

## Chapter-II

### Finances of the State

#### 2.1 Major changes in key fiscal aggregates in 2023-24 vis-à-vis 2022-23

Major changes in key fiscal aggregates of the State during the financial year 2023-24, compared to the previous year, are given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"><li>• Revenue receipts of the State increased by 1.80 <i>per cent</i></li><li>• Own tax receipts of the State increased by 11.86 <i>per cent</i></li><li>• Own Non-tax receipts increased by 16.08 <i>per cent</i></li><li>• State's Share of Union Taxes and Duties increased by 18.91 <i>per cent</i></li><li>• Grants-in-aid from Government of India decreased by 34.95 <i>per cent</i></li></ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"><li>• Revenue expenditure increased by 3.30 <i>per cent</i></li><li>• Revenue expenditure on General Services increased by 5.77 <i>per cent</i></li><li>• Revenue expenditure on Social Services increased by 10.79 <i>per cent</i></li><li>• Revenue expenditure on Economic Services decreased by 7.28 <i>per cent</i></li><li>• Expenditure on Grants-in-aid and Contributions decreased by 13.54 <i>per cent</i></li></ul>
<b>Capital Receipts</b>	<ul style="list-style-type: none"><li>• Public Debt Receipts decreased by 0.85 <i>per cent</i></li><li>• Non-debt Receipts decreased by 76.22 <i>per cent</i></li></ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"><li>• Capital expenditure decreased by 28.86 <i>per cent</i></li><li>• Capital outlay on General Services increased by 15.11 <i>per cent</i></li><li>• Capital outlay on Social Services decreased by 45.43 <i>per cent</i></li><li>• Capital outlay on Economic Services decreased by 5.08 <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 76.22 <i>per cent</i></li><li>• Disbursement of Loans and Advances decreased by 85.82 <i>per cent</i></li></ul>
<b>Public Debt</b>	<ul style="list-style-type: none"><li>• Public Debt Receipts decreased by 0.85 <i>per cent</i></li><li>• Repayment of Public Debt increased by 7.38 <i>per cent</i></li></ul>
<b>Public Account</b>	<ul style="list-style-type: none"><li>• Public Account Receipts decreased by 3.20 <i>per cent</i></li><li>• Disbursement of Public Account decreased by 3.13 <i>per cent</i></li></ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"><li>• Cash balance increased by 12.75 <i>per cent</i></li></ul>

Source: Finance Accounts

#### 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 2022-23 and 2023-24**

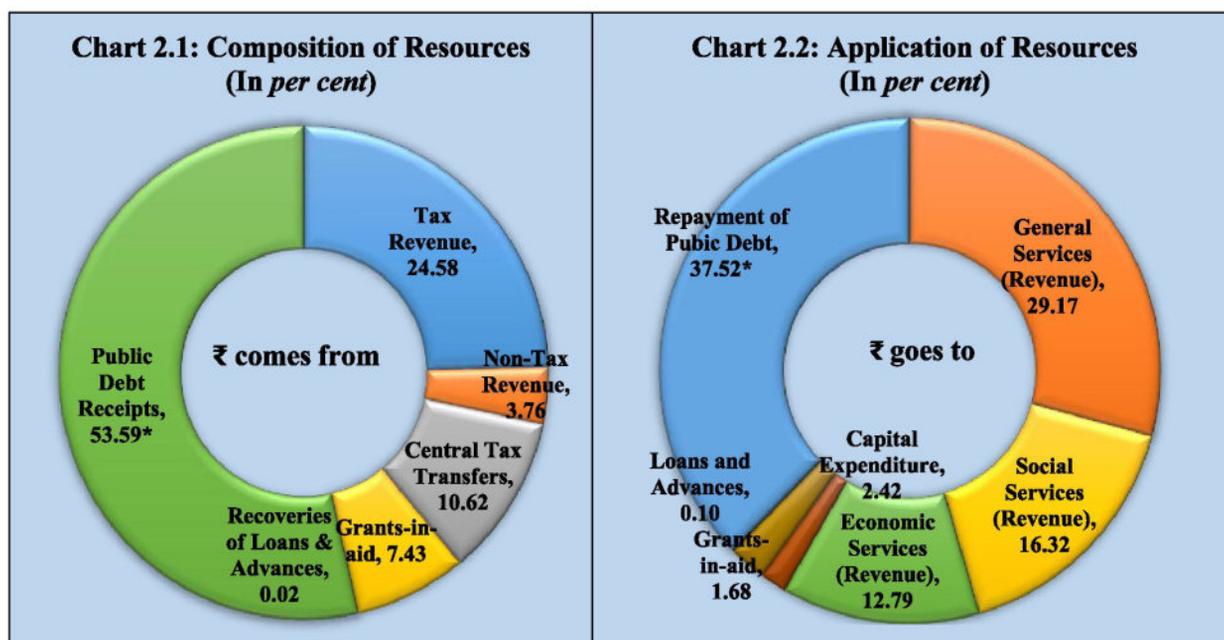
(₹ in crore)

	Particulars	2022-23	2023-24	Increase (+)/ Decrease (-) (per cent)
<b>Sources</b>	Opening Cash Balance	6,872	9,009	(+)2,137 (31)
	Revenue Receipts	87,616	89,192	(+)1,576 (2)
	Recoveries of Loans and Advances	164	39	(-)125 (76)
	Public Debt Receipts (Net)	31,168	29,582	(-)1,586 (5)
	Public Account Receipts (Net)	4,899	4,682	(-)217 (4)
	<b>Total</b>	<b>1,30,719</b>	<b>1,32,504</b>	<b>(+)1,785 (1)</b>
<b>Application</b>	Revenue Expenditure	1,13,661	1,17,407	(+)3,746 (3)
	Capital Expenditure	6,667	4,743	(-)1,924 (29)
	Disbursement of Loans and Advances	1,382	196	(-)1,186 (86)
	Closing Cash Balance	9,009	10,158	(+)1,149 (13)
	<b>Total</b>	<b>1,30,719</b>	<b>1,32,504</b>	<b>(+)1,785 (1)</b>

Source: Finance Accounts

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

Composition and application of resources in the Consolidated Fund of the State during 2023-24 is given in **Chart 2.1** and **Chart 2.2** respectively.



Source: Finance Accounts

\* Including Ways and Means Advances/Special Drawing Facility/Overdraft availed during the year 2023-24.

## 2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue (Own Tax revenue plus share of Union taxes/duties), non-tax revenue and Grants-in-aid from the Government of India (GoI).
2. **Capital receipts** (debt and non-debt 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.

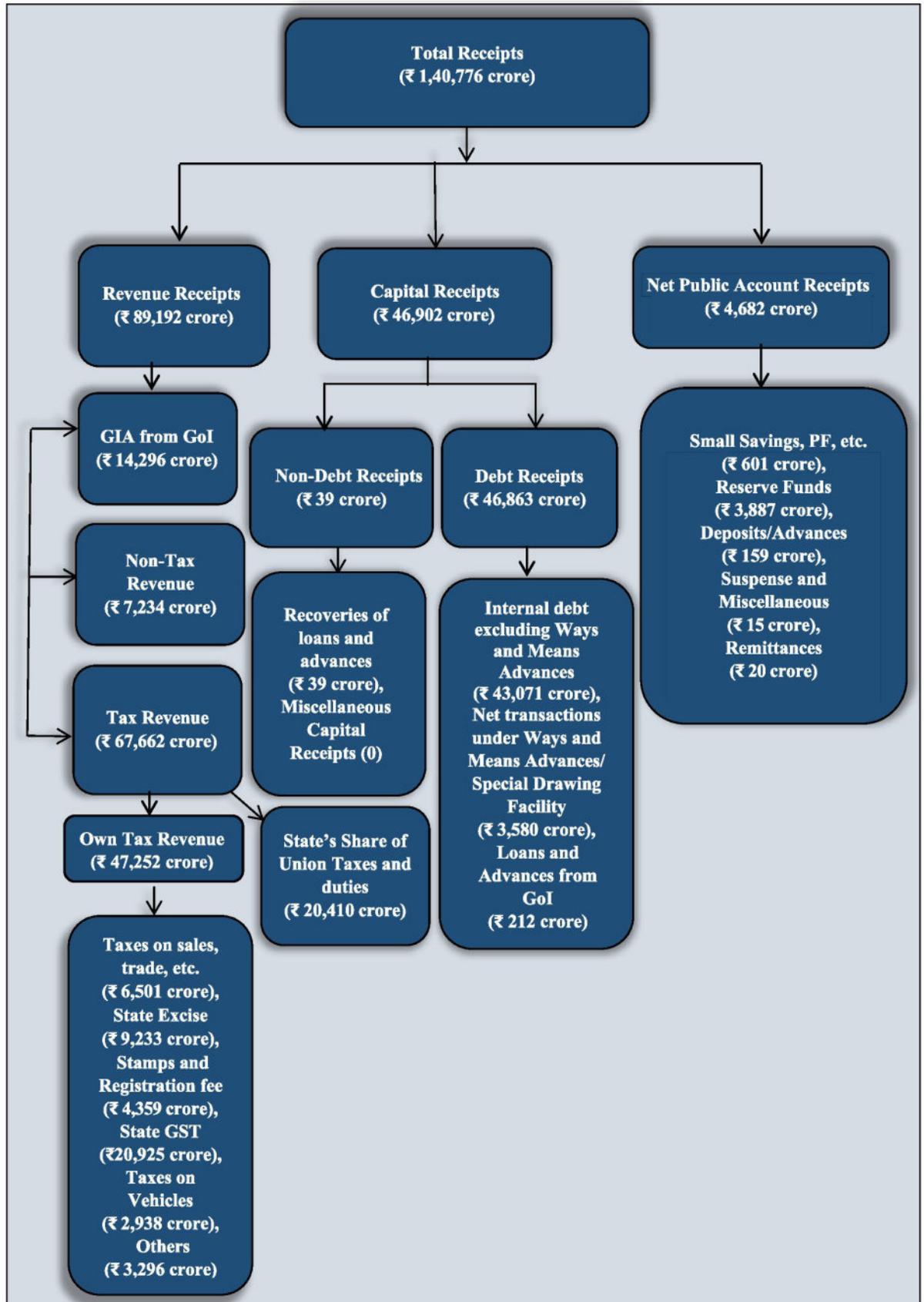
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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 2023-24**



Source: Finance Accounts

Out of the total resources of ₹ 1,40,776 crore of the State Government during the year 2023-24, Revenue Receipts (₹ 89,192 crore) constituted 63.36 per cent while Capital Receipts (₹ 46,902 crore) and net Public Account Receipts (₹ 4,682 crore) constituted 33.32 per cent and 3.32 per cent of the total resources, respectively.

## 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 (2019-2024) 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	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Revenue Receipts (RR)</b>	<b>61,575</b>	<b>69,048</b>	<b>78,168</b>	<b>87,616</b>	<b>89,192</b>
Rate of growth of RR ( <i>per cent</i> )	(-1.11)	12.14	13.21	12.09	1.80
<b>Tax Revenue</b>	<b>40,341</b>	<b>40,691</b>	<b>52,616</b>	<b>59,407</b>	<b>67,662</b>
Own Tax Revenue	29,995	30,053	37,327	42,243	47,252
State's share in Union taxes and duties	10,346	10,638	15,289	17,164	20,410
Rate of growth of tax revenue ( <i>per cent</i> )	(-7.43)	0.87	29.31	12.91	13.90
<b>Non-Tax Revenue</b>	<b>6,654</b>	<b>4,152</b>	<b>4,783</b>	<b>6,232</b>	<b>7,234</b>
<b>Grants-in-aid from GoI</b>	<b>14,580</b>	<b>24,205</b>	<b>20,769</b>	<b>21,977</b>	<b>14,296</b>
Rate of growth of Grants-in-aid from GoI ( <i>per cent</i> )	31.26	66.01	(-14.20)	5.82	(-34.95)
<b>Own Revenue (Own Tax and Non-tax Revenue)</b>	<b>36,649</b>	<b>34,205</b>	<b>42,110</b>	<b>48,475</b>	<b>54,486</b>
Rate of growth of Own Revenue ( <i>per cent</i> )	(-6.40)	(-6.67)	23.11	15.12	12.40
GSDP (2011-12 Series)	5,37,031	5,40,853	6,27,717	6,81,251	7,44,899
Rate of growth of GSDP ( <i>per cent</i> )	4.78	0.71	16.06	8.53	9.34
RR/GSDP ( <i>per cent</i> )	11.47	12.77	12.45	12.86	11.97
<b>Buoyancy Ratios<sup>1</sup></b>					
<b>Revenue Buoyancy w.r.t GSDP</b>	--*	17.10	0.82	1.42	0.19
<b>State's Own Revenue Buoyancy w.r.t GSDP</b>	--*	--*	1.44	1.77	1.33
<b>State's Tax Revenue Buoyancy w.r.t Revenue receipts</b>	--*	0.07	2.22	1.07	7.72

Source: Finance Accounts for Revenue Receipts and Ministry of Statistics and Programme Implementation, GOI for GSDP figures.

\* Buoyancy ratio was not calculated as one of the variables was negative.

**Table 2.3** shows that the revenue receipts increased by 44.85 per cent from ₹ 61,575 crore in 2019-20 to ₹ 89,192 crore in 2023-24. During the period of five years, it increased at compound annual growth rate of 9.71 per cent. Tax

<sup>1</sup> Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

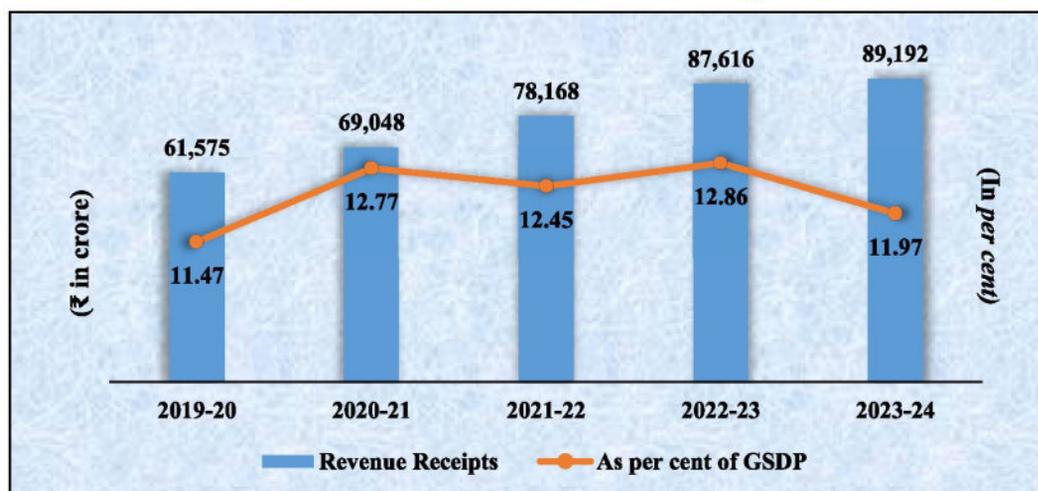
revenue and non-tax revenue increased by ₹ 8,255 crore (13.90 per cent) and ₹1,002 crore (16.08 per cent), respectively in 2023-24 as compared to 2022-23.

Grants-in-aid from GoI on the other hand decreased by 1.95 per cent during the period 2019-20 to 2023-24. It decreased by ₹ 7,681 crore (34.95 per cent) in 2023-24 as compared to 2022-23. The decrease in GIA during the current year over the previous year was mainly due to decrease in post devolution revenue deficit grant of ₹ 2,656 crore (32.10 per cent) and compensation for loss of revenue arising out of implementation of GST amounting to ₹ 4,198 crore (53.35 per cent) as discussed in **Paragraph 2.3.2.3 (ii)**.

The revenue buoyancy with reference to GSDP decreased from 17.10 per cent in 2020-21 to 0.19 per cent in 2023-24. The State's own revenue buoyancy with reference to GSDP decreased from 1.44 per cent in 2021-22 to 1.33 per cent in 2023-24. These reflect that revenue collection was not keeping pace with the economic growth. State's tax revenue buoyancy with respect to revenue receipts, however, increased from 0.07 per cent in 2020-21 to 7.72 per cent in 2023-24. The major increase was in receipts under SGST and State Excise, as shown in **Table 2.4**. Trends in components of own tax revenue and non-tax revenue are discussed in **Paragraphs 2.3.2.2 (i)** and **2.3.2.2 (ii)**, respectively.

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

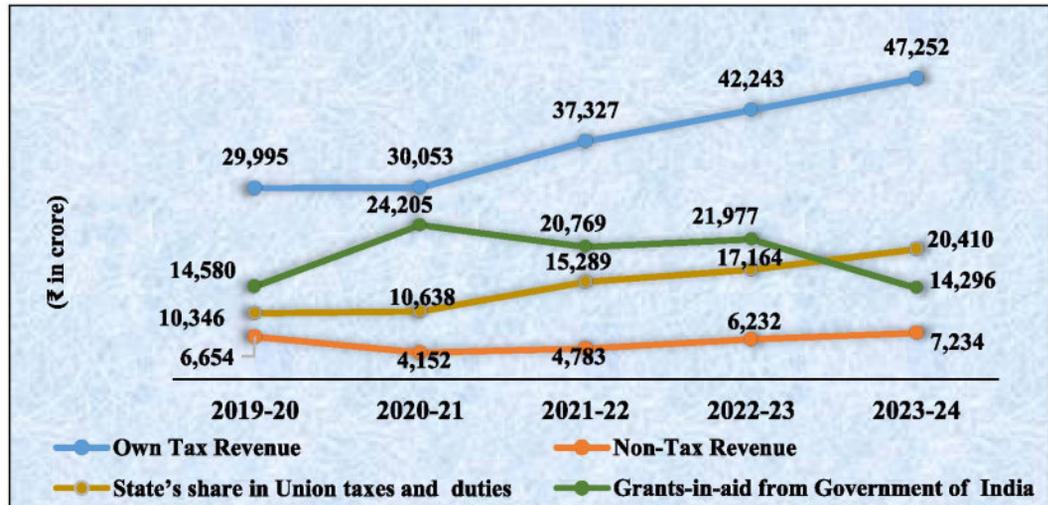
**Chart 2.4: Trends of Revenue Receipts**



Source: Finance Accounts

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

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts

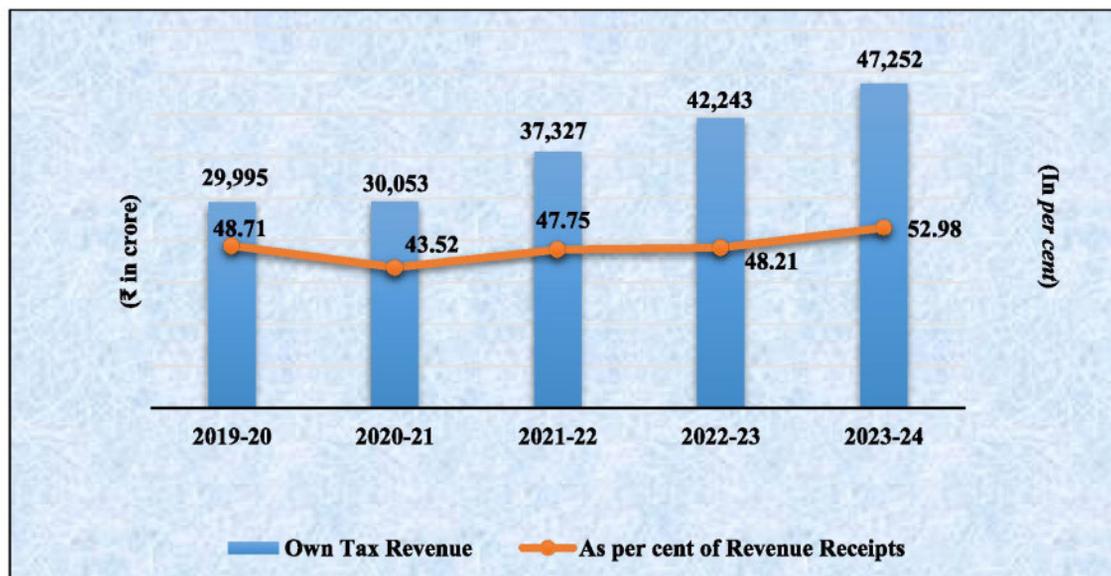
### 2.3.2.2 State's Own Resources

#### (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 2019-2024 are shown in **Chart 2.6** and **Table 2.4** respectively.

Chart 2.6: Trends of Own Tax Revenue during 2019-2024



Source: Finance Accounts

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

Revenue Head	2019-20					2020-21					2021-22					2022-23					2023-24					Sparkline
	2019-20	2020-21	2021-22	2022-23	2023-24	2019-20	2020-21	2021-22	2022-23	2023-24	2019-20	2020-21	2021-22	2022-23	2023-24	2019-20	2020-21	2021-22	2022-23	2023-24	2019-20	2020-21	2021-22	2022-23	2023-24	
Taxes on Sales, Trade etc.	5,223	5,372	6,869	5,637	6,501																					
SGST	12,751	11,819	15,542	18,128	20,925																					
State Excise	4,865	6,164	6,157	8,437	9,233																					
Taxes on Vehicles	1,994	1,472	2,359	2,674	2,938																					
Stamp Duty and Registration fees	2,258	2,470	3,308	4,227	4,359																					
Land Revenue	66	68	84	93	97																					
Taxes on Goods and Passengers	0	3	0	0	0*																					
Other taxes	2,838	2,685	3,008	3,047	3,199																					
<b>Total</b>	<b>29,995</b>	<b>30,053</b>	<b>37,327</b>	<b>42,243</b>	<b>47,252</b>																					

Source: Finance Accounts (\* The amount is ₹ 0.08 crore)

The total own tax revenue increased by ₹ 5,009 crore (11.86 per cent) during the current year over the previous year. The major increase was in receipts under SGST (₹ 2,797 crore), Taxes on Sales, Trade etc. (₹ 864 crore), State Excise (₹ 796 crore), Taxes on Vehicles (₹ 264 crore), Other Taxes (₹ 152 crore) and Stamp duty & Registration fee (₹ 132 crore).

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

As per the books of RBI, the amount of SGST receipts during 2023-24 was ₹ 8,405.43 crore while as per the Finance Accounts, the amount of SGST receipts was ₹ 7,224.43 crore. The difference of ₹ 1,181.00 crore was due to recovery from State towards the SGST refunds made by Centre to the taxpayers on behalf of the State (₹ 1,182.72 crore), refunds made by the State Government (₹ 59.09 crore) and adjustment on account of inter head transfer received from Government of India for the period 2020-2023 (₹ 60.81 crore).

#### (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<sup>2</sup>, role-based access to back-end application was provided to the office of the Principal Accountant General (Audit), Punjab in December 2020. However, the access was limited to GSTN premises only.

#### (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

<sup>2</sup> State which has opted for development of backend system by GSTN.

is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

### Arrears of revenue

As on 31 March 2024, the arrears of revenue in respect of principal heads of revenue were ₹ 23,167.70 crore, of which ₹ 9,518.89 crore were outstanding for more than five years, as depicted in **Table 2.5**.

**Table 2.5: Arrears of revenue**

*(₹ in crore)*

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2024	Amount outstanding for more than five years as on 31 March 2024
1.	Taxes/VAT on Sales, Trade, etc.	18,617.38	8,945.99
2.	Goods and Services Tax	3,697.99	116.78
3.	State Excise	355.32	350.88
4.	Taxes on Vehicles	255.46	105.24
5.	Land Revenue	241.55	0.003
6.	Stamps and Registration Fee	NA	NA
<b>Total</b>		<b>23,167.70</b>	<b>9,518.89</b>

Source: Departmental Information

NA=Not available, as the requisite information was not provided by the Department.

### Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Taxation in respect of Sales Tax/VAT is depicted in **Table 2.6**.

**Table 2.6: Arrears of assessment**

Sr. No.	Head of Revenue	Cases pending at the beginning of 2023-24	New cases due for assessment during 2023-24	Total cases due for assessment	Cases disposed of during 2023-24	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, etc.	32,953*	14,502	47,455	21,037	26,418	44.33

Source: Departmental information

\* Opening balance differs by 231 cases from the closing balance of 2022-23 due to revised figures received from the Department.

During the period 2019-24, the number of pending cases at the end of the respective years were 72,667 (2019-20); 44,577 (2020-21); 32,624 (2021-22); 32,953 (2022-23) as against 26,418 cases at the end of 2023-24. Disposal of cases during this period ranged between 30.94 per cent and 64.37 per cent.

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

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, cases finalised, demand for additional taxes raised are given in **Table 2.7**. Details of refund cases during the year 2023-24, as reported by the Departments concerned, are depicted in **Table 2.8**.

**Table 2.7: Evasion of tax detected**

Sr. No.	Head of revenue	Cases pending as on 31 March 2023	Cases detected during 2023-24	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 2024
					No. of cases	Amount of demand (₹ in crore)	
1.	Goods and Services Tax	97	113	210	154	57.34	56

Source: Departmental information

**Table 2.8: Details of refund cases**

Sr. No.	Particulars	(₹ in crore)							
		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	1,717	690.38	270	48.38*	212 <sup>#</sup>	27.36 <sup>#</sup>	0	0
2.	Claims received during the year	9,835	2,274.81	1,034	98.00	26	4.44	0	0
3.	Refunds made during the year	8,775	1,666.55	894	80.65	2	1.00	0	0
4.	Refunds rejected during the year	1,350	470.16	168	21.24	0	0	0	0
5.	Balance outstanding at the end of year	1,427	828.48	242	44.49	236	30.80	0	0

Source: Departmental information

\* Differs from closing balance of 2022-23 due to correction of information in respect of one district by the Department.

<sup>#</sup> Differs from closing balance of 2022-23 due to correction of information in respect of two districts by the Department.

**(ii) Non-tax revenue**

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Trends in components of the State's non-tax revenue during 2019-2024 are shown in **Table 2.9**.

Table 2.9: Components of State's Non-tax Revenue

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
Interest Receipts	2,106	144	181	243	278	
Dividends and Profits	4	1	7	3	4	
Other non-tax receipts	4,544	4,007	4,596	5,986	6,952	
a) Major and Medium Irrigation	92	92	108	134	261	
b) Road Transport	176	110	100	69	98	
c) Urban Development	45	50	92	134	122	
d) Education, Sports, Art and Culture	196	138	155	327	310	
e) Non-ferrous mining	91	121	137	249	289	
f) Pensions and Other Retirement Benefits	122	210	148	159	121	
g) Miscellaneous General Services	2,744	2,208	2,376	2,828	4,060	
h) Other or Miscellaneous	1,078	1,078	1,480	2,086	1,691	
<b>Total</b>	<b>6,654</b>	<b>4,152</b>	<b>4,784</b>	<b>6,232</b>	<b>7,234</b>	

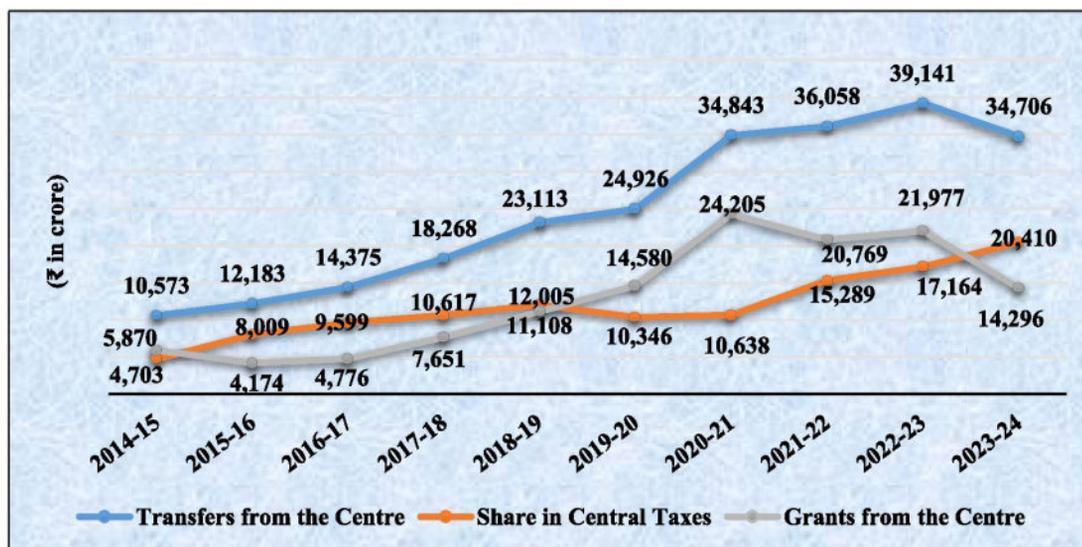
Source: Finance Accounts

During the year 2023-24, there was increase of ₹ 1,002 crore (16.08 per cent) in total non-tax revenue over the previous year which was mainly due to increase of ₹ 35 crore in interest receipts and ₹ 966 crore in other non-tax receipts. The increase in other non-tax receipts was mainly under Miscellaneous General Services (₹ 1,232 crore), Major and Medium Irrigation (₹ 127 crore) which was partially offset by decrease in Other or Miscellaneous (₹ 395 crore). The increase in Miscellaneous General Services was mainly due to increase in Other Receipts (₹ 1,520 crore) partially set-off by decrease in State Lotteries (₹ 275 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 14<sup>th</sup> Finance Commission and 15<sup>th</sup> Finance Commission during the period from 2015-16 to 2023-24 is tabulated in **Table 2.10**.

**Table 2.10: State's share in Union taxes and duties:  
Actual devolution *vis-à-vis* Finance Commission projections**

(₹ in crore)				
Year	Finance Commission projections	Projections as per Finance Commission	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
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)	9,146	8,009	(-),137
2016-17		10,554	9,600	(-),954
2017-18		12,194	10,617	(-),1,577
2018-19		14,108	12,005	(-),2,103
2019-20		16,340	10,346	(-),5,994
2020-21	1.788 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 <sup>th</sup> FC)	15,291	10,638	(-),4,653
2021-22	1.807 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 <sup>th</sup> FC)	11,901	15,289	(+),3,388
2022-23		13,239	17,164	(+),3,925
2023-24		14,897	20,410	(+),5,513

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

The State Government's share in Union taxes and duties increased by ₹ 3,246 crore (18.91 per cent) during 2023-24 over the previous year.

During the first four years (2020-2024) of the period of 15<sup>th</sup> Finance Commission (2020-2026), State's share in Union taxes and duties amounting to ₹ 63,501 crore was 125.55 per cent of the total share received during period of 14<sup>th</sup> Finance Commission (2015-2020).

Trends in components of Central tax transfers are shown in **Table 2.11**.

**Table 2.11: Central Tax transfers**

(₹ in crore)					
Head	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	2,935.85	3,179.01	4,580.49	4,848.76	6,194.17
Corporation Tax	3,527.47	3,197.28	4,161.71	5,757.06	6,126.11
Taxes on Income other than Corporation Tax	2,764.01	3,276.09	4,714.62	5,616.52	7,074.91
Customs	655.78	576.80	1,091.09	674.54	715.25
Union Excise Duties	455.97	359.30	557.39	211.69	270.66
Service Tax	--	42.87	166.80	26.84	3.79
Other Taxes <sup>3</sup>	6.77	7.03	16.69	28.24	25.03
<b>Total</b>	<b>10,345.85</b>	<b>10,638.38</b>	<b>15,288.79</b>	<b>17,163.65</b>	<b>20,409.92</b>
Percentage of increase/decrease over previous year	(-),13.82	2.83	43.71	12.26	18.91
Percentage of total Central tax transfers to Revenue Receipts	16.80	15.41	19.56	19.59	22.88

Source: Finance Accounts

<sup>3</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

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

Trends of Grants-in-aid (GIA) from GoI and its components are shown in **Table 2.12**.

**Table 2.12: Grants-in-aid from Government of India**

Head	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for Centrally Sponsored Plan Schemes	(-)68.84	(-)0.48	(-)4.03	(-)47.34	(-)20.38
Grants for Centrally Sponsored Schemes	2,864.31	2,880.41	3,678.16	3,776.79	3,184.97
Finance Commission Grants <sup>#</sup>	2,710.13	11,481.23	12,435.61	10,258.45	7,388.82
Other transfers/Grants to States/Union Territories with Legislature	9,074.43	9,843.85	4,659.15	7,988.94	3,742.95
<b>Total</b>	<b>14,580.03</b>	<b>24,205.01</b>	<b>20,768.89</b>	<b>21,976.84</b>	<b>14,296.36</b>
Percentage of increase/decrease over the previous year	31.26	66.01	(-)14.20	5.82	(-)34.95
Percentage of GIA to Revenue Receipts	23.68	35.06	26.57	25.08	16.03

Source: Finance Accounts

<sup>#</sup> During 2020-21, 2021-22, 2022-23 and 2023-24, it includes post-devolution Revenue Deficit Grant of ₹ 7,658.90 crore, ₹ 10,080.99 crore, ₹ 8,274 crore and ₹ 5,618 crore respectively, as recommended by 15<sup>th</sup> FC.

**Table 2.12** shows that the GIA from GoI decreased at compound annual growth rate of 0.49 per cent during the period 2019-20 to 2023-24. Other transfers to State during 2023-24 include GST Compensation of ₹ 3,670.64 crore. The decrease in GIA during the current year of ₹ 7,680.48 crore (34.95 per cent) over the previous year was mainly due to decrease in Other transfers/Grants to States/Union Territories with Legislature by ₹ 4,245.99 crore (53.15 per cent) which was attributed to decrease in GST Compensation by ₹ 4,198.29 crore (53.35 per cent) and decrease of ₹ 34.80 crore (32.57 per cent) in Grants for Central Road and Infrastructure Fund in 2023-24 as compared to the previous year. Further, Finance Commission Grants was also decreased by ₹ 2,869.63 crore (27.97 per cent) mainly due to decrease in Post Devolution Revenue Deficit Grant by ₹ 2,656 crore (32.10 per cent) and Grants for Rural Local Bodies by ₹ 251.44 crore (23.92 per cent). The contribution of GIA towards revenue receipts decreased from 23.68 per cent in 2019-20 to 16.03 per cent in 2023-24. The State Government attributed (December 2024) the reasons for decline in GIA from GoI to decrease in GST compensation due to completion of five-year period as well as decrease in revenue deficit grant.

**(a) Grants for Centrally Sponsored Schemes**

Out of the grants of ₹ 3,185 crore for Centrally Sponsored Schemes during 2023-24, major amounts received were for:

- National Education Mission - Samagra Shiksha Abhiyan (erstwhile Sarva Shiksha Abhiyan) (₹ 331 crore: 45.28 per cent decrease over previous year);

- Integrated Child Development Services- Anganwadi Services (₹ 308 crore: 308.80 *per cent* increase over previous year);
- Urban Rejuvenation Mission : AMRUT (Atal Mission for Rejuvenation and Urban Transformation and Smart Cities Mission) - Mission for Development for:
  - 100 Smart Cities (₹ 299 crore: 32.15 *per cent* decrease over previous year);
  - 500 Cities (₹ 288 crore: 13.27 *per cent* increase over previous year);
- Pradhan Mantri Krishi Sinchai Yojana- Accelerated Irrigation Benefit Programme (₹ 288 crore: 35.42 *per cent* increase over previous year);
- Pradhan Mantri Gram Sadak Yojana (₹ 265 crore: 14.73 *per cent* increase over previous year);
- Mahatma Gandhi National Rural Employment Guarantee Programme (₹ 242 crore: 38.11 *per cent* decrease over previous year);
- National Programme of Mid-Day Meal in Schools (₹ 200 crore: 6.81 *per cent* increase over previous year);
- Pradhan Mantri Awas Yojana (PMAY) - Urban (₹ 183 crore: 48.16 *per cent* increase over previous year);
- Green Revolution-Rashtriya Krishi Vikas Yojna (₹ 137 crore: 3543.47 *per cent* increase over previous year); and
- Umbrella Scheme for Development of Scheduled Castes - Civil Rights, Educational Empowerment, Infrastructure Development, Livelihoods - Post-Matric Scholarship for SC Students (₹ 111 crore: 100 *per cent* increase over previous year).

#### **(b) Single Nodal Agency**

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi stipulated (23 March 2021) that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IA) to Single Nodal Account of the Single Nodal Agency.

As per reports available on PFMS portal, the State Government received ₹ 3,094.61 crore being Central share during 2023-24. The State Government transferred ₹ 2,758.22 crore being Central share and corresponding State share of ₹ 3,729.00 crore to SNAs.

However, the State Government intimated that ₹ 6,677.24 crore were transferred to the SNAs during 2023-24, of which, ₹ 2,914.78 crore were

transferred through AC Bills, ₹ 2,974.38 crore through GIA bills and ₹ 788.08 crore through Fully Vouched Contingent Bills. Detailed vouchers and supporting documents of actual expenditure were not received by the office of the Accountant General (A&E), Punjab from SNAs. As per data available on PFMS Portal, ₹ 3,372.86 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

**(c) Fifteenth Finance Commission Grants**

The 15<sup>th</sup> Finance Commission (15<sup>th</sup> FC) grants were provided to the States for local bodies, State Disaster Response Fund (SDRF), post-devolution revenue deficit and health sector. Details of grants provided by GoI are given in **Table 2.13**.

**Table 2.13: Recommended amount, actual release and transfers of Grants-in-aid**

(₹ in crore)

Transfers		Recommendation of 15 <sup>th</sup> FC for 2023-24	Actual release by GoI for 2023-24	Release by State Government	
				Total (%age of release by GoI)	
<b>(i) Grants to Panchayati Raj Institutions (PRIs)</b>		<b>1,074.00</b>	<b>481.16</b>	--	
(a) Tied Grants		644.40	288.70	--	
(b) Untied Grants		429.60	192.46	--	
<b>(ii) Grants to Urban Local Bodies (ULBs)</b>		<b>553.00</b>	<b>282.66</b>	<b>141.87 (50)</b>	
(a) One million plus cities (for ambient air quality)		50.00	--	--	
(b) One million plus cities (for SWM and sanitation)		98.00	--	--	
(c) Non-million plus cities (un-tied grants for local needs)		162.00	112.41	56.75 (50)	
(d) Non-million plus cities (tied grants for drinking water, rain water harvesting, SWM and Sanitation)		243.00	170.25	85.12 (50)	
<b>(iii) Grants for Health Sector</b>		<b>421.00</b>	--	--	
<b>Total for Local Bodies</b>		<b>2,048.00</b>	<b>763.82</b>	<b>141.87 (19)</b>	
<b>SDRMF</b>	<b>SDRF</b>	Centre share	436.80	436.80	436.80 (100)
		State share	145.60	--	145.60
	<b>Total for SDRF</b>		<b>582.40</b>	<b>436.80</b>	<b>582.40</b>
	<b>SDMF</b>	Centre share	109.20	54.60	54.60 (100)
		State share	36.40	--	18.20
<b>Total for SDMF</b>		<b>145.60</b>	<b>54.60</b>	<b>72.80</b>	
<b>Post Devolution Revenue Deficit Grant</b>		<b>5,618.00</b>	<b>5,618.00</b>	--	

Source: 15<sup>th</sup> FC Report and departmental information

PRIs - Panchayati Raj Institutions and ULBs - Urban Local Bodies.

It was noticed that:

- As against the amount of ₹ 1,074 crore recommended by 15<sup>th</sup> FC in respect of PRIs, GoI released ₹ 481.16 crore<sup>4</sup> during 2023-24 (March 2024). The

<sup>4</sup> Differs by ₹ 318.60 crore from that appearing in Statement No.14 of the Finance Accounts, which pertained to the year 2022-23 but released by GoI in 2023-24.

entire sum of ₹ 481.16 crore was released by GoP during 2024-25 (April-May 2024). Besides, an amount of ₹ 318.60 crore pertaining to tied grant (2<sup>nd</sup> installment) for the year 2022-23 released by GoI during 2023-24, was released by the State during the same year i.e. 2023-24.

- In respect of ULBs, against the recommended amount of ₹ 553.00 crore, GoI released ₹ 282.66 crore during 2023-24. Out of ₹ 282.66 crore released by the GoI, the State Government released an amount of ₹ 141.87 crore during 2023-24 and the remaining ₹ 140.79 crore was released in 2024-25. Besides, an amount of ₹ 93 crore pertaining to the year 2022-23 released by GoI during 2023-24, was also released by the State during 2023-24.
- In respect of Grants for Health Sector, GoI did not release funds against ₹ 421 crore recommended by 15<sup>th</sup> FC for the year 2023-24.
- In respect of State Disaster Risk Management Fund (SDRMF), 15<sup>th</sup> Finance Commission recommended that State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) would receive funds in the ratio of 80:20 of the total funds received under SDRMF. The details of the funds received during the year are as under:
  - In respect of SDRF, 15<sup>th</sup> FC recommended Centre and State share in the ratio of 75:25. Accordingly, GoI released ₹ 436.80 crore during the year 2023-24 for SDRF. GoP released ₹ 582.40 crore (GoI share: ₹ 436.80 crore and State share: ₹ 145.60 crore) during the same year. Besides, an amount of ₹ 277.07 crore (Central share: ₹ 208 crore released by GoI during 2022-23 and corresponding State share: ₹ 69.07 crore) was also released by the State during 2023-24.
  - In respect of SDMF, 15<sup>th</sup> FC recommended Centre and State share in the ratio of 75:25. Against the recommended amount of ₹ 109.20 crore, GoI released ₹ 54.60 crore for the year 2023-24. GoP released ₹ 72.80 crore (GoI share: ₹ 54.60 crore and State share: ₹ 18.20 crore) during the same year. Further, during the year 2023-24, GoP received ₹ 104 crore as Central share pertaining to the year 2022-23. Accordingly, during 2023-24, GoP released ₹ 138.60 crore (GoI share: ₹ 104 crore and State share: ₹ 34.60 crore) for the year 2022-23.

### **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 2019-20 to 2023-24 are shown in **Table 2.14**.

Table 2.14: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Capital Receipts</b>	<b>43,891</b>	<b>34,077</b>	<b>27,244</b>	<b>47,427</b>	<b>46,902</b>
Miscellaneous Capital Receipts	0	0	0	0 <sup>^</sup>	0
Recovery of Loans and Advances	16,070	50	207	164	39
Public Debt Receipts	27,821	34,027	27,037	47,263	46,863
<i>Internal Debt*</i>	27,676	33,595	26,584	46,300	46,651
<i>Growth rate (per cent)</i>	28.01	21.39	(-)20.87	74.16	0.76
<i>Loans and advances from GoI<sup>#</sup></i>	145	432	453	963	212
<i>Growth rate (per cent)</i>	(-)89.00	197.93	4.86	112.58	(-)77.99
Rate of growth of debt Capital Receipts ( <i>per cent</i> )	21.28	22.31	(-)20.54	74.81	(-)0.85
Rate of growth of Non-debt Capital Receipts ( <i>per cent</i> )	1,792.82	(-)99.69	314.00	(-)20.77	(-)76.22
Rate of growth of Capital Receipts ( <i>per cent</i> )	84.51	(-)22.36	(-)20.05	74.08	(-)1.11

Source: Finance Accounts

\* Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility, which was ₹ 3,580 crore during 2023-24.

<sup>#</sup> During the year 2020-21 and 2021-22, it excludes ₹ 8,359 crore and ₹ 12,132 crore respectively 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> ₹ 0.21 crore

During the current year, the public debt receipts decreased by ₹ 400 crore (0.85 per cent) over the previous year mainly due to decrease of ₹ 751 crore in Loans and advances from GoI which was partially offset by increase in Internal debt by ₹ 351 crore.

### 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 2023-24 *vis-à-vis* assessment made by Fifteenth Finance Commission (15<sup>th</sup> FC) and Budget Estimates are given in Table 2.15.

Table 2.15: Tax and non-tax revenue *vis-à-vis* projections during 2023-24

(₹ 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>	43,576	51,835	47,252	8.44	(-)8.84
<b>Non-tax revenue</b>	5,862	7,824	7,234	23.40	(-)7.54

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

Own tax revenue of the State Government was higher than projections made by 15<sup>th</sup> FC by 8.44 per cent but fell short of budget estimates by 8.84 per cent

mainly due to shortfall by ₹ 2,075 crore (9.02 per cent) in SGST collection of ₹ 20,925 crore against budget estimates of ₹ 23,000 crore. Non-tax revenue was higher by 23.40 per cent than the projections made by 15<sup>th</sup> FC but was lower by 7.54 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 the 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 day-to-day running of the organisation, including establishment and administrative expenses are classified as revenue expenditure.

**Capital Expenditure:** 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 are classified as capital expenditure.

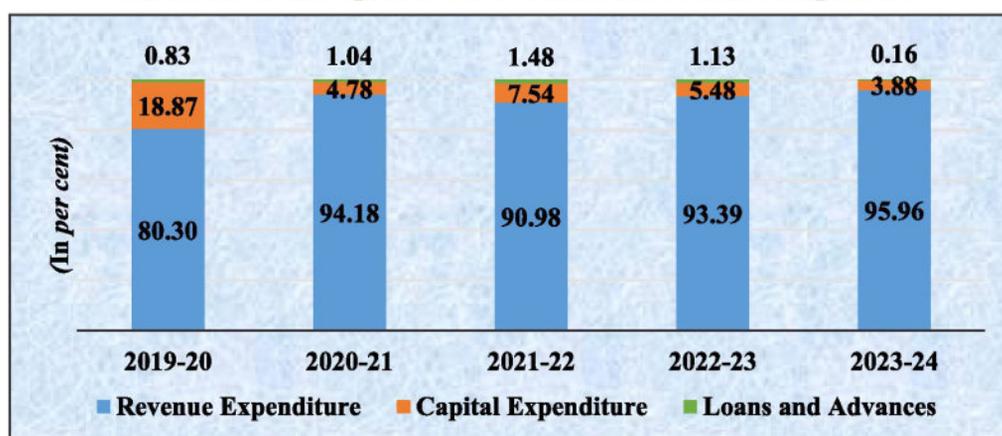
**Loans and Advances:** There are loans and advances made by the Government to Public Sector Undertakings (PSUs) and other parties.

Trends of overall expenditure and its components are shown in **Table 2.16** and **Chart 2.8**.

**Table 2.16: Total expenditure and its composition**

Parameters	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	94,471	91,682	1,06,222	1,21,710	1,22,346
Revenue Expenditure (RE)	75,860	86,344	96,636	1,13,661	1,17,407
Capital Expenditure (CE)	17,828	4,382	8,010	6,667	4,743
Loans and Advances	783	956	1,576	1,382	196
As a percentage of GSDP					
TE/GSDP	17.59	16.95	16.92	17.87	16.42
RE/GSDP	14.13	15.96	15.39	16.68	15.76
CE/GSDP	3.32	0.81	1.28	0.98	0.64

Source: Finance Accounts

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

Source: Finance Accounts

**Table 2.16** shows that the total expenditure increased by ₹ 27,875 crore (29.51 per cent) from ₹ 94,471 crore in 2019-20 to ₹ 1,22,346 crore in 2023-24, which ranged between 16.42 per cent and 17.87 per cent of GSDP during the period of five years. **Chart 2.8** shows that revenue expenditure constituted the dominant proportion (80 per cent to 96 per cent) of the total expenditure during 2019-2024. Capital expenditure, on the other hand, constituted a meagre four per cent to eight 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) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020. The State Government stated (December 2024) that efforts were being made to increase the expenditure on capital outlay.

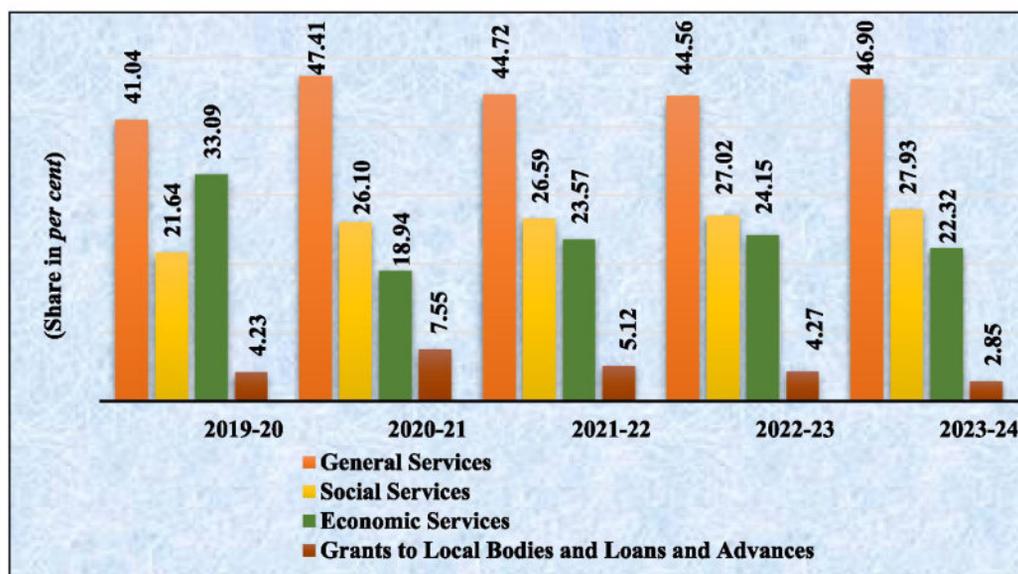
Relative share of various sectors of expenditure during 2019-2024 is depicted in **Table 2.17** and **Chart 2.9**.

**Table 2.17: Relative share of various sectors of expenditure**

Parameters	₹ in crore				
	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	38,769	43,464	47,504	54,228	57,377
Social Services	20,449	23,926	28,245	32,890	34,166
Economic Services	31,260	17,365	25,039	29,398	27,311
Others (Grants to Local Bodies and Loans and Advances)	3,993	6,927	5,434	5,194	3,492

Source: Finance Accounts

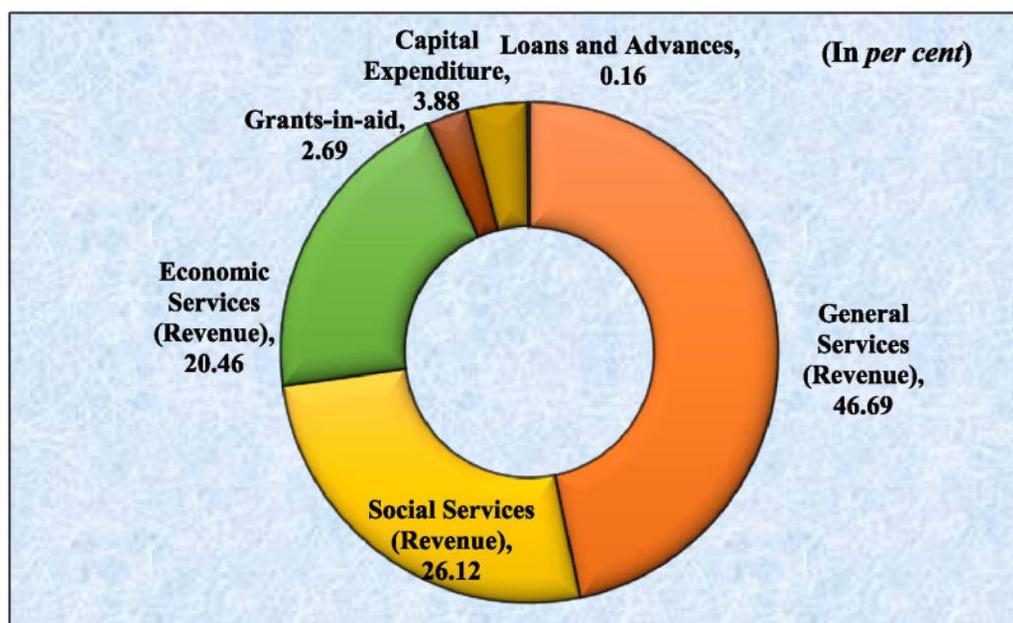
**Chart 2.9: Total expenditure - Expenditure by activities**



Source: Finance Accounts

**Chart 2.9** shows that the relative share of various components of expenditure in total expenditure fluctuated during 2019-2024. The share of General Services and Social Services in total expenditure increased from 41.04 per cent and 21.64 per cent in 2019-20 to 46.90 per cent and 27.93 per cent in 2023-24 respectively, while that of Economic Services and Grants to Local Bodies and Loans and Advances decreased from 33.09 per cent and 4.23 per cent to 22.32 per cent and 2.85 per cent respectively during the same period. **Chart 2.10** shows composition of expenditure by function.

**Chart 2.10: Composition of expenditure by function during 2023-24**



Source: Finance Accounts

Note: Capital expenditure shown separately and not included in across General, Social and Economic Services.

### 2.4.1 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations. As such, it does not result in any addition to the State's infrastructure and service network. Growth of revenue expenditure, its ratios to total expenditure, GSDP and revenue receipts are shown in **Table 2.18** and sectoral distribution of revenue expenditure is shown in **Chart 2.11**.

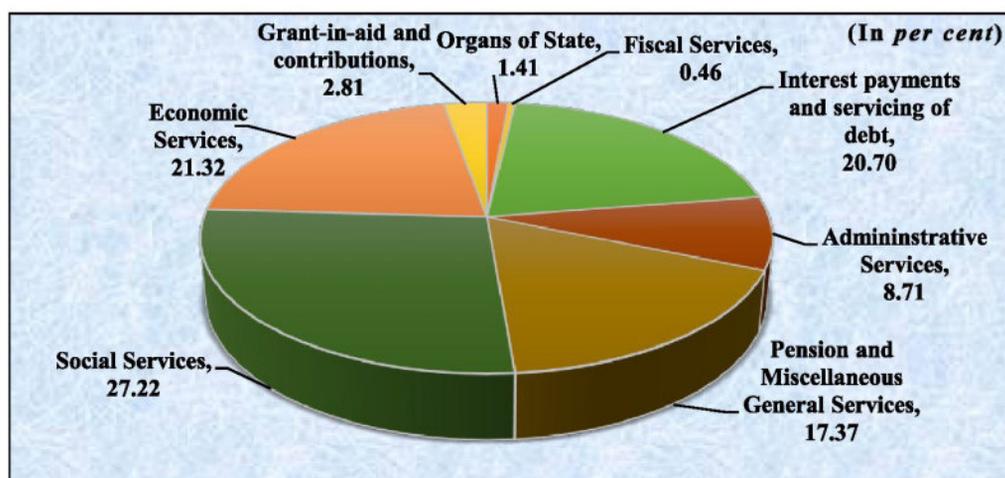
**Table 2.18: Revenue Expenditure – Basic Parameters**

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	94,471	91,682	1,06,222	1,21,710	1,22,346
Revenue Expenditure (RE)	75,860	86,344	96,636	1,13,661	1,17,407
Rate of growth of RE (per cent)	0.60	13.82	11.92	17.62	3.30
Revenue Expenditure as percentage of TE	80.30	94.18	90.98	93.39	95.96
RE/GSDP (per cent)	14.13	15.96	15.39	16.68	15.76
Revenue Receipts	61,575	69,048	78,168	87,616	89,192
Rate of growth of RR (per cent)	(-)1.11	12.14	13.21	12.09	1.80
RE as percentage of RR	123.20	125.05	123.63	129.73	131.63
Rate of growth of GSDP (per cent)	4.78	0.71	16.06	8.53	9.34
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP (ratio)	0.13	19.46	0.74	2.07	0.35
Revenue Receipts (ratio)	--*	1.14	0.90	1.46	1.83

Source: Finance Accounts

\* Buoyancy ratio was not calculated as the growth of revenue receipts was negative.

Revenue expenditure increased by ₹ 41,547 crore (54.77 per cent) from ₹ 75,860 crore in 2019-20 to ₹ 1,17,407 crore in 2023-24. It increased at compound annual growth rate of 11.54 per cent, whereas as a percentage of GSDP, it increased from 14.13 per cent to 15.76 per cent during the same period though it was 16.68 per cent during 2022-23. Buoyancy of revenue expenditure with reference to revenue receipts increased in 2023-24 as compared to 2020-21, which was a concern.

**Chart 2.11: Sector-wise distribution of revenue expenditure during 2023-24**

Source: Finance Accounts

**2.4.1.1 Major changes in revenue expenditure**

Revenue expenditure increased substantially by ₹ 3,746 crore (3.30 per cent) from ₹ 1,13,661 crore in 2022-23 to ₹ 1,17,407 crore in 2023-24. 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 2.19.

**Table 2.19: Significant variations in revenue expenditure during 2023-24 compared to 2022-23**

Major Heads of Account	2022-23	2023-24	(₹ in crore)
			Increase (+)/ Decrease (-)
2049-Interest Payments	19,905.13	22,551.93	2,646.80
2071-Pensions and Other Retirement Benefits	18,214.25	20,090.34	1,876.09
2210-Medical and Public Health	3,853.56	4,488.07	634.51
2245-Relief on account of Natural Calamities	461.43	1,084.25	622.82
2202-General Education	14,037.36	14,646.66	609.30
2801-Power	8,225.89	6,818.28	(-)1,407.61
2048-Appropriation for Reduction or Avoidance of Debt	3,000.00	1,750.00	(-)1,250.00
2425-Co-operation	1,075.16	434.10	(-)641.06
2075-Miscellaneous General Services	909.14	311.10	(-)598.04
2515-Other Rural Development Programmes	747.64	167.02	(-)580.62

Source: Finance Accounts

**Table 2.19 shows:**

- increase of ₹ 2,647 crore (13.30 per cent) in 'Interest Payments', which was primarily due to increase of ₹ 2,933 crore in 'Interest on Market Loans', ₹ 220 crore in 'Interest on General and Other Reserve Funds' and ₹ 142 crore in 'Interest on Loans for State/Union Territory Plan Schemes' partially offset by decrease of ₹ 530 crore in 'Interest on Other Internal Debts' and ₹ 179 crore in 'Interest on Special Securities issued to National Small Savings Fund of Central Government by State Government';

- increase of ₹ 1,876 crore (10.30 per cent) under 'Pensions and Other Retirement Benefits', which was mainly due to increase of ₹ 1,167 crore in 'Superannuation and Retirement Allowances', ₹ 316 crore in 'Gratuities', ₹ 218 crore in 'Family Pensions', ₹ 132 crore in 'Government Contribution for Defined Contribution Pension Scheme' and ₹ 106 crore in 'Commuted Value of Pensions' partially offset by decrease of ₹ 47 crore in 'Leave Encashment Benefits';
- increase of ₹ 635 crore (16.48 per cent) in 'Medical and Public Health', which was primarily due to increase of ₹ 257 crore in 'Hospital and Dispensaries', ₹ 171 crore in 'Assistance to Public Sector and other undertakings', ₹ 145 crore in 'Special component plan for Scheduled Castes' under 'Urban Health Services-Allopathy' and ₹ 94 crore in 'Direction and Administration' partially offset by decrease of ₹ 54 crore in 'Employees State Insurance Schemes';
- increase of ₹ 623 crore (134.98 per cent) in 'Relief on account of Natural Calamities', which was primarily due to increase of ₹ 582 crore in 'Transfer to Reserve Funds and Deposit Accounts-State Disaster Response Fund', ₹ 347 crore in 'Gratuitous Relief' and ₹ 79 crore in 'State Disaster Mitigation Fund' partially offset by decrease of ₹ 359 crore in 'Deduct-Amount met from State Disaster Response Fund' and ₹ 39 crore in 'Other Expenditure';
- increase of ₹ 609 crore (4.34 per cent) in 'General Education', which was primarily due to increase of ₹ 265 crore in 'Elementary Education', ₹ 258 crore in 'University and Higher Education' and ₹ 60 crore in 'Secondary Education';
- decrease of ₹ 1,408 crore (17.11 per cent) in 'Power', which was mainly due to decrease of 'Assistance to Electricity Boards' by ₹ 773 crore and by ₹ 634 crore on account of 'Special Component Plan for Scheduled Castes' on account of subsidy under rural electrification of Punjab State Electricity Board;
- decrease of ₹ 1,250 crore (41.67 per cent) in 'Appropriation for Reduction or Avoidance of Debt', which was due to decrease of ₹ 1,250 crore in contribution to Consolidated Sinking Fund;
- decrease of ₹ 641 crore (59.62 per cent) in 'Co-operation', which was primarily due to decrease of ₹ 689 crore in 'Assistance to other co-operatives'<sup>5</sup>, partially offset by increase of ₹ 39 crore in 'Assistance to Co-operatives';

<sup>5</sup> Mainly due to assistance given during the previous year to Punjab State Co-operative Agricultural Development Bank for repayment of loan to NABARD and payment of pension and pension arrears to its retirees and assistance to SUGARFED for payment to cane growers.

- decrease of ₹ 598 crore (65.78 per cent) in ‘Miscellaneous General Services’, which was primarily due to decrease of ₹ 576 crore in ‘Assistance to Public Sector and other undertakings’ on account of assistance to Punjab Infrastructure Development Board and ₹ 23 crore in ‘State Lotteries’; and
- decrease of ₹ 581 crore (77.66 per cent) in ‘Other Rural Development Programmes’, which was primarily due to decrease of ₹ 450 crore in ‘Special Component Plan for Scheduled Castes’ and ₹ 108 crore in ‘Other Expenditure’ both on account of decrease in expenditure pertaining to Mahatma Gandhi National Rural Employment Guarantee Scheme.

#### 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.

Apart from the above, there are certain items of *inflexible expenditure* which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, etc. For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies – statutory devolutions to local bodies for pay and allowances (devolution/transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds – Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation/Response Fund (SDMF/SDRF), etc.
- (iii) Recoupment of Contingency Fund – Amount recouped within the year.
- (iv) Transfer of cess to reserve fund/other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received – Amount of State share to be transferred to SNAs/spent by the State.
- (vi) Payment of interest on the balances of interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment.

Upward trend on committed expenditure leaves the Government with less flexibility for the development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.20** and share of committed expenditure in revenue expenditure is shown in **Chart 2.12**.

Table 2.20: Components of Committed and Inflexible Expenditure

(₹ in crore)					
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries & Wages <sup>6</sup>	24,683	25,569	28,086	32,171	33,746
Expenditure on Pensions	10,294	13,680	14,730	18,214	20,090
Interest Payments	17,567	18,153	19,064	19,905	22,552
<b>Total</b>	<b>52,544</b>	<b>57,402</b>	<b>61,880</b>	<b>70,290</b>	<b>76,388</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	40.08	37.03	35.93	36.72	37.84
Expenditure on Pensions	16.72	19.81	18.84	20.79	22.52
Interest Payments	28.53	26.29	24.39	22.72	25.28
<b>Total</b>	<b>85.33</b>	<b>83.13</b>	<b>79.16</b>	<b>80.23</b>	<b>85.64</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	32.54	29.62	29.06	28.30	28.74
Expenditure on Pensions	13.57	15.84	15.24	16.03	17.11
Interest Payments	23.16	21.02	19.73	17.51	19.21
<b>Total</b>	<b>69.27</b>	<b>66.48</b>	<b>64.03</b>	<b>61.84</b>	<b>65.06</b>
Non-committed RE	23,315	28,942	34,757	43,371	41,019
Percentage of RE	30.73	33.52	35.97	38.16	34.94
Percentage of TE	24.68	31.57	32.72	35.63	33.53
<b>Components of Inflexible Expenditure</b>					
Statutory devolution to local bodies	3,210	5,971	3,859	3,812	3,296
Contribution to Reserve Funds (including interest)	2,251	2,046	3,503	4,487	4,629
Recoupment of Contingency Fund	0	0	0	0	0
Cess transferred /required to be transferred to reserve fund /other body	290	185	156	152	724
Share contribution of CSS against the Central Fund received*	NA	NA	2,121	3,155	3,729
Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment.	277	563	82	128	42
<b>Total of Inflexible Expenditure</b>	<b>6,028</b>	<b>8,765</b>	<b>9,721</b>	<b>11,734</b>	<b>12,420</b>
<b>Inflexible Expenditure as a percentage of Revenue Expenditure (RE)</b>	<b>7.95</b>	<b>10.15</b>	<b>10.06</b>	<b>10.32</b>	<b>10.58</b>
Subsidies	10,161	9,748	14,516	20,607	18,770
Subsidies as percentage of non-committed revenue expenditure	43.58	33.68	41.76	47.51	45.76

Source: Finance Accounts

\* Obtained from SNA module of PFMS portal which started functioning from the year 2021-22.

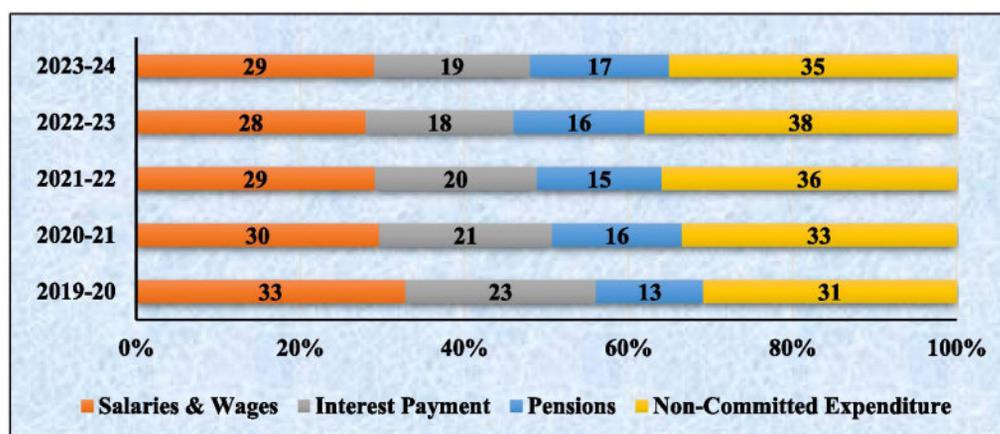
Table 2.20 shows that percentage of non-committed expenditure to revenue expenditure increased from 30.73 per cent in 2019-20 to 34.94 per cent in 2023-24 in which subsidies constituted dominant proportion ranging from 33.68 per cent to 47.51 per cent during the period 2019-2024.

Further, the total of components of inflexible expenditure which include among others, statutory devolution to local bodies and contribution to Reserve Funds, increased from ₹ 6,028 crore in 2019-20 to ₹ 12,420 crore in 2023-24. As a

<sup>6</sup> Includes Grants-in-aid (Salary): 2019-20 (₹ 3,248 crore); 2020-21 (₹ 3,795 crore); 2021-22 (₹ 3,899 crore); 2022-23 (₹ 3,997 crore); and 2023-24 (₹ 4,654 crore).

percentage of revenue expenditure, the inflexible expenditure ranged between 7.95 per cent and 10.58 per cent during the period 2019-2024.

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



Source: Finance Accounts

### Salaries and wages

Expenditure on salaries and wages (₹ 33,746 crore) increased by 4.90 per cent during 2023-24 over the previous year (₹ 32,171 crore) and constituted 28.74 per cent of revenue expenditure.

### Interest payment

During 2023-24, interest payments were to the tune of ₹ 22,552 crore (19.21 per cent of revenue expenditure). Interest on Market Borrowings (₹ 16,104 crore), Loans from the State Bank of India and other Banks (₹ 1,680 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹ 1,074 crore) continued to be the major components of interest payments.

### Pensions

The expenditure on pension and other retirement benefits to State Government pensioners during the year was ₹ 20,090 crore and constituted 17.11 per cent of the revenue expenditure. During the year, Superannuation and Retirement Allowances (₹ 11,812 crore) increased by ₹ 1,167 crore, Gratuities (₹ 2,007 crore) increased by ₹ 316 crore and Family Pensions (₹ 2,545 crore) increased by ₹ 218 crore from those in 2022-23. Further, the State Government had notified (November 2022) reversion to the Old Pension Scheme (OPS), wherein it was mentioned that the detailed scheme and Standard Operating Procedures pursuant to the notification would be issued in due course. Thus, reversion of OPS would further increase the committed expenditure of the State.

#### (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 State Government service<sup>7</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 further revised the procedure in February 2021. As per the revised procedure, the State Government's share would be transferred by debiting Major Head '2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme' to Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' in the Public Account instead of transferring directly to NSDL. The employer's share along with employees' share would then be transferred to NSDL from the Public Account. The State Government has the responsibility to deposit both employees' and employer's share with 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>8</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.

During the year 2023-24, total contribution to the NPS was ₹ 3,147.84 crore (Employees' contribution: ₹ 1,315.84 crore and Government's contribution: ₹ 1,832.00 crore). The Government transferred ₹ 3,147.84 crore (Employees' contribution ₹ 1,315.84 crore and Government's contribution ₹ 1,832.00 crore) to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. An amount of ₹ 0.03 crore was also deposited in the Public Account on account of contribution of employees on Foreign Service. The Government's contribution to the NPS was short by ₹ 10.18 crore, which resulted in understatement of Revenue Expenditure to that extent.

As per provisions of the scheme, during 2023-24, employees' contribution of ₹ 1,315.84 crore was booked under Major Head '8342-Other Deposits 117-Defined Contribution Pension Scheme for Government Employees' in Public Account'. The Government's share of ₹ 1,832.00 crore towards NPS was transferred from Major Head '2071-Pension and Other Retirement Benefits, 01-

<sup>7</sup> For categories mentioned in Rule 1.2 of Punjab Civil Service Rules, Volume-I, Part-I.

<sup>8</sup> Meagre amount of ₹ 0.59 crore was collected during 2006-2008.

Civil, 117-Defined Contributory Pension Scheme' to Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' in the Public Account as per revised procedure adopted by the State Government. It was noticed that as against the due amount of ₹ 1,842.18 crore, the Government actually contributed ₹ 1,832 crore during the current year.

During 2023-24, against the balance of ₹ 3,270.34 crore lying in the Public Account, the State Government transferred ₹ 3,161.34 crore to NSDL, leaving a balance of ₹ 109 crore as on 31 March 2024. .

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; 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 2.21**.

**Table 2.21: 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
2021-22	961.47	1,325.67	0.00	2,287.14	2,290.36	(+)3.22
2022-23	1,199.49	1,699.93	0.00	2,899.42	2,925.91	(+)26.49
2023-24	1,315.84	1,832.00	0.00	3,147.84	3,161.34	(+)13.50
<b>Total</b>	<b>7,883.53</b>	<b>9,776.39</b>	<b>183.37</b>	<b>17,843.29</b>	<b>17,734.29</b>	<b>(-)109.00</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 2008-24, against total receipts of ₹ 17,843.29 crore (employees' share: ₹ 7,883.53 crore, State Government contribution: ₹ 9,776.39 crore and interest: ₹ 183.37 crore), substantial amount of ₹ 17,734.29 crore (99 per cent) was transferred to the pension fund leaving a balance of ₹ 109 crore as on 31 March 2024. It was noticed that during the last

four years, the State Government contributed/transferred additional funds to minimise the shortfall.

The short contribution/transfer of funds of ₹ 109 crore to NSDL is a deferred liability of the State Government, which 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 contribute an avoidable interest of ₹ 183.37 crore.

### 2.4.1.3 Subsidies

**Table 2.22** depicts the expenditure on subsidies during the period 2019-2024. Subsidies during the current year decreased by ₹ 1,837 crore (8.91 *per cent*) over the previous year. The decrease was mainly due to decrease of ₹ 1,923 crore (9.52 *per cent*) on account of power subsidy partially set-off by increase of ₹ 115 crore on account of free books to scheduled castes students from 1<sup>st</sup> to 10<sup>th</sup> class.

**Table 2.22: Expenditure on subsidies during 2019-24**

	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	10,161	9,748	14,516	20,607	18,770
Power subsidy (₹ in crore)	9,394	9,657	13,443	20,200	18,177
Subsidies as percentage of Revenue Receipts	16.50	14.12	18.57	23.52	21.04
Subsidies as percentage of Revenue Expenditure	13.39	11.29	15.02	18.13	15.99
Subsidies as percentage of Total Expenditure	10.76	10.63	13.67	16.93	15.34
Subsidies as percentage to Revenue Deficit	71.13	56.36	78.60	79.12	66.52
Power subsidy as percentage to total subsidy	92.45	99.07	92.61	98.02	96.84

Source: Finance Accounts

Power subsidy constituted the major portion of the total subsidies ranging between 92 *per cent* and 99 *per cent*; and the subsidies contributed between 56 *per cent* and 79 *per cent* of the revenue deficit during 2019-2024.

#### (i) Implicit subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price less 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 2023-24 are detailed in **Table 2.23**.

**Table 2.23: Details of implicit subsidies during the year 2023-24**

		(₹ in crore)
Sr. No.	Scheme	Amount
1.	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	450.00
2.	Free travel facility from the rank of Constable to Inspector in Government/ PEPSU Road Transport Corporation (PRTC) Buses	23.00
3.	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	10.00
4.	Reimbursement to PEPSU Road Transport Corporation (PRTC) in lieu of concessional bus passes to the students of medical education (pass holder)	2.50
5.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students of Engineering Colleges/Polytechnics	6.38
6.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students	8.00
7.	Reimbursement to PEPSU Road Transport Corporation/ Punjab Roadways in lieu of free concessional bus passes to thalassemia/Cancer patients	1.36
<b>Total</b>		<b>501.24</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 local bodies and other institutions during the period 2019-2024 is presented in **Table 2.24**.

**Table 2.24: Financial assistance to Local Bodies and other institutions**

						(₹ in crore)
Institutions	2019-20	2020-21	2021-22	2022-23	2023-24	
<b>(A) Local Bodies</b>						
Municipal Corporations and Municipalities	2,365.48	2,694.56	2,424.13	2,345.70	2,419.76	
Panchayati Raj Institutions	885.81	3,313.12	1,463.61	1,529.97	888.22	
<b>Total (A)</b>	<b>3,251.29</b>	<b>6,007.68</b>	<b>3,887.74</b>	<b>3,875.67</b>	<b>3,307.98</b>	
<b>(B) Others</b>						
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	3,196.94	3,586.92	3,380.66	3,312.94	3,183.40	
Development Authorities	1,309.29	1,518.84	1,184.78	1,115.63	789.93	
Hospitals and Other Charitable Institutions	1,211.06	1,348.71	1,371.46	1,074.35	801.44	
Other Institutions	914.70	2,560.30	2,075.40	3,461.59	3,756.08	
<b>Total (B)</b>	<b>6,631.99</b>	<b>9,014.77</b>	<b>8,012.30</b>	<b>8,964.51</b>	<b>8,530.85</b>	
<b>Total (A+B)</b>	<b>9,883.28</b>	<b>15,022.45</b>	<b>11,900.04</b>	<b>12,840.18</b>	<b>11,838.83</b>	
<b>GIA on Salary</b>	3,247.85	3,795.42	3,898.89	3,996.92	4,654.16	
<b>GIA for non-salary</b>	5,921.09	8,482.86	7,745.91	8,033.32	6,654.28	
<b>GIA for creation of Capital assets</b>	714.34	2,744.17	255.24	809.95	530.40	
<b>GIA given in kind</b>	<i>Information not provided by the State Government</i>					
Revenue Expenditure	75,860	86,344	96,636	1,13,661	1,17,407	
Assistance as percentage of Revenue Expenditure	13.03	17.40	12.31	11.30	10.08	

Source: Finance Accounts

During the current year, financial assistance to local bodies and other institutions decreased by ₹ 1,001.35 crore (7.80 per cent) over the previous year. The decrease was mainly due to decrease in assistance to Panchayati Raj Institutions (₹ 641.75 crore: 41.95 per cent), Development Authorities (₹ 325.70 crore: 29.19 per cent), Hospitals and Other Charitable Institutions (₹ 272.91 crore: 25.40 per cent) and Educational Institutions (Aided Schools, Colleges, Universities, etc.) (₹ 129.54 crore: 3.91 per cent) partially set-off by increase in Other Institutions (₹ 294.49 crore: 8.51 per cent) and Municipal Corporations and Municipalities (₹ 74.06 crore: 3.16 per cent). The overall quantum of financial assistance to local bodies and other institutions as percentage of revenue expenditure decreased to 10.08 per cent during the current year from 11.30 per cent of the previous year.

The financial assistance for salary, non-salary and creation of capital assets had shown an increasing trend during the last five years (except for the years 2021-22 and 2023-24 for non-Salary and for creation of capital assets). Share of financial assistance on salary, non-salary and for creation of capital assets contributed an average of 32 per cent, 60 per cent and 8 per cent respectively. Major recipients of financial assistance are shown in **Table 2.25**.

**Table 2.25: Major recipients of financial assistance during the year 2023-24**

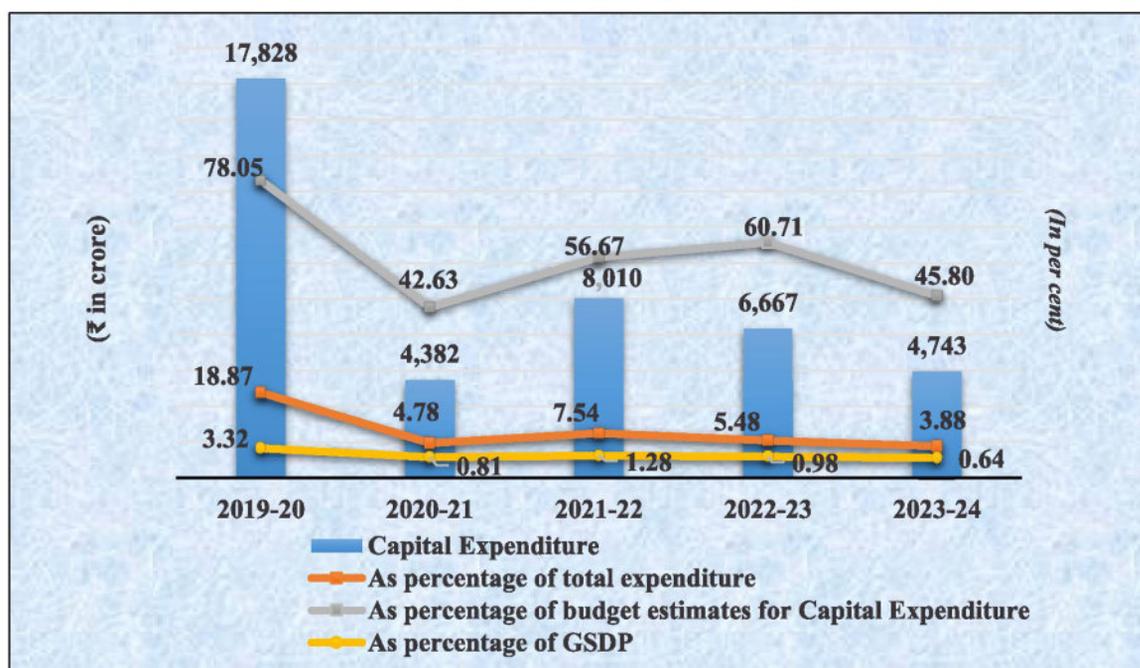
		(₹ in crore)
Recipient	Scheme	Amount
Director, Local Bodies	Punjab Municipal Fund - Assistance to Municipalities/ Municipal Councils /Urban Local Bodies	1,547.50
National Health Mission	National Rural Health Mission	764.68
Punjab Health System Corporation	Assistance	632.95
Government Primary Schools	Samagra Shiksha Abhiyaan including Education Guarantee Scheme - National Programme for education of girls of elementary level and Kasturba Gandhi Balika Vidyalaya	627.24
Government Secondary Schools	Information and Communication Technology	575.50
Gram Panchayat Samities	Grants-in-aid to PRIs	531.00
Punjab Agriculture University, Ludhiana	Assistance	474.55
Local Urban Bodies	Grants-in-aid	438.66
Government Secondary Schools	Samagra Shiksha Abhiyaan/Rastriya Madhyamik Shiksha Abhiyan	365.48
Punjabi University, Patiala	Grants-in-aid	360.00
Gram Panchayat Samitis	Mahatman Gandhi National Rural Employment Guarantee Scheme	341.60
Government Primary Schools	Mid-day Meal	327.50
Punjab Infrastructure Development Board	Assistance	232.03
Gram Panchayat Samitis	Compensation in lieu of Tax on the sale of Country Liquor	230.00
Non-Government Colleges and Institutes	Assistance	227.89

Source: Finance Accounts

## 2.4.2 Capital Expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capital expenditure, 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. Trends of capital expenditure in the State over the last five years i.e. 2019-2024 is given in **Chart 2.13**.

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



Source: Finance Accounts and Annual Financial Statements of respective years

**Chart 2.13** shows that capital expenditure fluctuated during the five years' period. It decreased by ₹ 13,085 crore (73.40 per cent) from ₹ 17,828 crore (18.87 per cent of total expenditure) in 2019-20 to ₹ 4,743 crore (3.88 per cent of total expenditure) in 2023-24. Besides, the State Government also gave Grants-in-aid of ₹ 5,054 crore<sup>9</sup> during the period 2019-24 for creation of assets. Utilisation of budget for capital expenditure ranged between 43 per cent and 61 per cent during 2019-2024 except in the year 2019-20 when it was 78 per cent due to conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, as discussed in Paragraph 2.4.2.2(v) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020. During this period, capital expenditure ranged between 0.64 per cent and 1.28 per cent of GSDP except for the year 2019-20 when it was 3.32 per cent due to conversion of UDAY loans.

<sup>9</sup> 2019-20: ₹ 714.34 crore; 2020-21: ₹ 2,744.17 crore; 2021-22: ₹ 255.24 crore; 2022-23: ₹ 809.95 crore; and 2023-24: ₹ 530.40 crore.

### 2.4.2.1 Major changes in capital expenditure

Major changes in capital expenditure during 2023-24 compared to 2022-23 are depicted in Table 2.26.

**Table 2.26: Capital expenditure during 2023-24 compared to 2022-23**

(₹ in crore)			
Major Head of Accounts	2022-23	2023-24	Increase (+)/ Decrease (-)
4217-Capital Outlay on Urban Development	2,270.03	1,103.51	(-)1,166.52
4210-Capital Outlay on Medical and Public Health	654.10	230.76	(-)423.34
4215-Capital Outlay on Water Supply and Sanitation	599.81	308.76	(-)291.05
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	193.55	1.21	(-)192.34
4425-Capital Outlay on Co-operation	135.00	0	(-)135.00
4515-Capital Outlay on Other Rural Development Programmes	297.88	171.66	(-)126.22
4202-Capital Outlay on Education, Sports, Arts and Culture	183.24	521.16	(+)337.92
5054-Capital Outlay on Roads and bridges	659.29	932.22	(+)272.93

Source: Finance Accounts

**Chart 2.13** shows that capital expenditure decreased by ₹ 1,924 crore (28.86 per cent) from ₹ 6,667 crore in 2022-23 to ₹ 4,743 crore in 2023-24. The decrease in overall capital expenditure was mainly due to decrease in Capital Outlay on Urban Development: ₹ 1,167 crore, Capital Outlay on Medical and Public Health: ₹ 423 crore, Capital Outlay on Water Supply and Sanitation: ₹ 291 crore, Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities: ₹ 192 crore, Capital Outlay on Co-operation: ₹ 135 crore and Capital Outlay on Other Rural Development Programmes: ₹ 126 crore. The decrease was partially off-set by increase in Capital Outlay on Education, Sports, Arts and Culture: ₹ 338 crore and Capital Outlay on Roads and Bridges: ₹ 273 crore.

### 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 companies, corporations and other bodies

Capital expenditure in 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 the quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSU) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

Total paid up capital of 35 working State PSUs stood at ₹ 23,467.16 crore at the end of 2023-24, of which the State Government's investment (equity) was ₹ 23,314.29 crore (99.35 per cent) in 24 State PSUs.

Twelve State PSUs in which the State Government held investment of ₹ 22,501.23 crore had aggregated accumulated losses of ₹ 17,753.96 crore (*Appendix 2.3*).

Net worth of nine out of the above 12 PSUs had completely eroded and had become negative. The net worth of these nine PSUs was (-) ₹ 7,377.96 crore against equity investment of ₹ 462.86 crore (GoP investment: ₹ 423.41 crore) in these PSUs as on 31 March 2024. In five out of nine PSUs whose capital had eroded, Government loans outstanding as on 31 March 2024 amounted to ₹ 21,026.19 crore (*Appendix 2.4*).

The long term loans amounting to ₹ 26,856.59 crore extended by the State Government in respect of ten PSUs were outstanding as on 31 March 2024 (*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	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year (₹ in crore)	19,898.08	19,911.84	19,899.69	20,038.52	20,039.78
Return (₹ in crore) <sup>\$</sup>	4.24	1.26	6.66	3.11	4.12
Return (per cent) <sup>\$</sup>	0.02	0.01	0.03	0.02	0.02
Average rate of interest on Government Borrowings (per cent)	7.96	7.58	7.46	7.17	7.28
Difference between return and interest rate (per cent)	(-7.94)	(-7.57)	(-7.43)	(-7.15)	(-7.26)
Difference between cost of Government borrowings and return on investment (₹ in crore) <sup>#</sup>	(-1,579.91)	(-1,507.33)	(-1,478.55)	(-1,432.75)	(-1,454.89)

Source: Finance Accounts

\$ on historical cost

# (Investment at the end of the year \* Difference between interest rate and return)/100.

During 2023-24, the return on investment was ₹ 4.12 crore<sup>10</sup> (0.02 per cent) (based on historical cost and not on net present value basis). The return was only between 0.01 per cent and 0.03 per cent during 2019-2024 while the average rate of interest paid by the State Government on its borrowings was between 7.17 per cent and 7.96 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 ₹ 7,453.43 crore.

### (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 15 PSUs was ₹ 19,014.89 crore whereas as per records of PSUs, it was ₹ 23,103.73 crore. There was a difference of ₹ 4,088.84 crore as detailed in *Appendix 2.6*. Reconciliation should be carried out in a time bound manner to resolve 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 2.28** presents the position of outstanding loans and advances as on 31 March 2024 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

**Table 2.28: Quantum of loans disbursed and recovered during 2019-24**

Particulars	₹ in crore				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening balance of loans outstanding	50,681	35,394	36,301	37,670	38,888
Amount advanced during the year	783	956	1,576	1,382	196
Amount recovered during the year	16,070	50	207	164	39
Closing balance of the loans outstanding	35,394	36,300	37,670	38,888	39,045
Net addition	(-)15,287	906	1,369	1,218	157
Interest received	1,336	25	19	15	28
Interest received <i>vis-à-vis</i> loans outstanding (per cent)	3.10	0.07	0.05	0.04	0.07
Average rate of interest paid on the outstanding borrowings of the Government	7.96	7.58	7.46	7.17	7.28
Difference between the rate of interest received and interest paid (per cent)	(-)4.86	(-)7.51	(-) 7.41	(-) 7.13	(-)7.21

Source: Finance Accounts

<sup>10</sup> Government Companies (₹ 4.00 crore); Joint Stock Companies (₹ 0.11 crore); and Co-operative Banks and Societies (₹ 0.01 crore).

During 2023-24, an amount of ₹ 196 crore was advanced as loans against ₹ 1,382 crore given during the previous year. The loans advanced during the current year included ₹ 100 crore extended to Co-operative Sugar Mills for setting up of new sugar complexes for efficient processing and value addition to sugarcane in Punjab. Loans amounting to ₹ 2,700 crore were outstanding at the beginning of the year against Co-operative Sugar Mills. It was noticed that despite recovery of only ₹ 7 crore of earlier loans, subsequent loans of ₹ 100 crore were given to these sugar mills.

The total outstanding loans advanced by the State Government increased by ₹ 157 crore from ₹ 38,888 crore in 2022-23 to ₹ 39,045 crore in the year 2023-24. Recovery of loans decreased by ₹ 125 crore (76 per cent) and interest receipts increased by ₹ 13 crore (87 per cent) in 2023-24 as compared to 2022-23. The interest received was only 0.07 per cent of the outstanding loans and advances during 2023-24.

The outstanding loans (₹ 39,045 crore) at the close of the year 2023-24 included long-term loans of ₹ 33,014 crore out of ₹ 34,474 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>11</sup>), of which ₹ 29,207 crore were outstanding; and
- clearing outstanding Cash Credit Limit (CCL) extended afresh to five State Procurement Agencies (SPA) during 2016-2024 (₹ 4,554 crore), of which ₹ 3,807 crore<sup>12</sup> were outstanding.

Thus, against the total amount of ₹ 34,474 crore advanced for clearing old and fresh CCL to SPAs during 2016-2024, recovery of only ₹ 1,460 crore<sup>13</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 2023-24 are shown in **Table 2.29** and **Table 2.30** respectively.

<sup>11</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.

<sup>12</sup> Besides, ₹ 41 crore pertaining to the period prior 2010-11 was also outstanding from PUNSUP.

<sup>13</sup> ₹ 713 crore (2017-18: ₹ 26 crore, 2018-19: ₹ 61 crore, 2019-20: ₹ 405 crore, 2020-21: ₹ 11 crore, 2021-22: ₹ 172 crore, 2022-23: ₹ 12 crore and 2023-24: ₹ 26 crore) against ₹ 29,920 crore; and ₹ 747 crore (2018-2023) against ₹ 4,554 crore.

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2024)
Upto 2012-13	3	2,543.96	1,169.70
2013-14	0	0.00	0.00
2014-15	0	0.00	0.00
2015-16	3	77.42	16.00
2016-17	0	0.00	0.00
2017-18	0	0.00	0.00
2018-19	1	5.48	5.47
2019-20	3	22.43	14.96
2020-21	5	450.62	335.24
2021-22	13	367.78	154.32
2022-23	3	18.56	14.09
2023-24	13	91.76	54.10
<b>Total</b>	<b>44</b>	<b>3,578.01</b>	<b>1,763.88</b>

Source: Finance Accounts

Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2024)
Public Works	24	456.02	237.22
Irrigation	15	2,719.51	1,242.08
Water Supply and Sanitation	5	402.48	284.58
<b>Total</b>	<b>44</b>	<b>3,578.01</b>	<b>1,763.88</b>

The expenditure of ₹ 1,764 crore incurred on 44 incomplete projects was yet to yield the intended benefits. Out of 44 incomplete projects, 15 projects on which expenditure of ₹ 1,541.37 crore had been incurred, pertained to the period prior to the year 2021-22.

Punjab being a deficit State, funds spent on these projects were borrowed at a very high cost. Delay in completion of projects not only adversely affected the quality of expenditure but also deprived the State of intended benefits and economic growth.

#### **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 2.31**.

**Table 2.31: Sector-wise details of PPP projects as on 31 March 2024***(₹ in crore)*

Sr. No.	Sector	Completed			Ongoing			Planned for future	
		No.	Estimated Cost	Revenue generated upto 31 March 2024	No.	Estimated Cost	Revenue generated upto 31 March 2024	No.	Estimated Cost
1.	Roads	8	690.23	74.49	--	--	--	--	--
2.	Health and Family Welfare	2 <sup>14</sup>	237.56	171.08	--	--	--	--	--
3.	Technical Education and Industrial Training*	--	--	--	2 <sup>15</sup>	23.30	--	--	--
4.	Medical Education & Research	--	--	--	1 <sup>16</sup>	131.16	62.55	--	--
<b>Total</b>		<b>10</b>	<b>927.79</b>	<b>245.57</b>	<b>3</b>	<b>154.46</b>	<b>62.55</b>	<b>--</b>	<b>--</b>

Source: Departmental information

\* These projects are sub-judice since February 2018

### 2.4.3 Expenditure priorities

Enhancing human development levels requires the State to step up its 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>17</sup> of the State Government with regard to expenditure on social and economic sectors, etc. is shown in **Table 2.32**.

**Table 2.32: Expenditure priority of the State with regard to health, education and capital expenditure***(In per cent)*

	TE/GSDP	CE/TE	Education*/TE	Health/ TE
General Category States Average (2019-20)	15.88	14.02	15.79	5.25
Punjab (2019-20)	17.59	19.70	11.74	3.72
General Category States Average (2023-24)	15.66	16.50	14.36	5.71
Punjab (2023-24)	16.42	4.04	12.79	4.09

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

TE: Total Expenditure and CE: Capital Expenditure (includes Loans and advances disbursed)

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

**Table 2.32** shows that:

- The State Government's total expenditure as proportion of GSDP, decreased from 17.59 per cent in 2019-20 to 16.42 per cent in

<sup>14</sup> (i) Development of Green Field Super Specialty Hospital on DBOT at Mohali and (ii) Development of Green Field Super Specialty Hospital on DBOT at Bathinda.

<sup>15</sup> (i) Government Polytechnic College, PO Rohon, Distt. Shaheed Bhagat Sigh Nagar and (ii) Government Polytechnic College, Anandpur Shaib, Distt. Ropar.

<sup>16</sup> (i) Punjab Institute of Medical Sciences (PIMS) Hospital & Medical College Jalandhar

<sup>17</sup> Ratio of expenditure in that category to Total Expenditure (TE).

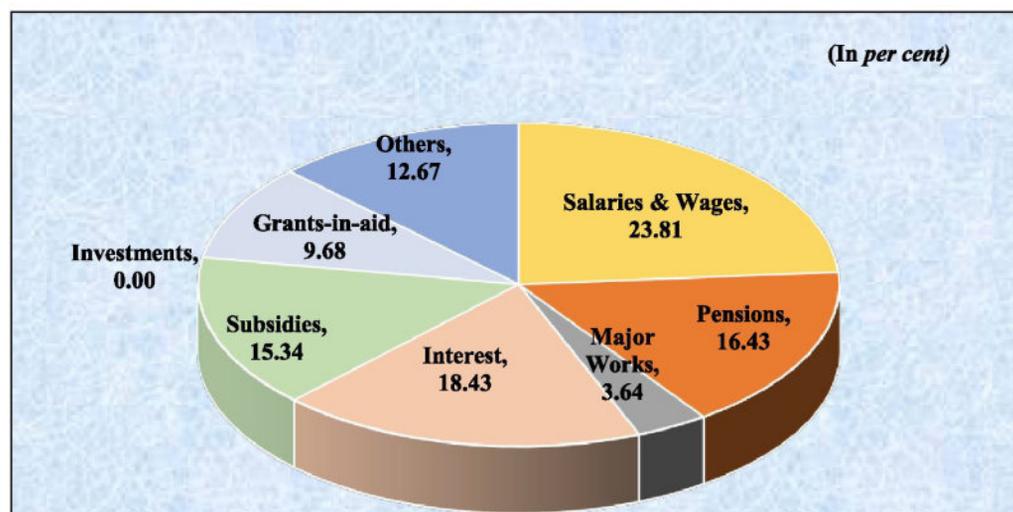
2023-24 whereas for General Category States (GCS), it decreased from 15.88 per cent to 15.66 per cent during the same period.

- Capital expenditure facilitates asset creation which generates opportunities for higher growth. Ratio of capital expenditure to total expenditure decreased from 19.70 per cent in 2019-20 to 4.04 per cent in 2023-24. Substantial capital expenditure in 2019-20 was 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) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020. This ratio for GCS increased from 14.02 per cent to 16.50 per cent during the same period.
- The ratio of expenditure on education to total expenditure in Punjab increased from 11.74 per cent in 2019-20 to 12.79 per cent in 2023-24 whereas it decreased from 15.79 per cent to 14.36 per cent in case of GCS during the same period.
- The ratio of expenditure on health to total expenditure in Punjab increased from 3.72 per cent in 2019-20 to 4.09 per cent in 2023-24 whereas it increased from 5.25 per cent to 5.71 per cent in 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 2023-24**



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 are given in **Table 2.33** and yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

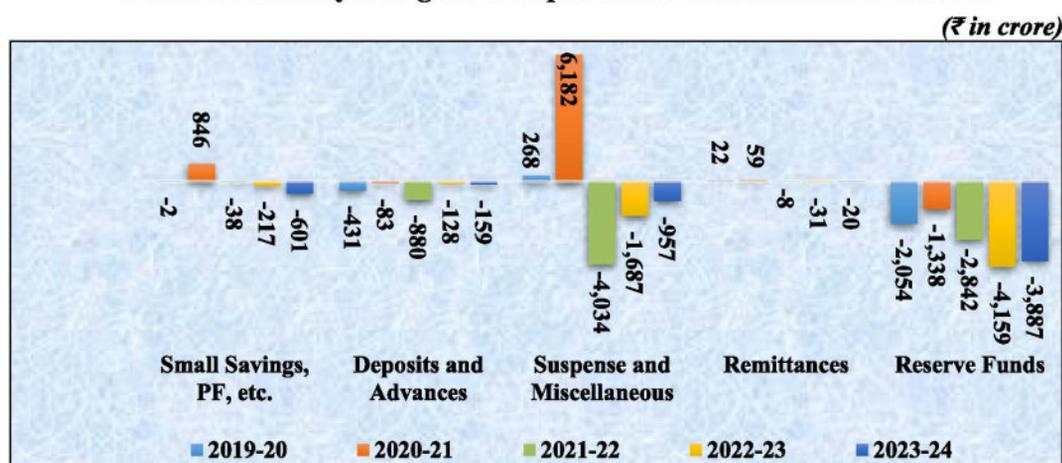
**Table 2.33: Component-wise net balances in Public Account**

		(₹ in crore)				
Sector	Sub-Sector	2019-20	2020-21	2021-22	2022-23	2023-24
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)22,995.06	(-)22,149.54	(-)22,187.70	(-)22,404.33	(-)23,005.28
Reserve Funds	(a) Reserve Funds bearing Interest	(-)8,203.96	(-)8,583.58	(-)9,508.56	(-)10,443.38	(-)12,065.48
	(b) Reserve Funds not bearing Interest	(-)253.20	(-)1,211.33	(-)3,127.96	(-)6,352.33	(-)8,617.43
Deposits and Advances	(a) Deposits bearing Interest	(-)776.16	(-)880.98	(-)1,400.28	(-)1,379.35	(-)1,366.99
	(b) Deposits not bearing Interest	(-)3,045.22	(-)3,023.68	(-)3,384.82	(-)3,533.92	(-)3,705.28
	(c) Advances	0.42	0.42	0.42	0.42	0.42
Suspense and Miscellaneous	(a) Suspense	(-)8.47	(-)102.69	129.71	(-)232.45	(-)246.95
	(b) Other Accounts	1,511.04	7,787.14	3,521.09	2,196.36	1,253.99
	(c) Accounts with Governments of Foreign Countries	0.66	0.66	0.66	0.66	0.66
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
Remittances	(a) Money Orders, and other Remittances	2.68	40.85	18.04	8.40	(-)0.59
	(b) Inter-Governmental Adjustment Account	22.59	43.05	57.40	35.85	24.58
<b>Total</b>		<b>(-)33,744.68</b>	<b>(-)28,079.68</b>	<b>(-)35,882.00</b>	<b>(-)42,104.07</b>	<b>(-)47,728.35</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



Source: Finance Accounts

Public account liabilities increased by ₹ 5,624 crore mainly due to increase of ₹ 2,265 crore in reserve funds not bearing interest. This included contribution of ₹ 1,750 crore to Consolidated Sinking Fund during the current year, which had been invested in Government of India securities, as discussed in Paragraph 2.5.2.1.

## 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 seven interest bearing funds and two reserve funds not bearing interest as on 31 March 2024. The balances lying in these reserve funds as on 31 March 2024 are given in Table 2.34.

Table 2.34: Details of Reserve Funds

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2024
<b>A</b>	<b>Reserve Funds bearing Interest</b>	<b>12,065.48</b>
1.	Depreciation Reserve Fund-Motor Transport	117.45
2.	Depreciation Reserve Fund-Government Presses	32.27
3.	General Reserve Fund-Motor Transport	55.29
4.	Punjab Road Safety Fund	87.28
5.	State Disaster Response Fund	10,380.41
6.	State Compensatory Afforestation Fund	869.65
7.	State Disaster Mitigation Fund	523.13
<b>B</b>	<b>Reserve Funds not bearing Interest</b>	<b>8,617.43</b>
1.	Sinking Funds	8,616.66
2.	Other Development and Welfare Fund	0.77
	<b>Grand Total</b>	<b>20,682.91</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 ₹ 6,351.61 crore in the Fund at the beginning of the current year. As on 31 March 2023, the outstanding liabilities of the Government of Punjab were ₹ 2,93,729.32 crore<sup>18</sup>. Accordingly, the State Government was required to contribute a minimum of ₹ 1,468.65 crore (0.50 *per cent*) during 2023-24 against which the State Government had made contribution of ₹ 1,750 crore to the Fund, which was invested in GoI Securities through RBI, besides accumulation of ₹ 515.05 crore in the Fund was also re-invested. Resultantly, there was a balance of ₹ 8,616.66 crore at the end of the current year.

Though the State Government contributed more than the required share during 2021-22, 2022-23 and 2023-24, there was still a short contribution of ₹ 4,792.16 crore<sup>19</sup> during 2011-2024 to the said Fund in line with the recommendations *ibid* to meet the objective of redeeming its outstanding liabilities.

### 2.5.2.2 State Disaster Risk Management Fund

The Fifteenth Finance Commission (15<sup>th</sup> FC) recommended creation of a State Disaster Risk Management Fund (SDRMF) at State level, which would include State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF). The total State allocation for SDRMF would be divided into SDRF and SDMF, which together address the full cycle of disaster management needs – response and relief, recovery and reconstruction, preparedness and capacity-building and mitigation. SDRF would receive 80 *per cent* of the total SDRMF, while SDMF would get 20 *per cent* of the allocation.

#### (i) 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

<sup>18</sup> Excluding ₹ 20,491.41 crore as back-to-back loans from GoI in 2020-2022 in lieu of GST Compensation shortfall, which were not to be repaid by the State from its sources.

<sup>19</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; 2020-21: ₹ 221.76 crore; 2021-22: (-)₹ 571.65 crore; 2022-23: (-)₹ 1,693.59 crore; and 2023-24: (-)₹ 281.35 crore.

75:25. The contributions are to be transferred under the Public Account to Major Head 8121-General and other Reserve Funds. Expenditure during the year is incurred by operating Major Head 2245-Relief on account of Natural Calamities.

The State Governments are required to pay interest to 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 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.

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 2023, an amount of ₹ 9,041.74 crore was lying in SDRF. During the year 2023-24, ₹ 1,758.42 crore (₹ 436.80 crore as Central share and ₹ 145.60 crore as State share for the year 2023-24; ₹ 208 crore as Central share(received on 31.03.2023) and ₹ 69.07 crore as State share for the year 2022-23; ₹ 81.39 crore towards refund of previous year's unspent balance lying with the Drawing and Disbursing Officers and ₹ 817.56 crore towards payment of interest by the State Government) were transferred to the Fund. An amount of ₹ 419.75 crore was spent from the Fund during the current year leaving a balance of ₹ 10,380.41 crore. The entire balance of ₹ 10,380.41 crore was lying uninvested in SDRF as on 31 March 2024, in violation of GoI guidelines *ibid*.

Details of expenditure charged to SDRF during 2023-24 are given in **Table 2.35**.

**Table 2.35: Details of expenditure charged to SDRF during 2023-24**

(₹ 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	387.07
	102-Drinking Water Supply	1.58
	104-Supply of Fodder	0.18
	105-Veterinary Care	0.09
	106-Repairs and restoration of damaged roads and bridges	21.91
	109-Repairs and restoration of damaged water supply, drainage and sewerage works	2.64
	111-Ex-gratia payments to bereaved families	2.08
	112-Evacuation of population	1.01
	113-Assistance for repairs/ reconstruction of Houses	1.35
	117-Assistance to farmers for purchase of livestock	0.01
	122-Repairs and restoration of damaged irrigation and flood control works	1.83
	<b>Total</b>	
<b>2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund</b>	901- Deduct - Amount met from State Disaster Response Fund	(-)419.75

Source: Finance Accounts

**(ii) State Disaster Mitigation Fund**

In accordance with Section 48(1)(c) of the Disaster Management Act, 2005, the State Government constituted (March 2023) under Major Head 8121-130-State Disaster Mitigation Fund (SDMF). This Fund is exclusively for the purpose of mitigation project in respect of disasters covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The Central and the State Governments are required to contribute to the fund in the proportion of 75:25.

As per Finance Accounts, as on 1 April 2023, an amount of ₹ 278.90 crore was lying in SDMF. During the year 2023-24, ₹ 211.40 crore (₹ 54.60 crore as Central share and ₹ 18.20 crore as State share for the year 2023-24; ₹ 104 crore as Central share and ₹ 34.60 crore as State share for the year 2022-23) were transferred to the Fund. The interest amounting to ₹ 32.84 crore has also been credited to the Fund. The closing balance as on 31 March 2024 was ₹ 523.13 crore in the fund.

**2.5.2.3 Guarantee Redemption Fund**

The State Government constitutes 'Guarantee Redemption Fund' for meeting 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.

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 the previous year to achieve a minimum level of three *per cent* of outstanding guarantees in the next five years. However, the State Government had not contributed anything to the Fund.

The State Government further revised (October 2017) the 'Guarantee Redemption Fund Scheme' with effect from the financial year 2017-18. In terms of the Scheme, the State Government was required to make a minimum contribution of one *per cent* and thereafter at the rate of 0.50 *per cent* of outstanding guarantees at the end of the previous year to achieve a minimum level of three *per cent* in next five years. The Fund shall be gradually increased to a desirable level of five *per cent*.

During the year, Government did not make any contribution as against ₹ 606.24 crore it was required to contribute to the Fund (3.00 *per cent* of outstanding guarantees of ₹ 20,207.87 crore as on 31 March 2023). The total accumulation of the Fund was Nil as on 31 March 2024. Further, as per provision of the scheme, Guarantee Fee collected was required to be transferred to the Fund. The Guarantee Fee amounting to ₹ 57.37 crore collected during the year 2023-24 was not transferred to the Fund resulting in understatement of the revenue expenditure and revenue deficit to that extent.

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 ₹ 8,616.66 crore (from the Consolidated Sinking Fund) was made upto the end of 2023-24. The general cash balance of ₹ 199.54 crore at the close of the year (Table 2.45) was not even equal to the balance of ₹ 12,065.57 crore shown in cash in earmarked reserve funds, which means that reserve funds were being used for other than intended purpose.

## **2.6 Funds outside Consolidated Fund/Public Account of the State and dedicated Funds**

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State,

all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

The Department of Finance, GoP directed (February 2018) that no State levies (taxes, duties, fees, user charges etc.) and receipts shall be retained by any Administrative Department or any other agencies under it. These shall be deposited in the Consolidated Fund of the State under the relevant head of account. Any retention or diversion of such funds shall be only with a specific authorisation from the Finance Department, which shall be obtained afresh by 31 March 2018.

The State Government imposed various cesses for meeting expenditure for specific purposes. Audit collected information/data of some cesses being levied by the Departments concerned which are discussed below:

### **2.6.1 Cultural Cess**

The State Government imposed (April 2013) cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges, irrigation works, etc. and on buildings costing more than ₹ 50 crore (revised to ₹ 15 crore with effect from December 2013) under the Punjab Ancient, Historical Monuments, Archeological Sites and Cultural Heritage Maintenance Board Act, 2013. The proceeds of the cess were to be credited by the concerned agencies directly into the Consolidated Fund of the State, within 15 days of its collection.

It was, however, noticed that an amount of ₹ 1.31 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies<sup>20</sup> as on 31 March 2024. This was in addition to the total amount deposited (₹ 51.63 crore) under Major Head 0202-Education, Sports, Art and Culture, 04-Art and Culture, 800-Other Receipts during the year 2023-24.

### **2.6.2 Cancer and Drug Addiction Treatment Fund**

The State Government notified (April 2013) the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 under which Cancer and Drug Addiction Treatment Fund was constituted. The contribution to the Fund would be made as specified under Section 6 of the Act and will be credited to the Consolidated Fund of the State. The fund would be administered by a

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<sup>20</sup> (i) Punjab Water Resources Management and Development Corporation: ₹ 0.19 crore; (ii) Greater Mohali Area Development Authority (GMADA): ₹ 0.69 crore; and (iii) Secretary Punjab Mandi Board: ₹ 0.43 crore.

Board<sup>21</sup> constituted under the Act and it could be utilised for specific purposes as mentioned under Section 5 of the Act.

It was, however, noticed that an amount of ₹ 3.24 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies<sup>22</sup> as on 31 March 2024. This was in addition to the total amount deposited (₹ 79.09 crore) under Major Head 0210-Medical and Public Health, 80-General, 800-Other Receipts during the year 2023-24.

### 2.6.3 Education Cess

Government of Punjab, Punjab Urban Planning and Development Authority (PUDA) issued (March 2008) instructions that Education Cess at the rate of five *per cent* of the total money collected from bidders be imposed on all properties auctioned by six development authorities<sup>23</sup> after 1 April 2007 and be deposited into Government Account.

It was, however, noticed that an amount of ₹ 2.13 crore which was required to be deposited in the Consolidated Fund of the State was lying with the Greater Ludhiana Area Development Authority as on 31 March 2024.

### 2.6.4 Receipts Collected by Punjab State Power Corporation Limited

The Punjab State Power Corporation Limited (PSPCL) was collecting Dedicated Social Security Fund (DSSF), Electricity Duty (ED), and Infrastructure Development Funds (IDF) under the provisions of notifications issued in January 2005, March 2011 and November 2015 respectively. As per these notifications, the said receipts collected by PSPCL were required to be deposited into the Consolidated Fund of the State.

It was observed that as on 31 March 2024, an amount ₹ 381.81 crore<sup>24</sup> was lying with PSPCL which was not deposited into the Consolidated Fund of the State as required under the provisions of notifications *ibid*.

### 2.6.5 Building and Other Construction Workers Welfare Cess (Labour Cess)

The State Government instructed (November 2008) all the heads of the Department/Boards/Autonomous Bodies/Local Authorities to collect cess at the rate of one *per cent* of cost of all construction and also from individuals who got approved building plan for own residence having cost of ₹ 10 lakh or more,

<sup>21</sup> Punjab State Cancer and Drug Addiction Treatment Infrastructure Board.

<sup>22</sup> (i) Registrar Cooperative Societies Sugarfed: ₹ 0.03 crore; (ii) Punjab Small Industries and Export Corporation Limited: ₹ 0.20 crore; (iii) Punjab Urban Planning and Development Authority (PUDA): ₹ 0.12 crore; and (iv) GMADA: ₹ 2.89 crore.

<sup>23</sup> (i) Greater Mohali Area Development Authority; (ii) Greater Ludhiana Area Development Authority; (iii) Jalandhar Development Authority; (iv) Amritsar Development Authority; (v) Bathinda Development Authority; and (vi) PUDA, Patiala.

<sup>24</sup> (i) Electricity Duty: ₹ 141.88 crore; (ii) Dedicated Social Security Fund (DSSF): ₹ 48.88 crore; and (iii) Infrastructure Development Funds (IDF): ₹ 191.05 crore.

as notified (September 1996) by the Central Government, and deposit it with the Punjab Building and Other Construction Workers' Welfare Board. The cess so collected was required to be spent for the social security schemes and welfare measures adopted by the Board for the benefit of the building and other construction workers in the State.

However, it was noticed that labour cess amounting to ₹ 22.61 crore, though collected by the collecting agencies<sup>25</sup>, was not transferred to the concerned Board as on 31 March 2024, in violation of the instructions *ibid*, which would ultimately hamper the implementation of social security schemes and welfare measures for the benefit of the building and other construction workers in the State.

Further, it was also noticed that Labour Cess amounting to of ₹ 38.66 crore remained un-transferred from Major Head '0230-Labour and Employment' amounting as on 31 March 2023. During the year 2023-24, the Government collected ₹ 10.02 crore as Labour Cess under Major Head '0230-Labour and Employment' but did not transfer any amount to Building and other Construction Workers Welfare Board. Thus, the un-transferred amount from Major Head '0230-Labour and Employment' was ₹ 48.68 crore as on 31 March 2024.

#### 2.6.6 Royalty

As per Rule 23 of Punjab Minor Mineral Rules, 2013 the holder of the mining lease shall pay royalty in respect of any mineral removed by him from the lease area. Further, as per notification (June 2013), the royalty will be deposited into the Consolidated Fund of the State.

The Water Resources Department (WRD) collects royalty for mining activities. It was, however, noticed that out of ₹ 226.86 crore collected as royalty, an amount of ₹ 208.31 crore was deposited in the Consolidated Fund of the State and ₹ 0.06 crore was transferred to the designated authority/body during the year 2023-24, thereby leaving a balance of ₹ 18.49 crore lying with WRD as on 31 March 2024.

Thus, non-deposit of receipts of ₹ 406.98 crore into Consolidated Fund of the State resulted in understatement of revenue receipts, thereby impacting revenue deficit and fiscal deficit to that extent.

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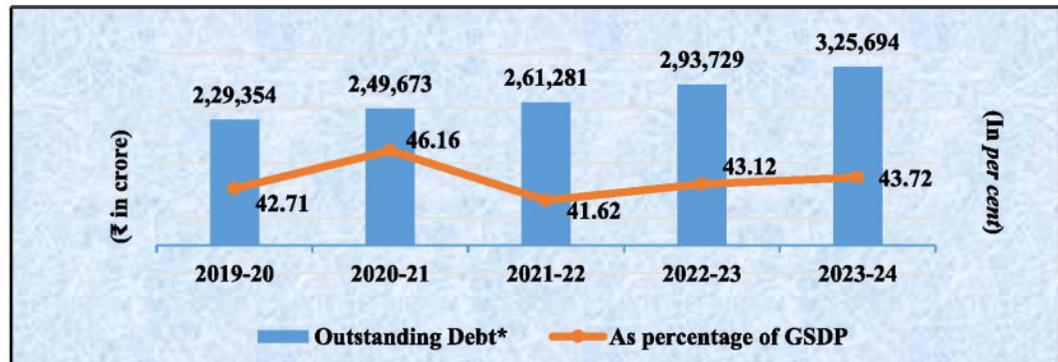
<sup>25</sup> (i) Punjab Small Industries and Export Corporation Limited: ₹ 0.02 crore; (ii) Secretary, Punjab Mandi Board: ₹ 0.15 crore; (iii) Punjab Agro Industries Corporation Limited: ₹ 0.01 crore; (iv) Punjab State Transmission Corporation Limited: ₹ 0.24 crore; (v) Water Supply and Sanitation Department: ₹ 0.34 crore; (vi) Punjab Water Resources Management and Development Corporation: ₹ 0.15 crore; (vii) Bathinda Development Authority: ₹ 0.04 crore; (viii) PUDA: ₹ 0.25 crore; (ix) Greater Ludhiana Area Development Authority: ₹ 3.92 crore; (x) Jalandhar Development Authority: ₹ 0.18 crore; (xi) Patiala Development Authority: ₹ 2.35 crore; and (xii) GMADA: ₹ 14.96 crore.

## 2.7 Public Liability Management

Management of Public Liability is the process of establishing and executing a strategy for managing the Government's liabilities 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 liability of the State along with its percentage to GSDP for the years 2019-20 to 2023-24 is depicted in **Chart 2.16**.

**Chart 2.16: Outstanding Public Liability and its percentage to GSDP**



Source: Finance Accounts

\* During the years 2020-21 and 2021-2024, it excludes ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore+ ₹ 12,132 crore) respectively, 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.

### 2.7.1 Liability Profile: Components

Total liabilities of the State Government typically constitute Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund, loans from financial institutions, etc.), loans and advances from the Central Government and Public Account liabilities. The component-wise liability trends of the State for the period of five years beginning from 2019-20 are presented in **Table 2.36**.

**Table 2.36: Component-wise outstanding liability trends**

(₹ in crore)					
Components of fiscal liability	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Outstanding Total liability</b>	<b>2,29,354</b>	<b>2,49,673</b>	<b>2,61,281</b>	<b>2,93,729</b>	<b>3,25,694</b>
Public Debt	1,94,333	2,15,035	2,24,799	2,55,968	2,85,550
<i>Internal Debt</i>	<i>1,89,662</i>	<i>2,10,394</i>	<i>2,20,196</i>	<i>2,50,972</i>	<i>2,80,966</i>
<i>Loans from GoI*</i>	<i>4,671</i>	<i>4,641</i>	<i>4,603</i>	<i>4,996</i>	<i>4,584</i>
Public Account Liabilities	35,021	34,638	36,482	37,761	40,144
<i>Small Savings, Provident Funds, etc.</i>	<i>22,995</i>	<i>22,149</i>	<i>22,188</i>	<i>22,404</i>	<i>23,005</i>
<i>Reserve Funds bearing interest</i>	<i>8,204</i>	<i>8,583</i>	<i>9,508</i>	<i>10,443</i>	<i>12,065</i>
<i>Reserve Funds not bearing interest</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Deposits bearing interest</i>	<i>776</i>	<i>881</i>	<i>1,400</i>	<i>1,379</i>	<i>1,367</i>
<i>Deposits not bearing interest</i>	<i>3,045</i>	<i>3,024</i>	<i>3,385</i>	<i>3,534</i>	<i>3,705</i>
Rate of growth of outstanding total liability (per cent)	8.23	8.86	4.65	12.42	10.88
Gross State Domestic Product (GSDP)	5,37,031	5,40,853	6,27,717	6,81,251	7,44,899
Liability/GSDP (per cent)	42.71	46.16	41.62	43.12	43.72
<b>Borrowings and Other Liabilities (As per Statement 6 of Finance Accounts)</b>					
Total Receipts (including WMA)#	65,907	64,248	43,605	1,04,434^	1,17,959
Total Repayments (including WMA)	48,470	43,928	31,997	71,986^	85,994
Net funds available	17,437	20,320	11,608	32,448	31,965
Repayments/Receipts (per cent)	73.54	68.37	73.38	68.93	72.90

Source: Finance Accounts

\* During the years 2020-21 and 2021-2024, it excludes ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore+₹ 12,132 crore) respectively, 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 the years 2020-21 and 2021-22, these have been calculated after excluding ₹ 8,359 crore and ₹ 12,132 crore respectively, 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.

^ No Ways and Means advances were taken in 2022-23.

The total liabilities of the State Government had been on the rise as it increased by 42 per cent from ₹ 2,29,354 crore in 2019-20 to ₹ 3,25,694 crore in 2023-24, 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 (₹ 22,093 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 2015-2017 (₹ 10,363 crore out of ₹ 15,628 crore).

Public Debt increased by ₹ 91,217 crore (46.94 per cent) during the period 2019-2024 wherein Internal debt increased by ₹ 91,304 crore (48.14 per cent) and Loans from GoI decreased by ₹ 87 crore (1.85 per cent). Public Account liabilities increased by ₹ 5,123 crore (14.63 per cent) during the period 2019-2024. Major increase was under 'Reserve Funds bearing Interest' (₹ 3,861 crore: 47.06 per cent), 'Deposits not bearing Interest' (₹ 660 crore: 21.68 per cent) and 'Deposits bearing Interest' (₹ 591 crore: 76.16 per cent).

Break-up of outstanding total liabilities at the end of 2023-24 is shown in **Chart 2.17**.

**Chart 2.17: Break-up of outstanding total liabilities at the end of 2023-24**

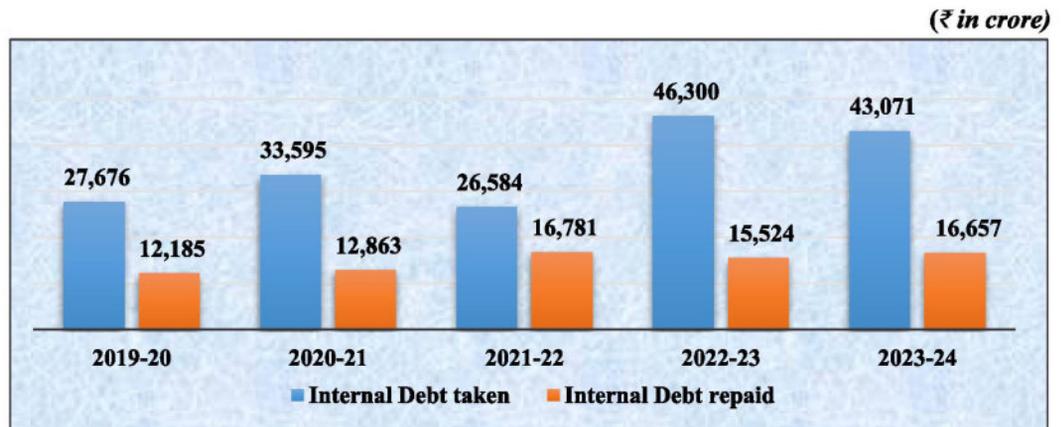


Source: Finance Accounts

\* Excludes back-to-back loans of ₹ 20,491 crore received from GoI in lieu of GST Compensation shortfall during 2020-2022, 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. 2019-24.

**Chart 2.18: Internal debt receipt *vis-a-vis* repayment**



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 91,304 crore (48.14 per cent) from ₹ 1,89,662 crore in 2019-20 to ₹ 2,80,966 crore in 2023-24 (**Table 2.36**). An amount of ₹ 19,770 crore was paid towards interest on internal debt during 2023-24.

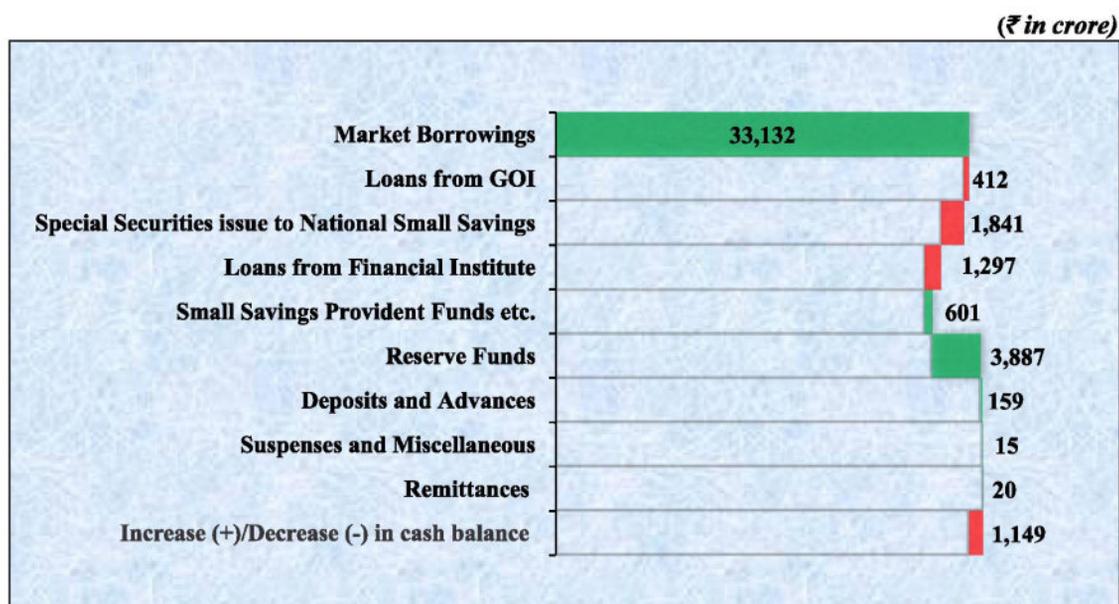
**Table 2.37** depicts financing pattern of the fiscal deficit during 2019-2024 and the financing of fiscal deficit during 2023-24 is expressed through a water flow chart (**Chart 2.19**).

**Table 2.37: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Composition of Fiscal Deficit</b>	<b>(-)16,826</b>	<b>(-)22,584</b>	<b>(-)27,847</b>	<b>(-)33,930</b>	<b>(-)33,115</b>
1 Revenue Deficit	(-)14,285	(-)17,296	(-)18,468	(-)26,045	(-)28,215
2 Net Capital expenditure	(-)17,828	(-)4,382	(-)8,010	(-)6,667	(-)4,743
3 Net Loans and Advances	15,287	(-)906	(-)1,369	(-)1,218	(-)157
<b>Financing Pattern of Fiscal Deficit</b>					
1 Market Borrowings	18,470	23,467	13,414	33,660	33,132
2 Loans from GoI	(-)288	8,329	12,095	393	(-)412
3 Special Securities issued to NSSF	(-)1,841	(-)1,838	(-)1,841	(-)1,841	(-)1,841
4 Loans from Financial Institutions	(-)1,138	(-)898	(-)1,770	(-)1,043	(-)1,297
5 Small Savings, PF, etc.	2	(-)845	38	217	601
6 Reserve Funds	2,054	1,338	2,842	4,159	3,887
7 Deposits and Advances	431	83	880	128	159
8 Suspense and Miscellaneous	(-)41	130	(-)195	364	15
9 Remittances	(-)23	(-)59	8	30	20
<b>10 Overall Deficit</b>	<b>17,626</b>	<b>29,707</b>	<b>25,471</b>	<b>36,067</b>	<b>34,264</b>
11 Increase (+)/Decrease (-) in cash balance	(-)800	(-)7,123	(+)2,376	(-)2,137	(-)1,149
<b>12 Gross Fiscal Deficit</b>	<b>16,826</b>	<b>22,584</b>	<b>27,847</b>	<b>33,930</b>	<b>33,115</b>

Source: Finance Accounts

**Chart 2.19: Financing of fiscal deficit during 2023-24**

Source: Finance Accounts

The components of receipts and disbursements financing the fiscal deficit during the year 2023-24 are depicted in **Table 2.38**.

**Table 2.38: Receipts and Disbursements under various components financing the fiscal deficit during 2023-24**

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings*	46,001	12,869	33,132
2	Loans from GoI	212	624	(-)412
3	Special Securities issued to NSSF	0	1,841	(-)1,841
4	Loans from Financial Institutions	650	1,947	(-)1,297
5	Small Savings, PF, etc.	3,418	2,817	601
6	Reserve Funds	4,629	742	3,887
7	Deposits and Advances	6,878	6,719	159
8	Suspense and Miscellaneous	84,216	84,201	15
9	Remittances	103	83	20
<b>10</b>	<b>Overall Deficit</b>			<b>34,264</b>
11	Increase /Decrease in cash balance	10,158	9,009	(-)1,149
<b>12</b>	<b>Gross Fiscal Deficit</b>			<b>33,115</b>

Source: Finance Accounts

\* Receipts Include net figure of ₹ 3,580 crore under Ways and Means Advances/Overdraft/Special Drawing Facility.

## 2.7.2 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 2.39 and Chart 2.20.

**Table 2.39: Maturity Profile of repayment of Public debt of the State**

Period of repayment (Years)	Principal Amount	Interest Amount <sup>#</sup>	Public Debt (including interest)	Percentage (w.r.t. total public debt)
	(₹ in crore)			
0 – 1	11,518.38	21,369.29	32,887.67	6.55
1 – 3	29,370.02	39,633.78	69,003.80	13.74
3 – 5	41,261.76	34,574.40	75,836.16	15.10
5 – 7	32,711.43	28,901.66	61,613.09	12.27
7-10	41,823.42	33,737.09	75,560.51	15.04
Above 10	1,20,838.29	58,444.31	1,79,282.60	35.70
Others <sup>26</sup>	8,026.56*	--	8,026.56	1.60
<b>Total</b>	<b>2,85,549.86</b>	<b>2,16,660.53</b>	<b>5,02,210.39</b>	<b>100.00</b>

Source: Calculated on the basis of Finance Accounts

<sup>#</sup> Approximate interest calculated at average interest rate of 7.70 per cent (average of interest rates on Public Debt for the last five years i.e. 8.17 per cent in 2019-20; 7.87 per cent in 2020-21; 7.71 per cent in 2021-22; 7.33 per cent in 2022-23; and 7.40 per cent in 2023-24). Average rate for the year = Interest paid/(OB of Public Debt+CB of Public Debt)/2 \*100.

\* Excluding ₹ 20,491.41 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-22, which are not to be repaid by the State from its sources.

<sup>26</sup> Includes loans of ₹ 0.32 crore, repayment of which is on the basis of actual recoveries; net figure of ₹ 3,580.43 crore under Ways and Means Advances/Overdraft/Special Drawing Facility; and ₹ 4,445.81 crore representing loans on back-to-back basis, recoveries of which are being made by the Central Government itself.

**Table 2.39** indicates that the State Government has to repay 20.29 per cent (₹ 1,01,891.47 crore) of its public debt (including approximate interest) within the next three years, 15.10 per cent (₹ 75,836.16 crore) between 3-5 years, 12.27 per cent (₹ 61,613.09 crore) between 5-7 years and 15.04 per cent (₹ 75,560.51 crore) between 7-10 years. It signifies that the State has to repay 62.70 per cent of its debt (₹ 3,14,901.23 crore) in the next ten years.

**Chart 2.20: Maturity Profile of Public Debt**



Source: Finance Accounts

\* Excluding ₹ 20,491 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-22, which are not to be repaid by the State from its sources.

**Table 2.40** and **Chart 2.21** show the year-wise repayment schedule during the next ten years of the Public Debt outstanding as on 31 March 2024.

**Table 2.40: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2033-34**

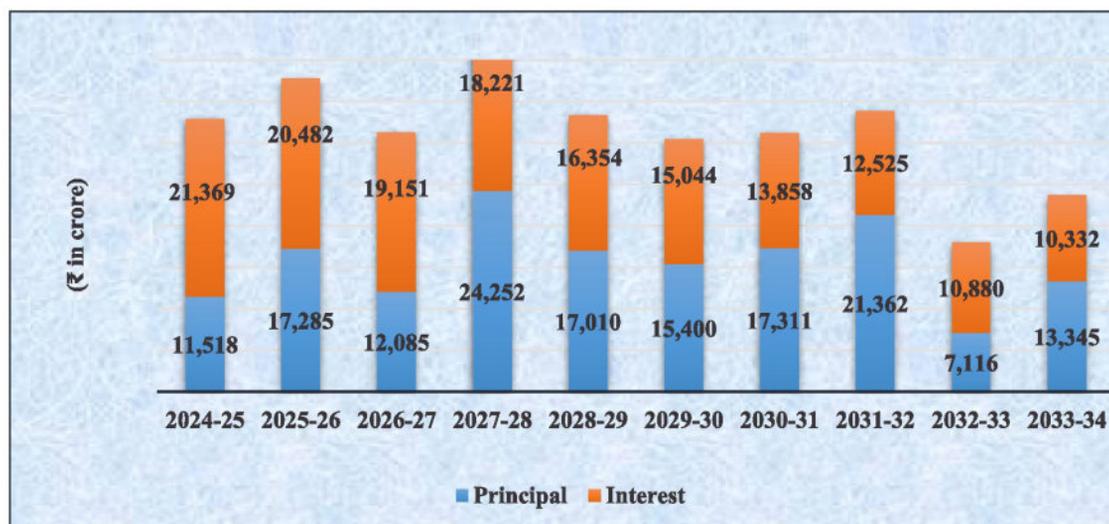
(₹ in crore)

Year	Repayment of		
	Principal	Interest <sup>#</sup>	Total
2024-25	11,518.38	21,369.29	32,887.67
2025-26	17,285.45	20,482.38	37,767.83
2026-27	12,084.57	19,151.40	31,235.97
2027-28	24,251.57	18,220.89	42,472.46
2028-29	17,010.19	16,353.51	33,363.70
2029-30	15,399.98	15,043.73	30,443.71
2030-31	17,311.45	13,857.93	31,169.38
2031-32	21,362.48	12,524.95	33,887.43
2032-33	7,116.12	10,880.04	17,996.16
2033-34	13,344.82	10,332.10	23,676.92
<b>Total</b>	<b>1,56,685.01</b>	<b>1,58,216.22</b>	<b>3,14,901.23</b>

Source: Finance Accounts

<sup>#</sup> Approximate interest calculated at average interest rate of 7.70 per cent as explained below Table 2.39

**Chart 2.21: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2032-33**



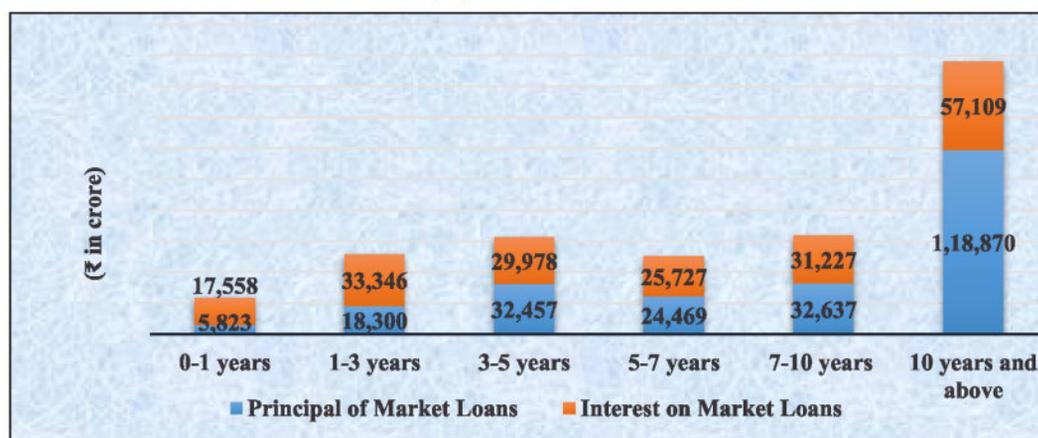
Source: Finance Accounts

**Table 2.40** shows that on an average, the State will have to repay public debt of ₹ 31,490 crore (including approximate interest in respect of debt outstanding at the end of 2023-24) annually till 2033-34. In addition to the debt outstanding at the end of 2023-24, the State would have to resort to further borrowings every year to cover the resource gap, which would result in increase in debt and more funds being utilised for repayment of earlier borrowings.

In addition to above, other factors such as public account liabilities and *force majeure*<sup>27</sup> events and/or any other unanticipated loss of revenue also have to be reckoned.

Repayment schedule of market loans along with interest is given in **Chart 2.22**.

**Chart 2.22: Repayment schedule of market loans**



Source: Finance Accounts.

Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2024 and approximate interest has been calculated at weighted average of interest rate for market loans given in Finance Accounts up to the financial year in which the loans are going to retire.

<sup>27</sup> Like COVID-19 pandemic and its effect on GSDP.

As on 31 March 2024, market loans amounting to ₹ 4,27,501 crore along with approximate interest were due for repayment. The State will have to repay market loans of ₹ 1,37,462 crore (32 per cent) (₹ 56,580 crore as principal and ₹ 80,882 crore as approximate interest) during the next five years i.e. up to 2028-2029. Market loans of ₹ 1,14,060 crore (27 per cent) (₹ 57,106 crore as principal and ₹ 56,954 crore as approximate interest) will have to be repaid in subsequent five years period up to 2033-34. This means that in the next five years (2024-29), on an average, the State will have to make repayment of ₹ 27,492 crore annually of the market loans which will go down to ₹ 22,812 crore in the subsequent five years (2029-34). The remaining ₹ 1,75,979 crore (41 per cent) (₹ 1,18,870 crore as principal and ₹ 57,109 crore as approximate interest) will be repayable after 2034.

## 2.8 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters, Domar approach<sup>28</sup> and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

- (A) Debt sustainability refers to the ability of the State to service its debt obligation now and in the future. Analysis of variations in debt sustainability indicators is given in **Table 2.41** and **Chart 2.23**.

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<sup>28</sup> Based on a study by E.D Domar [Domar, 1944].

Table 2.41: Trends in Debt Sustainability Indicators

(₹ in crore)

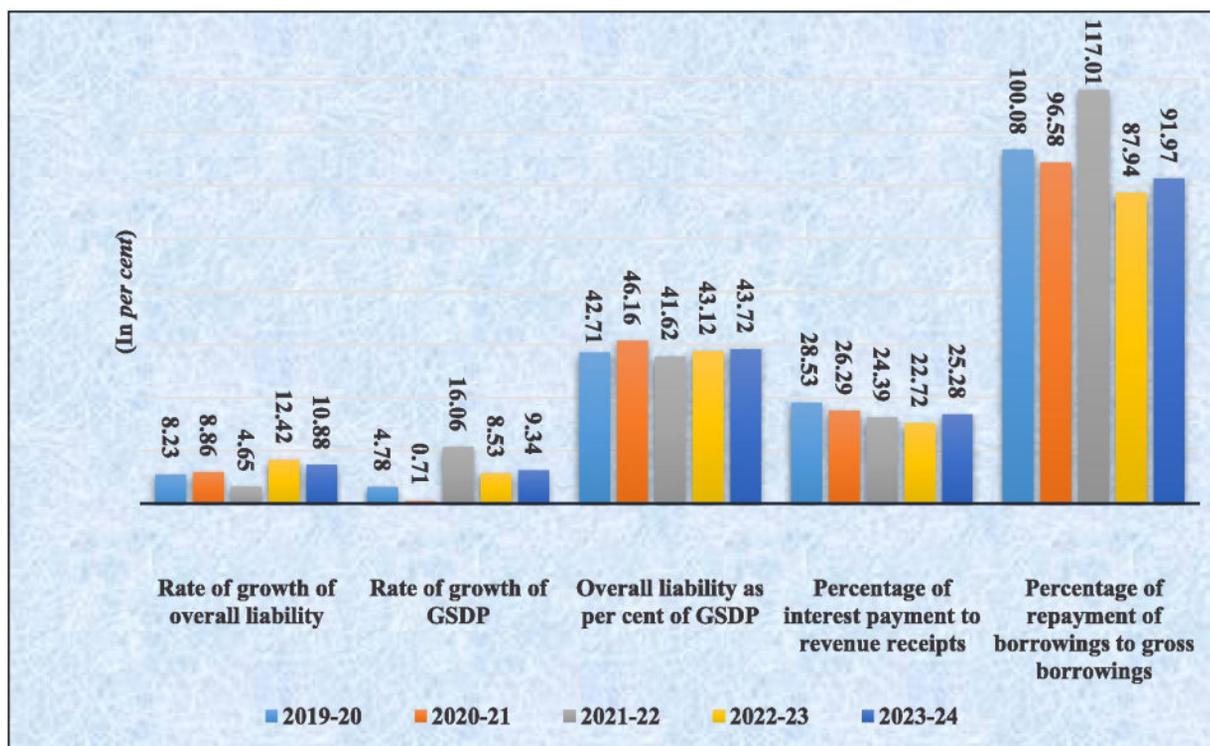
Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1.	Overall liabilities or Overall Debt* (As on 31 March of the year)	2,29,353.72	2,49,673.12	2,61,281.24	2,93,729.32	3,25,693.66
2.	Rate of growth of overall liability (per cent)	8.23	8.86	4.65	12.42	10.88
3.	GSDP (in nominal terms)	5,37,031	5,40,853	6,27,717	6,81,251	7,44,899
4.	Nominal GSDP growth (per cent)	4.78	0.71	16.06	8.53	9.34
5.	Overall liability /GSDP (per cent)	42.71	46.16	41.62	43.12	43.72
6.	Maturity profile of Public Debt (Principal) (per cent) <sup>e</sup>					
6a.	0-1 years	6.45	8.36	7.33	6.80	4.03
6b.	1-5 years	31.39	28.38	25.13	25.12	24.74
6c.	5-10 years	41.27	38.65	41.95	30.39	26.10
6d.	Over 10 years	18.93	22.77	23.76	35.86	42.32
6e.	Others	1.96	1.84	1.83	1.83	2.81
7.	Repayment to gross borrowings (per cent)	99.22	100.08	96.58	117.01	87.94
8.	Net borrowings available as a percentage of gross borrowings	0.78	(-)0.08	3.42	(-)17.01	12.06
9.	Interest payments on overall liability	17,567.17	18,152.50	19,063.50	19,905.13	22,551.93
10.	Effective rate of interest on overall liability (per cent) <sup>s</sup>	8.06	7.68	7.57	7.29	7.40
11.	Interest payment to revenue receipts (per cent)	28.53	26.29	24.39	22.72	25.28
12.	Revenue deficit/surplus	(-)14,285	(-)17,296	(-)18,468	(-)26,045	(-)28,215
13.	Primary revenue balance <sup>@</sup>	3,282	857	596	(-)6,140	(-)5,663
14.	Primary balance <sup>#</sup>	741	(-)4,432	(-)8,784	(-)14,025	(-)10,563
15.	Primary balance/GSDP(per cent)	0.14	(-)0.82	(-)1.40	(-)2.06	(-)1.42
16.	Difference between effective rate of interest receipts <sup>y</sup> and effective rate of interest on overall liability	(-)4.96	(-)7.61	(-)7.52	(-)7.25	(-)7.33
17.	Liquidity management (use of financial accommodation instrument available with RBI) <sup>β</sup>	26,957 (181)	21,309 (101)	2,006 (10)	42,282 (116)	59,751 (188)
18.	Debt stabilisation (Quantum spread <sup>α</sup> + Primary balance)	(-)6,682	(-)21,603	13,067	(-)10,443	(-)4,342
19.	Domar model					
a	GSDP (in constant terms)	4,13,295	4,07,264	4,37,373	4,65,079	4,95,881
b	Real growth (per cent)	4.10	(-)1.46	7.39	6.33	6.62
c	Inflation based on CPI (per cent)	5.02	4.59	4.82	6.08	5.53
d	Effective rate of interest (per cent) <sup>s</sup>	8.06	7.68	7.57	7.29	7.40

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
e	Real effective rate of interest (effective rate of interest – inflation)	3.04	3.09	2.75	1.21	1.87
f	Growth interest differential (real growth - real effective rate of interest(g-r))	1.06	(-).4.55	4.64	5.12	4.75

Source: Finance Accounts, CPI index and Ministry of Statistics and Programme Implementation, GOI for GSDP figures

- \* Overall liability is the sum of outstanding balances under Public Debt and Other Liabilities. During the years 2020-21 and 2021-2024, it excluded ₹ 8,359 crore and ₹ 20,491.41 crore (₹ 8,359 crore+₹ 12,132.41 crore) respectively 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.
- € Maturity profile represents redemption pressure of principal of public debt over the years.
- § Effective Rate of Interest = Interest Payments/ [(Opening Balance of Debt + Closing Balance of Debt)/2] \*100. Opening and Closing balance of debt excluding non-interest bearing loans, reserve funds and deposits.
- @ Primary revenue balance (PRB) = Revenue receipts – revenue expenditure (net of interest payments), where (-) PRB implies primary revenue deficit and vice versa.
- # Primary balance (PB) = Total receipts (net of borrowings), – Total expenditure (net of interest payments), where (-) PB implies primary deficit and vice -versa.
- \* Effective Rate of Interest Receipts = Interest Receipts/ [(Opening Balance of Outstanding Loans and Advances Disbursed + Closing Balance of Outstanding Loans and Advances Disbursed)/2] \*100
- β Liquidity Management: Amount availed against SDF, WMA & OD. Figures in parenthesis indicate number of occasions the State Government resorted to SDF, WMA and OD
- α Quantum Spread = (Interest Spread\* Debt excluding non-interest bearing loans, reserve funds and deposits )/100, where Interest spread = GSDP (Nominal Growth) - Effective Rate of interest on overall liability.

**Chart 2.23: Trends of Debt Sustainability Indicators**



Source: Finance Accounts

Note: During 2020-21 and 2021-2024 Overall Liability excluded ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore+ ₹ 12,432 crore) respectively 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.

- Debt-GSDP ratio measures State’s financial leverage i.e. its capability to repay its debt. A low value of the debt-GSDP ratio indicates that the

State's economy is vibrant to pay the debt without incurring further debt. **Chart 2.23** shows that on average, the State's debt burden as a ratio of total liabilities to GSDP remained elevated over 41 *per cent* during the period 2019-2024, even if the pandemic year (2020-21) is considered an exception year. The State's overall liabilities continued to grow at a faster pace than nominal growth of GSDP, except in the post-pandemic year (2021-22), when the State recorded a high nominal growth of 16.06 *per cent* over 2020-21 due to low base effect. Following a steady increase thereafter, total liabilities to GSDP reached 43.72 *per cent* in 2023-24. Thus, the Debt to GSDP ratios were significantly high during 2019-2024 which signifies that the State's overall liability burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.

- In addition to the overall liability during 2023-24 (as shown in **Table 2.41**), the State Government also resorted to off-budget borrowings of ₹ 4,092.78 crore as on 31 March 2024, where principal and interest were to be serviced through the State budget and/or by assignment of State revenue. Therefore, the actual overall liability of the State Government amounts to ₹ 3,29,786.44 crore and consequently the actual total overall liability to GSDP ratio would have increased to 44.27 *per cent*, thereby worsening the State's financial leverage i.e. its capability to repay its debt.
- Debt stabilisation condition states that if quantum spread together with primary balance is zero, debt-GSDP ratio would tend to be constant, or debt would stabilise eventually. On the other hand, if primary balance 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 2.41** shows that debt stabilisation had been negative during the years 2019-20, 2020-21, 2022-23 and 2023-24 and consequently the debt-GSDP ratio rose, thereby making the debt unsustainable during these four years.
- Primary Revenue Balance (PRB) should be in surplus and adequate enough to meet interest payments. Though during the period 2019-2022, PRB was in surplus, it was not adequate enough to meet the interest payments. Further, surplus PRB kept on decreasing from the year 2020-21 onwards and eventually became deficit during the years 2022-23 and 2023-24, which indicates that the debt was not on the sustainable path.
- Interest payment (IP) as *per cent* of GSDP, revenue receipts as well as revenue expenditure should be falling over time so that more resources are left for other productive purposes. A declining trend in these IP ratios is an indication of sustainable debt whereas an increasing trend

indicates an unsustainable debt trajectory. Though the ratios of IPs to GSDP, revenue receipts and revenue expenditure came down from 3.27 per cent, 28.53 per cent and 23.16 per cent in 2019-20 to 3.03 per cent, 25.28 per cent and 19.21 per cent in 2023-24 respectively, these were still substantially high and need further decline to have more resources left for other purposes and to make the debt sustainable.

- Higher the percentage of debt repayments to debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of repayment of borrowings (including principal and interest) to Gross borrowings ranged between 88 per cent and 117 per cent during the period 2019-2024, which means that most of the borrowings were used for repayment of earlier borrowings leaving less space for productive use.
- Maturity profile captures redemption pressure on the State's debt; higher maturity means lower redemption pressure in future. As of March 2024, an amount of ₹ 2,85,549.86 crore was repayable towards public debt. Accordingly, the State Government has to repay 28.77 per cent within the next five years and 26.10 per cent between 5-10 years. Thus, the State has to repay 54.87 per cent of its outstanding public debt in the next ten years, thereby reflecting greater redemption pressure in future.
- Number of occasions a State resorted to Special Drawing Facility (SDF), Ways and Means Advances (WMA), shortfall and Overdraft (OD) facility to manage short-term funding gaps reflects their liquidity position. Sustainable use of WMA and Overdraft facility in large amount indicates poor liquidity management, which warrants poor fiscal management and hinders short-term debt sustainability. **Table 2.41** shows that the State Government resorted to WMA and OD facilities ranging between ₹ 21,309 crore (101 occasions) and ₹ 59,751 crore (188 occasions) during the five-years period<sup>29</sup>, which reflected poor liquidity management.
- The Domar model of Debt Sustainability Analysis states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for Government loans should not exceed the growth rate of GDP. As shown in **Table 2.41**, for the initial year of the subject period i.e. 2019-20, the State had primary surplus and the growth interest differential (expressed as  $g-r > 0$ ) also remained positive, which supported the debt sustainability as per Domar model. However, the primary balance turned into deficit and the growth interest differential also remained negative, showing that debt would increase without

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<sup>29</sup> Except for the year 2021-22, when the State resorted to Special Drawing Facility for ₹ 2,006 crore on 10 occasions.

limitation and become unsustainable. Further, during the years 2021-22, 2022-23 and 2023-24 though the growth interest differential was positive, there was primary deficit during these years. Therefore, the trends of strong economic growth (expressed as  $g-r>0$ ) by only observing the Domar gap in 2021-22, 2022-23 and 2023-24 cannot be generalised. Favourable GID during 2022-2024 was not sufficient to offset the impact of persistent primary deficit, thereby restraining the growth in debt-GSDP during these years. Further, substantial proportion of public debt receipts was being used for repayment for borrowings, which ranged between 87.94 per cent and 117.01 per cent during the period 2019-2024, thereby implying that economic growth is not robust enough to service the debt. Thus, it becomes evident that depending solely on economic growth (expressed as  $g-r>0$  from 2021-2024) would not suffice to cover the debt obligations of the State. The annual increase in overall liabilities, which exceeded the nominal growth, thereby preventing the debt-GSDP ratio from converging to the pre-pandemic levels.

(B) Details of achievements *vis-à-vis* targets set in FCR are shown in Table 2.42:

**Table 2.42: Achievements *vis-à-vis* targets set in FCR**

Fiscal Parameters		Achievement <i>vis-à-vis</i> targets set in the FCR				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue deficit (-) / Surplus (+) to GSDP (in per cent)	T	(-)2.02	(-)1.20	(-)1.42	(-)1.99	(-)3.52
	A	(-)2.66	(-)3.20	(-)2.94	(-)3.82	(-)3.79
Fiscal deficit (-) / Surplus (+) to GSDP (in per cent)	T <sup>^</sup>	(-)3.40	(-)2.92	(-)3.99	(-)3.78	(-)4.98
	A	(-)3.13	(-)4.18	(-)4.44	(-)4.98	(-)4.45
Ratio of total outstanding liability to GSDP (in per cent)	T	39.74	38.53	45.05	45.23	46.81
	A*	42.71	46.16	41.62	43.12	43.72
Guarantees in terms of percentage of revenue receipts of previous year	T	80	80	80	80	80
	A	40.71	38.25	29.20	25.85	25.90

Source: Annual Financial Statements for the years 2019-20 to 2023-24

T: Target; A: Achievement

\* During the years 2020-21 and 2021-2024, it excludes back-to-back loans of ₹ 8,359 crore and ₹ 20,491.41 crore (₹ 8,359 crore + ₹ 12,132.41 crore) respectively, in lieu of GST Compensation shortfall received from GoI which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

<sup>^</sup> Taken from the Annual Financial Statement without considering the FRBM amendments during the respective years as given in Table 1.4 (a).

During the period 2019-2024, the ratios of revenue deficit-GSDP increased from 2.66 to 3.79, fiscal deficit-GSDP from 3.13 to 4.45 and outstanding liability-GSDP from 42.71 to 43.72. The State breached the total outstanding debt-GSDP ratio ceiling provided in State FCR under FRBM Act in the year 2019-20 and 2020-21 though it remained within the ceiling during 2021-22 to 2023-24. Considering the off-budget borrowings of ₹ 4,093 crore resorted to by the State as on 31 March 2024, as discussed in Part-A of this paragraph, the actual overall liability to GSDP ratio would have increased to 44.27 per cent during 2023-24. The Government was unable to meet the targets of RD-GSDP

in any of the years during 2019-20 to 2023-24. It was also not able to contain FD-GSDP during the period 2020-2023. Ratio of total outstanding liability to GSDP could not be contained within the targets during the period 2019-2021 but remained within the targets during 2021-2024. However, the guarantees given by the State Government were within the limits prescribed in the FRBM Act during 2019-2024.

Further, there has been an increase in the committed expenditure as a percentage of the revenue receipts from 85 *per cent* in 2019-20 to 86 *per cent* in 2023-24. It has been consistently around 80 *per cent*, thereby showing the limited availability of revenue resources for other purposes including debt servicing.

The State Government had also notified (November 2022) reversion to the Old Pension Scheme (OPS), wherein it was mentioned that the detailed scheme and Standard Operating Procedures pursuant to the notification would be issued in due course. The imminent financial burden on account of implementation of OPS also needs to be reckoned while assessing debt sustainability of the State.

Breaching the levels of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable especially when the State Government is yet to contribute to mandatory reserve funds like Guarantee Redemption fund, payment of implicit subsidies, etc.

On the basis of the above, it is inferred that the State's fiscal sustainability has risks in the short to medium term unless remedial measures are taken to rationalise expenditure, explore further sources of income, expand the revenue base, and invest in revenue generating assets.

### **2.8.1 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 2.43** depicts the utilisation of borrowed funds during 2019-2024.

**Table 2.43: Utilisation of borrowed funds**

Sr. No.	Year	₹ in crore				
		2019-20	2020-21	2021-22	2022-23	2023-24
1.	Total borrowings*	57,200	55,982	32,617	94,443	1,07,716
2.	Repayment of borrowings (Principal) (percentage)	39,574 (70)	34,634 (62)	19,279 (59)	58,376 (62)	73,452 (68)
3.	Net capital expenditure (percentage)	17,828 (31)	4,382 (8)	8,010 (25)	6,667 (7)	4,743 (5)
4.	Net loans and advances (percentage)	(-)15,287 (-27)	906 (2)	1,369 (4)	1,218 (1)	157 (0)^
5.	Portion of Revenue expenditure met out of net available borrowings (percentage) (1-2-3-4)	15,085 (26)	16,060 (28)	3,959 (12)	28,182 (30)	29,364 (27)
6.	Total budget of the State	1,62,060	1,61,329	1,79,405	1,92,656	2,08,509
7.	Expenditure against total budget	1,34,882	1,27,409	1,26,570	1,80,224	1,96,381
8.	Repayment of borrowings (Principal) to total expenditure (per cent)	29.34	27.18	15.23	32.39	37.40

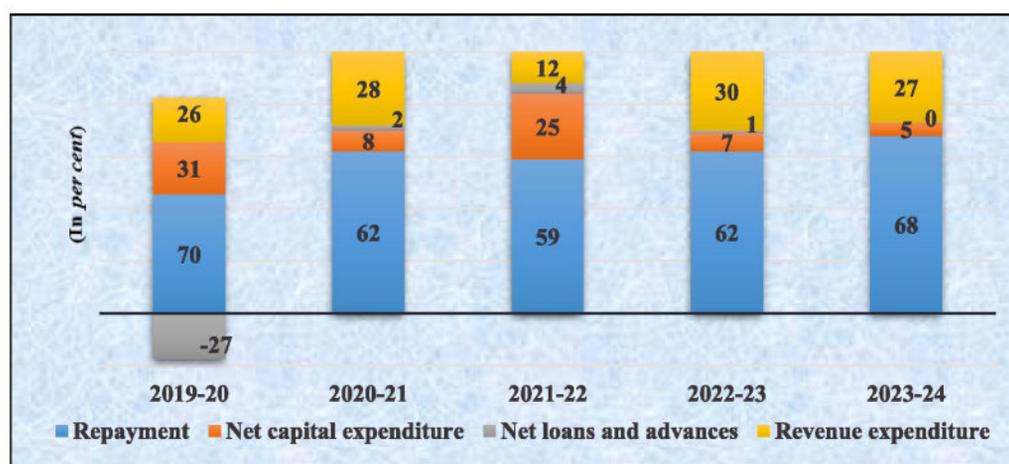
Source: Finance Accounts

\* Includes Public Debt receipts and net of Public Accounts receipts. These exclude ₹ 8,359 crore and ₹ 12,132 crore as back-to-back loans from GoI during 2020-21 and 2021-22 respectively, in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

^ 0.15 per cent

**Table 2.43** shows that the repayment of borrowings (principal) to total expenditure of the State ranged between 15 per cent and 37 per cent of the total expenditure during the period 2019-2024. During this period, the State Government utilised 59-70 per cent of its current borrowings for repayment of borrowings (principal). Revenue expenditure met out of net available borrowings ranged between 12 per cent and 30 per cent. The capital outlay of the State witnessed a declining trend. The Capital outlay decreased from ₹ 17,828 crore in 2019-20 to ₹ 4,743 crore in 2023-24. Capital outlay of the State registering sharp contraction of 17 per cent in 2022-23 and 28 per cent in 2023-24 reduced from ₹ 8,010 crore in 2021-22 to ₹ 6,667 crore in 2022-23 and ₹ 4,743 crore in 2023-24. Net capital expenditure ranged between 5 per cent and 31 per cent during the period 2019-2024. Higher net capital expenditure (31 per cent) 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) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities. Though during 2021-22, the State Government spent ₹ 8,010 crore (25 per cent of the borrowed funds) on capital expenditure which showed notable improvement in utilisation of borrowed funds towards creation of concrete assets, the expenditure decreased to seven per cent and five per cent during 2022-23 and 2023-24 respectively.

Trends of utilisation of borrowed funds during the period 2019-24 is depicted in **Chart 2.24**.

**Chart 2.24: Trends of utilisation of borrowed funds**

Source: Finance Accounts

As per the recommendation of Fifteenth Finance Commission (15<sup>th</sup> FC), States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and enable all borrowings to be used for capital expenditure. In 2023-24, which is the third year of 15<sup>th</sup> FC period, the State Government has not been able to reduce the revenue deficit but has borrowed to meet its revenue deficit.

The State Government admitted (December 2024) the fact that part of the borrowings being spent on capital expenditure was very low, which is a matter of concern for the State.

### 2.8.2 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 the 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 are given in **Table 2.44**.

**Table 2.44: Guarantees given by the State Government**

Guarantees	₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees (i.e. 80 <i>per cent</i> of revenue receipts of previous year)	49,815	49,260	55,238	62,534	70,093
Outstanding amount of guarantees	25,352	23,552	20,165	20,208	22,691

Source: *ibid* from Finance Accounts and Annual Financial Statements

The outstanding guarantees for ₹ 22,691 crore as on 31 March 2024 were in respect of Power (₹ 17,224 crore); Co-operatives (₹ 750 crore); State Finance

Companies/Corporations (₹ 158 crore); Food and Civil Supplies (₹ 791 crore); and Others (₹ 3,768 crore).

The Government gave guarantees within the limits prescribed in the FRBM Act during 2019-2024.

Out of the outstanding guarantees for ₹ 22,691 crore as on 31 March 2024, the State Government had given guarantees amounting to ₹ 909.59 crore<sup>30</sup> to five PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

In 2023-24, the Government provided guarantees against borrowings of ₹ 5,594 crore. During 2023-24, the State Government paid ₹ 1.17 crore for discharge of guarantee invoked in respect of Punjab State Industrial Development Corporation Limited (PSIDC).

### 2.8.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India (RBI), 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)/ Special Drawing Facility (SDF)/ 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 cash balances in the earmarked reserve funds such as State Disaster Response Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, etc. are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

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 2022-23 and 2023-24 are given in **Table 2.45**.

<sup>30</sup> (i) Punjab State Civil Supplies Corporation Limited: ₹ 507.29 crore; (ii) Punjab Agro Foodgrains Corporation Limited: ₹ 107.73 crore; (iii) Punjab State Industrial Development Corporation Limited: ₹ 103.53 crore; (iv) Punjab State Warehousing Corporation: ₹ 176.42 crore; and (v) Punjab Financial Corporation: ₹ 14.62 crore.

**Table 2.45: Cash Balances and their investment**

(₹ in crore)

	Opening balance as on 1 April 2023	Closing balance as on 31 March 2024
<b>A. General Cash Balances</b>		
Deposits with Reserve Bank of India	365.90	192.20
Investments held in Cash Balance Investment Account	912.67	7.34
<b>Total (A)</b>	<b>1,278.57</b>	<b>199.54</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz. Forest and Public Works	1,378.34	1341.28
Permanent advances with departmental officers for contingent expenditure	0.26	0.27
Investments of earmarked funds	6,352.29	8,617.34
<b>Total (B)</b>	<b>7,730.89</b>	<b>9,958.89</b>
<b>Total (A + B)</b>	<b>9,009.46</b>	<b>10,158.43</b>
<b>Interest realized</b>	<b>2.69</b>	<b>(-0.57)</b>

Source: Finance Accounts

The closing cash balance at the end of the current year (₹ 10,158.43 crore) increased by ₹ 1,148.97 crore over the previous year (₹ 9,009.46 crore).

The cash balance included investment of ₹ 8,617.34 crore from earmarked funds. During the year 2023-24, the State Government was able to maintain a minimum cash balance of ₹ 1.56 crore for 43 days and had to maintain the minimum balance by availing SDF on 186 days, WMA on 105 days and Overdrafts on 16 days. There was shortfall in minimum balance for 16 days even after taking the above advances, but no Overdraft was taken. The State had to pay ₹ 75.05 crore as interest on aforesaid advances during the year 2023-24.

The general cash balance of ₹ 199.54 crore at the close of the year was not even equal to the balance of ₹ 12,065.57 crore shown in cash 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 2023-24 are depicted in **Table 2.46** and **Chart 2.25** respectively.

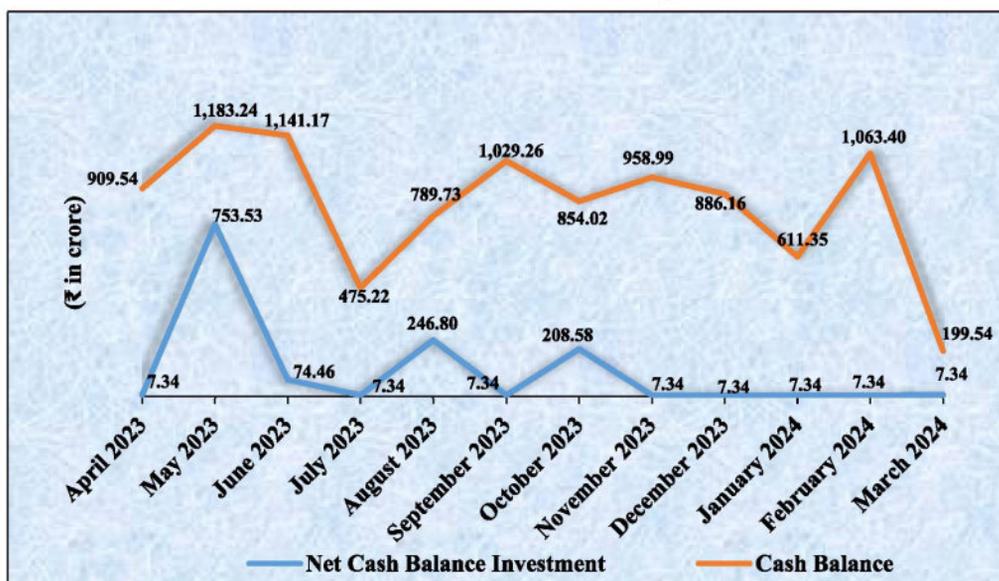
**Table 2.46: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2019-20	468.56	805.39	(+) 336.83	5.60
2020-21	805.39	6,710.25	(+) 5,904.86	10.30
2021-22	6,710.25	2,237.59	(-)4,472.66	35.08
2022-23	2,237.59	912.67	(-)1,324.92	2.69
2023-24	912.67	7.34	(-)905.33	(-)0.57

Source: Finance Accounts

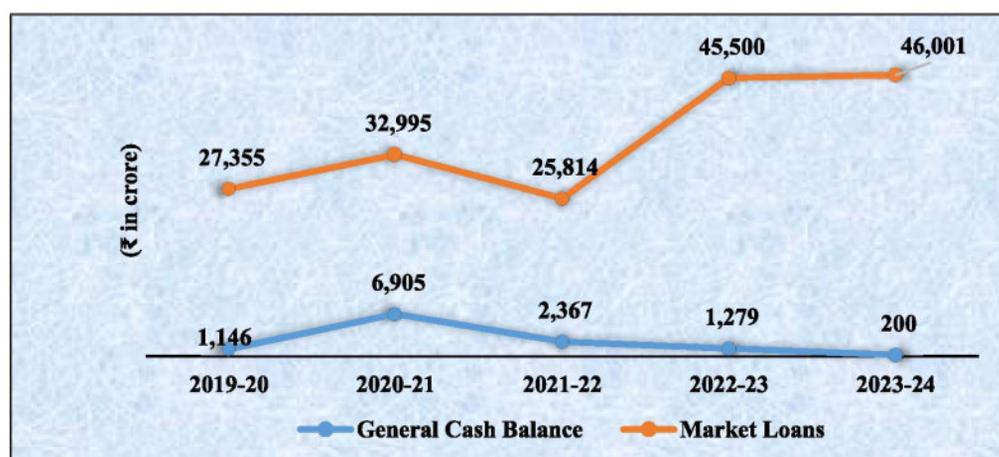
**Chart 2.25: Month-wise movement of net cash balance investments and cash balance at the end of month during 2023-24**



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 2.26**.

**Chart 2.26: Market Loans *vis-à-vis* Cash Balance**



Source: Finance Accounts

During the year 2023-24, the State could have avoided market borrowings to the extent of the general cash balance (₹ 200 crore). The general cash balance of ₹ 200 crore included cash balance investment of ₹ 7 crore.

## 2.9 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 2023-24 with that of the previous year i.e. 2022-23 is summarised in **Table 2.47**.

Table 2.47: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Increase in own tax receipts by 11.86 per cent.	↓ Increase in revenue deficit by 8.33 per cent.
↑ Increase in own non-tax revenue by 16.08 per cent	↓ Decrease in recovery of loans and advances by 76.22 per cent.
↑ Increase in revenue expenditure on Social Services by 10.79 per cent.	↓ Decrease in capital expenditure by 28.86 per cent.

## 2.10 Conclusion

The State passed the 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.

Revenue deficit of the State increased from ₹ 14,285 crore (2.66 per cent of GSDP) in 2019-20 to ₹ 28,215 crore (3.79 per cent of GSDP) in 2023-24, which 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 79 per cent to the revenue deficit during 2019-2024. Power subsidy constituted the major portion of total subsidies ranging between 92 per cent and 99 per cent.

Fiscal deficit of the State was ₹ 33,115 crore (4.45 per cent of the GSDP) during 2023-24 against the target of ₹ 34,784 crore (4.98 per cent of the GSDP) fixed by the State Government in Medium Term Fiscal Policy. The fiscal deficit was mainly financed through market borrowings.

Out of total borrowings of ₹ 1,07,716 crore during 2023-24, the State Government incurred capital expenditure of only ₹ 4,743 crore (5 per cent).

Revenue receipts increased by ₹ 1,576 crore (1.80 per cent) during the current year over the previous year whereas revenue expenditure grew by ₹ 3,746 crore (3.30 per cent). Further, the State's own revenue registered a positive growth of 12.40 per cent over the previous year.

The State incurred 65 per cent of the total revenue expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 35 per cent for priority sector expenditure.

There was a difference of ₹ 4,089 crore in equity investment figures as per State Finance Accounts and as per the accounts of 15 PSUs. The difference was under reconciliation (May 2024).

The State Government earned a meagre 0.02 *per cent* return on its total investment (₹ 20,040 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31 March 2024.

The State Government received ₹ 28 crore (0.07 *per cent*) as interest on outstanding loans during 2023-24 while it paid interest at 7.28 *per cent* on outstanding debt.

Loans amounting to ₹ 2,700 crore were outstanding at the beginning of 2023-24 against co-operative sugar mills. Despite recovery of only ₹ 7 crore of earlier loans, subsequent loans of ₹ 100 crore were given to these sugar mills.

Total outstanding liabilities including public debt and public account liabilities were 43.72 *per cent*<sup>31</sup> of GSDP. The total liability grew by 10.88 *per cent* over the previous year. During the year, outgo because of interest payments was equal to 19 *per cent* of revenue expenditure and 25 *per cent* of revenue receipts.

The State Government had not invested funds of ₹ 10,380.41 crore available under State Disaster Response Fund, which means that the funds were used for other than intended purpose.

As many as 44 projects scheduled for completion up to 31 March 2024 were incomplete. The expenditure of ₹ 1,764 crore incurred on these incomplete projects was yet to yield the intended benefits.

The State Government had given guarantees amounting to ₹ 909.59 crore to five PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

## 2.11 Recommendations

In light of the audit observations, the State Government may:

- (i) *assess the reasons for insufficient return on investment from statutory corporations, Government companies, cooperative banks and societies and take remedial measures;*
- (ii) *ensure time bound completion of incomplete projects;*
- (iii) *mobilise its resources to minimise dependence on borrowings; and*
- (iv) *assess the debt servicing capacity of the institutions before providing guarantees/ loans.*

<sup>31</sup> Excluding back-to-back loans of ₹ 20,491 crore received from GoI in lieu of GST Compensation shortfall during 2020-22, which are not to be repaid by the State from its sources.

