 2016-17 to 2020-21 are shown in **Table 2.15**.

**Table 2.15: Trends in growth and composition of capital receipts**

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Capital Receipts</b>	<b>55,415</b>	<b>18,590</b>	<b>23,788</b>	<b>43,891</b>	<b>34,077</b>
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	181	73	849	16,070	50
Public Debt Receipts	55,234	18,517	22,939	27,821	34,027
<i>Internal Debt*</i>	<i>54,579</i>	<i>18,057</i>	<i>21,621</i>	<i>27,676</i>	<i>33,595</i>
<i>Growth rate ( per cent)</i>	<i>173.69</i>	<i>(-)66.92</i>	<i>19.74</i>	<i>28.01</i>	<i>21.39</i>
<i>Loans and advances from GoI</i>	<i>655</i>	<i>460</i>	<i>1,318</i>	<i>145</i>	<i>432<sup>#</sup></i>
<i>Growth rate ( per cent)</i>	<i>147.17</i>	<i>(-)29.77</i>	<i>186.52</i>	<i>(-)89.00</i>	<i>197.93</i>
Rate of growth of debt Capital Receipts ( per cent)	173.34	(-)66.48	23.88	21.28	22.31
Rate of growth of Non-debt Capital Receipts ( per cent)	(-)16.97	(-)59.67	1,063.01	1,792.82	(-)99.69
Rate of growth of GSDP ( per cent)	9.46	10.31	8.81	5.30	(-)1.85
Rate of growth of Capital Receipts ( per cent)	171.31	(-)66.45	27.96	84.51	(-)22.36

Source: Finance Accounts

\* Including net figure under Ways and Means Advances, which was Nil during 2020-21.

# Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

During 2016-17, the capital receipts increased by 171.31 per cent due to substantial increase in public debt receipts by ₹ 35,027 crore (173.34 per cent) over the previous year because of raising of long term loans (₹ 29,919.96 crore) by State Government for one-time settlement of Legacy Cash Credit Account for food procurement operations; and issuing of Bonds (₹ 10,031.19 crore) for advancement of loans to PSPCL for clearing their debts in compliance to implementation of UDAY.

During the current year, after excluding ₹ 8,359 crore given by GoI as back-to-back loans in lieu of GST Compensation shortfall which are not to be repaid by the State from its sources, the public debt receipts increased by ₹ 6,206 crore (22.31 per cent) over the previous year. Recovery of loans and advances decreased by ₹ 16,020 crore (99.69 per cent) over the previous year. The substantial increase in recovery during the previous year was mainly due to recovery of ₹ 15,628 crore from Punjab State Power Supply Corporation (PSPCL) on account of conversion of UDAY loans into equity, as discussed in Paragraph 2.4.2.2 (v).

### 2.3.4 State's performance in mobilisation of resources

The State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

The State's actual own tax and non-tax revenue for the year 2020-21 *vis-à-vis* assessment made by Fifteenth Finance Commission (15<sup>th</sup> FC) and Budget Estimates are given in **Table 2.16**.

**Table 2.16: Tax and non-tax revenue *vis-à-vis* projections during 2020-21**

(₹ in crore)

Resources	15 <sup>th</sup> FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				15 <sup>th</sup> FC projections	Budget estimates
<b>Own Tax revenue</b>	51,020	35,824	30,053	(-)41.10	(-)16.11
<b>Non-tax revenue</b>	3,714	8,046	4,152	11.79	(-)48.40

Source: Report of 15<sup>th</sup> FC, Annual Financial Statement and Finance Accounts.

Own-tax revenue of the State Government fell short of projections made by 15<sup>th</sup> FC and the budget estimates by 41.10 *per cent* and 16.11 *per cent* respectively. Whereas, non-tax revenue was higher by 11.79 *per cent* than the projections made by FFC and was lower by 48.40 *per cent* than the budget estimates.

## 2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. Analysis of allocation of expenditure in the State is given in succeeding paragraphs.

### Growth and composition of expenditure

**Revenue Expenditure:** Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

**Capital Outlay:** All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as capital outlay.

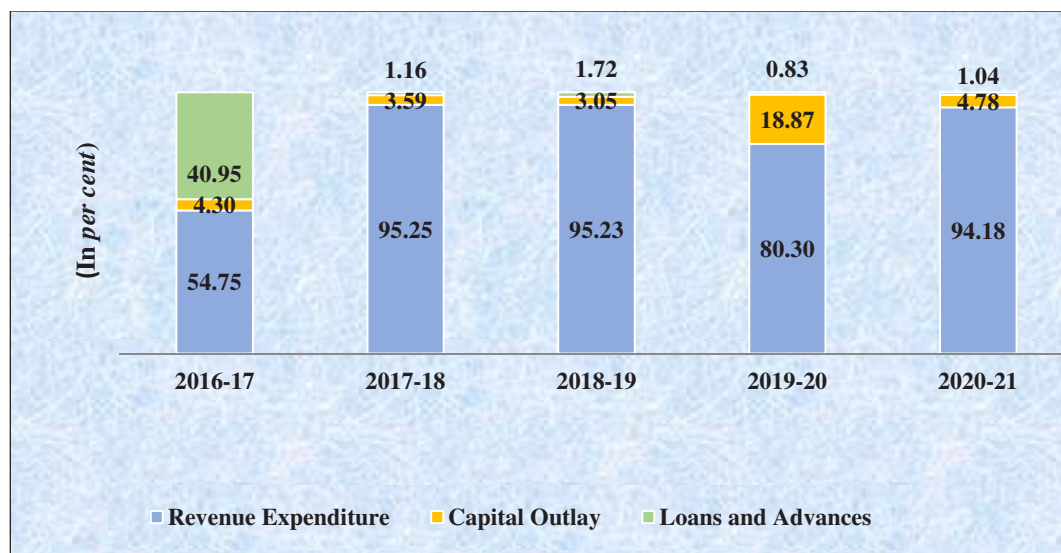
Trends of overall expenditure and its components are shown in **Table 2.17** and **Chart 2.8**.

**Table 2.17: Total expenditure and its composition**

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	1,01,006	65,577	79,177	94,471	91,682
Revenue Expenditure (RE)	55,296	62,465	75,404	75,860	86,344
Capital Outlay (CO)	4,346	2,352	2,412	17,828	4,382
Loans and Advances	41,364	760	1,361	783	956
<b>As a percentage of GSDP</b>					
TE/GSDP	23.66	13.92	15.45	17.50	17.31
RE/GSDP	12.95	13.26	14.71	14.06	16.30
CO/GSDP	1.02	0.50	0.47	3.30	0.83
Loans and Advances/GSDP	9.69	0.16	0.27	0.15	0.18

Source: Finance Accounts

**Chart 2.8: Total Expenditure: Trends in share of its components**



Source: Finance Accounts

**Table 2.17** shows that the total expenditure decreased by ₹ 9,324 crore (9.23 per cent) from ₹ 1,01,006 crore in 2016-17 to ₹ 91,682 crore in 2020-21, which ranged between 13.92 per cent to 23.66 per cent of GSDP during the period of five years. Higher total expenditure in 2016-17 was due to disbursement of loans to Punjab State Power Corporation Limited (PSPCL) under UDAY scheme and to the State procurement agencies for one-time settlement of CCL. **Chart 2.8** shows that the revenue expenditure constituted dominant proportion (80 to 95 per cent) during 2016-21 except for the year 2016-17 when it was 55 per cent of the total expenditure. The capital outlay, on the other hand, constituted between three and five per cent except for the year 2019-20 when it was 19 per cent due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL), as discussed in Paragraph 2.4.2.2(v).

The State Government while attributing the reasons for low capital expenditure to high committed liabilities of the State inclusive of salaries, wages, pension and interest servicing, stated (January 2022) that every effort was being made to enhance the capital expenditure in the State which reflected in the current financial year 2021-22.

Relative share of various sectors of expenditure during 2016-21 is depicted in **Table 2.18** and **Chart 2.9**.

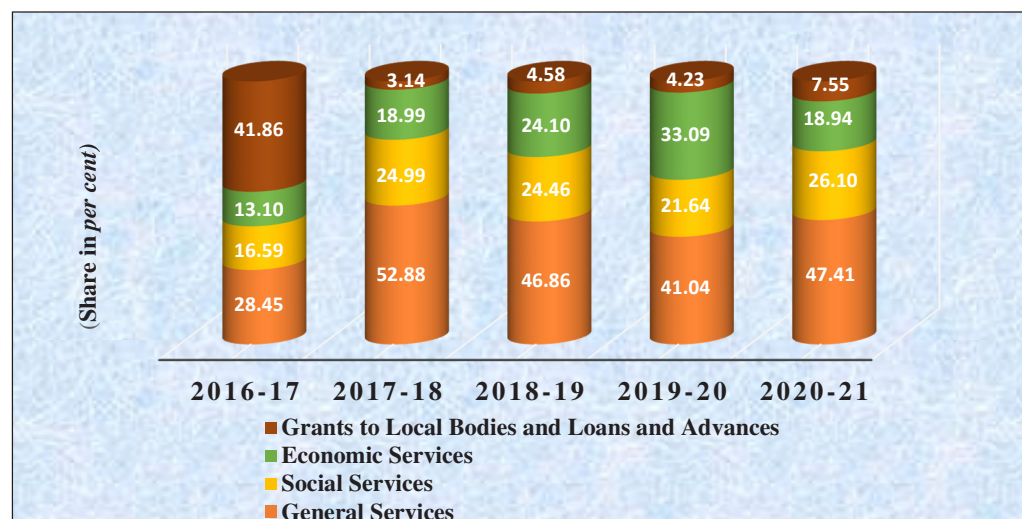
**Table 2.18: Relative share of various sectors of expenditure**

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	28,737	34,680	37,100	38,769	43,464
Social Services	16,759	16,386	19,367	20,449	23,926
Economic Services	13,228	12,450	19,084	31,260	17,365
Others (Grants to Local Bodies and Loans and Advances)	42,282	2,061	3,626	3,993	6,927

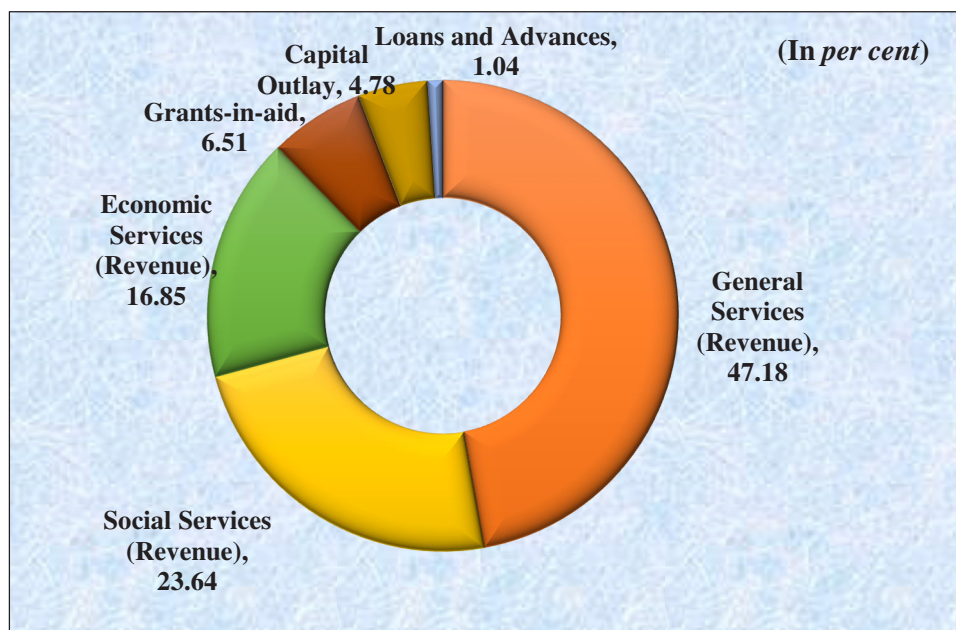
Source: Finance Accounts

**Chart 2.9: Total expenditure - Expenditure by activities**



Source: Finance Accounts

**Chart 2.9** shows that the relative share of various components of expenditure in the total expenditure fluctuated during 2016-21. The share of General Services, Social Services and Economic Services in total expenditure increased from 28.45 per cent, 16.59 per cent and 13.10 per cent in 2016-17 to 47.41 per cent, 26.10 per cent and 18.94 per cent respectively in 2020-21, while that of grants to local bodies and loans and advances decreased from 41.86 per cent to 7.55 per cent during the same period. **Chart 2.10** shows composition of expenditure by function.

**Chart 2.10: Composition of expenditure by function during 2020-21**

Source: Finance Accounts

### 2.4.1 Revenue expenditure

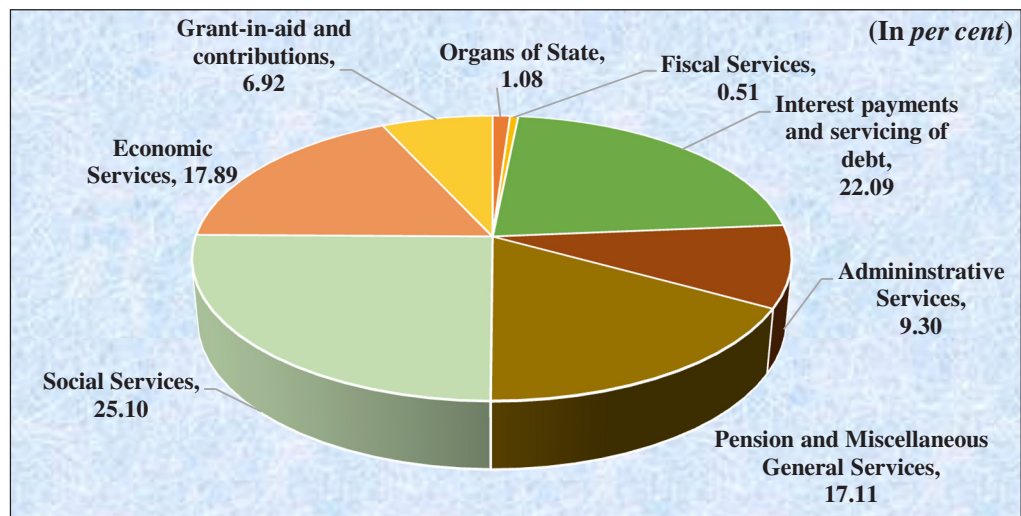
Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Growth of revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts is shown in **Table 2.19** and sectoral distribution of revenue expenditure is shown in **Chart 2.11**.

**Table 2.19: Revenue Expenditure – Basic Parameters**

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	1,01,006	65,577	79,177	94,471	91,682
Revenue Expenditure (RE)	55,296	62,465	75,404	75,860	86,344
Rate of Growth of RE (per cent)	10.43	12.96	20.71	0.60	13.82
Revenue Expenditure as percentage of TE	54.75	95.25	95.23	80.30	94.18
RE/GSDP (per cent)	12.95	13.26	14.71	14.06	16.30
Revenue Receipts	47,985	53,010	62,269	61,575	69,048
Rate of Growth of RR (per cent)	15.56	10.47	17.47	(-)1.11	12.14
RE as percentage of RR	115.24	117.84	121.09	123.20	125.05
Rate of Growth of GSDP (per cent)	9.46	10.31	8.81	5.30	(-)1.85

Source: Finance Accounts

The revenue expenditure increased by ₹ 31,048 crore (56.15 per cent) from ₹ 55,296 crore in 2016-17 to ₹ 86,344 crore in 2020-21. It increased at an annual average growth rate of 11.70 per cent, whereas as percentage of GSDP, it ranged between 12.95 per cent and 16.30 per cent during the period 2016-21.

**Chart 2.11: Sector-wise distribution of revenue expenditure during 2020-21**

Source: Finance Accounts

**2.4.1.1 Major changes in revenue expenditure**

The revenue expenditure increased substantially by ₹ 10,484 crore (13.82 per cent) from ₹ 75,860 crore in 2019-20 to ₹ 86,344 crore in 2020-21. Significant variations under various Major Heads of Accounts with regard to revenue expenditure of the State during the current year as compared to the previous year are depicted in **Table 2.20**.

**Table 2.20: Variations in revenue expenditure during 2020-21 compared to 2019-20**

Major Heads of Account	2019-20	2020-21	(₹ in crore) Increase (+)/ Decrease (-)
2071-Pensions and Other Retirement Benefits	10,293.63	13,680.00	3,386.37
3604-Compensation and assignments to Local Bodies and Panchayati Raj Institutions	3,210.31	5,971.31	2,761.00
2202-General Education	10,465.34	11,599.17	1,133.83
2048-Appropriation for Reduction or Avoidance of Debt	243.00	925.01	682.01
2801-Power	1,596.53	2,189.41	592.88
2049-Interest Payments	17,567.17	18,152.50	585.33
2210-Medical and Public Health	3,158.43	3,527.91	369.48
2075-Miscellaneous General Services	1,382.22	1,096.51	(-)285.71
2401-Crop Husbandry	7,103.86	6,895.84	(-)208.02

Source: Finance Accounts

**Table 2.20** shows:

- increase of ₹ 3,386 crore under 'Pensions and Other Retirement Benefits', which was mainly due to increase of ₹ 1,545 crore in 'Superannuation and Retirement Allowances', ₹ 649 crore in 'Government Contribution towards Defined Contribution Pension Scheme' and ₹ 449 crore in 'Leave Encashment Benefits'. This was attributed to increased retirement due to the

decision of the State Government to do away with the optional extension for employees to generate employment for the youth;

- increase of ₹ 2,761 crore under ‘Compensation and assignments to Local Bodies and Panchayati Raj Institutions’ which was primarily due to payment of grants of ₹ 623 crore and ₹ 694 crore to Urban Local Bodies and Panchayati Raj Institutions respectively as per 15<sup>th</sup> FC recommendations and payment of grants of ₹ 291 crore and ₹ 2,356 crore to Urban Local Bodies and Panchayati Raj Institutions respectively to clear the backlog as per 14<sup>th</sup> FC recommendations;
- increase of ₹ 1,134 crore in ‘General Education’ which was primarily due to increase of ₹ 867 crore in ‘Secondary Education’ and ₹ 157 crore in ‘University and Higher Education’;
- increase in ‘Appropriation for Reduction or Avoidance of Debt’ which was due to increase of ₹ 682 crore in contribution to Consolidated Sinking Fund;
- increase of ₹ 593 crore in Power was mainly due to payment of compensation of ₹ 579 crore to Punjab State Power Corporation Limited (PSPCL) in lieu of their losses as per UDAY scheme, as discussed in paragraph 2.4.2.2(v);
- increase of ₹ 585 crore in ‘Interest Payments’ which was primarily due to increase of ₹ 881 crore in ‘Interest on Internal Debt’ partially offset by decrease of ₹ 178 crore in ‘Interest on Small Savings, Provident Funds, etc.’ and ₹ 61 crore in ‘Interest on Loans and Advances from Central Government’;
- increase of ₹ 369 crore in ‘Medical and Public Health’ which was primarily due to increase of ₹ 333 crore in ‘Urban Health Services – Allopathy’ mainly on account of expenditure of ₹ 272 crore in ‘Upgradation/ Maintenance of Health Infrastructure (CHCs, PHCs and Sub Centres)’;
- decrease of ₹ 286 crore in ‘Miscellaneous General Services’ which was mainly due to decrease of ₹ 277 crore in ‘Assistance to Public Sector and Other Undertakings’; and
- decrease of ₹ 208 crore in ‘Crop Husbandry’ which was mainly due to decrease of ₹ 264 crore in ‘Agricultural Farms’, ₹ 196 crore in ‘Other Expenditure’ and ₹ 137 crore in ‘Commercial Crops’ partially offset by increase of ₹ 87 crore in ‘Extension and Farmers’ Training’ and ₹ 285 crore in ‘Special Component Plan for Scheduled Castes’.

#### **2.4.1.2 Committed expenditure**

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed



expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed expenditure and its components is depicted in **Table 2.21** and share of committed expenditure in revenue expenditure is shown in **Chart 2.12**.

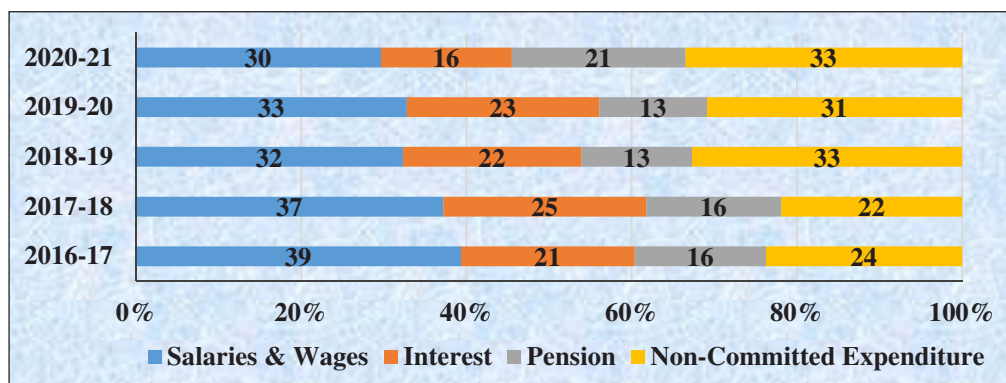
**Table 2.21: Components of Committed Expenditure***(₹ in crore)*

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages <sup>3</sup>	21,756	23,255	24,376	24,729	25,607
Expenditure on Pensions	8,773	10,208	10,089	10,294	13,680
Interest Payments	11,642	15,334	16,306	17,567	18,153
<b>Total</b>	<b>42,171</b>	<b>48,797</b>	<b>50,771</b>	<b>52,590</b>	<b>57,440</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	45.34	43.87	39.15	40.16	37.09
Expenditure on Pensions	18.28	19.26	16.20	16.72	19.81
Interest Payments	24.26	28.93	26.19	28.53	26.29
<b>Total</b>	<b>87.88</b>	<b>92.06</b>	<b>81.54</b>	<b>85.41</b>	<b>83.19</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	39.34	37.23	32.33	32.60	29.66
Expenditure on Pensions	15.87	16.34	13.38	13.57	15.84
Interest Payments	21.05	24.55	21.62	23.16	21.02
<b>Total</b>	<b>76.26</b>	<b>78.12</b>	<b>67.33</b>	<b>69.33</b>	<b>66.52</b>
Non-committed RE	13,125	13,668	24,633	23,270	28,904
Percentage of RE	23.74	21.88	32.67	30.67	33.48
Percentage of TE	12.99	20.84	31.11	24.63	31.53
Subsidies	5,823	6,982	13,361	10,161	9,748
Subsidies as percentage of non-committed expenditure	44.37	51.08	54.24	43.67	33.72

Source: Finance Accounts

**Table 2.21** shows that percentage of non-committed expenditure to revenue expenditure increased from 23.74 per cent in 2016-17 to 33.48 per cent in 2020-21 to which subsidies constituted dominant proportion ranging from 34 per cent to 54 per cent.

<sup>3</sup> Includes Grants-in-aid (Salary): 2016-17 (₹ 3,250 crore); 2017-18 (₹ 3,225 crore); 2018-19 (₹ 3,491 crore); 2019-20 (₹ 3,248 crore); and 2020-21 (₹ 3,795 crore).

**Chart 2.12: Share of committed expenditure in revenue expenditure**

Source: Finance Accounts

The Principal Secretary (Finance) while agreeing to the facts stated (December 2021) that most of the revenue expenditure i.e. salaries, pensions, interest payments, etc. were of committed nature which could not be avoided or reduced. It was further stated (January 2022) that increase in non-committed expenditure was mainly due to increase in power subsidy and Debt Waiver Scheme implemented by the State Government for the welfare of farmers, which were policy decisions.

#### (i) **Undischarged liabilities in National Pension System**

The State Government introduced (December 2006) the 'National Pension System' (NPS), in the name of Defined Contribution Pension Scheme (DCPS), applicable to all new entrants joining the State Government Service<sup>4</sup> on or after 1 January 2004. Under this system, employees contribute 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government (Government's share has been increased to 14 *per cent* with effect from 1 April 2019). The employees' contribution is booked in Public Account under Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' and the employer's contribution is transferred to the designated authority i.e. National Securities Depository Limited (NSDL), debiting Major Head '2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme'. The State Government has the responsibility to deposit both employees' and employer's share to the NSDL for further investment as per the guidelines of NPS.

Though the State Government implemented DCPS with effect from January 2004, it started deducting the contribution from employees largely from April 2008<sup>5</sup>. The arrears of employees' share for the period from January 2004 to March 2008 was also deducted in 36 installments from April 2008 to March 2011. Though the State Government started receiving the contribution from 2008-09, it started transferring the same to the pension fund from 2010-11 onwards.

<sup>4</sup> For categories mentioned in Rule 1.2 of Punjab Civil Service Rules, Volume-I, Part-I.

<sup>5</sup> Meagre amount of ₹ 0.59 crore was collected during 2006-08.

As per provisions of the scheme, during 2020-21, employees' contribution of ₹ 791.35 crore was booked under Major Head '8342-Other Deposits 117-Defined Contribution Pension Scheme for Government Employees' in Public Account as per prescribed procedure. Government's contribution of ₹ 1,356.26 crore towards New Pension Scheme was transferred to the NSDL, debiting Major Head '2071-Pension and Other Retirement Benefits 01 - Civil 117- Defined Contributory Pension Scheme for Government Employees'.

During 2020-21, against the balance of ₹ 992.67 crore lying in the Public Account, the State Government transferred ₹ 840.46 crore to NSDL, leaving a balance of ₹ 152.21 crore as on 31 March 2021, which could not be transferred to the fund managers for want of complete particulars of the employees. Thus, the State Government transferred an amount of ₹ 2,196.72 crore to NSDL during 2020-21 (₹ 840.46 crore by debiting Major Head 8342-117 and ₹ 1,356.26 crore by debiting Major Head 2071-01-117). The Government's contribution of ₹ 1,356.26 crore transferred during the current year included arrears of ₹ 254.60 crore for the year 2019-20. Thus, as against the due amount of ₹ 1,107.89 crore, the Government actually contributed ₹ 1,101.66 crore during the current year, thereby resulting in short transfer of ₹ 6.23 crore, which understated the revenue and fiscal deficit to that extent.

Further, the State Government is liable to pay interest on delayed transfer of NPS balances at the corresponding interest rates applicable to the General Provident Fund (GPF) subscribers. Thus, the State Government has created interest liability on the amount not transferred to NSDL; incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the affected employees.

The details of the receipts from employees' share, Government's contribution, interest accrued thereon and investment in pension fund are given in **Table 2.22**.

**Table 2.22: Details of contribution and investment under DCPS**

(₹ in crore)

Years	Receipts				Disbursement (Transferred to Pension Fund)	Short transfer (-)/ Excess transfer (+)
	Employees' share	Government contribution	Interest	Total		
1	2	3	4	5 (2+3+4)	6	7 (6-5)
2008-09	38.76*	33.60	0.00	72.36	0.00	(-)72.36
2009-10	45.38	36.26	0.00	81.64	0.00	(-)81.64
2010-11	54.19	51.90	26.86	132.95	2.33	(-)130.62
2011-12	79.19	85.00	22.45	186.64	26.45	(-)160.19
2012-13	181.48	196.78	24.01	402.27	286.17	(-)116.10
2013-14	242.81	230.00	22.78	495.59	481.53	(-)14.06
2014-15	282.86	290.00	21.35	594.21	804.90	(+)210.69
2015-16	389.39	390.00	18.48	797.87	902.69	(+)104.82
2016-17	436.28	435.81	17.19	889.28	957.69	(+)68.41
2017-18	532.59	520.55	15.55	1,068.69	1,058.51	(-)10.18
2018-19	585.78	584.94	14.70	1,185.42	1,203.28	(+)17.86
2019-20	746.67	707.69	0.00	1,454.36	1,436.41	(-)17.95
2020-21	791.35	1,356.26	0.00	2,147.61	2,196.72	(+)49.11
<b>Total</b>	<b>4,406.73</b>	<b>4,918.79</b>	<b>183.37</b>	<b>9,508.89</b>	<b>9,356.68</b>	<b>(-)152.21</b>

Source: Finance Accounts

\* Includes amount ₹ 0.59 crore collected/received during the period 2006-08 which was yet to be transferred to Pension Fund as on 1 April 2008.

During the period 2008-21, against total receipts of ₹ 9,508.89 crore (employees' share: ₹ 4,406.73 crore, State Government contribution: ₹ 4,918.79 crore and interest: ₹ 183.37 crore), amount of ₹ 9,356.68 crore was transferred to the pension fund. Thus, there was short transfer of ₹ 152.21 crore, which is a deferred liability of the State Government.

The short contribution/transfer of funds to NSDL would impact the pensionary yield of the employees. Besides, due to delay in release of Government's contribution and transfer to pension fund, the State Government had to suffer an avoidable interest of ₹ 183.37 crore.

### 2.4.1.3 Subsidies

**Table 2.23** depicts the expenditure on subsidies during the period 2016-21. The subsidies during the current year declined by ₹ 413 crore (4.06 *per cent*) from the previous year. The decrease was mainly due to decrease of ₹ 522 crore on account of debt relief to farmers and ₹ 137 crore on account of subsidy scheme for cane price payment to the cane farmers partially offset by increase of ₹ 259 crore on account of power subsidies to industries.

**Table 2.23: Expenditure on subsidies during 2016-21**

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	5,823	6,982	13,361	10,161	9,748
Power subsidy (₹ in crore)	5,601	6,578	9,036	9,394	9,657
Subsidies as percentage of Revenue Receipts	12.14	13.17	21.46	16.50	14.12
Subsidies as percentage of Revenue Expenditure	10.53	11.18	17.72	13.39	11.29
Subsidies as percentage of Total Expenditure	5.77	10.65	16.87	10.76	10.63
Subsidies as percentage to Revenue Deficit	79.65	73.84	101.72	71.13	56.36
Power subsidy as percentage to total subsidy	96.19	94.21	67.63	92.45	99.07

Source: Finance Accounts

Power subsidy constituted major portion of the total subsidies ranging between 68 *per cent* and 99 *per cent*; and the subsidies contributed 56 *per cent* to 102 *per cent* to the revenue deficit during 2016-21.

The Principal Secretary (Finance) while expressing his concern over major proportion of subsidies in the non-committed expenditure, stated (December 2021) that huge amount of power subsidies was due to agricultural consumers as well as low income domestic consumers.

#### (i) 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 can be given as concessions. Some implicit subsidies extended during 2020-21 are detailed in **Table 2.24**.

**Table 2.24: Details of implicit subsidies during the year 2020-21**

		(₹ in crore)
Sr. No.	Scheme	Amount
1.	Ashirwad to Scheduled Caste girls/widows/divorcees and daughters of widows at the time of their marriage	130.08
2.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free/concessional facilities to students of colleges and universities in Government/ PEPSU Road Transport Corporation (PRTC)buses	122.23
3.	Ashirwad to Backward Classes and Christian girls/widows/divorcees and daughters of widows of any caste at the time of marriage	57.79
4.	Reimbursement to Transport Department/PRTC in lieu of free concessional travel facility to students of Engineering Colleges/Polytechnics	27.73
5.	Reimbursement to Transport Department/PRTC in lieu of free concessional travel facility to students	19.56
6.	Free books to students (IX to XII Class)	8.00
7.	Free books to Scheduled Caste students (IX to XII Class)	2.00
8.	Reimbursement to Transport Department in respect of facility to physically handicapped and blind persons in Government/PEPSU Road Transport Corporation (PRTC) buses	2.26
9.	Reimbursement to Transport Department in lieu of free concessional travel facility to Women above the age of 60 years in Government/ PEPSU Road Transport Corporation (PRTC) buses	0.77
<b>Total</b>		<b>370.42</b>

Source: Detailed Appropriation Accounts

#### 2.4.1.4 Financial assistance by the State Government to Local Bodies and Other Institutions

Assistance provided by way of grants to the local bodies and other institutions during the period 2016-17 to 2020-21 is presented in **Table 2.25**.

**Table 2.25: Financial assistance to Local Bodies and other institutions**

						(₹ in crore)
Institutions	2016-17	2017-18	2018-19	2019-20	2020-21	
<b>(A) Local Bodies</b>						
Municipal Corporations and Municipalities	475.50	1,091.64	1,747.28	2,365.48	2,694.56	
Panchayati Raj Institutions	544.97	230.36	530.18	885.81	3,313.12	
<b>Total (A)</b>	<b>1,020.47</b>	<b>1,322.00</b>	<b>2,277.46</b>	<b>3,251.29</b>	<b>6,007.68</b>	
<b>(B) Others</b>						
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	2,223.21	2,117.63	2,824.52	3,196.94	3,586.92	
Development Authorities	0.00	0.00	0.00	1,309.29	1,518.84	
Hospitals and Other Charitable Institutions	779.33	627.74	967.34	1,211.06	1,348.71	
Other Institutions	1,734.50	2,095.85	2,795.04	914.70	2,560.30	
<b>Total (B)</b>	<b>4,737.04</b>	<b>4,841.22</b>	<b>6,586.90</b>	<b>6,631.99</b>	<b>9,014.77</b>	
<b>Total (A+B)</b>	<b>5,757.51</b>	<b>6,163.22</b>	<b>8,864.36</b>	<b>9,883.28</b>	<b>15,022.45</b>	
Revenue Expenditure	55,296	62,465	75,404	75,860	86,344	
Assistance as percentage of Revenue Expenditure	10.41	9.87	11.76	13.03	17.40	

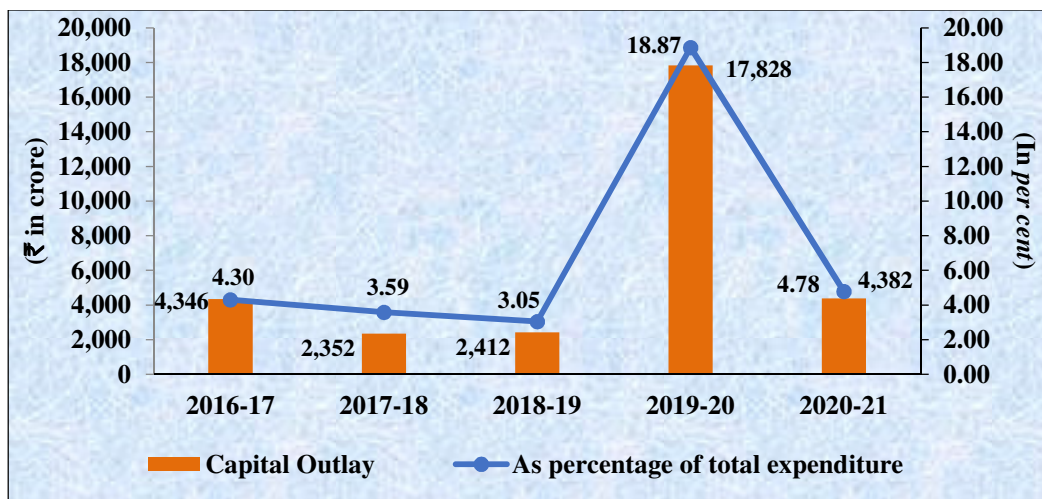
Source: Finance Accounts

During the current year, financial assistance to the local bodies and other institutions increased by ₹ 5,139.17 crore (52 per cent) over the previous year. The increase was mainly due to increase in assistance to Municipal Corporations and Municipalities (₹ 329.08 crore: 13.91 per cent) and Panchayati Raj Institutions (₹ 2,427.31 crore: 274.02 per cent). The increase in assistance to Municipal Corporations and Municipalities and Panchayati Raj Institutions was mainly on account of clearance of backlog of grants recommended by the Fourteenth Finance Commission (14<sup>th</sup> FC) and payment of grants recommended by the Fifteenth Finance Commission (15<sup>th</sup> FC). The overall quantum of financial assistance to the local bodies and other institutions as percentage to revenue expenditure increased to 17.40 per cent during the current year from 13.03 per cent of the previous year.

## 2.4.2 Capital outlay

Capital outlay is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capital outlay, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/off-budget. It also includes investments made by the State Government in Companies/Corporations. Trend of capital outlay in the State over the last five years i.e. 2016-21 is given in **Chart 2.13**.

**Chart 2.13: Capital Outlay in the State**



Source: Finance Accounts

**Chart 2.13** shows that the capital outlay fluctuated during the five years' period. It increased by ₹ 36 crore (0.83 per cent) from ₹ 4,346 crore (4.30 per cent of total expenditure) in 2016-17 to ₹ 4,382 crore (4.78 per cent of total expenditure) in 2020-21. Besides, the State Government also gave Grants-in-aid of ₹ 4,058 crore<sup>6</sup> during the period 2016-21 for creation of assets.

<sup>6</sup> 2016-17: ₹ 260.10 crore; 2017-18: ₹ 0.50 crore; 2018-19: ₹ 338.94 crore; 2019-20: ₹ 714.34 crore; and 2020-21: ₹ 2,744.17 crore.

### 2.4.2.1 Major changes in capital outlay

Major changes in capital outlay during 2020-21 compared to 2019-20 are depicted in **Table 2.26**.

**Table 2.26: Capital outlay during 2020-21 compared to 2019-20**

(₹ in crore)			
Major Head of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4801-Capital Outlay on Power Projects	15,628.26	0.00	(-)15,628.26
4711-Capital Outlay on Flood Control Projects	207.86	66.99	(-)140.87
4515-Capital Outlay on Other Rural Development Programmes	133.17	214.37	(+)81.20
5054-Capital Outlay on Roads and Bridges	311.58	582.20	(+)270.62
4215-Capital Outlay on Water Supply and Sanitation	275.41	584.59	(+)309.18
4701-Capital Outlay on Medium Irrigation	92.22	425.45	(+)333.23
4217-Capital Outlay on Urban Development	323.86	1301.16	(+)977.30

Source: Finance Accounts

**Chart 2.13** shows that the capital outlay decreased by ₹ 13,446 crore (75.42 per cent) from ₹ 17,828 crore in 2019-20 to ₹ 4,382 crore in 2020-21. The decrease in overall capital outlay was mainly due to nil expenditure under Capital Outlay on Power Projects during 2020-21 as compared to previous year, which was ₹ 15,628 crore on account of conversion of UDAY loans into equity (capital expenditure) in Punjab State Power Corporation Limited (PSPCL), as discussed in paragraph 2.4.2.2(v). The decrease was offset by increase in Capital Outlay on Urban Development: ₹ 977 crore; Capital Outlay on Medium Irrigation: ₹ 333 crore; Capital Outlay on Water Supply and Sanitation: ₹ 309 crore; Capital Outlay on Roads and Bridges: ₹ 271 crore; etc., as detailed in **Table 2.26**.

### 2.4.2.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making Government companies, whose net worth has completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write-off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

#### (i) Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations and other bodies which are loss making or where net worth has completely eroded, is not sustainable.

Investments made and loans given to companies (e.g. DISCOMs), corporations (e.g. SC & ST Financial Corporations), and co-operatives (e.g. sugar mills), which are loss making and those where net worth has completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As per the latest finalised accounts, total paid up capital of 33 working State PSUs stood at ₹ 23,516.93 crore at the end of 2020-21, of which the State Government's investment (equity) was ₹ 23,314.29 crore (99.14 per cent) in 23 State PSUs.

Eleven State PSUs, in which the State Government held investment of ₹ 22,501.23 crore had aggregated accumulated losses of ₹ 14,822.87 crore (**Appendix 2.3**).

Net worth of eight out of above 11 PSUs with accumulated losses had completely eroded and had become negative. The net worth of these eight PSUs was (-)₹ 7,395.16 crore against equity investment of ₹ 462.85 crore (GoP investment: ₹ 423.41 crore) in these PSUs as on 31 March 2021. In five out of eight PSUs whose capital had eroded, Government loans outstanding as on 31 March 2021 amounted to ₹ 19,477.75 crore (**Appendix 2.4**).

The long term loans amounting to ₹ 25,373.76 crore extended by the State Government in respect of eight PSUs were outstanding as on 31 March 2021 (**Appendix 2.5**).

Trends of return on investment in companies, corporations, and co-operative banks and societies, difference between cost of Government borrowings and return on investments are depicted in **Table 2.27**.

**Table 2.27: Return on investment**

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	4,091.32	4,189.27	4,263.25	19,898.08	19,911.84
Return (₹ in crore)*	3.88	4.45	4.24	4.24	1.26
Return (per cent)*	0.09	0.11	0.10	0.02	0.01
Average rate of interest on Government Borrowings (per cent)	7.46	7.70	8.36	7.31	6.80
Difference between interest rate and return (per cent)	7.37	7.59	8.26	7.29	6.79
Difference between cost of Government borrowings and return on investment (₹ in crore)#	301.53	317.97	352.14	1450.57	1,352.01

Source: Finance Accounts

\* on historical cost

# Investment at the end of the year X Difference between interest rate and return



During 2020-21, the return on investment was ₹ 1.26 crore<sup>7</sup> (0.01 per cent) (based on historical cost and not on net present value basis). The return was only between 0.01 per cent and 0.11 per cent during 2016-21 while the average rate of interest paid by the State Government on its borrowings was between 6.80 per cent and 8.36 per cent during the same period. Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 3,774.22 crore.

**Table 2.28** shows the details of investments made in the loss making companies/corporations during 2020-21.

**Table 2.28: Investments made in loss making companies during 2020-21**

(₹ in crore)

Sl. No.	Company/Corporation	Cumulative losses as on 31.03.2020	Investment made during 2020-21	Cumulative investment as on 31.03.2021
1.	Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC)*	22.41	11.78	94.40

Source: Finance Accounts

\* Accounts from 2020-21 were awaited.

### (ii) Reconciliation of Government Investments with Accounts of Companies

The figures of Government investments as equity in State Public Sector Undertakings (PSU) should agree with those appearing in the accounts of the PSUs. Reconciliation of figures is necessary to figure out the differences in accounts of PSUs and Finance Accounts of the State Government. Scrutiny of both the accounts revealed that as per Finance Accounts, Government investment as equity in 18 PSUs was ₹ 19,024.30 crore whereas as per records of PSUs, it was ₹ 23,104.50 crore. There was a difference of ₹ 4,080.20 crore as detailed in **Appendix 2.6**. Reconciliation should be carried out in a time bound manner to figure out the difference.

### (iii) Loans and advances by 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/organisations. **Table 2.29** presents the position of outstanding loans and advances as on 31 March 2021 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

<sup>7</sup> Co-operative Banks and Societies (₹ 0.01 crore); and Government Companies (₹ 1.25 crore).

**Table 2.29: Quantum of loans disbursed and recovered during 2016-21**

Particulars	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	8,299	49,482	50,169	50,681	35,394
Amount advanced during the year	41,364	760	1,361	783	956
Amount recovered during the year	181	73	849	16,070	50
Closing Balance of the loans outstanding	49,482	50,169	50,681	35,394	36,300
Net addition	41,183	687	512	(-)15,287	906
Interest received	1,131	1,339	1,341	1,336	25
Interest rate on Loans and Advances given by the Government	3.91	2.69	2.66	3.10	0.07
Rate of Interest paid on the outstanding borrowings of the Government	7.48	8.12	8.00	7.93	7.44
Difference between the rate of interest received and interest paid ( <i>per cent</i> )	(-)3.57	(-)5.43	(-)5.34	(-)4.83	(-)7.37

Source: Finance Accounts

During 2020-21, amount of ₹ 956 crore was advanced as loans against ₹ 783 crore during the previous year. The loans advanced during the current year included ₹ 475 crore extended to the Punjab State Civil Supplies Corporation (PUNSUP) for procurement and supply of essential commodities; and ₹ 140 crore to other procurement agencies against liability of Atta Dal Scheme. Loans amounting to ₹ 939.22 crore were outstanding at the beginning of the year against Co-operative Sugar Mills. Further, loans of ₹ 245 crore were given to these sugar mills without recovery of earlier loans.

The total outstanding loans advanced by the State Government increased by ₹ 906 crore from ₹ 35,394 crore in 2019-20 to ₹ 36,300 crore in the year 2020-21. Recovery of loans and interest receipts decreased substantially by ₹ 16,020 crore (99.69 *per cent*) and ₹ 1,311 crore (98.13 *per cent*) respectively in 2020-21 as compared to 2019-20 mainly due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL) during 2019-20. The interest received was only 0.07 *per cent* of the outstanding loans and advances during 2020-21.

The outstanding loans (₹ 36,300 crore) at the close of year 2020-21 included the long term loans of ₹ 32,163 crore out of ₹ 33,372 crore advanced by the State Government for –

- one-time settlement of Legacy Cash Credit Accounts for food procurement operations during 2016-17 (₹ 29,920 crore<sup>8</sup>), of which ₹ 29,417 crore were outstanding; and

<sup>8</sup> This loan is to be repaid by the State Government in equated monthly instalments of ₹ 270 crore (including interest) except for last installment of ₹ 115 crore which is to be paid in September 2034.

- clearing outstanding CCL extended afresh to five State Procurement Agencies (SPA) during 2016-21 (₹ 3,452 crore), of which ₹ 2,705 crore<sup>9</sup> were outstanding.

Thus, against the total amount of ₹ 33,372 crore advanced for clearing old and fresh CCL to SPAs during 2016-21, recovery of only ₹ 1,250 crore<sup>10</sup> had been effected.

**(iv) Capital locked in incomplete projects**

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years lead to extra burden in terms of servicing of debt and interest liabilities. Details of age-wise and department-wise incomplete projects, which were to be completed upto 2020-21 are shown in **Table 2.30** and **Table 2.31** respectively.

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)
Upto 2011-12	03	2,543.96	770.94
2012-13	-	-	-
2013-14	-	-	-
2014-15	02	64.78	62.30
2015-16	07	72.80	84.53
2016-17	03	19.97	8.80
2017-18	04	80.75	53.78
2018-19	25	226.12	91.20
2019-20	24	262.24	102.06
2020-21	28	103.28	35.51
<b>Total</b>	<b>96</b>	<b>3,373.90</b>	<b>1,209.12</b>

Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)
Public Works	82	771.28	366.69
Irrigation	06	2,562.56	821.30
Water Supply and Sanitation	08	40.06	21.13
<b>Total</b>	<b>96</b>	<b>3,373.90</b>	<b>1,209.12</b>

Source: Finance Accounts

The expenditure of ₹ 1,209.12 crore incurred on 96 incomplete projects was yet to yield the intended benefits. Out of 96 incomplete projects, 19 projects on which expenditure of ₹ 980.35 crore had been incurred, pertained to the period prior to the year 2018-19.

Delay in completion of projects not only adversely affected the quality of expenditure but also deprived the State of intended benefits and economic growth.

<sup>9</sup> Besides, ₹ 41 crore pertaining to the period prior 2010-11 was also outstanding from PUNSUP.

<sup>10</sup> ₹ 503 crore (2017-18: ₹ 26 crore, 2018-19: ₹ 61 crore, 2019-20: ₹ 405 crore and 2020-21: ₹ 11 crore) against ₹ 29,920 crore; and ₹ 747 crore (2018-21) against ₹ 3,452 crore.

**(v) Implementation of Ujwal Discom Assurance Yojana (UDAY)**

With an objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), 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. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was to be taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY had to be converted into grant and equity in the subsequent three years.

Further, the State Government was required to take over losses, if any, of the DISCOMs in a graded manner as below:

Year	2017-18	2018-19	2019-20	2020-21
<b>Loss to be taken over by State</b>	5% of loss of 2016-17	10% of loss of 2017-18	25% of loss of 2018-19	50% of loss of 2019-20

Accordingly, a tripartite Memorandum of Understanding (MoU) was executed amongst GoI, Government of Punjab (GoP) and Punjab State Power Corporation Limited (PSPCL) i.e. Punjab DISCOM on 4 March 2016 to take over 75 per cent of the outstanding debt of Punjab DISCOM (₹ 20,837.68 crore) as on 30 September 2015.

As per MoU, GoP committed to take over 50 per cent (₹ 10,418.84 crore) of the Punjab DISCOM debt in 2015-16 and 25 per cent (₹ 5,209.42 crore) in 2016-17. The State Government would raise this amount through issue of bonds. Amount raised was to be disbursed to the Punjab DISCOM as loans. The DISCOM was to pay interest to GoP on the outstanding loan in a financial year at the rate at which GoP issued bonds. The State Government committed to convert the loan of ₹ 15,628.26 crore into grant (₹ 11,728.26 crore) and equity (₹ 3,900 crore) during 2019-20.

During 2015-16, against the commitment of ₹ 10,418.84 crore, GoP could arrange borrowings of ₹ 9,859.72 crore through UDAY bonds, thereby compensating PSPCL short by ₹ 559.12 crore than committed. Of these ₹ 9,859.72 crore, transaction of ₹ 4,262.65 crore carried out on 31 March 2016 as a cashless transaction through the Reserve Bank of India (RBI) was not accounted for in the Finance Accounts of the State Government. As such, borrowings of only ₹ 5,597.07 crore were taken into Finance Accounts 2015-16, thereby understating the loans of the State Government by ₹ 4,262.65 crore during that year.

During 2016-17, against the commitment of ₹ 5,209.42 crore, GoP transferred ₹ 5,768.54 crore as loan, which included balance amount of ₹ 559.12 crore of 2015-16. However, ₹ 10,031.19 crore were booked to accounts as public debt, which included ₹ 4,262.65 crore pertaining to the previous year's accounts. This overstated the loans and fiscal deficit of the State in 2016-17 to this extent.

The outstanding debt of Punjab DISCOM carried interest ranging between 8.00 per cent and 12.50 per cent. Of this, 75 per cent of debt amounting to ₹ 15,628.26 crore was replaced with debts bearing lower interest rates ranging between 7.21 per cent and 8.72 per cent. Position of equity/loan/grant extended to Punjab DISCOM under UDAY is depicted in **Table 2.32**.

**Table 2.32: Position of equity/loan/grant under UDAY**

(₹ in crore)

Year	Equity Investment	Loan	Revenue Grant	Total
2015-16	--	9,859.72	--	9,859.72
2016-17	--	5,768.54	--	5,768.54
<b>Total</b>	<b>--</b>	<b>15,628.26</b>	<b>--</b>	<b>15,628.26</b>
2017-18	--	--	141.81	141.81
2018-19	--	--	90.69	90.69
2019-20	15,628.26	--	9.45	15,637.71
2020-21	--	--	579.10	579.10
<b>Total</b>	<b>15,628.26</b>	<b>--</b>	<b>821.05</b>	<b>16,449.31</b>

Source: Finance Accounts

It was observed that the State Government converted (March 2020) entire amount of ₹ 15,628.26 crore into equity (instead of ₹ 11,728.26 crore as grant and ₹ 3,900 crore as equity) during 2019-20, in contravention of provisions of the MoU. Further, GoP took over losses of the DISCOM as specified in the scheme for the years 2017-18 to 2020-21 by paying revenue grant amounting to ₹ 821.05 crore.

#### **2.4.2.3 Resource availability of the State under Public Private Partnership projects**

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Sector-wise details of PPP Projects are given in **Table 2.33**.

**Table 2.33: Sector-wise details of PPP projects as on 31 March 2021**

*(₹ in crore)*

Sl. No.	Sector	Completed			Ongoing			Planned for future	
		No.	Estimated Cost	Revenue generated upto 31 <sup>st</sup> March 2021	No.	Estimated Cost	Revenue generated upto 31 <sup>st</sup> March 2021	No.	Estimated Cost
1.	Roads	14	1,027.02	60.00	--	--	--	--	--
2.	Urban Infrastructure	01	9.00	1.00	03 <sup>11</sup>	305.00	322.00	02 <sup>12</sup>	700.00
3.	Agriculture	04	177.35	6.21	--	--	--	02 <sup>13</sup>	44.00
4.	Health and Family Welfare	--	--	--	02 <sup>14</sup>	118.45	--	01 <sup>15</sup>	40.50
5.	Education Development	05	36.76	--	19	85.82	--	--	--
6.	Technical Education and Industrial Training	--	--	--	03	210.30	0.45	--	--
7.	Employment Generation and Skill Development	6219	7.65	--	512	1.74	0.13	3400	10.50
<b>Total</b>		<b>6,243</b>	<b>1,257.78</b>	<b>67.21</b>	<b>539</b>	<b>721.31</b>	<b>322.58</b>	<b>3405</b>	<b>795.00</b>

Source: Departmental information

### 2.4.3 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to total expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Fiscal priority<sup>16</sup> of the State Government with regard to expenditure on social and economic sectors, etc. is shown in **Table 2.34**.

<sup>11</sup> (i) Omaxe City at Patiala; (ii) Construction and operation of Exhibition Centre at Ludhiana; and (iii) Heritage hotel at old site of Shri Guru Teg Bahadur Hospital at Amritsar.

<sup>12</sup> (i) Standard tourism project at Dhar Kalan, Pathankot; and (ii) Convention Centre at Guru Ram Das Urban Estate at Amritsar.

<sup>13</sup> (i) Batala Bio-CNG Project at Co-operative Sugar Mill, Batala; and (ii) Bhogpur Bio-CNG Project at Bhogpur Co-operative Sugar Mill, Bhogpur.

<sup>14</sup> (i) Development, Operation and Maintenance of Radio Diagnostics in the selected hospitals in the State of Punjab; and (ii) Development, Operation and Maintenance of Laboratory Diagnostics in the selected hospitals in the State of Punjab.

<sup>15</sup> (i) Setting-up, Operation and Maintenance of Cardiac Care Centres in the selected hospitals in the State of Punjab.

<sup>16</sup> Ratio of expenditure in that category to Total Expenditure (TE).

**Table 2.34: Expenditure priority of the State with regard to health, education and capital expenditure***(In per cent)*

	TE/GSDP	CE/TE	Education*/TE	Health/ TE
<b>General Category States Average (2016-17)</b>	17.12	19.77	14.93	5.49
<b>Punjab (2016-17)</b>	23.66	45.25	8.94	2.86
<b>General Category States Average (2020-21)</b>	16.18	13.03	15.00	6.74
<b>Punjab (2020-21)</b>	17.31	5.82	13.25	4.20

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

TE: Total Expenditure and CE: Capital Expenditure

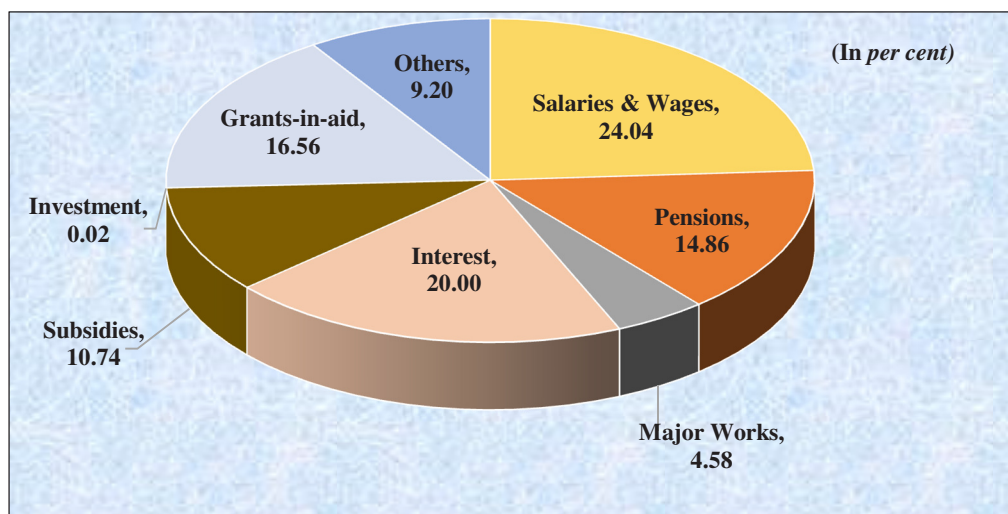
\*Expenditure on education includes expenditure on sports, art and culture.

**Table 2.34** shows that:

- The State Government's total expenditure as proportion of GSDP, decreased from 23.66 *per cent* in 2016-17 to 17.31 *per cent* in 2020-21 whereas for General Category States (GCS) it decreased from 17.12 *per cent* to 16.18 *per cent* during the same period.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio in this regard decreased from 45.25 *per cent* in 2016-17 to 5.82 *per cent* in 2020-21. This ratio for General Category States decreased from 19.77 *per cent* to 13.03 *per cent* during the same period. Significantly higher CE/TE ratio during 2016-17 in the State was mainly due to disbursal of loans under UDAY and CCL.
- The ratio of expenditure on education to the total expenditure in Punjab went up from 8.94 *per cent* in 2016-17 to 13.25 *per cent* in 2020-21 whereas it increased from 14.93 *per cent* to 15.00 *per cent* in the case of GCS during the same period.
- The ratio of expenditure on health to total expenditure in Punjab increased from 2.86 *per cent* in 2016-17 to 4.20 *per cent* in 2020-21 whereas it increased from 5.49 *per cent* to 6.74 *per cent* in the case of GCS during the same period.

#### **2.4.4 Object head-wise expenditure**

Object head-wise expenditure gives information about the object/purpose of the expenditure. **Chart 2.14** shows object head-wise expenditure.

**Chart 2.14: Object head-wise expenditure during 2020-21**

Source: Finance Accounts

Note: The object head-wise expenditure obtained from VLC data contains object head-wise expenditure on Salaries & wages and Pensions in all major heads which differs from the committed expenditure on these items (as appearing in Paragraph 2.4.1.2).

## 2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, 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. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

### 2.5.1 Net Public Account balances

The component-wise net balances in Public Account of the State is given in **Table 2.35** and yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

**Table 2.35: Component-wise net balances in Public Account**

(₹ in crore)

Sector	Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)20,603.53	(-)21,729.73	(-)22,993.55	(-)22,995.06	(-)22,149.54
Reserve Funds	(a) Reserve Funds bearing Interest	(-)4,869.39	(-)5,519.49	(-)6,402.59	(-)8,203.96	(-)8,583.58
	(b) Reserve Funds not bearing Interest	(-)0.68	(-)0.68	(-)0.68	(-)253.20	(-)1,211.33
Deposits and Advances	(a) Deposits bearing Interest	(-)748.52	(-)825.92	(-)808.08	(-)776.16	(-)880.98
	(b) Deposits not bearing Interest	(-)2,530.47	(-)2,273.62	(-)2,581.87	(-)3,045.22	(-)3,023.68
	(c) Advances	0.42	0.42	0.42	0.42	0.42



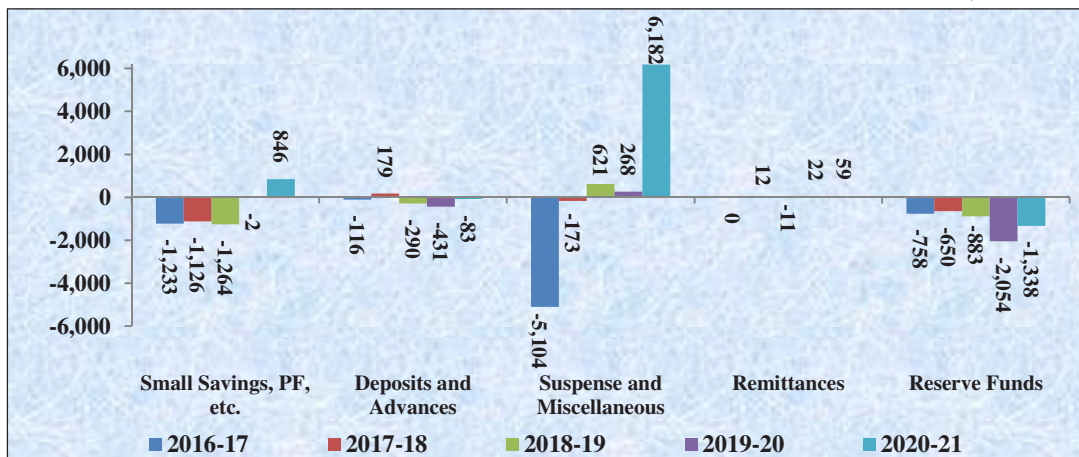
Sector	Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
Suspense and Miscellaneous	(a) Suspense	23.74	50.87	(-)38.05	(-)8.47	(-)102.69
	(b) Other Accounts	762.43	562.71	1,272.82	1,511.04	7,787.14
	(c) Accounts with Governments of Foreign Countries	0.66	0.66	0.66	0.66	0.66
	(d) Miscellaneous	0	0	0	0	0
Remittances	(a) Money Orders, and other Remittances	1.39	0	(-)9.02	2.68	40.85
	(b) Inter-Governmental Adjustment Account	0	13.59	11.93	22.59	43.05
<b>Total</b>		<b>(-)27,963.95</b>	<b>(-)29,721.19</b>	<b>(-)31,548.01</b>	<b>(-)33,744.68</b>	<b>(-)28,079.68</b>

Source: Finance Accounts

Note: +ve figures denote debit balances and -ve figures denote credit balances.

**Chart 2.15: Yearly changes in composition of Public Account balances**

(₹ in crore)



Source: Finance Accounts

The component-wise comparison of net balances in Public Account of the State of Punjab with those of the neighboring States is given in **Table 2.36**.

**Table 2.36: Component-wise comparison of net balances in Public Account as on 31<sup>st</sup> March 2021**

(₹ in crore)

Sector	Sub-Sector	Punjab	Haryana
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)22,149.54	(-)17,996.91
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)8,583.58	(-)5,476.92
	(b) Reserve Funds not bearing Interest	(-)1,211.33	(-)2,347.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-)880.98	(-)451.94
	(b) Deposits not bearing Interest	(-)3,023.68	(-)9,019.62
	(c) Advances	0.42	0.74
L. Suspense and Miscellaneous	Suspense and Miscellaneous	7,685.11	24.24
M. Remittances	(a) Money Orders, and other Remittances	40.85	(-)330.58
	(b) Inter-Governmental Adjustment Account	43.05	17.73
<b>Total</b>		<b>(-)28,079.68</b>	<b>(-)35,580.26</b>

Source: Finance Accounts of respective States

## 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were six interest bearing funds and two Reserve Funds not bearing interest as on 31 March 2021. The fund balances lying in these Reserve Funds as on 31 March 2021 are given in **Table 2.37**.

**Table 2.37: Detail of Reserve Funds**

		(₹ in crore)
Sr. No.	Name of Reserve Fund	Balance as on 31 March 2021
<b>A</b>	<b>Reserve Funds bearing Interest</b>	<b>8,583.58</b>
1.	Depreciation Reserve Fund-Motor Transport	116.35
2.	Depreciation Reserve Fund-Government Presses	26.16
3.	General Reserve Fund-Motor Transport	22.23
4.	Punjab Road Safety Fund	44.00
5.	State Disaster Response Fund	7,334.00
6.	State Compensatory Afforestation Fund	1,040.84
<b>B</b>	<b>Reserve Funds not bearing Interest</b>	<b>1,211.33</b>
1.	Sinking Funds	1,210.65
2.	Other Development and Welfare Fund	0.68
	<b>Grand Total</b>	<b>9,794.91</b>

Source: Finance Accounts

### 2.5.2.1 Consolidated Sinking Fund

The Government of Punjab constituted (December 2006) a Consolidated Sinking Fund in line with the recommendations of the Twelfth Finance Commission (12<sup>th</sup> FC) with the objective to redeem its outstanding liabilities commencing from the financial year 2011-12. The Fund is managed by the Reserve Bank of India. The State Government is to contribute every year minimum 0.50 per cent of the outstanding liabilities at the end of the previous financial year. Contribution to this Fund out of borrowings from the Reserve Bank is not permissible.

There was an opening balance of ₹ 252.52 crore in the Fund at the beginning of the current year. As on 31 March 2020, the outstanding liabilities of the Government of Punjab were ₹ 2,29,353.72 crore. Accordingly, the State Government was required to contribute a minimum of ₹ 1,146.77 crore (0.50 per cent) during 2020-21. However, the State Government had made contribution of ₹ 925.01 crore only to the Fund, which had been invested and an interest of ₹ 33.12 crore thereon was earned. Resultantly, there was a balance of ₹ 1,210.65 crore at the end of the current year.

Thus, the State Government has not made the minimum contribution of ₹ 7,338.75 crore<sup>17</sup> during 2011-21 to the said Fund since its inception. Non-contribution to Sinking Fund has also resulted in understatement of revenue expenditure by ₹ 221.76 crore during 2020-21 with consequent impact on revenue deficit and fiscal deficit of the State.

The Principal Secretary (Finance) stated (December 2021) that some contribution had been made in the Consolidated Sinking Fund in the current year and some money would also be invested in the coming year.

### 2.5.2.2 State Disaster Response Fund

The Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of SDRF (September 2010 and July 2015), the Centre and the State Governments were contributing to the Fund in the proportion of 75:25. The contributions are to be transferred under the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/State Plan Funds, etc.

As per Finance Accounts, as on 1 April 2020, an amount of ₹ 6,999.48 crore was lying in the SDRF. During the year 2020-21, ₹ 1,041.04 crore (₹ 425.25 crore as Centre share; ₹ 141.75 crore as State share; ₹ 16.42 crore towards refund of previous year's unspent balance lying with the Drawing and Disbursing Officers; and ₹ 457.62 crore towards payment of interest by the State Government) were transferred to the Fund. An amount of ₹ 706.52 crore was spent from the Fund during the current year leaving a balance of ₹ 7,334.00 crore. The entire balance of ₹ 7,334.00 crore was lying uninvested in SDRF as on 31 March 2021, in violation of GoI guidelines *ibid*.

<sup>17</sup> Up to 2015-16: ₹ 3,764.81 crore; 2016-17: ₹ 647.20 crore; 2017-18: ₹ 912.63 crore; 2018-19: ₹ 975.76 crore; 2019-20: ₹ 816.59 crore and 2020-21: ₹ 221.76 crore.

Further, an amount of ₹ 330.00 crore<sup>18</sup> (Central share: ₹ 247.50 crore and State share: ₹ 82.50 crore) pertaining to the year 2019-20 and 2020-21 had not been transferred to the Fund, thereby resulting into understatement of revenue deficit and fiscal deficit of the State to the extent of ₹ 330.00 crore.

The Principal Secretary (Finance) stated (December 2021 and January 2022) that the State did not have surplus cash for making investment out of SDRF, as the funds had been used for other purposes. The State would have to borrow at higher rate of interest from market for making this investment.

Details of expenditure charged to SDRF during 2020-21 are given in **Table 2.38**.

**Table 2.38: Details of expenditure charged to SDRF during 2020-21**

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure
<b>2245- Relief on Account of Natural Calamities 02- Floods, Cyclones, etc.</b>	101-Gratuitous Relief	44.62
	104-Supply of Fodder	0.00
	106-Repairs and restoration of damaged roads and bridges	14.93
	111-Ex-gratia payments to bereaved families	0.65
	113-Assistance for repairs/reconstruction of Houses	1.55
	117-Assistance to farmers for purchase of livestock	0.08
	122-Repairs and restoration of damaged irrigation and flood control works	644.65
	<b>Total</b>	<b>706.48</b>
<b>2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund</b>	901- Deduct - Amount met from State Disaster Response Fund	(-)706.51
Expenditure charged to SDRF in violation of SDRF guidelines		661.89

Source: Finance Accounts

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹ 661.89 crore out of ₹ 706.51 crore met from SDRF was in contravention of the guidelines. This led to understatement of revenue expenditure to the extent of ₹ 661.89 crore during 2020-21 with consequent impact on revenue deficit and fiscal deficit of the State.

### 2.5.2.3 Guarantee Redemption Fund

The State Government constitutes 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

<sup>18</sup> 2019-20: Central share: ₹ 99.33 crore and State share: ₹ 33.11 crore; and 2020-21: Central share ₹ 148.17 crore and State share: ₹ 49.39 crore.

In terms of recommendations of the Twelfth Finance Commission, the State Government constituted 'Guarantee Redemption Fund' (GRF) in December 2007 (revised in 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 bodies. As per the guidelines, the State Government was required to make an initial contribution of at least one *per cent* of outstanding guarantees at the end of the previous year (2012-13) and thereafter at least 0.50 *per cent* of outstanding guarantees at the close of previous year to achieve a minimum level of three *per cent* of outstanding guarantees in next five years. Accordingly, State Government was required to make a minimum contribution of ₹ 1,525.67 crore during the period 2013-14 to 2016-17, but the State Government has not contributed the same to the Fund.

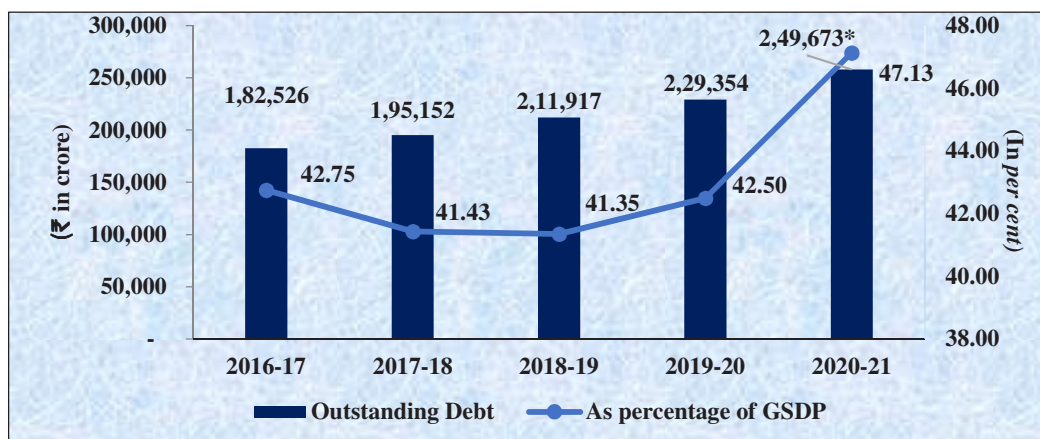
The State Government has further revised (October 2017) the 'Guarantee Redemption Fund Scheme' with effect from the financial year 2017-18. In terms of the Scheme, State Government was required to make a minimum contribution of ₹ 206.77 crore for the year 2017-18 (one *per cent* of outstanding guarantee of ₹ 20,676.88 crore at the end of 2016-17), ₹ 98.80 crore for the year 2018-19 (0.50 *per cent* of outstanding guarantee of ₹ 19,760.46 crore at the end of 2017-18), ₹ 118.59 crore for the year 2019-20 (0.50 *per cent* of outstanding guarantee of ₹ 23,718.68 crore at the end of 2018-19) and ₹ 126.76 crore for the year 2020-21 (0.50 *per cent* of outstanding guarantee of ₹ 25,352.24 crore at the end of 2019-20). Total amount required to be contributed to the Fund during the period 2013-21 works out to ₹ 2,076.59 crore. However, the State Government has not contributed anything to the Fund during this period. Besides, guarantee fee of ₹ 0.73 crore was also received during the current year which was not transferred to GRF. Non-contribution to GRF has also resulted in understatement of revenue expenditure by ₹ 127.49 crore (₹ 126.76 crore + ₹ 0.73 crore) during 2020-21 with consequent impact on revenue deficit and fiscal deficit of the State.

The State Government stated (January 2022) that it could not invest in the Guarantee Redemption Fund due to cash crunch.

## 2.6 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, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Outstanding debt of the State along with its percentage to GSDP for the years 2016-17 to 2020-21 is depicted in **Chart 2.16**.

**Chart 2.16: Outstanding debt and its percentage to GSDP**

Source: Finance Accounts

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

### 2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The component-wise debt trends of the State for the period of five years beginning from 2016-17 are presented in **Table 2.39**.

**Table 2.39: Component-wise debt trends**

Components of fiscal liability		2016-17	2017-18	2018-19	2019-20	2020-21
<b>Outstanding Total Debt</b>		<b>1,82,526</b>	<b>1,95,152</b>	<b>2,11,917</b>	<b>2,29,354</b>	<b>2,49,673</b>
Public Debt	Internal Debt	1,49,880	1,60,785	1,74,172	1,89,662	2,10,394
	Loans from GoI	3,893	4,018	4,958	4,671	4,641*
Public Account Liabilities		28,753	30,349	32,787	35,021	34,638
Rate of growth of outstanding total debt (per cent)		41.67	6.92	8.59	8.23	8.86
Gross State Domestic Product (GSDP)		4,26,988	4,71,014	5,12,511	5,39,687	5,29,703
Debt/GSDP (per cent)		42.75	41.43	41.35	42.50	47.13
Total Debt Receipts (including WMA)		94,290	53,363	61,155	65,907	64,248*
Total Debt Repayments (including WMA)		40,599	40,737	44,390	48,470	43,928
Total Debt available		53,691	12,626	16,765	17,437	20,320
Debt Repayments/Debt Receipts (per cent)		43.06	76.34	72.59	73.54	68.37

Source: Finance Accounts

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

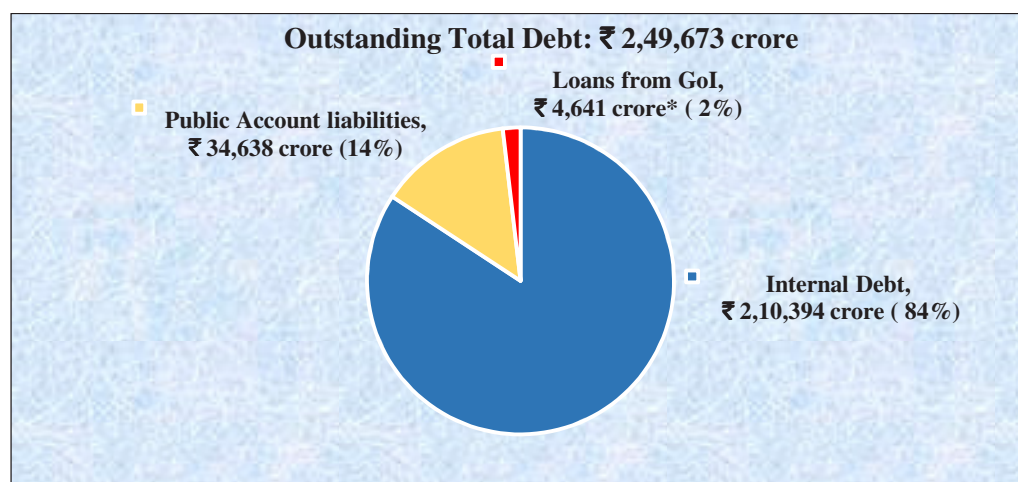
The total debt of the State Government had been on the rise as it increased by 36.79 per cent from ₹ 1,82,526 crore in 2016-17 to ₹ 2,49,673 crore in 2020-21, which included outstanding long term loans raised by the State Government for (i) one-time settlement of Legacy Cash Credit Accounts for

food procurement operations during 2016-17 (₹ 26,248 crore out of ₹ 29,920 crore); and (ii) issuing of Bonds for clearing debts of Punjab State Power Corporation Limited (PSPCL) in compliance with the implementation of Ujwal Discom Assurance Yojana (UDAY) during 2015-16 (₹ 5,597 crore) and 2016-17 (₹ 10,031 crore).

The State Government stated (January 2022) that debt growth rate had moderated from 78.02 per cent to 41.37 per cent (36.79 per cent after excluding ₹ 8,359 crore given by GoI as back-to-back loans in lieu of GST Compensation shortfall which are not to be repaid by the State from its sources) during two five years' period i.e. 2015-2020 and 2016-2021 respectively. While the growth rate had moderated, debt accumulation on account of COVID-19 had resulted in higher than expected outstanding debt levels.

Break-up of outstanding total debt at the end of 2020-21 is shown in **Chart 2.17**.

**Chart 2.17: Break-up of outstanding total debt at the end of 2020-21**

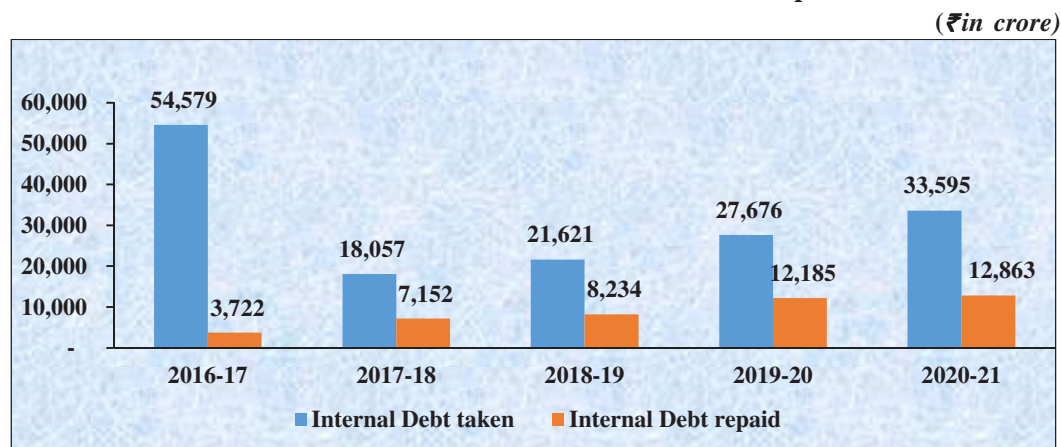


Source: Finance Accounts

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

**Chart 2.18** depicts the quantum of internal debt taken vis-à-vis repaid during the period of five years i.e. 2016-21.

**Chart 2.18: Internal debt taken vis-à-vis repaid**



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 60,514 crore (40.37 per cent) from ₹ 1,49,880 crore in 2016-17 to ₹ 2,10,394 crore in 2020-21 (Table 2.39). An amount of ₹ 15,960 crore was paid towards interest on internal debt during 2020-21.

Table 2.40 depicts financing pattern of the fiscal deficit during 2016-21 and the financing of fiscal deficit during 2020-21 is expressed through a water flow chart (Chart 2.19).

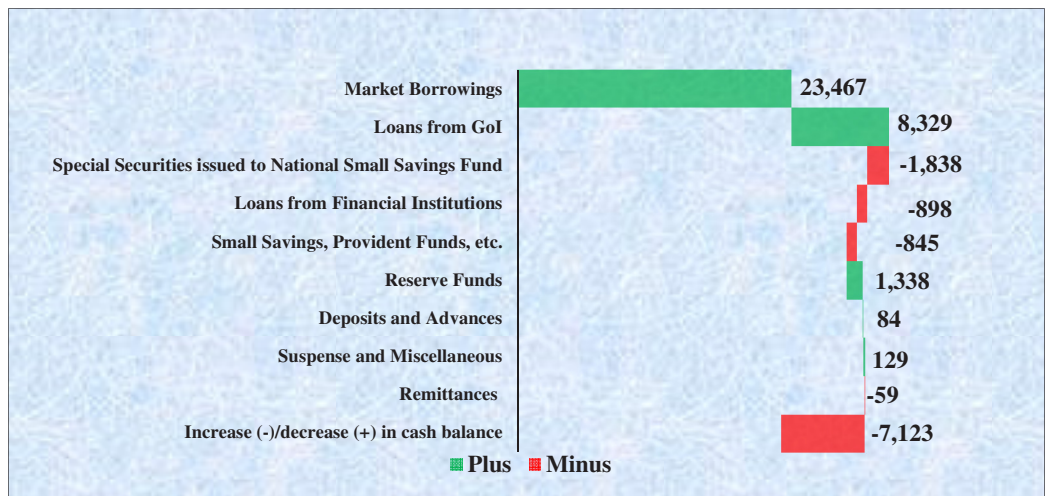
**Table 2.40: Components of fiscal deficit and its financing pattern**

		(₹ in crore)				
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	
<b>Composition of Fiscal Deficit</b>	<b>(-47,071)</b>	<b>(-12,494)</b>	<b>(-16,059)</b>	<b>(-16,826)</b>	<b>(-22,584)</b>	
1 Revenue Deficit	(-7,311)	(-9,455)	(-13,135)	(-14,285)	(-17,296)	
2 Net Capital outlay	(-4,346)	(-2,352)	(-2,412)	(-17,828)	(-4,382)	
3 Net Loans and Advances	(-35,414)	(-687)	(-512)	15,287	(-906)	
<b>Financing Pattern of Fiscal Deficit</b>						
1 Market Borrowings	12,144	13,349	17,053	18,470	23,467	
2 Loans from GoI	327	125	940	(-288)	8,329	
3 Special Securities issued to NSSF	(-1,804)	(-1,742)	(-1,801)	(-1,841)	(-1,838)	
4 Loans from Financial Institutions	34,749	(-702)	(-1,865)	(-1,138)	(-898)	
5 Small Savings, PF, etc.	1,233	1,126	1,264	2	(-845)	
6 Reserve Funds	758	650	883	2,054	1,338	
7 Deposits and Advances	115	(-180)	290	431	83	
8 Suspense and Miscellaneous	17	(-27)	120	(-41)	130	
9 Remittances	-	(-12)	11	(-23)	(-59)	
<b>10 Overall Deficit</b>	<b>47,539</b>	<b>12,587</b>	<b>16,895</b>	<b>17,626</b>	<b>29,707</b>	
11 Increase(-)/Decrease(+) in cash balance	(-410)	(-93)	(-836)	(-800)	(-7,123)	
<b>12 Gross Fiscal Deficit</b>	<b>47,071</b>	<b>12,494</b>	<b>16,059</b>	<b>16,826</b>	<b>22,584</b>	

Source: Finance Accounts

**Chart 2.19: Financing of fiscal deficit during 2020-21**

(₹ in crore)



Source: Finance Accounts

Note: Loans from GoI during 2020-21 calculated after including ₹ 8,359 crore as back-to-back loans in lieu of GST Compensation shortfall.



The components of receipts and disbursements financing the fiscal deficit during the year 2020-21 are depicted in **Table 2.41**.

**Table 2.41: Receipts and Disbursements under various components financing the fiscal deficit during 2020-21**

		(₹ in crore)		
Particulars		Receipt	Disbursement	Net
1	Market Borrowings	32,995	9,528	23,467
2	Loans from GoI	8,791*	462	8,329
3	Special Securities issued to NSSF	-	1,838	(-)1,838
4	Loans from Financial Institutions	600	1,498	(-)898
5	Small Savings, PF, etc.	3,229	4,074	(-)845
6	Reserve Funds	2,046	708	1,338
7	Deposits and Advances	3,638	3,554	84
8	Suspense and Miscellaneous	66,179	66,050	129
9	Remittances	25	84	(-)59
<b>10</b>	<b>Overall Deficit</b>			<b>29,707</b>
11	Increase (-)/Decrease (+) in cash balance	9,248	2,125	(-)7,123
<b>12</b>	<b>Gross Fiscal Deficit</b>			<b>22,584</b>

Source: Finance Accounts

\* Includes ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

## 2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Table 2.42** and **Chart 2.20**.

**Table 2.42: Debt Maturity Profile of repayment of State debt**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	17,975.59	8.36
1 – 3	32,096.18	14.93
3 – 5	28,922.91	13.45
5 – 7	34,287.44	15.94
7 and above	97,791.17	45.48
Others <sup>19</sup>	3,961.36*	1.84
<b>Total</b>	<b>2,15,034.65</b>	<b>100.00</b>

Source: Calculated on the basis of Finance Accounts

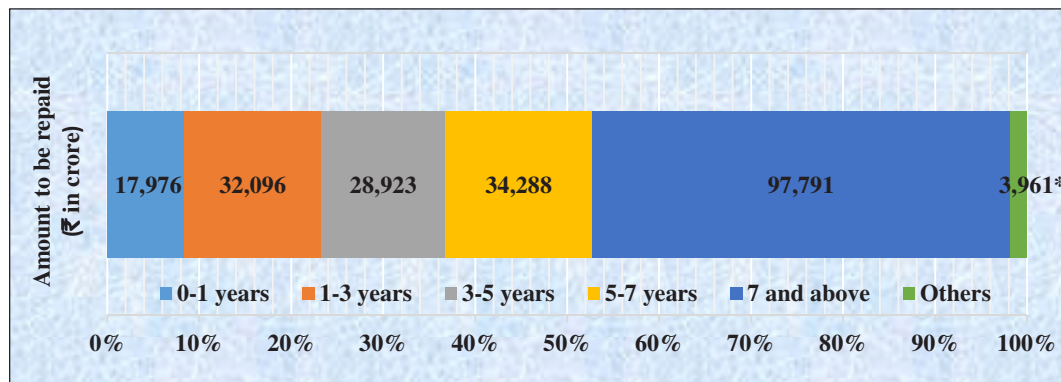
\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

**Table 2.42** indicates that the State Government has to repay 23.29 per cent (₹ 50,071.77 crore) of its debt within the next three years, 13.45 per cent

<sup>19</sup> Includes loans of ₹ 0.32 crore, repayment of which is on the basis of actual recoveries; and ₹ 3,961.04 crore representing loans on back to back basis, recoveries of which are being made by the Central Government itself.

(₹ 28,922.91 crore) between 3-5 years and 15.94 per cent (₹ 34,287.44 crore) between 5-7 years. It signifies that the State has to repay 52.68 per cent of its debt (₹ 1,13,282.12 crore) in the next seven years.

**Chart 2.20: Debt Maturity Profile**



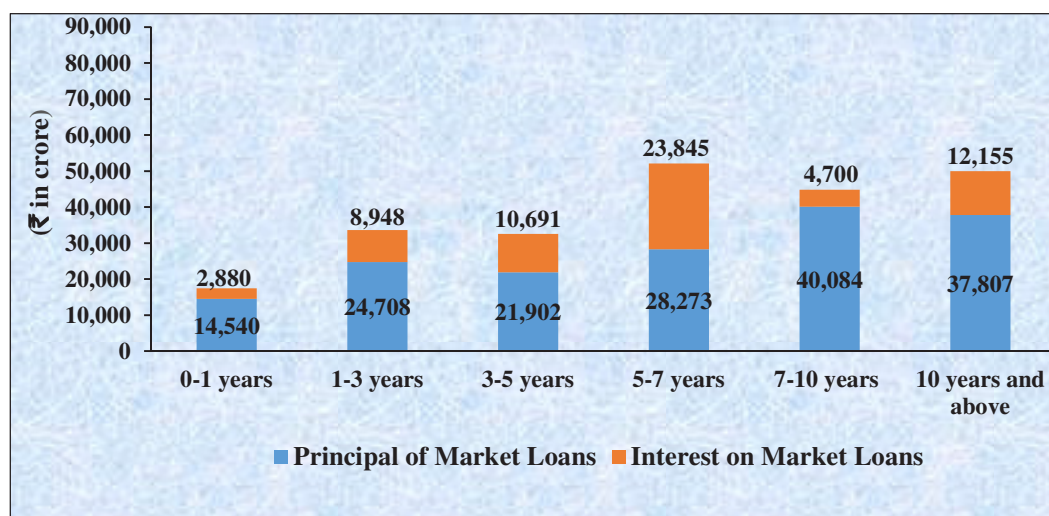
Source: Finance Accounts

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

The State Government stated (January 2022) that the State had incorporated Debt Management Unit in the Department of Finance that had been actively looking at the maturity profile of the State and taking proactive steps to avoid regions of high concentration. The Unit had been extending the yield curve of the State by issuing long-term securities. Concentration risk of the State was being monitored actively and mitigated while keeping the credit cost in check.

Repayment schedule of market loans (including UDAY bonds) along with interest is given in **Chart 2.21**.

**Chart 2.21: Repayment schedule of market loans**



Source: Office of the Accountant General (A&E), Punjab

Note: The maturity profile has been evolved for outstanding market loans and UDAY bonds as on 31 March 2021 and interest has been calculated up to the financial year in which the loans are going to retire.

As on 31 March 2021, market loans amounting to ₹ 2,30,533 crore (including UDAY bonds) along with interest were due for repayment. The State will have to repay market loans of ₹ 83,669 crore (36 per cent) (₹ 61,150 crore as principal and ₹ 22,519 crore as interest) during the next five years i.e. up to 2025-26. Market loans of ₹ 96,902 crore (42 per cent) (₹ 68,357 crore as principal and ₹ 28,545 crore as interest) will have to be repaid in subsequent five years period up to 2030-31. This means that in the next five years (2021-26), on an average, the State will have to make repayment of ₹ 16,734 crore annually of the market loans which will go up to ₹ 19,380 crore in the subsequent five years (2026-30). Remaining ₹ 49,962 crore (22 per cent) (₹ 37,807 crore as principal and ₹ 12,155 crore as interest) will be repayable after 2031.

## 2.7 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 2.43** and **Chart 2.22**.

**Table 2.43: Trends in Debt Sustainability Indicators**

(₹ in crore)					
Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Outstanding Public Debt*</b>	<b>1,53,773.15</b>	<b>1,64,802.98</b>	<b>1,79,130.45</b>	<b>1,94,332.64</b>	<b>2,15,034.65*</b>
Rate of Growth of Outstanding Public Debt	49.89	7.17	8.69	8.49	10.65
GSDP	4,26,988	4,71,014	5,12,511	5,39,687	5,29,703
Rate of Growth of GSDP	9.46	10.31	8.81	5.30	(-1.85)
Public Debt/GSDP	36.01	34.99	34.95	36.01	40.60
Debt maturity profile of repayment of State debt – including default history, if any	4,473.74	7,317.19	8,318.37	12,238.76	12,525.98
Average interest rate of outstanding Public Debt (per cent)	7.58	8.35	8.21	8.17	7.87
Weighted average interest rate on Public Debt (per cent)	7.46	7.70	8.36	7.31	6.80
Percentage of Interest Payment to Revenue Receipts	20.26	25.08	22.67	24.77	23.32
Percentage of Debt Repayment to Debt Receipts	38.79	76.02	72.50	72.25	62.59
Net Debt available to the State <sup>#</sup>	41,462.00	(-)2,263.00	212.00	(-)52.15	4,597.02
Net Debt available as per cent to Debt Receipts	49.58	(-)4.92	0.41	(-)0.10	8.31
Primary deficit (-)/ Primary surplus (+)	(-)35,429	2,840	247	741	(-)4,432
Debt Stabilisation (Quantum spread <sup>\$</sup> + Primary Deficit)	(-)32,353.54	7,141.36	1,053.09	(-)3,165.09	(-)23,032.50

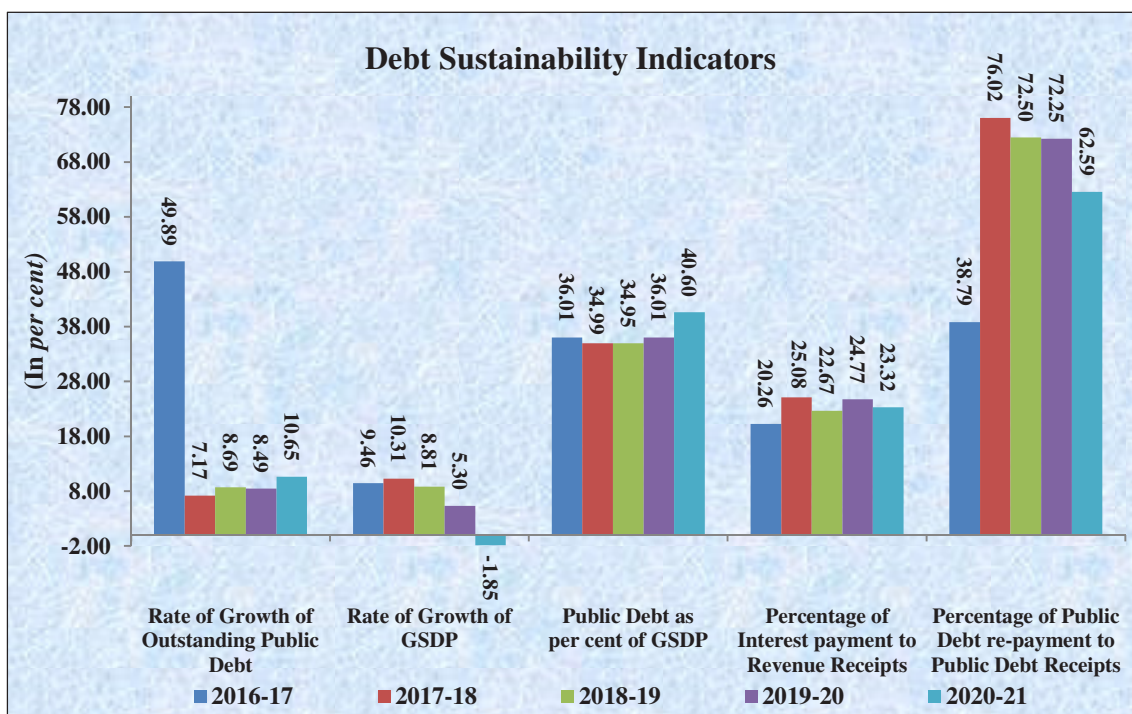
Source Finance Accounts

\*Outstanding Public Debt is the sum of outstanding balances under the Heads 6003-'Internal Debt' and 6004-'Loans and Advances from the Central Government'. During 2020-21, it excluded ₹ 8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

<sup>#</sup>Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

<sup>\$</sup> Quantum spread = (Debt \* rate spread) where rate spread=(GSDP growth rate – interest rate).

Chart 2.22: Trends of Debt Sustainability Indicators



Source: Finance Accounts

Note: Public Debt excludes ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio had decreased from 36.01 per cent in 2016-17 to 34.95 per cent in 2017-18 and then again rose to 40.60 per cent in 2020-21 which cannot be considered as leading towards stability. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. **Table 2.43** shows that this trend had been negative since 2019-20 which indicates that debt-GSDP ratio would eventually be rising.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. Rising interest payments to revenue receipts ratio is not a good indicator for debt sustainability. This ratio increased from 20.26 per cent in 2016-17 to 23.32 per cent in 2020-21.
- Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 38.79 per cent and 76.02 per cent during the period 2016-21.

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 2.44** depicts the utilisation of borrowed funds during 2016-21.

**Table 2.44: Utilisation of borrowed funds**

		(₹ in crore)				
Sr. No.	Year	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Total borrowings	91,180*	47,757	53,925	57,200	55,982#
2.	Repayment of earlier borrowings (Principal) (percentage)	32,443 (35)	34,970 (73)	37,771 (70)	39,574 (70)	34,634 (62)
3.	Net capital outlay (percentage)	4,346 (5)	2,352 (5)	2,412 (4)	17,828 (31)	4,382 (8)
4.	Net loans and advances (percentage)	35,414 (39)	687 (1)	512 (1)	(-)15,287 (-27)	906 (2)
5. (1-2-3-4)	Portion of Revenue expenditure met out of net available borrowings (percentage)	18,977 (21)	9,748 (21)	13,230 (25)	15,085 (26)	16,060 (28)

Source: Finance Accounts

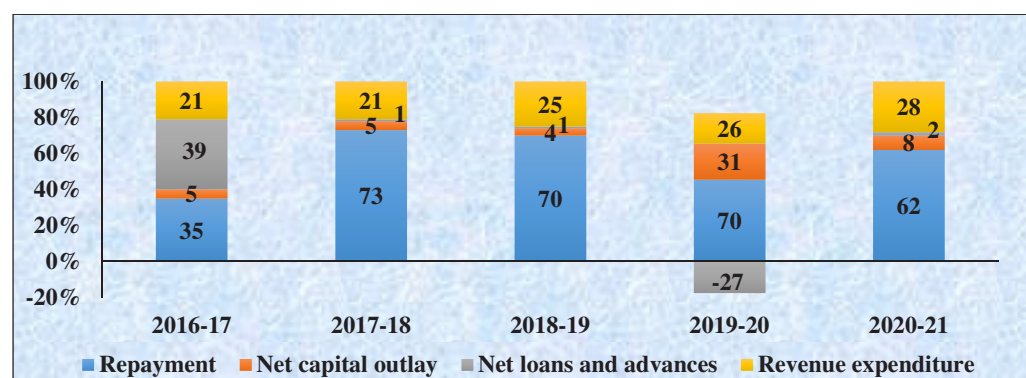
\* Including additional borrowings of ₹ 39,951 crore, advanced to food procuring agencies against the legacy amount in the food procurement (₹ 29,919.96 crore) and to PSPCL for taking over DISCOMs debt under UDAY (₹ 10,031.19 crore).

# Excluding ₹ 8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

**Table 2.44** shows that during the period 2016-21, the State Government utilised 35-73 per cent of its current borrowings for repayment of earlier borrowings. Revenue expenditure met out of net available borrowings ranged between 21 per cent and 28 per cent. Net capital outlay ranged between 4 and 8 per cent except for the year 2019-20 when it was 31 per cent. Increase in net capital outlay during 2019-20 was mainly due to conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, as discussed in Paragraph 2.4.2.2(v). Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of earlier borrowings instead of capital creation/development activities.

Trends of utilisation of borrowed funds during the period 2016-21 is depicted in **Chart 2.23**.

**Chart 2.23: Trends of utilisation of borrowed funds**



Source: Finance Accounts

The State Government while agreeing to the fact stated (January 2022) that due to higher committed liabilities and legacy debt commitments, the utilisation of debt was directed towards repayment of earlier borrowings and revenue expenditure.

### 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State. The State Government gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, co-operative banks and societies, etc. As per the Punjab FRBM Act, 2003, outstanding guarantees were to be capped at 80 per cent of revenue receipts of previous year. As per Statement 9 of the Finance Accounts, details of the guarantees and status of outstanding guarantees to total receipts for the last five years is given in **Table 2.45**.

**Table 2.45: Guarantees given by the State Government**

Guarantees	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees (i.e. 80 per cent of revenue receipts of previous year)	33,218	38,388	42,408	49,815	49,260
Outstanding amount of guarantees	20,677	19,760	23,719	25,352	23,552

Source: Finance Accounts and Annual Financial Statements

The outstanding guarantees for ₹ 23,552 crore as on 31 March 2021 was in respect of Power (₹ 12,959 crore); Co-operatives (₹ 1,672 crore); State Finance Companies/Corporations (₹ 746 crore); Food and Civil Supplies (₹ 1,029 crore); and Others (₹ 7,146 crore).

The Government gave guarantees within the limits prescribed in the FRBM Act during 2016-21.

Out of the outstanding guarantees for ₹ 23,552 crore during the current year, the State Government had given guarantees amounting to ₹ 1,695.78<sup>20</sup> crore to six PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

<sup>20</sup> (i) Punjab State Civil Supplies Corporation Limited: ₹ 589.41 crore; (ii) Punjab State Industrial Development Corporation Limited: ₹ 446.28 crore; (iii) Punjab Agro Foodgrains Corporation Limited: ₹ 316.16 crore; (iv) Punjab Financial Corporation: ₹ 220.46 crore; (v) Punjab State Warehousing Corporation: ₹ 96.41 crore; and (vi) Punjab State Grains Procurement Corporation Limited: ₹ 27.06 crore.

### 2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of cash balances and their investment during 2019-20 and 2020-21 are given in **Table 2.46**.

**Table 2.46: Cash Balances and their investment**

(₹ in crore)

	Opening balance as on 1 April 2020	Closing balance as on 31 March 2021
<b>A. General Cash Balances</b>		
Deposits with Reserve Bank of India	340.67	194.40
Investments held in Cash Balance	805.39	6,710.25
Investment Account		
<b>Total (A)</b>	<b>1,146.06</b>	<b>6,904.65</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz. Forest and Public Works	725.54	1,131.59
Permanent advances with departmental officers for contingent expenditure	0.26	0.26
Investment of earmarked funds	253.20	1,211.33
<b>Total (B)</b>	<b>979.00</b>	<b>2,343.18</b>
<b>Total (A + B)</b>	<b>2,125.06</b>	<b>9,247.83</b>
<b>Interest realised</b>	<b>5.60</b>	<b>10.30</b>

Source: Finance Accounts

The closing cash balance at the end of the current year (₹ 9,247.83 crore) increased by ₹ 7,122.77 crore over the previous year (₹ 2,125.06 crore).

The cash balance included investment of ₹ 1,211.33 crore from earmarked funds. During the year 2020-21, the State Government was able to maintain a minimum cash balance of ₹ 1.56 crore for 220 days and had also to maintain the minimum balance by taking ordinary WMA on 145 days. The State had to pay ₹ 6.42 crore as interest on WMA during the year 2020-21.

Balances in Reserve funds are either held in cash or are required to be invested in various securities stipulated in the respective fund guidelines. Investment of only ₹ 925 crore was made from the Consolidated Sinking Fund during the year 2020-21. The general cash balance of ₹ 6,904.65 crore at the close of the year was not even equal to the balance of ₹ 8,583.57 crore in earmarked reserve funds, which means that reserve funds were used for other than intended purpose.

Details of Cash Balance Investment Account during the last five years; and month-wise movement of cash balance and net cash balance investments at the end of month during the year 2020-21 are depicted in **Table 2.47** and **Chart 2.24** respectively.

**Table 2.47: Cash Balance Investment Account (Major Head-8673)**

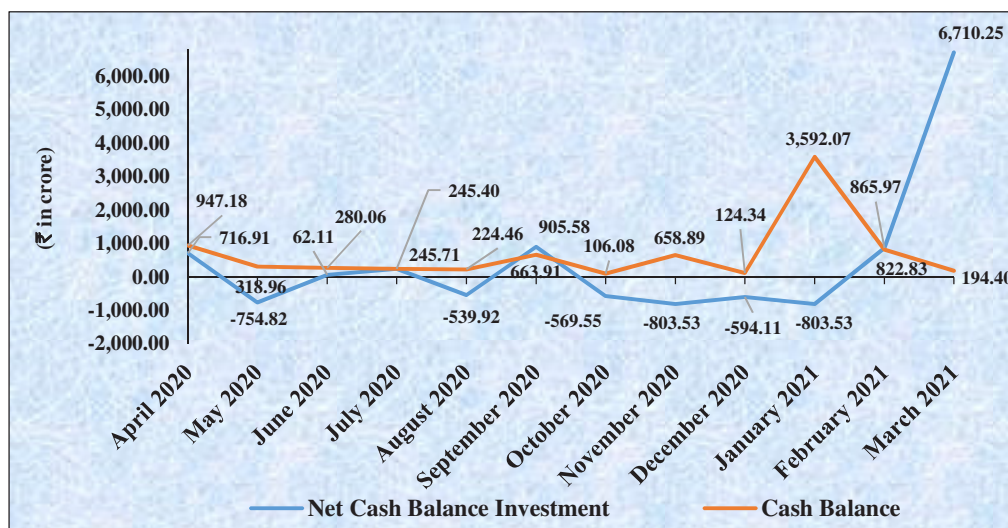
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2016-17	5,180.25*	0.04	(-)5,180.21	(-)8.05
2017-18	0.04	0.04	0.00	1.56
2018-19	0.04	468.56	(+) 468.52	4.92
2019-20	468.56	805.39	(+) 336.83	5.60
2020-21	805.39	6,710.25	(+) 5,904.86	10.30

Source: Finance Accounts

\* decreased by ₹ 58.18 crore through proforma adjustment to incorporate prior period adjustment.

**Chart 2.24: Month-wise movement of net cash balance investments and cash balance at the end of month during 2020-21**

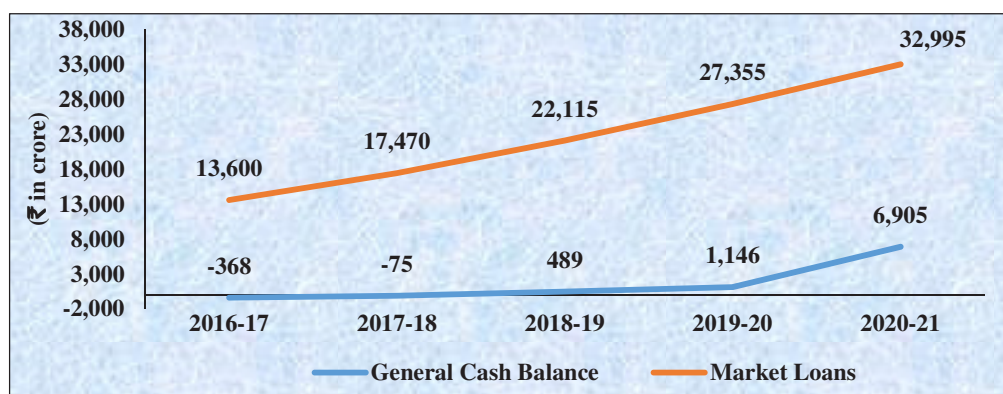


Source: Office of the Accountant General (A&E), Punjab

Details of market loans vis-à-vis cash balances during the last five years are shown in **Chart 2.25**.



Chart 2.25: Market Loans vis-à-vis Cash Balance



Source: Finance Accounts

During the year 2020-21, the State could have avoided market borrowings to the extent of the general cash balance (₹ 6,905 crore). The general cash balance of ₹ 6,905 crore included cash balance investment of ₹ 6,710 crore.

## 2.8 Salient features

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Comparison of key parameters of State Finances during 2020-21 with that of the previous year i.e. 2019-20 is summarised in **Table 2.48**.

Table 2.48: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Capital outlay on social services increased by 133.26 per cent	↓ Increase in revenue deficit by 21.08 per cent.
↑ Increase in revenue expenditure on social services by 11.24 per cent.	↓ Decrease in non-tax revenue by 37.60 per cent and negligible increase in own tax revenue by 0.19 per cent.
↑ Decrease in subsidies as percentage of non-committed expenditure by 9.95 per cent.	↓ Increase in public debt receipts by 22.31 per cent*.

\* Excluding ₹8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

## 2.9 Conclusions

The State passed FRBM Act, 2003 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit. The State continued to be a revenue deficit State. The revenue deficit was 25 per cent of revenue receipts during 2020-21 against 23 per cent during 2019-20.

The revenue deficit which was to be brought down to zero by 2008-09, increased to ₹ 17,296 crore during 2020-21. It indicates that the State had borrowed funds for meeting current consumption.

Subsidies constituted 11 *per cent* to 18 *per cent* of the revenue expenditure and contributed 56 *per cent* to 102 *per cent* to the revenue deficit during 2016-21. Power subsidy constituted major portion of the total subsidies ranging between 68 *per cent* and 99 *per cent*.

Fiscal deficit of the State was ₹ 22,584 crore during 2020-21 which was 4.26 *per cent* of the GSDP and exceeded the target fixed by the State Government in MTFP. The fiscal deficit was mainly financed through market borrowings and loans from GoI in lieu of GST compensation shortfall.

Out of total borrowings of ₹ 55,982 crore (excluding ₹ 8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources) during 2020-21, the State Government incurred capital expenditure of only ₹ 4,382 crore (7.83 *per cent*).

Annual growth rate of revenue receipts decreased from 15.56 *per cent* in 2016-17 to 12.14 *per cent* in 2020-21, which resulted in higher dependency on borrowed funds for meeting the current consumption. Further, State's own revenue registered a negative growth of 6.67 *per cent* over the previous year, leading to a higher dependency on GoI contributions.

State incurred 67 *per cent* of the total revenue expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 33 *per cent* for priority sector expenditure. During the current year, the percentage of total expenditure in priority sectors such as Education and Health in Punjab was lower than the average of General Category States.

There was a difference of ₹ 4,080 crore in equity investment figures as per State Accounts and as per the accounts of 18 PSUs. The difference was under reconciliation (July 2021).

The State Government earned a meagre 0.01 *per cent* return on its total investment (₹ 19,912 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31 March 2021.

Loans amounting to ₹ 939 crore were outstanding at the beginning of 2020-21 against co-operative sugar mills. Further loans of ₹ 245 crore were given to these sugar mills without recovery of earlier loans.

Total outstanding debt including public debt and public account liabilities were 47.13 *per cent* of the GSDP. The total debt grew by 9 *per cent* over previous year. During the year, outgo because of interest payments was equal to 21 *per cent* of revenue expenditure and 26 *per cent* of revenue receipts.

The State Government received ₹ 25 crore (0.07 *per cent*) as interest on outstanding loans during 2020-21 while paid interest at 7.57 *per cent* on

outstanding debt. The State Government raised loans during 2020-21 on an average interest rate of 6.80 *per cent* per annum.

The State Government had not invested funds of ₹ 7,334 crore available under State Disaster Response Fund.

As many as 96 projects scheduled for completion up to 31 March 2021 were incomplete. The expenditure of ₹ 1,209 crore incurred on these incomplete projects was yet to yield the intended benefits.

### **2.10 Recommendations**

- (i) The State Government may consider 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.
- (ii) The State may ensure time bound completion of the incomplete projects.
- (iii) The State Government should mobilise its resources to minimise dependence on borrowings.

