



ARTICLE 6

Departmental Balances and Fiscal Mismanagement in Government Accounts: The Case of Punjab Divisions

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Abstract

This article examines the persistent fiscal anomaly in the Government of Punjab wherein substantial departmental funds, particularly in the Public Works divisions, are retained outside the treasury system and parked under Major Head 8671—Departmental Balances. Drawing on data from Finance Accounts and the State Finances Audit Report (2022–23), it highlights that over ₹1,250 crore is held in such accounts, with ₹548 crore under the Public Works Department (PWD) alone. This practice not only contravenes codal provisions but also erodes fiscal transparency, legislative oversight, and the state's cash management capacity.

The paper situates this anomaly in the context of Punjab's widening debt crisis and growing concerns about fiscal sustainability. It underscores the fiscal opportunity cost in terms of avoidable debt servicing and potentially foregone interest income. The article calls for a multifaceted reform approach—enhanced treasury integration, regular reconciliation with departments, capacity building, and leveraging digital platforms like SNA-SPARSH—to restore fiscal discipline and strengthen Punjab's public finance architecture.

Keywords

Government accounts, Public Works Divisions, Punjab, Departmental Balances, Cash management and Fiscal Governance.

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6.1 Introduction: Departmental Balances as a Governance Issue

The retention of funds in divisional bank accounts by Public Works and other departments in Punjab is not a mere accounting oddity but a structural issue in public financial management. Such balances distort the state's cash position, impair cash planning, increase dependence on market borrowings, and weaken legislative oversight.

In a recent General Accounts (GA) Wing meeting chaired by the Deputy Comptroller and Auditor General (DAI-GA), these concerns were flagged as undermining fiscal governance. The absence of timely remittance into the treasury diminishes the state's capacity to plan expenditure, meet debt obligations efficiently, and comply with fiscal responsibility norms.

6.2 Background: Colonial Legacy of Departmental Balances

Departmental balances under Major Head 8671 have their origins in colonial-era Public Works Department (PWD) accounting practices. The system allowed local divisions to retain funds for operational flexibility, reflecting the administrative priorities of the time. However, despite post-independence financial reforms, these practices have persisted, resulting in large sums lying outside active treasury control.

Divisions frequently receive funds on behalf of Panchayati Raj Institutions (PRIs), contractors, and other non-governmental entities. Instead of depositing these amounts into the state treasury under 8443-108 – Public Works Deposits, they are often retained in divisional bank accounts and booked under 8671-101 – Departmental Balances – Civil. Consequently, these balances remain outside the state's active cash management framework.

6.3. Department-Wise Trend Analysis of Balances

As per Notes to Finance Accounts (NTFA) 2023–24, departmental balances under Major Head 8671 amount to ₹1,253.85 Crore, of which the PWD accounts for over ₹548 Crore (43%). Department-wise details of the amount lying in Bank Accounts being operated by Divisional Officers are shown in Table 6.1. Figure 6.1 further shows the Departmental Balances with PWD and in the Bank. The rising trend in such balances highlights the persistence of the issue and its worsening implications for fiscal planning.

Table 6.1 Trend of Departmental Balances (₹ crore)

Name of Department	Number of Divisional Officers operating Bank Accounts	Amount lying in Bank Accounts (₹ in crore)
Public Works (Building and Roads Divisions)	69	548.10
Rural Development and Panchayats (Panchayati Raj Divisions)	16	204.72
Water Resources	39	421.67
Water Supply and Sanitation	53	79.36
TOTAL	177	1,253.85

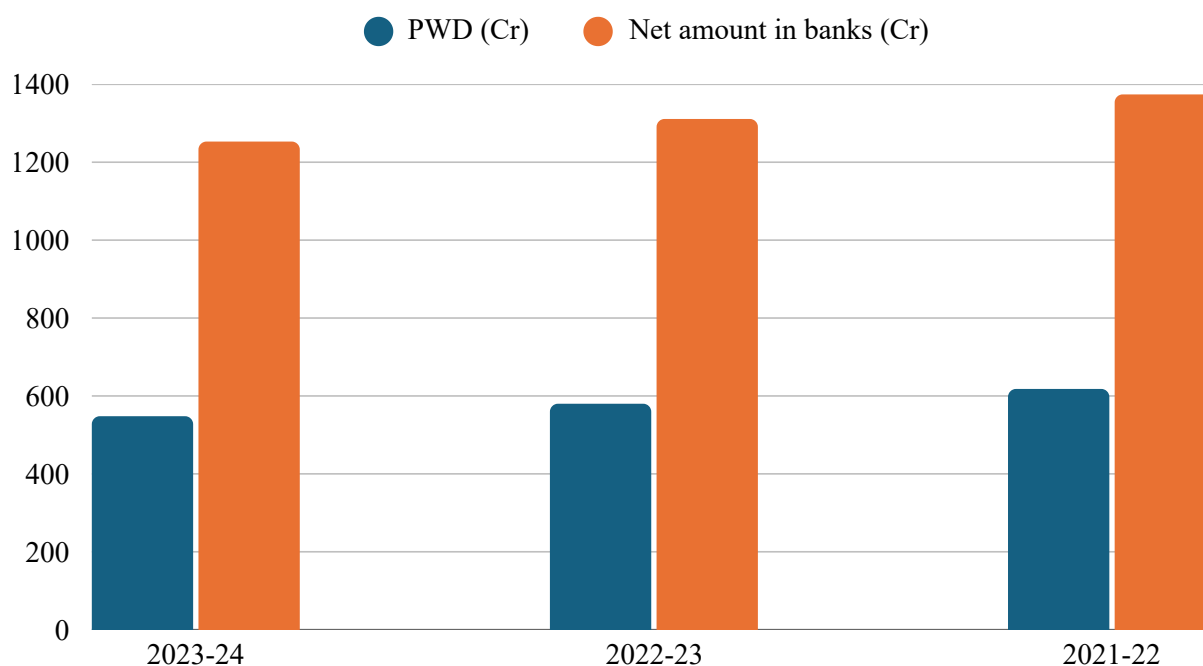


Figure 6.1 Trend of Departmental Balances (₹ crore) in PWD and Bank

6.4 Fiscal and Legal Implications

The continued retention of balances outside the treasury system contravenes codal provisions, erodes legislative oversight, and weakens the credibility of budgetary reporting. If deposited into the treasury, these funds could significantly improve Punjab's cash position, reduce market borrowings, and support more accurate fiscal forecasting.

At a conservative 7% annual interest rate, ₹1,253 crore could yield ₹87 crore—funds equivalent to financing hundreds of rural schools or hospital beds. This foregone return becomes even more concerning given Punjab's rising debt-GSDP ratio and its obligations under the FRBM Act. Idle balances, thus, not only carry an opportunity cost but also undermine fiscal responsibility and debt sustainability.



6.5 The Alternate Perspective: Understanding the Trust Deficit

Departmental officers argue that these funds are not truly "outside" government accounts, as they are booked under Head 8671 in the Public Account. They cite contractor security deposits and unspent works funds as the primary components, emphasizing operational risks if funds are remitted into the treasury and delayed.

This reflects an institutional trust deficit; divisions perceive treasury processes as slow or prone to diversion. Building confidence through timely fund release, improved payment systems, and digital transparency is, therefore, essential for sustainable reform.

6.6 The Way Forward: A Roadmap for Reform

6.6.1 Short-Term (by March 2025):

- Ensure compliance with the Finance Department directive to remit unspent balances by 31 March.
- Institutionalize monthly reconciliation between divisional and treasury accounts.

6.6.2 Medium-Term:

- Build the capacity of divisional officers on treasury rules and the benefits of timely remittance.
- Strengthen integration of the Non-Treasury (NT) module with divisional workflows.

6.6.3 Long-Term:

- Fully leverage SNA-SPARSH for real-time traceability and automation.
- Build institutional trust through the timely release and utilization of funds.
- Embed cash management reforms into the broader Public Financial Management (PFM) framework for sustainability.

Comparative lessons can be drawn from Kerala's real-time treasury integration and Karnataka's improved cash forecasting models, both of which have significantly reduced idle balances. Globally, IMF and World Bank guidelines advocate for Treasury Single Accounts (TSA) and daily reconciliation as best practices to optimize cash management.

6.7 Conclusion

The problem of departmental balances is both a financial and governance challenge. Addressing it demands coordinated policy reforms, technological modernization, and behavioural change among stakeholders. Better cash management is not only about efficiency but also about democratic legitimacy and fiscal federalism. Strengthening fiscal governance in Punjab would set an example for other states grappling with similar challenges.

Data Availability

The study is based on publicly available data. All data used in this research are accessible from open sources and properly cited within the article. I confirm that data sharing adheres to principles of privacy and confidentiality, especially for studies involving human subjects.

Conflict of Interest

The author declares no conflict of interest.

Ethics Statement

No violation declared

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