

Executive Summary

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Background

This Report on the finances of the Government of Punjab is brought out to assess the financial performance of the State during the year 2021-22 *vis-à-vis* the Budget Estimates and the targets as recommended by the Fifteenth Finance Commission (15th FC). The report analyses the dominant trends and structural profile of Government's receipts and disbursements. Recommendations of the Fourteenth Finance Commission (14th FC) have also been referenced, wherever required.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2022 and additional data collated from several sources such as the Economic Survey brought out by the State Government and Census, this report provides an analytical review of the Annual Accounts of the State Government and financial performance of the State Public Sector Enterprises (SPSE) in five Chapters.

Chapter I: Overview

During the year 2021-22, the Government was unable to contain the revenue deficit, fiscal deficit, and debt to GSDP ratio within the targets fixed in the Fiscal Consolidation Roadmap (FCR).

The State continued to be a revenue deficit State. The revenue deficit increased to ₹ 18,468 crore (3.16 *per cent* of GSDP) in the current year from ₹ 9,455 crore (2.01 *per cent* of GSDP) in the year 2017-18. Further, the fiscal deficit increased to ₹ 27,847 crore (4.77 *per cent* of GSDP) in 2021-22 from ₹ 12,494 crore (2.65 *per cent* of GSDP) in 2017-18. Primary deficit increased from ₹ 4,432 crore (0.83 *per cent* of GSDP) in 2020-21 to ₹ 8,784 crore (1.50 *per cent* of GSDP) in 2021-22. There was primary surplus during the years i.e., 2017-18, 2018-19 and 2019-20.

[Paragraph 1.5]

Chapter II: Finances of the State

During the period 2017-18 to 2021-22, revenue receipts increased from ₹ 53,010 crore to ₹ 78,168 crore at an annual average growth rate of 10.43 *per cent*. Capital receipts increased from ₹ 18,590 crore to ₹ 27,244 crore during the same period.

[Paragraphs 2.3.2.1 and 2.3.3]

The revenue expenditure increased from ₹ 62,465 crore (13.26 *per cent* of GSDP) in 2017-18 to ₹ 96,636 crore (16.55 *per cent* of GSDP) in 2021-22. It continued to constitute a dominant proportion (80 to 95 *per cent*) of the total expenditure during 2017-22 and grew at an annual average growth rate of 12.00 *per cent* during this period. The capital expenditure, on the other hand, constituted three to eight *per cent* during the same period 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).

[Paragraphs 2.4.1 and 2.4.2]

Share of committed expenditure in revenue expenditure of the State has been high, which constituted 64.07 *per cent* of the revenue expenditure during the current year.

[Paragraph 2.4.1.2]

Subsidies constituted 11.18 *per cent* to 17.72 *per cent* of the revenue expenditure and contributed 56 *per cent* to 102 *per cent* to the revenue deficit during 2017-22. Power subsidy constituted major portion of the total subsidies ranging between 68 *per cent* and 99 *per cent* during the same period.

[Paragraph 2.4.1.3]

During 2021-22, the return on investment was ₹ 6.66 crore (0.03 *per cent*) (on historical cost basis) from Co-operative Banks and Societies and Government Companies. The return was only between 0.01 *per cent* and 0.11 *per cent* during 2017-22 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.

[Paragraph 2.4.2.2(i)]

The total outstanding loans advanced by the State Government increased by ₹ 1,370 crore from ₹ 36,300 crore in 2020-21 to ₹ 37,670 crore in the year 2021-22. Recovery of loans increased by ₹ 156 crore (312 *per cent*) and interest receipts decreased by ₹ 6 crore (24 *per cent*) as compared to 2020-21.

[Paragraph 2.4.2.2(iii)]

Eighty-six projects scheduled for completion up to 31 March 2022 were incomplete. The expenditure of ₹ 1,563.74 crore incurred on these incomplete projects was yet to yield the intended benefits.

[Paragraph 2.4.2.2(iv)]

The ratio of expenditure on education and health to total expenditure in Punjab decreased from 14.31 *per cent* and 4.19 *per cent* in 2017-18 to 12.15 *per cent* and 3.71 *per cent* in 2021-22 respectively while the ratio of total expenditure to GSDP and capital expenditure to total expenditure increased from 13.92 *per cent* to 18.19 *per cent* and 4.75 *per cent* to 9.02 *per cent* respectively during the same period.

[Paragraph 2.4.3]

The State Government had not invested funds of ₹ 8,194.08 crore lying in balance under State Disaster Response Fund (SDRF) as on 31 March 2022.

[Paragraph 2.5.2.2]

Outstanding total debt of the State was ₹ 2,61,281 crore (44.74 *per cent* of GSDP) as on 31 March 2022.

[Paragraph 2.6.1]

Outstanding public debt increased by 36.40 *per cent* from ₹ 1,64,802.98 crore in 2017-18 to ₹ 2,24,799.18 crore in 2021-22. The percentage of debt repayments to debt receipts decreased from 76.02 *per cent* in 2017-18 to 67.07 *per cent* in 2021-22. The ratio of interest payments to revenue receipts ranged between 21.69 *per cent* and 25.08 *per cent* during 2017-22.

[Paragraph 2.7]

The general cash balance at the close of the year was ₹ 2,367.35 crore. The closing cash balance for the year 2021-22 was not even equal to the earmarked reserve funds of ₹ 9,508.58 crore, which means that reserve funds were used for other than intended purposes.

[Paragraph 2.7.3]

Chapter III: Budgetary Management

The State Government's budgetary process has not been sound during the year and there were savings under several grants. Expenditure of ₹ 3,492.28 crore was incurred without making budget provision. In 24 cases, augmentation of provision of funds by re-appropriation orders proved unnecessary because expenditure did not come even to the level of the budget provisions. Anticipated savings of ₹ 10,794.86 crore were not surrendered leaving no scope for utilising these funds for other developmental purposes. Excess expenditure of ₹ 37,737.49 crore incurred during 2015-20 required regularisation.

[Paragraphs 3.3.1, 3.3.4, 3.3.5 and 3.3.6.3]

During 2021-22, expenditure of ₹ 1,26,570.48 crore was incurred against total budget provision of ₹ 1,79,405.00 crore resulting in total savings of ₹ 52,834.52 crore. Out of the total savings an amount of ₹ 42,039.66 crore (79.57 per cent of savings) was surrendered during the year. All surrenders were made on the last day of the financial year.

[Paragraph 3.4.1]

Chapter IV: Quality of Accounts and Financial Reporting Practices

As many as 277 utilisation certificates in respect of grants amounting to ₹ 1,800.45 crore were pending for submission by the Departments. The State Government may review whether they should continue to give more grants to the departments with high pendency of utilisation certificates.

[Paragraph 4.4]

As many as 1,675 Abstract Contingent bills for ₹ 4,081.62 crore were awaiting adjustment as on 31 March 2022. Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/ malfeasance, etc.

[Paragraph 4.5]

The State Government has not complied with Indian Government Accounting Standards (IGAS)-2: Accounting and Classification of Grants-in-Aid; and IGAS-3: Loans and Advances made by Government. Disclosures regarding total value of the Grants-in-Aid given in kind was not made, as the requisite information was not provided by the State Government. Further, the closing balances of Loans and Advances made by the State Government as on 31 March 2022 need to be reconciled by the Loanee Entities/State Government.

[Paragraph 4.10]

There were delays in submission of 15 annual accounts by five Autonomous Bodies to Audit.

[Paragraph 4.11]

37 instances of misappropriation, losses, theft, etc. involving an amount of ₹ 74.72 crore were pending for taking appropriate action

[Paragraph 4.13]

Chapter V: State Public Sector Enterprises

As on 31 March 2022, there were 49 SPSEs in Punjab, including four Statutory Corporations and 42 Government Companies (including 16 inactive government companies) and three Government Controlled Other Companies (GCOs) under the audit jurisdiction of the CAG.

[Paragraph 5.3]

Out of total profit of ₹ 1,710.77 crore earned by 12 SPSEs, 93.28 *per cent* was contributed by only three SPSEs. Out of total loss of ₹ 440.87 crore incurred by 17 SPSEs, loss of ₹ 396.30 crore was contributed by three Agriculture and Allied SPSEs.

[Paragraphs 5.5.1 and 5.8.1]

SPSEs were not adhering with the prescribed timeline regarding submission of their Financial Statements. As a result, 212 accounts of 40 SPSEs were in arrears.

[Paragraphs 5.11.2 and 5.11.3]

The impact of CAG's comments on the Financial Statements of the SPSEs amounted to ₹ 1,639.47 crore on the profitability and ₹ 354.88 crore on financial position.

[Paragraph 5.13.4]

