



सत्यमेव जयते

**State Finances Audit Report  
of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Punjab**  
*Report No. 2 of the year 2021*



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## Preface

This Report has been prepared for submission to the Governor of the State of Punjab under Article 151 of the Constitution.

Chapter-I describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapters-II and III of this Report contain audit observations on matters arising from examination of the Finance Accounts and Appropriation Accounts respectively of the State Government for the year ended 31 March 2020. Information has been obtained from the Government of Punjab wherever necessary.

Chapter-IV comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

The Report containing the findings of performance audit and audit of transactions in various departments, Report containing the observations on audit of Statutory Corporations, Boards and Government Companies and the Report on Revenue Sector are presented separately.



# **Executive Summary**



## Executive Summary

### Background

This Report on the finances of the Government of Punjab is brought out to assess the financial performance of the State during the year 2019-20 *vis-à-vis* the Budget Estimates and the targets as recommended by the Fourteenth Finance Commission (FFC). The report analyses the dominant trends and structural profile of Government's receipts and disbursements. Recommendations of the Thirteenth Finance Commission have also been referenced, wherever required.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2020 and additional data collated from several sources such as the Economic Survey brought out by the State Government and Census, this report provides an analytical review of the Annual Accounts of the State Government in four Chapters.

### Chapter-I: Overview

During the year 2019-20, the Government was unable to contain the revenue deficit and debt to GSDP ratio within the targets fixed in the Fiscal Consolidation Roadmap (FCR). However, fiscal deficit remained within the targets fixed during the current year.

The State continued to be a revenue deficit State. The revenue deficit increased to ₹ 14,285 crore (2.49 *per cent* of GSDP) in the current year from ₹ 8,550 crore (2.19 *per cent* of GSDP) in the year 2015-16. However, fiscal deficit decreased to ₹ 16,826 crore (2.93 *per cent* of GSDP) in 2019-20 from ₹ 17,360 crore (4.45 *per cent* of GSDP) in 2015-16. There had been primary surplus during the last three years and it was ₹ 741 crore (0.13 *per cent* of GSDP) during the current year.

[Paragraph 1.5]

### Chapter-II: Finances of the State

During the period 2015-16 to 2019-20, revenue receipts and capital receipts increased from ₹ 41,523 crore and ₹ 20,425 crore to ₹ 61,575 crore and ₹ 43,891 crore respectively. The revenue receipts increased at an annual average growth rate of 9.76 *per cent* during the same period.

[Paragraphs 2.3.2.1 and 2.3.3]

The revenue expenditure increased by ₹ 25,787 crore (51.50 *per cent*) from ₹ 50,073 crore in 2015-16 to ₹ 75,860 crore in 2019-20. It continued to constitute a dominant proportion (80 to 95 *per cent*) of the total expenditure during 2015-20, except for in 2016-17 (55 *per cent*), and grew at an annual

average growth rate of 10.42 *per cent* during this period. The capital outlay, on the other hand, constituted between three and five *per cent* during the same period except for the year 2019-20 when it was 19 *per cent* due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL).

**[Paragraphs 2.4 and 2.4.1]**

Share of committed expenditure in revenue expenditure of the State has been high. During the current year committed expenditure accounted for 69.33 *per cent* of the revenue expenditure.

**[Paragraph 2.4.1.2]**

Subsidies constituted 10.15 *per cent* to 17.72 *per cent* of the revenue expenditure and contributed 59 *per cent* to 102 *per cent* to the revenue deficit during 2015-20. Power subsidy constituted major portion of the total subsidies ranging between 63 *per cent* and 96 *per cent*.

**[Paragraph 2.4.1.3]**

The return on investment (on historical cost basis) from Co-operative Banks and Societies, Joint Stock Companies and Government Companies was only between 0.02 *per cent* and 0.11 *per cent* during 2015-20 while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.31 *per cent* and 8.36 *per cent* during the same period.

**[Paragraph 2.4.2.2(i)]**

The total outstanding loans advanced by the State Government decreased by ₹ 15,287 crore from ₹ 50,681 crore in 2018-19 to ₹ 35,394 crore in the year 2019-20 mainly due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL).

**[Paragraph 2.4.2.2(iii)]**

Fifty-two projects, scheduled for completion up to 31 March 2020 were incomplete. The expenditure of ₹ 1,201.27 crore incurred on these incomplete projects was yet to yield the intended benefits.

**[Paragraph 2.4.2.2(iv)]**

The ratio of expenditure on education to the total expenditure in Punjab came down from 14.88 *per cent* in 2015-16 to 11.74 *per cent* in 2019-20. The ratio of expenditure on health to total expenditure in Punjab decreased from 4.41 *per cent* in 2015-16 to 3.72 *per cent* in 2019-20. The ratio in respect of capital outlay to total expenditure increased from 5.18 *per cent* in 2015-16 to 18.87 *per cent* in 2019-20 mainly due to increase in capital outlay

on account of conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, otherwise, the ratio would have declined to 2.33 *per cent* during the current year.

**[Paragraph 2.4.3]**

The State Government had not invested funds of ₹ 6,999.48 crore lying in balance under State Disaster Response Fund (SDRF) as on 31 March 2020.

**[Paragraph 2.5.2.2]**

Outstanding total debt of the State was ₹ 2,29,354 crore as on 31 March 2020. Outstanding total debt was 39.90 *per cent* of GSDP.

**[Paragraph 2.6.1]**

Outstanding public debt increased by 89.43 *per cent* from ₹ 1,02,589 crore in 2015-16 to ₹ 1,94,333 crore in 2019-20. The percentage of debt repayments to debt receipts increased from 57.38 *per cent* in 2015-16 to 72.25 *per cent* in 2019-20. The ratio of interest payments to revenue receipts ranged between 18.74 *per cent* and 25.08 *per cent* during 2015-20. Availability of net debt to State increased from ₹ 8,596 crore in 2015-16 to ₹ 41,462 crore in 2016-17. However, net debt available during 2019-20 was negative (-) ₹ 52 crore), which was ₹ 212 crore during 2018-19.

**[Paragraph 2.7]**

The general cash balance at the close of the year was ₹ 1,146.06 crore. The closing cash balance for the year 2019-20 was not even equal to the earmarked reserve funds of ₹ 8,203.96 crore, which means that reserve funds were used for other than intended purpose.

**[Paragraph 2.7.3]**

### **Chapter-III: Budgetary Management**

The State Government's budgetary process has not been sound during the year and there were savings under several grants. During 2019-20, expenditure of ₹ 1,34,882.11 crore was incurred against total budget provision of ₹ 1,62,060.09 crore resulting in net savings of ₹ 27,177.98 crore. Out of the net savings of ₹ 27,177.98 crore, an amount of ₹ 8,332.43 crore (30.66 *per cent* of savings) was surrendered during the year and out of total surrender, an amount of ₹ 7,534.22 crore (90.42 *per cent*) was surrendered on the last day of the year.

**[Paragraphs 3.3.5 and 3.5.1]**

Excess expenditure of ₹ 37,737.49 crore incurred during 2015-20 required regularisation. Expenditure of ₹ 2,113.58 crore was incurred without making budget provision. In 33 cases, augmentation of provision of funds by re-appropriation orders proved unnecessary because expenditure did not come even to the level of the budget provisions. Anticipated savings of ₹ 19,313.76 crore were not surrendered leaving no scope for utilising these funds for other developmental purposes.

**[Paragraphs 3.3.1, 3.3.4, 3.3.5, 3.3.6.1 and 3.3.6.3]**

#### **Chapter-IV: Quality of Accounts and Financial Reporting Practices**

As many as 94 utilisation certificates in respect of grants amounting to ₹ 446.19 crore were pending for submission by the Departmental Officers. The State Government may review whether they should continue to give more grants to the departments with high pendency of utilisation certificates.

**[Paragraph 4.4]**

As many as 595 Abstract Contingent bills for ₹ 1,792.02 crore were awaiting adjustment as on 31 March 2020. Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/ malfeasance, etc.

**[Paragraph 4.5]**

The State Government has not complied with Indian Government Accounting Standards (IGAS)-2: Accounting and Classification of Grants-in-Aid; and (IGAS)-3: Loans and Advances made by Government. Disclosures regarding total value of the Grants-in Aid given in kind; and loans sanctioned without specific terms and conditions could not be made, as the requisite information was not provided by the State Government.

**[Paragraph 4.9]**

There were delays in submission of 20 annual accounts by five Autonomous Bodies to Audit.

**[Paragraph 4.10]**

Seventeen instances of misappropriation, losses, theft, etc. involving an amount of ₹ 33.55 crore were pending.

**[Paragraph 4.12]**

# **Chapter-I**

## **Overview**



## Chapter-I

### Overview

#### 1.1 Profile of the State

Punjab is predominantly an agrarian State. The State is located in the north-western corner of India. It spreads over a geographical area of 50,362 sq. km and ranks 20<sup>th</sup> among States in terms of area. It has been organised into 22 districts. The districts have further been divided into 91 sub-divisions, 150 blocks and 12,581 inhabited villages.

As per 2011 Census, the State's population was 2.77 crore which accounts for 2.33 *per cent* of the country's population and ranks 16<sup>th</sup> among States in terms of population. The population density of the State at 551 persons per sq. km in 2011 is higher than the national average of 382 persons per sq. km. The Gross State Domestic Product (GSDP) in 2019-20 at current prices was ₹ 5,74,760 crore. The State's literacy rate is 75.80 *per cent* (as per 2011 Census) (*Appendix 1.1*). The per capita income of the State for the year 2019-20 was ₹ 1,85,282 which ranks 16<sup>th</sup> among the States.

##### 1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

Trends in GSDP compared to national GDP are shown in **Table 1.1**; and sectoral contribution and growth in GSDP during the period 2015-16 to 2019-20 are depicted in **Chart 1.1** and **Chart 1.2** respectively.

**Table 1.1: Trends in GSDP compared to the national GDP  
(at current prices)**

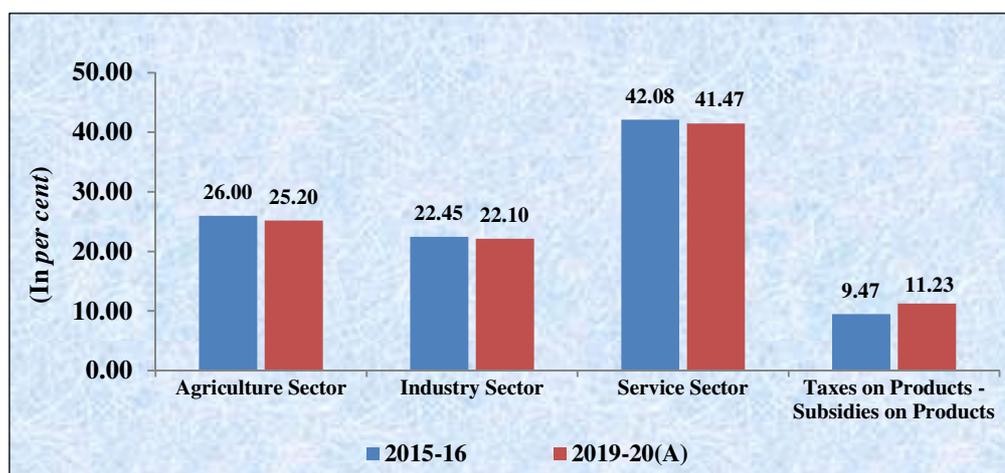
(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19 (Q)	2019-20 (A)
National GDP (2011-12 Series)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year (in per cent)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	3,90,087	4,26,988	4,70,834	5,26,376	5,74,760
Growth rate of GSDP over previous year (in per cent)	9.85	9.46	10.27	11.80	9.19

Source: Official website of Economic and Statistical Organisation, Government of Punjab ([www.esopb.gov.in](http://www.esopb.gov.in)) and Ministry of Statistics and Programme Implementation, Government of India ([www.mospi.nic.in](http://www.mospi.nic.in)) as of August 2020

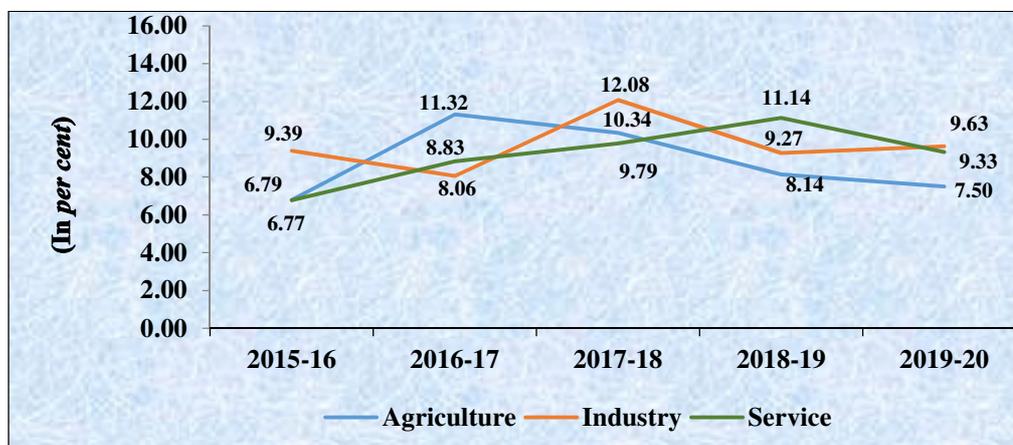
Q-Quick Estimates and A-Advance Estimates

**Chart 1.1: Change in sectoral contribution to GSDP (2015-16 to 2019-20)**



Source: Economic and Statistical Organization, Government of Punjab

**Chart 1.2: Sectoral growth in GSDP**



Source: Economic and Statistical Organisation, Government of Punjab

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## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151(2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under the Article *ibid* of the Constitution of India.

Accountant General (Accounts and Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the office of the Principal Accountant General (Audit);
- Other data with departmental authorities and treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis has also been carried out in the context of recommendations of the Fourteenth Finance Commission (FFC), State Fiscal Responsibility and Budget Management (FRBM) Act, 2003, best practices and guidelines of the Government of India (GoI). An entry conference was held (September 2020) with the State Finance Department, wherein the audit approach was explained and the draft State Finance Audit Report (SFAR) was forwarded (December 2020) to the State Government for comments. The audit analysis/findings of the Report were discussed in the exit conference held (May 2021) with the Principal Secretary (Finance), Government of Punjab. Replies furnished by the Principal Secretary (Finance) in the exit conference and those received from the State Government in June 2021 have been suitably incorporated in the Report.

### 1.3 Report Structure

The SFAR is structured into the following four chapters:

<b>Chapter-I</b>	<p><b>Overview</b></p> <p>This chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.</p>
<b>Chapter-II</b>	<p><b>Finances of the State</b></p> <p>This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.</p>
<b>Chapter-III</b>	<p><b>Budgetary Management</b></p> <p>This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.</p>
<b>Chapter-IV</b>	<p><b>Quality of Accounts and Financial Reporting Practices</b></p> <p>This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.</p>

### 1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

#### I. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from financial institutions, special securities issued to National Small Savings Fund, etc.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with the law and for the purposes and in the manner provided by the

Constitution of India. Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.) constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

## **II. Contingency Fund of the State (Article 267(2) of the Constitution of India)**

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

## **III. Public Account of the State (Article 266(2) of the Constitution)**

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

## **Budget Document**

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

**Revenue receipts** consists of tax revenue, non-tax revenue, share of Union taxes/duties, and grants from Government of India.

**Revenue expenditure** consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **capital receipts** consist of:

- **Debt receipts:** Market loans, bonds, loans from financial institutions, net transaction under Ways and Means Advances, loans and advances from Central Government, etc.; and
- **Non-debt receipts:** Proceeds from disinvestment, recoveries of loans and advances, etc.

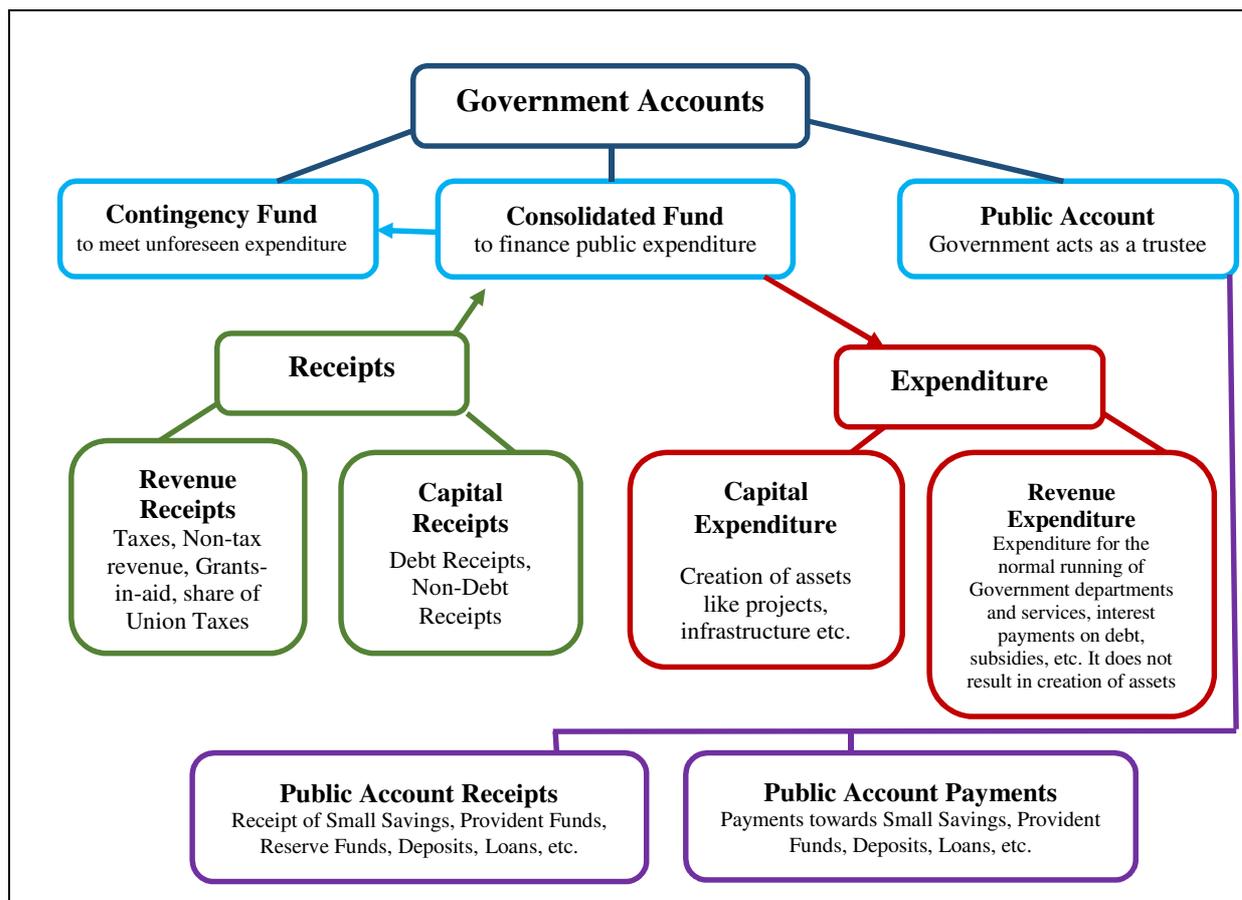
**Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

At present, we have an accounting classification system in Government that is both functional and economic.

	<b>Attribute of transaction</b>	<b>Classification</b>
Standardized in List of Major and Minor Heads by CGA	Function- Education, Health, etc. /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/ Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3: Structure of Government Accounts



Source: Finance Accounts

### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter III of this Report.

#### 1.4.1 Snapshot of Finances

**Table 1.2** shows the details of actual financial results for the years 2018-19 and 2019-20 *vis-a-vis* Budget Estimates (BE) and GSDP for the year 2019-20.

**Table 1.2: Snapshot of Finances**(*₹ in crore*)

Sl. No.	Components	2018-19 (Actuals)	2019-20 (BE)	2019-20 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1.	Own Tax Revenue	31,574.28	37,674.20	29,994.79	79.62	5.22
2.	Non-Tax Revenue	7,582.29	9,476.98	6,654.08	70.21	1.16
3.	Share of Union taxes/duties	12,005.14	13,319.42	10,345.85	77.67	1.80
4.	Grants-in-aid and Contributions	11,107.37	18,039.10	14,580.03	80.82	2.54
<b>5.</b>	<b>Revenue Receipts (1+2+3+4)</b>	<b>62,269.08</b>	<b>78,509.70</b>	<b>61,574.75</b>	<b>78.43</b>	<b>10.71</b>
6.	Recovery of Loans and Advances	848.67	15,685.18	16,070.44 <sup>s</sup>	102.46	2.80
7.	Other Receipts	0.02	0.00	0.30	0.00	0.00
8.	Borrowings and other liabilities*	16,059.23	19,657.87	16,825.76	85.59	2.93
<b>9.</b>	<b>Capital Receipts (6+7+8)</b>	<b>16,907.92</b>	<b>35,343.05</b>	<b>32,896.50</b>	<b>93.08</b>	<b>5.72</b>
<b>10.</b>	<b>Total Receipts (5+9)</b>	<b>79,177.00</b>	<b>1,13,852.75</b>	<b>94,471.25</b>	<b>82.98</b>	<b>16.44</b>
<b>11.</b>	<b>Revenue Expenditure</b>	<b>75,403.71</b>	<b>90,196.96</b>	<b>75,859.64</b>	<b>84.10</b>	<b>13.20</b>
12.	Interest payments#	16,305.89	17,669.25	17,567.17	99.42	3.06
<b>13.</b>	<b>Capital Expenditure</b>	<b>3,773.29</b>	<b>23,655.79</b>	<b>18,611.61</b>	<b>78.68</b>	<b>3.24</b>
14.	Capital outlay	2,412.24	22,842.06	17,827.73	78.05	3.10
15.	Loans and advances	1,361.05	813.73	783.88	96.33	0.14
<b>16.</b>	<b>Total Expenditure (11+13)</b>	<b>79,177.00</b>	<b>1,13,852.75</b>	<b>94,471.25</b>	<b>82.98</b>	<b>16.44</b>
<b>17.</b>	<b>Revenue Deficit (5-11)</b>	<b>(-)13,134.63</b>	<b>(-)11,687.26</b>	<b>(-)14,284.89</b>	<b>122.23</b>	<b>2.49</b>
<b>18.</b>	<b>Fiscal Deficit {(5+6+7)-16}</b>	<b>(-)16,059.23</b>	<b>(-)19,657.87</b>	<b>(-)16,825.76</b>	<b>85.59</b>	<b>2.93</b>
<b>19.</b>	<b>Primary Deficit(-)/ Surplus(+)</b>	<b>246.66</b>	<b>(-)1,988.62</b>	<b>741.41</b>	<b>137.28</b>	<b>0.13</b>

Source: Finance Accounts

<sup>s</sup> The substantial increase in recovery of loans and advances during the current year was mainly due to recovery of ₹ 15,628 crore from Punjab State Power Supply Corporation (PSPCL) on account of conversion of UDAY loans into equity, as discussed in Paragraph 2.4.2.2 (v).

\* Borrowings and other liabilities: Net (Receipts - Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

# Included in the Revenue Expenditure shown at Sr. No. 11.

## 1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an abstract of such liabilities and assets as on 31 March 2020, compared with the corresponding position of previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of assets and liabilities is depicted in **Table 1.3**.

**Table 1.3: Summarised position of Assets and Liabilities***(₹ in crore)*

Liabilities					Assets				
		2018-19	2019-20	Per cent increase/decrease			2018-19	2019-20	Per cent increase/decrease
<b>Consolidated Fund</b>									
A	Internal Debt	1,74,171.75	1,89,662.07	8.89	a	Gross Capital Outlay	48,248.06	66,075.49	36.95
B	Loans and Advances from GoI	4,958.70	4,670.57	(-)5.81	b	Loans and Advances	50,681.73	35,395.17	(-)30.16
<b>Contingency Fund</b>		<b>25.00</b>	<b>25.00</b>	<b>0.00</b>					
<b>Public Account</b>									
A	Small Savings, Provident Funds, etc.	22,993.55	22,995.06	0.01	a	Advances	0.42	0.42	0.00
B	Deposits	3,389.96	3,821.38	12.73	b	Remittances	2.91	25.26	768.04
C	Reserve Funds	6,403.28	8,457.15	32.08	c	Suspense and Miscellaneous	0.66	0.66	0.00
D	Remittances	--	--			<b>Cash balance (including investment in Earmarked Funds)</b>	<b>1,324.83</b>	<b>2,125.06</b>	<b>60.40</b>
E	Suspense and Miscellaneous	69.27	28.62	(-)58.68		<b>Total</b>	<b>1,00,258.61</b>	<b>1,03,622.06</b>	<b>3.35</b>
						<b>Deficit in Revenue Account</b>	<b>1,11,752.90</b>	<b>1,26,037.79</b>	<b>12.78</b>
<b>Total</b>		<b>2,12,011.51</b>	<b>2,29,659.85</b>	<b>8.32</b>	<b>Total</b>		<b>2,12,011.51</b>	<b>2,29,659.85</b>	<b>8.32</b>

Source: Finance Accounts

## 1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Deficits must be financed by borrowing giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the Government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both Government and industry can borrow more. Also, if the Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in Government expenditure. This could be achieved through making Government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

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

The Fourteenth Finance Commission (FFC) recommended that the State Government may amend its FRBM Act to provide for statutory flexible limits on fiscal deficit and also to provide a statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision for ensuring that liabilities of incomplete and ongoing capital projects do not accumulate.

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

The State Government amended its FRBM Act as per recommendations of the FFC in March 2020. The statutory flexible limit on fiscal deficit had been fixed at three *per cent* of the GSDP, besides an additional ₹ 928 crore in the financial year 2019-20; and at three *per cent* in the financial year 2020-21 and maintain thereafter. Thus, the target for fiscal deficit for the year 2019-20 worked out to ₹ 18,171 crore, which was achieved (₹ 16,826 crore) by the State.

Further, the Fiscal Consolidation Roadmap (FCR) under FRBM Act for the period 2015-20 was prepared and implemented from the year 2017-18<sup>1</sup>. Compliance with the targets fixed in the FCR during the period 2015-16 to 2019-20 is shown in **Table 1.4 (a)**.

**Table 1.4(a): Compliance with provisions of State FCR under FRBM Act**

Fiscal Parameters		Achievement <i>vis-a-vis</i> targets set in the FCR				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	T	--*	(-)11,362	(-)14,310	(-)11,919	(-)11,687
	A	(-)8,550	(-)7,311 ✓	(-)9,455 ✓	(-)13,135 ✗	(-)14,285 ✗
Fiscal Deficit (-) / Surplus (+) (₹ in crore)	T	--*	(-)53,680 <sup>#</sup>	(-)20,821	(-)17,650	(-)18,171
	A	(-)17,360	(-)47,071 <sup>#</sup> ✓	(-)12,494 ✓	(-)16,059 ✓	(-)16,826 ✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i> )	T	--*	42.58	41.04	40.96	39.74
	A	33.03	42.75 ✗	41.45 ✗	40.26 ✓	39.90 ✗

Source: Annual Financial Statement (AFS) for the year 2017-18, 2018-19 and 2019-20

\* Targets for the year 2015-16 were not available.

<sup>#</sup> Excluding loans and advances of ₹ 5,769 crore to DISCOM under UDAY to take over debt, as per GoI's letter No. 40(6) PF-1/2009 Vol. II dated 29 March 2016, which were not to be counted towards fiscal deficit limits of the State during 2016-17. But, it includes transaction of ₹ 4,263 crore pertaining to the year 2015-16, which was booked in the accounts of 2016-17.

A: Actual; T: Target

The targets set by Fourteenth Finance Commission (FFC) and projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to the GSDP during 2019-20 are given in **Table 1.4(b)**.

**Table 1.4(b): Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2019-20**

Fiscal Variables	Targets as prescribed by FFC	Targets in the Budget	Actuals (as per GSDP)	Percentage variation of actuals over	
				Targets of FFC	Targets in Budget
Revenue Deficit/GSDP ( <i>per cent</i> )	(-)0.95	(-)2.02	(-)2.49	(-)1.54	(-)0.47
Fiscal Deficit/GSDP ( <i>per cent</i> )	(-)3.00	(-)3.40	(-)2.93	0.07	0.47
Total outstanding debt/GSDP ( <i>per cent</i> )	30.07	39.74	39.90	9.83	0.16

Source: Recommendations of FFC, Budget at a Glance and Finance Accounts

Note : Deficit figures have been shown in minus.

- During the year 2019-20, the Government was unable to contain the revenue deficit-GSDP and total outstanding debt-GSDP ratios within the

<sup>1</sup> FCR for the year 2017-18 also contained targets for the year 2016-17.

levels fixed by the FFC and those projected in the budget estimates. The State Government stated (May 2021) that the revenue deficit-GSDP and debt-GSDP ratios could not be contained within the targets due to the fact that most of the revenue expenditure i.e. salaries, pensions, interest payments, etc. were of committed nature which could not be avoided or reduced and was major contributor to the deficits. The answer lies in growth of GSDP but rate of growth of GSDP was not keeping pace with rate of growth of expenditure. The Principal Secretary (Finance) stressed that situation could be more alarming in the ensuing year due to Covid-19 pandemic.

- The fiscal deficit-GSDP remained within the level target fixed by the FFC as well as that projected in the budget estimates.

As per Punjab FRBM Act, 2003, Medium-term Fiscal Policy (MTFP) Statement shall set forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions. Actuals *vis-à-vis* projections made in Medium Term Fiscal Policy (MTFP) are shown in **Table 1.5**.

**Table 1.5: Actuals *vis-à-vis* projections in Medium Term Fiscal Policy for the year 2019-20**

(₹ in crore)

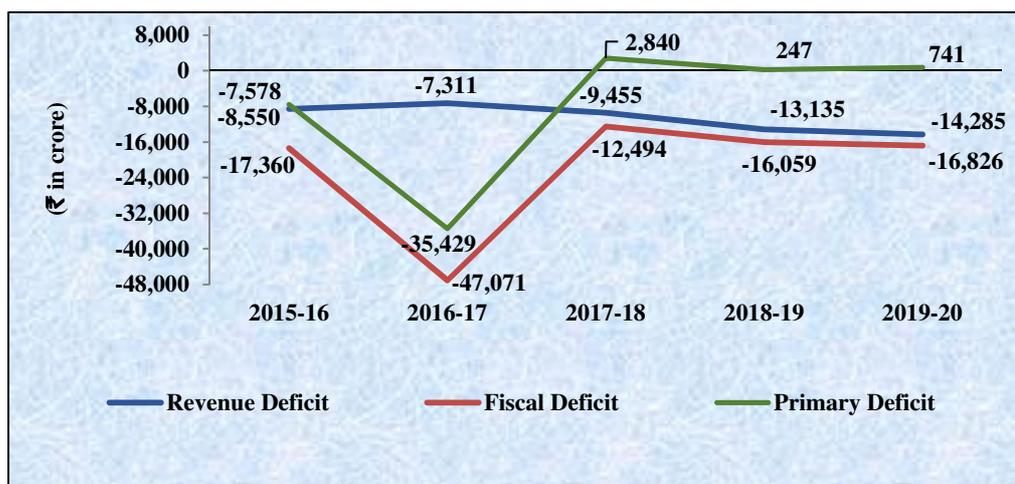
Sr. No.	Fiscal Variables	Projection as per MTFP	Actuals (2019-20)	Variation (in per cent)
1.	Own Tax Revenue	37,674	29,995	(-)20.38
2.	Non-Tax Revenue	9,477	6,654	(-)29.79
3.	Share of Central Taxes	13,319	10,346	(-)22.32
4.	Grants -in-aid from GoI	18,039	14,580	(-)19.18
5.	<b>Revenue Receipts (1+2+3+4)</b>	<b>78,510</b>	<b>61,575</b>	<b>(-)21.57</b>
6.	<b>Revenue Expenditure</b>	<b>90,197</b>	<b>75,860</b>	<b>(-)15.90</b>
7.	<b>Revenue Deficit (-)/ Surplus (+) (5-6)</b>	<b>(-)11,687</b>	<b>(-)14,285</b>	<b>(-)22.23</b>
8.	<b>Fiscal Deficit (-)/ Surplus (+)</b>	<b>(-)18,171</b>	<b>(-)16,826</b>	<b>(+)7.40</b>
9.	<b>Debt-GSDP ratio (per cent)</b>	<b>39.74</b>	<b>39.90</b>	<b>(+)0.16</b>
10.	<b>GSDP growth rate at current prices (per cent)</b>	<b>11.49</b>	<b>9.19</b>	<b>(-)2.30</b>

Source: Finance Accounts

During the year 2019-20, the Government was unable to contain the revenue deficit within the level projected in the MTFP due to shortfall ranging between 19.18 per cent and 29.79 per cent in all the components of revenue receipts. Whereas, the fiscal deficit remained well within the target projected in the MTFP mainly due to shortfall of 21.95 per cent in actual capital expenditure of ₹ 17,828 crore as against ₹ 22,842 crore projected in the MTFP.

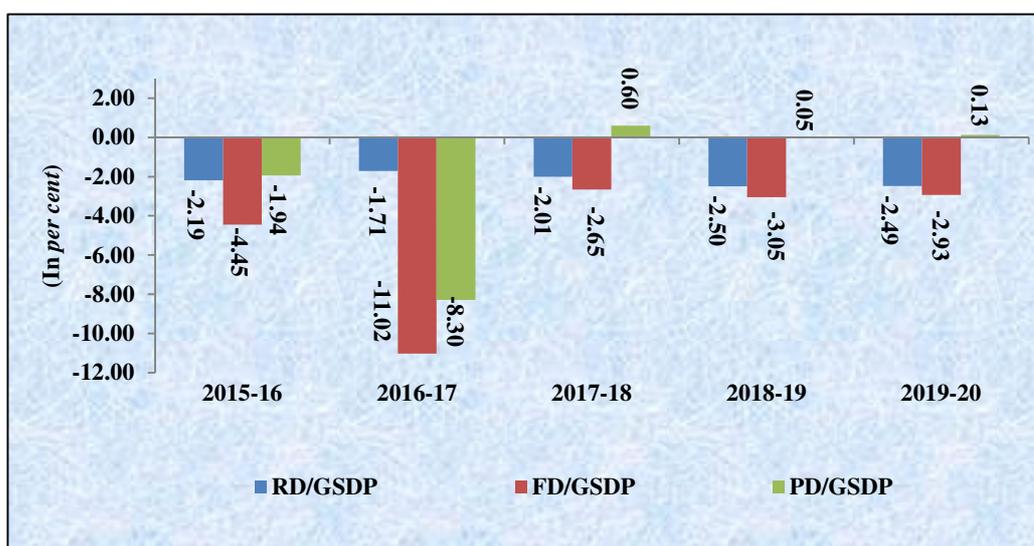
**Chart 1.4** and **Chart 1.5** present the trends in deficit parameters and trends relative to GSDP respectively over the period 2015-20.

Chart 1.4: Trends in deficit parameters



Source: Finance Account

Chart 1.5: Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts

**Revenue deficit** which was to be brought down to zero by 2008-09 in terms of FRBM Act, 2003, increased to ₹ 14,285 crore (2.49 per cent of GSDP) in 2019-20 from ₹ 8,550 crore (2.19 per cent of GSDP) in 2015-16. However, the revenue deficit as per cent of GSDP decreased marginally in 2019-20 (2.49 per cent) as compared to previous year (2.50 per cent). The State Government stated (June 2021) that they could not contain the revenue deficit to the level as stipulated in the FRBM Act because their committed liabilities like salary, wages, pension, interest payment etc. were much higher than its revenue receipts.

Punjab Urban Planning and Development Authority (PUDA) raised loans of ₹ 2,000 crore<sup>2</sup>, which were passed on to the State Government. The

<sup>2</sup> ₹ 1,000 crore in 2012-13 and ₹ 1,000 crore in 2013-14.

responsibility to repay the same was taken by the State Government. The State Government booked this amount under the Major Head “0075-Miscellaneous General Services” instead of booking it under Major Head “6003-Internal Debt”. Repayment of ₹ 2,386.25 crore<sup>3</sup> was made during 2013-19 and this has been mentioned in the Reports of the Comptroller and Auditor General of India on State Finances for the years 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19.

During the year 2019-20, the State Government repaid ₹ 258.72 crore by booking it as revenue expenditure under the Major Head 2216-Housing, 02-Urban Housing, 190-Assistance to Public Sector and Other Undertakings, 01-Assistance to PUDA, 50-Other charges thereby overstating the revenue expenditure and revenue deficit as well.

**Fiscal deficit**, which represents total borrowings of the State i.e. its total resource gap, decreased to ₹ 16,826 crore (2.93 per cent of GSDP) in 2019-20 from ₹ 17,360 crore (4.45 per cent of GSDP) in 2015-16.

**Primary deficit**, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts, was ₹ 7,578 crore (1.94 per cent of GSDP) in 2015-16 which increased to ₹ 35,429 crore<sup>4</sup> (8.30 per cent of GSDP) in 2016-17. However, in 2017-18, 2018-19 and 2019-20, there was primary surplus of ₹ 2,840 crore (0.60 per cent of GSDP), ₹ 247 crore (0.05 per cent of GSDP) and ₹ 741 crore (0.13 per cent of GSDP) respectively. This indicates excess of non-debt receipts over primary expenditure.

## 1.6 Deficits after examination in audit

Misclassification of revenue expenditure as capital and off-budget fiscal operations impacts deficit figures. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, Sinking and Redemption Funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities needs to be reversed. Analysis of deficits after examination in audit are given in **Table 1.6**.

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<sup>3</sup> ₹ 176.88 crore in 2013-14; ₹ 466.68 crore in 2014-15; ₹ 495.26 crore in 2015-16; ₹ 362.49 crore in 2016-17; ₹ 366.94 crore in 2017-18; and ₹ 518.00 crore in 2018-19.

<sup>4</sup> Excluding loans and advances of ₹ 5,769 crore under UDAY to take over DISCOM debt, as per GoI's letter No. 40(6) PF-1/2009 Vol. II dated 29 March 2016, which were not to be counted towards fiscal deficit limits of the State during 2016-17.

**Table 1.6: Revenue deficit and fiscal deficit, post examination by Audit**

Particulars	Impact on Revenue Deficit (Understated (+) / overstated(-) (₹ in crore)	Impact on Fiscal Deficit (Understated (+) / overstated(-) (₹ in crore)	Paragraph Reference
Booking of liability amount towards repayment of principal and interest on Public Debt as Revenue expenditure	(-) 258.72	(-) 258.72	1.5
Conversion of entire amount of loans and advances under UDAY Scheme into equity instead of part amount into Grants-in-aid and part amount into equity and further, non-funding of DISCOM's loss by way of Grants-in-aid	(+) 11,737.71	(+) 9.45	2.4.2.2(v)
Non-contribution to Consolidated Sinking Fund	(+) 816.59	(+) 816.59	2.5.2.1
Inadmissible expenditure met from SDRF (MH-2245)	(+) 89.70	(+) 89.70	2.5.2.2
Non-payment of interest payable on account of delay in transfer of SDRF grant	(+) 3.92	(+) 3.92	2.5.2.2
Non-contribution to Guarantee Redemption Fund	(+) 118.59	(+) 118.59	2.5.2.3
Short payment of interest on the balances under interest bearing Reserve Funds and Deposits	(+) 60.61	(+) 60.61	4.2
Short transfer of Government contribution to NSDL in respect of NPS	(+) 337.65	(+) 337.65	2.4.1.2(i)
Non transfer of Guarantee fee receipts to Guarantee Redemption Funds	(+) 46.14	(+) 46.14	2.5.2.3
<b>Total</b>	<b>(+) 12,952.19</b>	<b>(+) 1,223.93</b>	

Source: Finance Accounts

During 2019-20, the revenue deficit and fiscal deficit was ₹ 14,285 crore (2.49 per cent of GSDP) and ₹ 16,826 crore (2.93 per cent of GSDP) respectively, as shown in **Charts 1.4** and **1.5**. If the above transactions were taken into account, the actual revenue deficit and fiscal deficit would work out to ₹ 27,237 crore (4.74 per cent of GSDP) and ₹ 18,050 crore (3.14 per cent of GSDP) respectively. This not only understated the revenue deficit by 90.67 per cent and fiscal deficit by 7.27 per cent but the actual revenue deficit would also have exceeded the Fiscal Consolidation Roadmap (FCR) targets by ₹ 15,550 crore (133.05 per cent), whereas the fiscal deficit would have remained within the FCR targets.

### 1.7 Post Audit – Total Public Debt

As per the Punjab Fiscal Responsibility and Budget Management Act, 2003, total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State referred to in Article 266 of the Constitution of India. The outstanding debt/liabilities can be split into various components as given in **Table 1.7**.

**Table 1.7: Components of outstanding debt/liabilities**

*(₹ in crore)*

<b>Borrowings and other liabilities as per Finance Accounts</b>	<b>Amount</b>
<b>Internal Debt (A)</b>	<b>1,89,662.07</b>
Market Loans bearing interest	1,28,217.67
Market Loans not bearing interest	0.04
Compensation and other Bonds	15,628.26
Loans from other Institutions, etc.	29,122.19
Special Securities issued to the National Small Saving Fund of the Central Government	16,693.91
<b>Loans and Advances from Central Government (B)</b>	<b>4,670.57</b>
Non-plan Loans	17.91
Loans for State Plan Schemes	2,728.45
Others	1,924.21
<b>Liabilities upon Public Accounts (C)</b>	<b>35,023.78</b>
Small Savings, Provident Funds, etc.	22,995.06
Deposits	3,821.38
Reserve Funds	8,204.64
Suspense and Miscellaneous Balances	27.96
Remittances	(-)25.26
<b>Total (A+B+C)</b>	<b>2,29,356.42</b>

Source: Finance Accounts

The overall outstanding debt/liabilities of the State were understated by ₹ 2.70 crore by not accounting for the Suspense, Miscellaneous and Remittance balances and percentage to GSDP was understated by 0.004 *per cent*. Liabilities to GSDP was higher at 39.90 *per cent* against the normative assessment of 39.74 *per cent* under MTFPS.

# **Chapter-II**

## **Finances of the State**



## Chapter-II

### Finances of the State

#### 2.1 Major changes in key fiscal aggregates *vis-à-vis* 2018-19

Major changes in key fiscal aggregates of the State during the financial year 2019-20, compared to the previous year, are given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"><li>• Revenue receipts of the State decreased by 1.11 <i>per cent</i></li><li>• Own tax receipts of the State decreased by 5.00 <i>per cent</i></li><li>• Own Non-tax receipts decreased by 12.24 <i>per cent</i></li><li>• State's Share of Union Taxes and Duties decreased by 13.82 <i>per cent</i></li><li>• Grants-in-Aid from Government of India increased by 31.26 <i>per cent</i></li></ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"><li>• Revenue expenditure increased by 0.60 <i>per cent</i></li><li>• Revenue expenditure on General Services increased by 4.56 <i>per cent</i></li><li>• Revenue expenditure on Social Services increased by 6.35 <i>per cent</i></li><li>• Revenue expenditure on Economic Services decreased by 18.65 <i>per cent</i></li><li>• Expenditure on Grants-in-Aid and Contributions increased by 41.72 <i>per cent</i></li></ul>
<b>Capital Outlay</b>	<ul style="list-style-type: none"><li>• Capital outlay increased by 639.14 <i>per cent</i></li><li>• Capital outlay on General Services decreased by 8.88 <i>per cent</i></li><li>• Capital outlay on Social Services decreased by 7.83 <i>per cent</i></li><li>• Capital outlay on Economic Services increased by 1,297.07 <i>per cent</i></li></ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"><li>• Recoveries of Loans and Advances increased by 1,792.82 <i>per cent</i></li><li>• Disbursement of Loans and Advances decreased by 42.47 <i>per cent</i></li></ul>
<b>Public Debt</b>	<ul style="list-style-type: none"><li>• Public Debt Receipts increased by 21.28 <i>per cent</i></li><li>• Repayment of Public Debt increased by 46.53 <i>per cent</i></li></ul>
<b>Public Account</b>	<ul style="list-style-type: none"><li>• Public Account Receipts increased by 2.95 <i>per cent</i></li><li>• Disbursement of Public Account increased by 3.30 <i>per cent</i></li></ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"><li>• Cash balance increased by 60.40 <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 2018-19 and 2019-20**

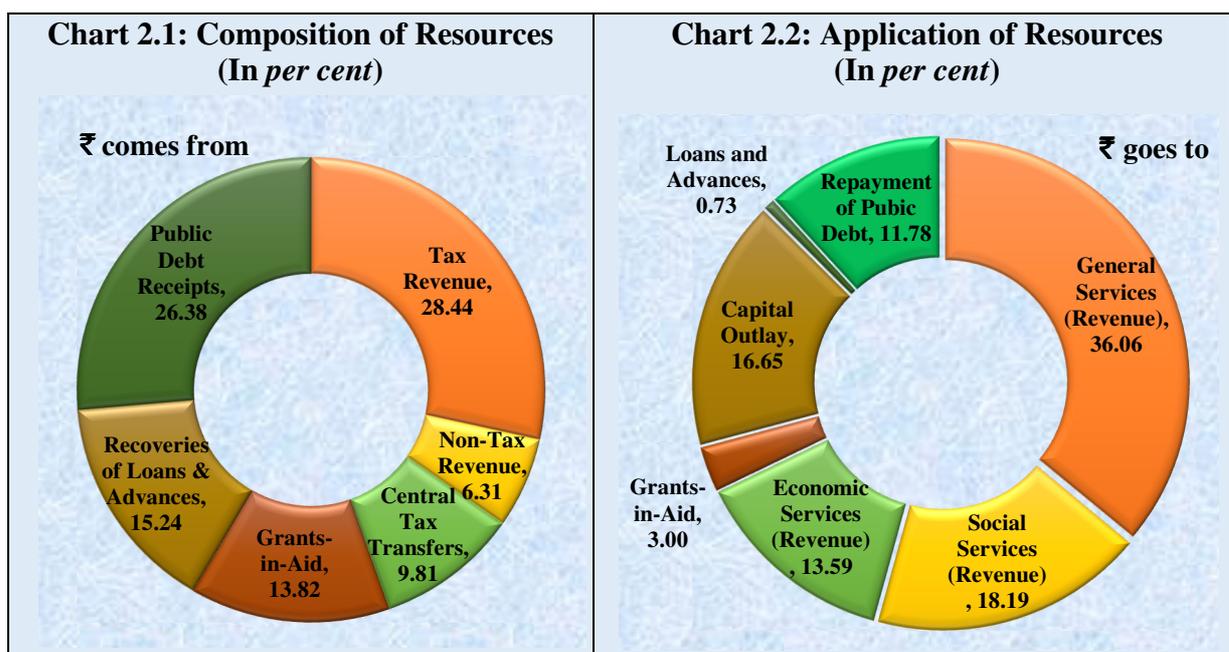
(₹ in crore)

	Particulars	2018-19	2019-20	Increase (+)/ Decrease (-) (per cent)
<b>Sources</b>	Opening Cash Balance with RBI	488	1,325	(+837 (172))
	Revenue Receipts	62,269	61,575	(-)694 (-1)
	Recoveries of Loans and Advances	849	16,070	(+)15,221 (1793)
	Public Debt Receipts (Net)	14,328	15,202	(+)874 (6)
	Public Account Receipts (Net)	2,568	2,424	(-)144 (-6)
	<b>Total</b>	<b>80,502</b>	<b>96,596</b>	<b>(+)16,094 (20)</b>
<b>Application</b>	Revenue Expenditure	75,404	75,860	(+)456 (1)
	Capital outlay	2,412	17,828	(+)15,416 (639)
	Disbursement of Loans and Advances	1,361	783	(-)578 (-42)
	Closing Cash Balance with RBI	1,325	2,125	(+)800 (60)
	<b>Total</b>	<b>80,502</b>	<b>96,596</b>	<b>(+)16,094 (20)</b>

Source: Finance Accounts

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

Composition and application of resources in the Consolidated Fund of the State during 2019-20 is given in **Chart 2.1** and **Chart 2.2**.



Source: Finance Accounts

## 2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and Grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

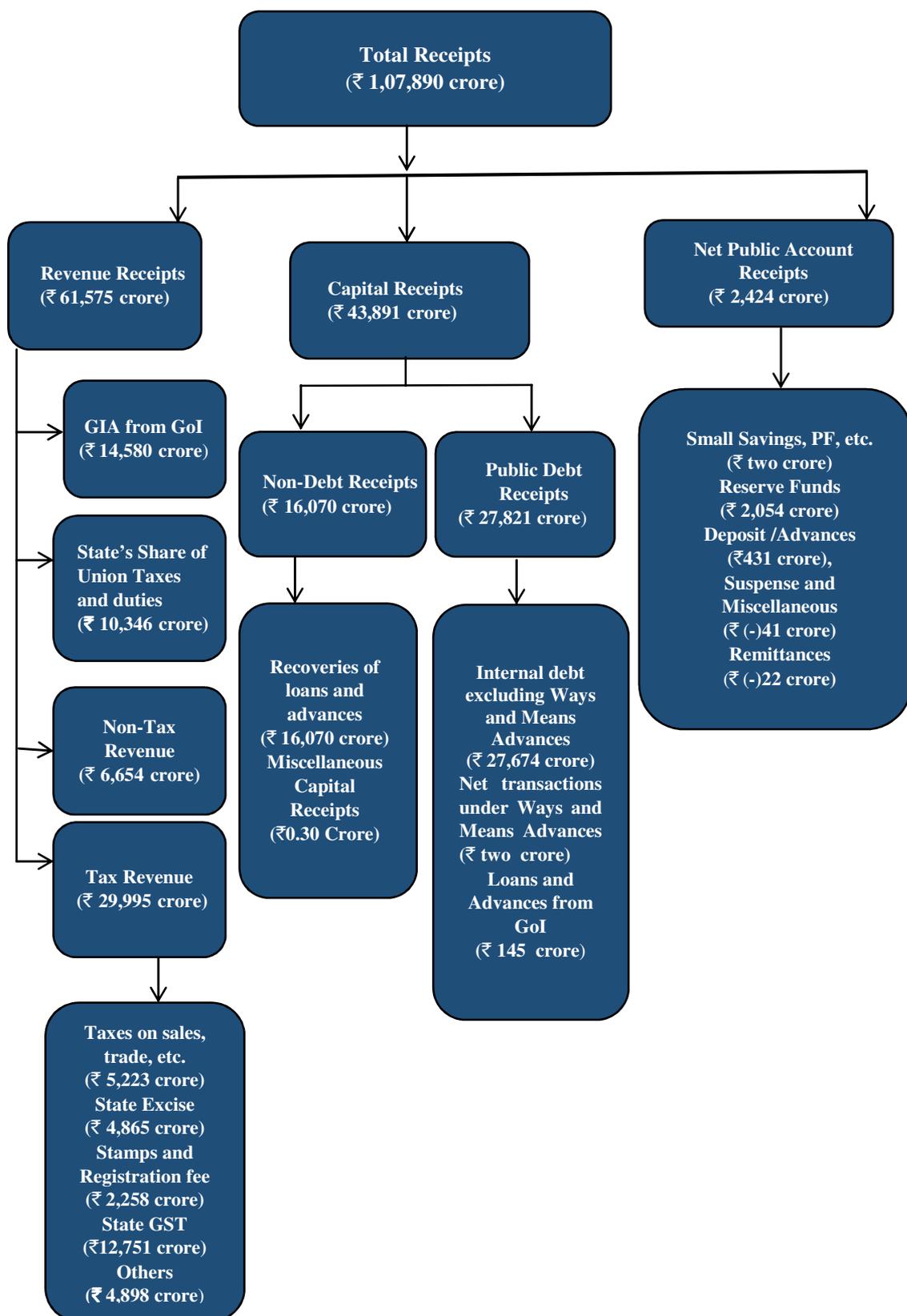
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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 2019-20**



Source: Finance Accounts

## 2.3.2 State's Revenue Receipts

### 2.3.2.1 Trends and growth of Revenue Receipts

Trends and growth of revenue receipts as well as revenue buoyancy with respect to Gross State Domestic Product (GSDP) over the five year period (2015-2020) 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	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR)	41,523	47,985	53,010	62,269	61,575
Rate of growth of RR ( <i>per cent</i> )	6.41	15.56	10.47	17.47	(-)1.11
Own Tax Revenue	26,690	27,747	30,423	31,574	29,995
Non-Tax Revenue	2,650	5,863	4,319	7,582	6,654
Own Revenue	29,340	33,610	34,742	39,156	36,649
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	3.13	14.55	3.37	12.71	(-)6.40
GSDP (2011-12 Series)	3,90,087	4,26,988	4,70,834	5,26,376 (Q)	5,74,760 (A)
Rate of growth of GSDP ( <i>per cent</i> )	9.85	9.46	10.27	11.80	9.19
RR/GSDP ( <i>per cent</i> )	10.64	11.24	11.26	11.83	10.71
<b>Buoyancy Ratios<sup>1</sup></b>					
Revenue Buoyancy w.r.t. GSDP	0.65	1.64	1.02	1.48	(-)0.12
State's Own Revenue Buoyancy w.r.t. GSDP	0.32	1.54	0.33	1.08	(-)0.70

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

**Table 2.3** shows that:

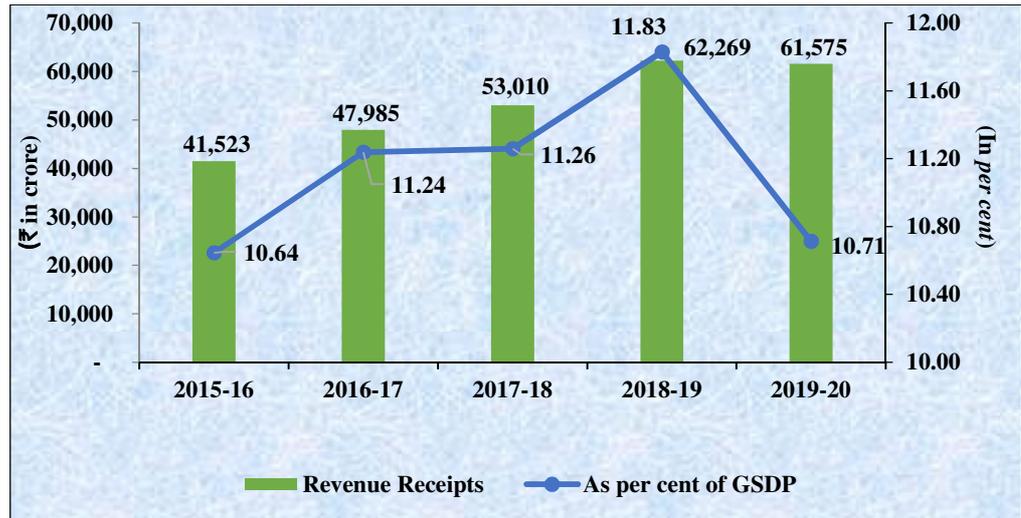
- The revenue receipts increased by 48.29 *per cent* from ₹ 41,523 crore in 2015-16 to ₹ 61,575 crore in 2019-20 though it slightly decreased by 1.11 *per cent* during 2019-20 over the previous year. During the period of five years, it increased at an annual average growth rate of 9.76 *per cent*. The Government stated (June 2021) that the receipts of the State had reached at its optimum level and due to higher committed liabilities, the State had to depend on GoI contributions.
- The revenue buoyancy with reference to GSDP fluctuated between (-) 0.12 and 1.64 percentage points during 2015-20. The decrease in revenue buoyancy with respect to GSDP in 2019-20 *vis-à-vis* the previous year was primarily due to decrease in own tax revenue (5.00 *per cent*), non-tax revenue (12.24 *per cent*) and State's share in Union taxes and duties (13.82 *per cent*).

<sup>1</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

- The State's own revenue buoyancy with reference to GSDP decreased to (-) 0.70 percentage points as compared to 1.08 percentage points in 2018-19 due to decrease in both own tax revenue as well as non-tax revenue. 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**.

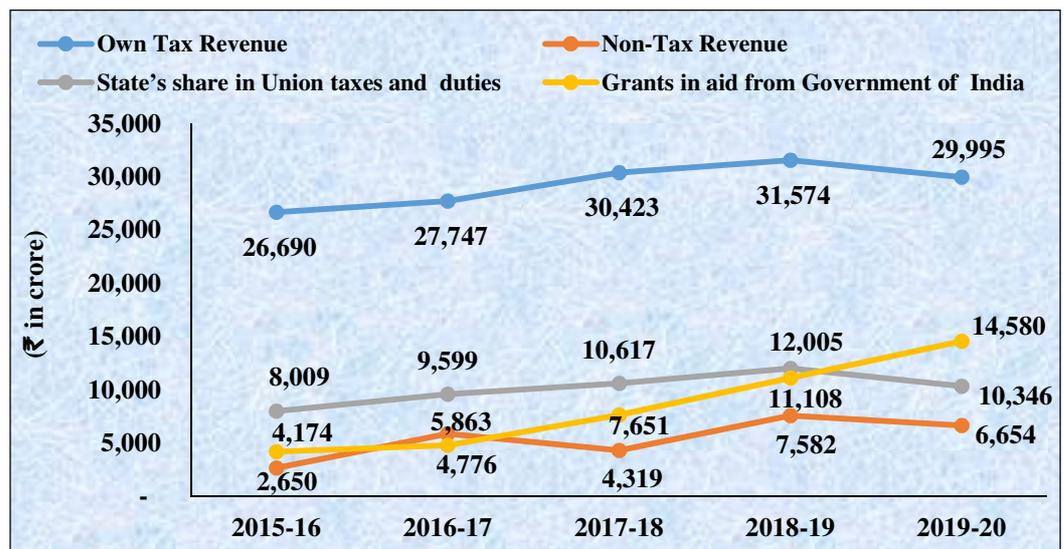
**Chart 2.4: Trends of Revenue Receipts**



Source: Finance Accounts

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

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



Source: Finance Accounts

### 2.3.2.2 State's Own Resources

#### (i) Own tax revenue

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

Trends in growth of own tax revenue and analysis of its components during the period 2015-20 are shown in **Chart 2.6** and **Table 2.4** respectively.

**Chart 2.6: Growth of Own Tax Revenue during 2015-20**



Source: Finance Accounts

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

Revenue Head	2015-16					2016-17					2017-18					2018-19					2019-20					Sparkline
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	
Taxes on Sales, Trade etc.	15,857	17,587	11,160	6,572	5,223																					
SGST	0	0	7,901	13,273	12,751																					
State Excise	4,796	4,406	5,136	5,072	4,865																					
Taxes on Vehicles	1,475	1,548	1,911	1,861	1,994																					
Stamp Duty and Registration fees	2,449	2,044	2,135	2,298	2,258																					
Land Revenue	55	68	91	69	66																					
Taxes on Goods and Passengers	7	1	0	0	0																					
Other taxes	2,051	2,093	2,089	2,429	2,838																					
<b>Total</b>	<b>26,690</b>	<b>27,747</b>	<b>30,423</b>	<b>31,574</b>	<b>29,995</b>																					

Source: Finance Accounts

The total own tax revenue decreased by ₹ 1,579 crore (5 per cent) during the current year over the previous year. The decrease was mainly due to lesser

receipts under Sales Tax (₹ 1,349 crore), SGST (₹ 522 crore) and State Excise (₹ 207 crore). The decrease in Sales Tax was attributed to decrease in rate of VAT on diesel and petrol. The decrease in SGST was due to reduced ad-hoc settlement of IGST during 2019-20 due to problems being faced by the taxpayers in furnishing the returns on account of inadequacy of data regarding cross utilisation of input tax credit for various taxes under GST. The State Government further attributed (May 2021) the reasons for decline in SGST receipts to overlapping in nature/jurisdiction of GST regime between the Centre and the State. The decrease in State Excise was attributed to non-realisation of fixed licence fees and additional fixed licence fees due to postponement of allotment of groups/zones; and non-receipt of bar licence fees in the month of March 2020.

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

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

The projected revenue in accordance with base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2019-20 is given in **Table 2.5**.

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

(₹ in crore)					
Year	Projected revenue amount	Revenue collected amount <sup>#</sup>	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 = 3-4
2017-18 <sup>2</sup>	14,596.58	9,486.15	5,110.43	4,037.00	1,073.43
2018-19	22,186.80	12,482.76	9,704.04	7,129.00	2,575.04
2019-20	25,292.96	12,676.00	12,616.96	8,804.54	3,812.42
<b>Total</b>	<b>62,076.34</b>	<b>34,644.91</b>	<b>27,431.43</b>	<b>19,970.54</b>	<b>7,460.89</b>

Source: Finance Accounts of the respective years, information obtained from PAG (Accounts and Entitlement) and Excise and Taxation Department

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

The growth in GST collection in the State was lesser than projected growth and there was total shortfall of ₹ 27,431 crore during 2017-20 against the projected GST receipt of ₹ 62,076 crore. GoI has released ₹ 19,971 crore upto March 2020 as compensation.

<sup>2</sup> Amount for the year 2017-18 pertains to nine months period i.e. from July 2017 to March 2018.

The State Government stated (June 2021) that an amount of ₹ 6,310.46 crore had been received during 2020-21 against the total shortfall of ₹ 7,460.89 crore. However, Audit is of the view that receipts on account of GST compensation during 2020-21 have to be seen taking into account amount due in that year.

### **(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<sup>nd</sup> June 2020. In case of Punjab, which is a Model-II State, role-based access to back-end application was provided to office of the Principal Accountant General (Audit), Punjab in December 2020. However, the access was limited to their premises only and the matter of providing remote access was under consideration. The accounts for the year 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

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

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicates potential revenue which 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 2020, the arrears of revenue in respect of principal heads of revenue were ₹ 10,261.51 crore, of which ₹ 2,239.77 crore were outstanding for more than five years, as depicted in **Table 2.6**.

**Table 2.6: Arrears of revenue**

(₹ in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
1.	Taxes on Sales, Trade, etc.	9,344.17	2,087.95
2.	Goods and Services Tax	182.18	--
3.	Forests and Wildlife	34.81	22.65
4.	State Excise	369.58	13.98
5.	Taxes on Vehicles	209.88	114.97
6.	Land Revenue	120.89	0.22
<b>Total</b>		<b>10,261.51</b>	<b>2,239.77</b>

Source: Departmental Information

#### **Arrears in assessment**

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

**Table 2.7: Arrears of assessment**

Sr. No.	Head of Revenue	Cases pending at the beginning of 2019-20	New cases due for assessment during 2019-20	Total cases due for assessment	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, etc.	94,069	11,151	1,05,220	20,993	84,227	19.95

Source: Departmental information

During the period 2015-19, the number of pending cases at the end of the respective years were 80,569 (2015-16); 85,151 (2016-17); 1,06,781 (2017-18); and 94,605 (2018-19), as against 84,227 cases during the end of 2019-20. Disposal of cases during this period ranged between 19.47 per cent and 25.90 per cent, whereas it was 19.95 per cent during the current year.

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

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department concerned. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc.

The details of cases of evasion of tax detected by the Excise and Taxation Department and Transport Department, cases finalised and the demand for additional tax raised; and details of refund cases during the year 2019-20, as reported by the concerned departments, are depicted in **Table 2.8** and **Table 2.9** respectively.

**Table 2.8: Evasion of tax detected**

Sr. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	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 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on Sales, Trade, etc.	383	0	383	121	2.96	262
2.	Goods and Services Tax	41	2,432	2,473	2,441	124.14	32
3.	Taxes on Vehicles	6	0	6	0	0.00	6
<b>Total</b>		<b>430</b>	<b>2,432</b>	<b>2,862</b>	<b>2,562</b>	<b>127.10</b>	<b>300</b>

Source: Departmental information

**Table 2.9: Details of refund cases**

(₹ in crore)

Sr. No.	Particulars	GST		Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,402	161.92	3,126	293.86	215	3.90
2.	Claims received during the year	6,387	890.84	3,525	298.07	5	23.57
3.	Refunds made during the year	6,140	779.89	3,508	298.03	10	0.07
4.	Refunds rejected during the year	389	111.67	577	69.46	0	0.00
5.	Balance outstanding at the end of year	1,260	161.20	2,566	224.44	210	27.40

Source: Departmental information

### (ii) Non-tax revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Trends in components of State's non-tax revenue during 2015-20 are shown in **Table 2.10**.

**Table 2.10: Components of State's Non-tax Revenue**

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	225.28	1,293.80	1,404.94	1,455.26	2,105.51	
Dividends and Profits	1.46	3.88	4.45	4.24	4.24	
Other non-tax receipts	2,423.53	4,565.52	2,909.00	6,122.79	4,544.33	
a) Major and medium Irrigation	142.66	93.61	71.37	24.22	92.49	
b) Road Transport	148.49	213.89	158.69	208.99	176.35	
c) Urban Development	81.04	95.89	72.43	65.31	44.53	
d) Education, Sports, Art and Culture	88.68	95.89	41.87	56.75	196.22	
e) Non-ferrous mining	56.64	42.08	122.40	36.13	90.88	
f) Pensions and Other Retirement Benefits	19.07	26.32	32.14	26.03	121.88	
g) Miscellaneous General Services	999.84	3,028.08	1478.97	4,851.58	2,743.87	
h) Other or Miscellaneous	887.11	969.76	931.13	853.78	1,078.11	
<b>Total</b>	<b>2,650.27</b>	<b>5,863.20</b>	<b>4,318.39</b>	<b>7,582.29</b>	<b>6,654.08</b>	

Source: Finance Accounts

During 2016-17, the increase of ₹ 3,212.93 crore in non-tax revenue was mainly due to increase of ₹ 2,028.24 crore in miscellaneous general services and ₹ 1,068.52 crore in interest receipts. The increase was mainly due to interest

receipts of ₹ 1,072.79 crore against loans given to Punjab State Power Corporation Limited (PSPCL) during 2015-16 for implementation of Ujwal Discom Assurance Yojna (UDAY). The increase of ₹ 2,028.24 crore in miscellaneous general services over previous year was mainly due to increase of ₹ 2,182.33 crore in 800-Other receipts which included ₹ 1,425 crore transferred from Major Head 8342 without requisite details of receipts.

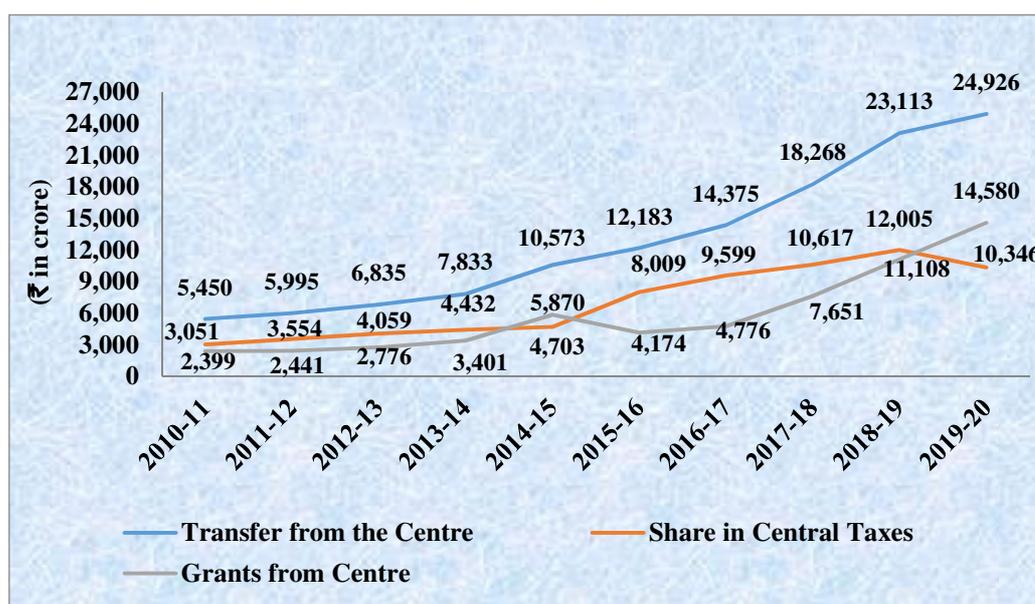
During the year 2019-20, the decrease of ₹ 928.21 crore in total non-tax revenue over the previous year was mainly due to decrease of ₹ 1,578.46 crore in other non-tax receipts which was partially compensated by increase of ₹ 650.25 crore under interest receipts. Major decrease in other non-tax receipts was under Miscellaneous General Services (₹ 2,107.71 crore) off-set by increase under Education, Sports, Art and Culture (₹ 139.47 crore), contribution and recoveries towards Pension and Other Retirement Benefits (₹ 95.85 crore), Major and Medium Irrigation (₹ 68.27 crore) and Non-ferrous Mining (₹ 54.75 crore).

During the current year, out of interest receipts of ₹ 2,105.51 crore, an amount of ₹ 1,307.22 crore was on account of book adjustment for interest due from Government Commercial Departments/Undertakings (₹ 0.27 crore) and adjustment of interest on UDAY Bonds and Guarantee Fee payable by Punjab State Power Corporation Limited (PSPCL) against agricultural subsidy and incentives under various industrial policies payable by the State Government to PSPCL (₹ 1,306.95 crore).

### 2.3.2.3 Transfers from the Centre

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

**Chart 2.7: Trends in transfers from Centre**



Source: Finance Accounts

**(i) Central tax transfer**

The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by Thirteenth Finance Commission (TFC) and Fourteenth Finance Commission (FFC) during the period from 2010-11 to 2019-20 is tabulated in **Table 2.11**.

**Table 2.11: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections**

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2010-11	1.389 per cent of net proceeds of all shareable taxes excluding service tax and 1.411 per cent of net proceeds of shareable service tax (As per recommendations of TFC)	3,207	3,051	(-)156
2011-12		3,665	3,554	(-)111
2012-13		4,398	4,059	(-)339
2013-14		5,278	4,432	(-)846
2014-15		6,333	4,703	(-)1,630
2015-16	1.577 per cent of net proceeds of all shareable taxes excluding service tax and 1.589 per cent of net proceeds of shareable service tax (As per recommendations of FFC)	8,009*	8,009	--
2016-17		9,600*	9,600	--
2017-18	As per Fiscal Consolidation Roadmap of State Government.	10,617	10,617	--
2018-19		12,009	12,005	(-)4
2019-20		13,319	10,346	(-)2,973

Source: Reports of the TFC & FFC, Finance Accounts and Annual Financial Statement

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

State Government's share in Union taxes and duties decreased by ₹ 1,659 crore (13.82 per cent) during 2019-20 over the previous year.

During the period of Fourteenth Finance Commission i.e. 2015-20, State's share in Union taxes and duties increased by ₹ 30,778 crore (155.45 per cent) over the period of Thirteenth Finance Commission i.e. 2010-15. Trends in components of Central tax transfers are shown in **Table 2.12**.

**Table 2.12: Central Tax transfers**

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	--	--	151.60	2,964.16	2,935.85
Integrated Goods and Services Tax (IGST)	--	--	1,072.32	236.60	-- <sup>3</sup>
Corporation Tax	2,528.38	3,082.07	3,252.81	4,176.53	3,527.47
Taxes on Income other than Corporation Tax	1,761.21	2,142.05	2,746.76	3,075.85	2,764.01
Customs	1,281.78	1,325.80	1,072.00	851.31	655.78
Union Excise Duties	1,063.07	1,513.94	1,120.50	565.74	455.97
Service Tax	1,368.73	1,528.78	1,201.05	109.29	--

<sup>3</sup> Amount of ₹ 7,166.64 crore received from GoI during 2019-20 has been accounted for under Major Head 0006 - SGST.

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Other Taxes <sup>4</sup>	5.73	7.09	(-)0.10	25.66	6.77
<b>Central Tax transfers</b>	<b>8,008.90</b>	<b>9,599.73</b>	<b>10,616.94</b>	<b>12,005.14</b>	<b>10,345.85</b>
Percentage of increase over previous year	70.29	19.86	10.60	13.08	(-)13.82
Percentage of Central tax transfers to Revenue Receipts	19.29	20.01	20.03	19.28	16.80

Source: Finance Accounts

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

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

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

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants*	1,274.64	1,610.35	--	--	--
Grants for State Plan Schemes*	2,320.12	2,523.14	--	--	--
Grants for Centrally Sponsored Plan Schemes*	237.20	563.69	(-)0.63	(-)74.21	(-)68.84
Grants for Centrally Sponsored Schemes	341.76	78.65	3,096.13	3,091.70	2,864.31
Finance Commission Grants	--	--	355.69	719.54	2,710.13
Other transfers/Grants to States/Union Territories with Legislature	--	--	4,199.81	7,370.34	9,074.43
<b>Total</b>	<b>4,173.72</b>	<b>4,775.83</b>	<b>7,651.00</b>	<b>11,107.37</b>	<b>14,580.03</b>
Percentage of increase over the previous year	(-) 28.90	14.43	60.20	45.18	31.26
Percentage of GIA to Revenue Receipts	10.05	9.95	14.43	17.84	23.68

Source: Finance Accounts

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

**Table 2.13** shows that the GIA from GoI increased at an annual average rate of 24.43 per cent during the period 2015-16 to 2019-20. Other transfers to State include GST Compensation of ₹ 8,805 crore. The increase in GIA during the current year was due to substantial increase in GST compensation by ₹ 1,676 crore (23.51 per cent); and Finance Commission grants by ₹ 1,991 crore (276.65 per cent) over the previous year. Further, the contribution of GIA towards revenue receipts increased from 10.05 per cent in 2015-16 to 23.68 per cent in 2019-20.

<sup>4</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

**(iii) Fourteenth Finance Commission Grants**

The Fourteenth Finance Commission (FFC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF). Details of grants provided by GoI are given in **Table 2.14**.

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

(₹ in crore)

Transfers		Recommendation of FFC			Actual release by GoI			Release by State Government		
		2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total (%age of release by GoI)
<b>(i) Grants to PRIs</b>		<b>2,851.55</b>	<b>1,239.60</b>	<b>4,091.15</b>	<b>827.74</b>	<b>1,394.61</b>	<b>2,222.35</b>	<b>747.51</b>	<b>659.13</b>	<b>1,406.64 (63)</b>
(a) General Basic Grant		2,577.43	1,104.60	3,682.03	747.51	1,394.61	2,142.12	747.51	659.13	1,406.64 (66)
(b) General Performance Grants		274.12	135.00	409.12	80.23	0.00	80.23	0.00	0.00	0.00
<b>(ii) Grants to ULBs</b>		<b>1,702.37</b>	<b>750.58</b>	<b>2,452.95</b>	<b>1,521.18</b>	<b>581.64</b>	<b>2,102.82</b>	<b>1,521.18</b>	<b>581.64</b>	<b>2,102.82 (100)</b>
(a) General Basic Grant		1,373.67	588.69	1,962.36	1,321.03	581.64	1,902.67	1,321.03	581.64	1,902.67 (100)
(b) General Performance Grants		328.70	161.89	490.59	200.15	0.00	200.15	200.15	0.00	200.15 (100)
<b>Total for Local Bodies</b>		<b>4,553.92</b>	<b>1,990.18</b>	<b>6,544.10</b>	<b>2,348.92</b>	<b>1,976.25</b>	<b>4,325.17</b>	<b>2,268.69</b>	<b>1,240.77</b>	<b>3,509.46 (81)</b>
<b>SDRF</b>	Centre share	1,260.00	355.50	1,615.50	1,124.70	313.05	1,437.75	1,124.70	313.05	1,437.75 (100)
	State share	420.00	118.50	538.50				363.62	115.63	479.25
<b>Total for SDRF</b>		<b>1,680.00</b>	<b>474.00</b>	<b>2,154.00</b>	<b>1,124.70</b>	<b>313.05</b>	<b>1,437.75</b>	<b>1,488.32</b>	<b>428.68</b>	<b>1,917.00</b>
<b>Grand Total</b>		<b>6,233.92</b>	<b>2,464.18</b>	<b>8,698.10</b>	<b>3,473.62</b>	<b>2,289.30</b>	<b>5,762.92</b>	<b>3,757.01</b>	<b>1,669.45</b>	<b>5,426.46</b>

Source: FFC Report and departmental information

PRIs-Panchayati Raj Institutions and ULBs-Urban Local Bodies

During 2019-20, there was a difference of ₹ 420.83 crore in the amount of FFC grants released by GoI, as booked in the Finance Accounts (₹ 2,710.13 crore – **Table 2.13**) and those supplied by the departments concerned (₹ 2,289.30 crore – **Table 2.14**). The Department of Local Government, Punjab stated (April 2021) that grants released by GoI during a particular year were released to ULBs by the State Finance Department with delay, due to which release of FFC grants pertaining to a particular year was reflected by the Department in the coming year. It was added that the figures of FFC Grant were subject to reconciliation with the office of the Accountant General (A&E), Punjab.

In respect of SDRF, remaining share of ₹ 177.75 crore by GoI and ₹ 59.25 crore by the State Government was released in the year 2020-21. FFC recommended Centre and State share in the ratio of 75:25. As per the decision taken by the Government of India to implement the recommendation of Fourteenth Finance

Commission with effect from 1 April 2018, the Centre and State Governments were required to contribute to the Fund in the proportion of 90:10 during 2018-19 and 2019-20. However, as per sanctions issued by the Central Government for the year 2018-19 and 2019-20, the Central share to the Fund has been released as per existing ratio of 75:25.

### 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 2015-16 to 2019-20 are shown in **Table 2.15**.

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

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Capital Receipts</b>	<b>20,425</b>	<b>55,415</b>	<b>18,590</b>	<b>23,788</b>	<b>43,891</b>
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	218	181	73	849	16,070
Public Debt Receipts	20,207	55,234	18,517	22,939	27,821
<i>Internal Debt *</i>	<i>19,942</i>	<i>54,579</i>	<i>18,057</i>	<i>21,621</i>	<i>27,676</i>
<i>Growth rate ( per cent)</i>	<i>84.72</i>	<i>173.69</i>	<i>(-)66.92</i>	<i>19.74</i>	<i>28.01</i>
<i>Loans and advances from GoI</i>	<i>265</i>	<i>655</i>	<i>460</i>	<i>1,318</i>	<i>145</i>
<i>Growth rate ( per cent)</i>	<i>(-)53.26</i>	<i>147.17</i>	<i>(-)29.77</i>	<i>186.52</i>	<i>(-)89.00</i>
Rate of growth of debt Capital Receipts ( per cent)	77.83	173.34	(-)66.48	23.88	21.28
Rate of growth of Non-debt Capital Receipts ( per cent)	57.97	(-)16.97	(-)59.67	1063.01	1792.82
Rate of growth of GSDP ( per cent)	9.85	9.46	10.27	11.80	9.19
Rate of growth of Capital Receipts ( per cent)	77.59	171.31	(-)66.45	27.96	84.51

Source: Finance Accounts

\*Including net figure under Ways and Means Advances, which was ₹1.64 crore during 2019-20.

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

During the current year, the public debt receipts increased by ₹ 4,882 crore (21.28 per cent) over the previous year. Recovery of loans and advances increased by ₹ 15,221 crore (1,792.82 per cent) over the previous year. The substantial increase in recovery during the current year was mainly due to recovery of ₹ 15,628 crore from Punjab State Power Supply Corporation (PSPCL) on account of conversion of UDAY loans into equity, as discussed in Paragraph 2.4.2.2 (v).

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

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

The State's actual own tax and non-tax receipts for the year 2019-20 *vis-à-vis* assessment made by Fourteenth Finance Commission (FFC) and Budget Estimates are given in **Table 2.16**.

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

(₹ in crore)

	FFC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FFC projections	Budget estimates
<b>Own Tax revenue</b>	55,656	37,674	29,995	(-)46.11	(-)20.38
<b>Non-tax revenue</b>	4,502	9,477	6,654	47.80	(-)29.79

Source: Report of FFC, Annual Financial Statement and Finance Accounts.

Own-tax revenue of the State Government fell short of projections made by FFC and the budget estimates by 46.11 *per cent* and 20.38 *per cent* respectively. Whereas, non-tax revenue was higher by 47.80 *per cent* than the projections made by FFC and was lower by 29.79 *per cent* from the budget estimates.

### 2.4 Application of resources

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

#### Growth and composition of expenditure

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

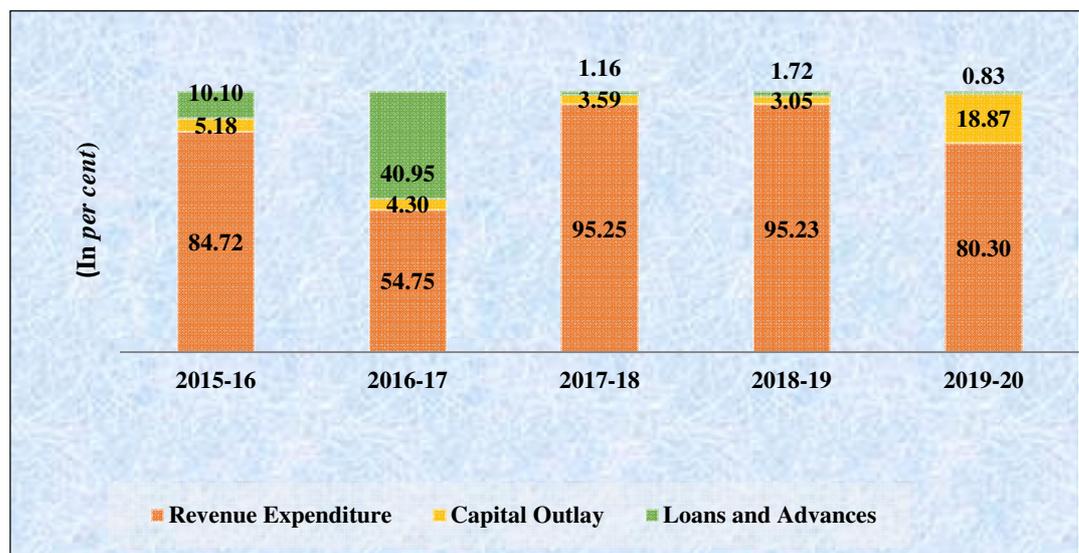
**Capital Expenditure:** All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be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

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

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

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	59,101	1,01,006	65,577	79,177	94,471
Revenue Expenditure (RE)	50,073	55,296	62,465	75,404	75,860
Capital Outlay (CO)	3,059	4,346	2,352	2,412	17,828
Loans and Advances	5,969	41,364	760	1,361	783
As a percentage of GSDP					
TE/GSDP	15.15	23.66	13.93	15.04	16.44
RE/GSDP	12.84	12.95	13.27	14.33	13.20
CO/GSDP	0.78	1.02	0.50	0.46	3.10
Loans and Advances/GSDP	1.53	9.69	0.16	0.26	0.14

Source: Finance Accounts

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

Source: Finance Accounts

**Table 2.17** shows that the total expenditure increased by ₹ 35,370 crore (59.85 per cent) from ₹ 59,101 crore in 2015-16 to ₹ 94,471 crore in 2019-20, which was 13.93 per cent to 23.66 per cent of GSDP during the period of five years. **Chart 2.8** shows that the revenue expenditure constituted dominant proportion (80 to 95 per cent) during 2015-20 except for the year 2016-17 when it was 55 per cent of the total expenditure. The capital outlay, on the other hand, constituted between three and five per cent except for the year 2019-20 when it was 19 per cent due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL), as discussed in Paragraph 2.4.2.2 (v). The State Government attributed (June 2021) the reasons for higher proportion of revenue expenditure to high committed liabilities of the State i.e. salary, wages, pension, interest, etc. as compared to its revenue receipts. During exit conference, the Principal Secretary (Finance) expressing his concern over meagre expenditure on capital outlay, stated (May 2021) that a budget provision of ₹ 14,400 crore had been made for Capex in the year 2021-22.

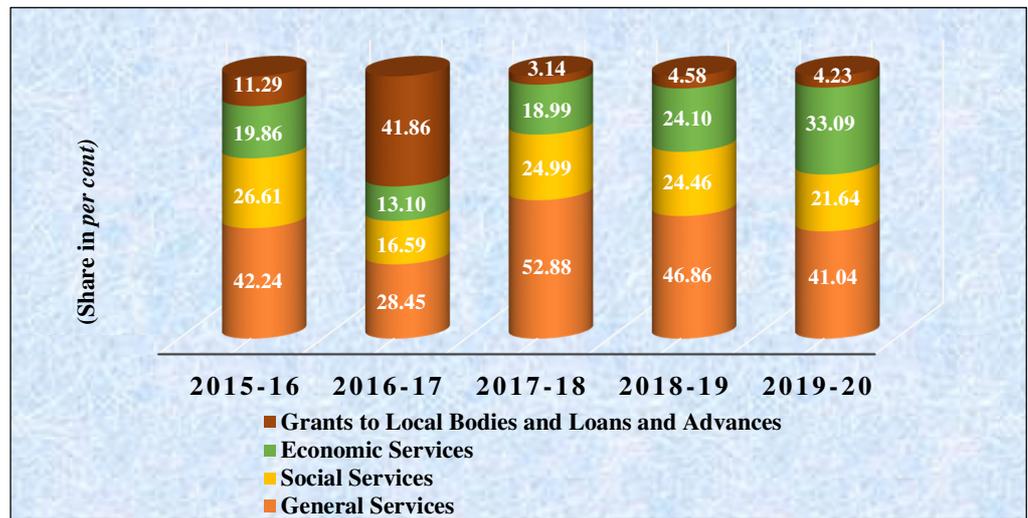
Relative share of various sectors of expenditure during 2015-20 is depicted in **Table 2.18** and **Chart 2.9**.

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

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	24,966	28,737	34,680	37,100	38,769
Social Services	15,726	16,759	16,386	19,367	20,449
Economic Services	11,734	13,228	12,450	19,084	31,260
Others (Grants to Local Bodies and Loans and Advances)	6,675	42,282	2,061	3,626	3,993

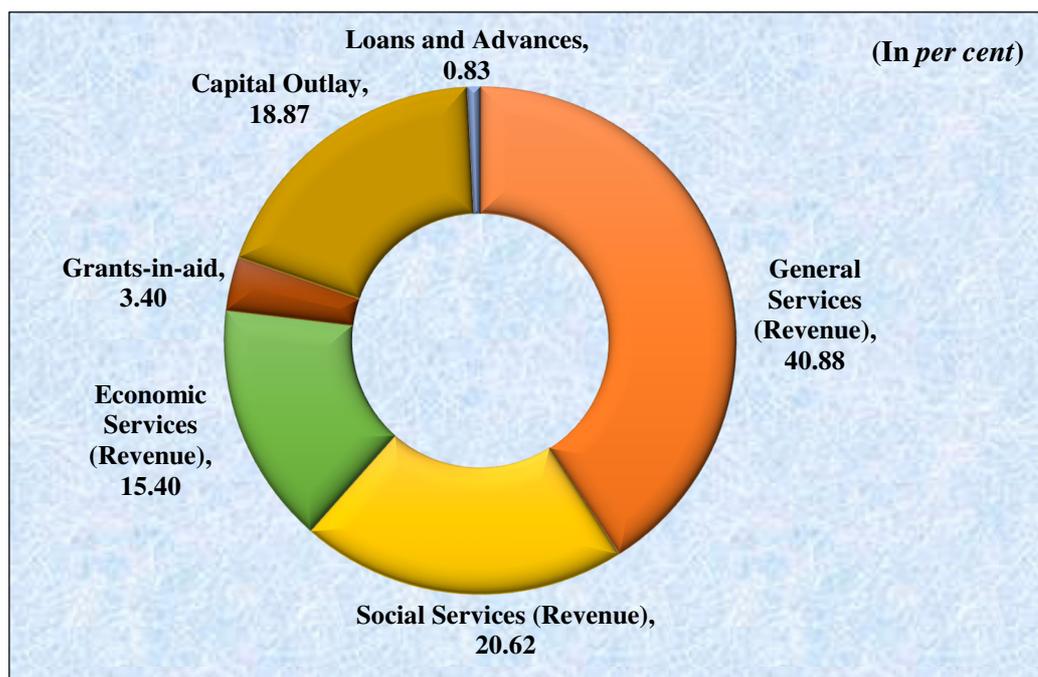
Source: Finance Accounts

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



Source: Finance Accounts

**Chart 2.9** shows that the relative share of various components of expenditure in the total expenditure fluctuated during 2015-20. The share of General Services and Social Services in total expenditure decreased from 42.24 *per cent* and 26.61 *per cent* in 2015-16 to 41.04 *per cent* and 21.64 *per cent* respectively in 2019-20 while that of Economic Services increased from 19.86 *per cent* to 33.09 *per cent* during the same period. **Chart 2.10** shows composition of expenditure by function.

**Chart 2.10: Composition of expenditure by function during 2019-20**

Source: Finance Accounts

**2.4.1 Revenue expenditure**

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

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

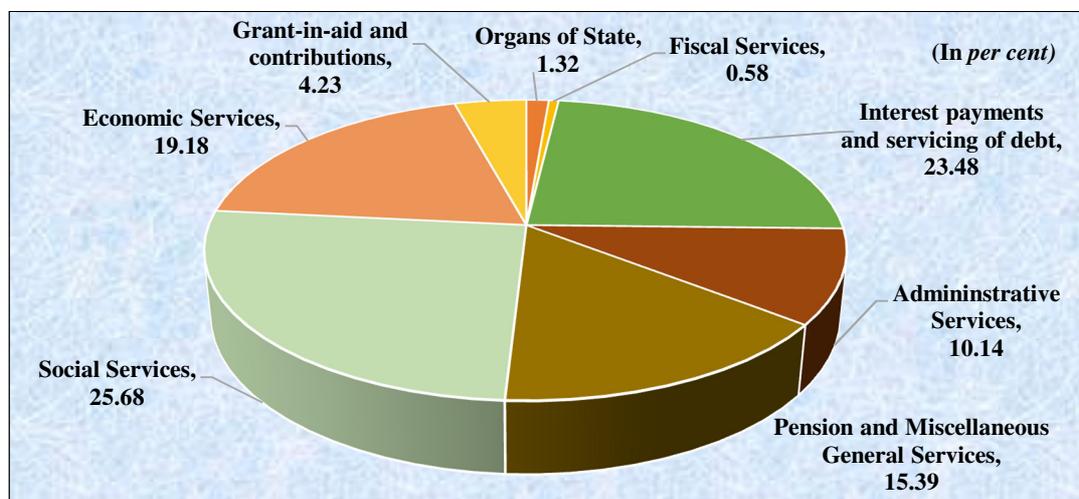
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	59,101	1,01,006	65,577	79,177	94,471
Revenue Expenditure (RE)	50,073	55,296	62,465	75,404	75,860
Rate of Growth of RE( <i>per cent</i> )	7.42	10.43	12.96	20.71	0.60
Revenue Expenditure as percentage of TE	84.72	54.75	95.25	95.23	80.30
RE/GSDP ( <i>per cent</i> )	12.84	12.95	13.27	14.33	13.20
Revenue receipts	41,523	47,985	53,010	62,269	61,575
RE as percentage of RR	120.59	115.24	117.84	121.09	123.20
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP (ratio)	0.75	1.10	1.26	1.76	0.07
Revenue Receipts (ratio)	1.16	0.67	1.24	1.19	(-)-0.54

Source: Finance Accounts

The revenue expenditure increased by ₹ 25,787 crore (51.50 *per cent*) from ₹ 50,073 crore in 2015-16 to ₹ 75,860 crore in 2019-20. It increased at an annual

average growth rate of 10.42 *per cent*, whereas as percentage of GSDP, it ranged between 12.84 *per cent* and 14.33 *per cent* during the period 2015-20.

**Chart 2.11: Sector-wise distribution of revenue expenditure**



Source: Finance Accounts

#### 2.4.1.1 Major changes in revenue expenditure

The revenue expenditure increased marginally by ₹ 456 crore (0.60 *per cent*) from ₹ 75,404 crore in 2018-19 to ₹ 75,860 crore in 2019-20. Significant variations under various Heads of Accounts with regard to revenue expenditure of the State during the current year as compared to the previous year are depicted in **Table 2.20**.

**Table 2.20: Variation in revenue expenditure during 2019-20 compared to 2018-19**

Major Heads of Account	2018-19	2019-20	(₹ in crore)
			Increase (+)/ Decrease (-)
2049-Interest Payments	16,305.89	17,567.17	(+)1,261.28
2852-Industries	623.67	1,757.49	(+)1,133.82
3604-Compensation and assignments to Local Bodies and Panchayati Raj Institutions	2,264.66	3,210.31	(+)945.65
2202-General Education	9,759.34	10,465.34	(+)706.00
2235-Social Security and Welfare	2,638.40	3,035.66	(+)397.26
2401-Crop Husbandry	11,091.51	7,103.86	(-)3,987.65

Source: Finance Accounts

**Table 2.20** shows increase of ₹ 1,261 crore under 'Interest Payments', which was mainly due to increase of ₹ 1,184 crore in interest payment on other internal debt. Increase of ₹ 1,134 crore under 'Industries' was mainly due to increase of ₹ 995 crore under 'Other Expenditure - Incentives under various Industrial policies'. Increase of ₹ 946 crore under 'Compensation and assignments to Local Bodies and Panchayati Raj Institutions' was mainly due to increase of ₹ 488 crore in Municipalities/Municipal Councils and ₹ 354 crore in Gram

Panchayats. Increase of ₹ 706 crore under ‘General Education’ was mainly due to increase of ₹ 419 crore in Government Primary Schools and ₹ 335 crore in Government Secondary Schools. Decrease of ₹ 3,988 crore under ‘Crop Husbandry’ was mainly due to decrease of ₹ 3,683 crore in debt relief to farmers.

#### 2.4.1.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed expenditure and its components is depicted in **Table 2.21** and share of committed expenditure in revenue expenditure is shown in **Chart 2.12**.

**Table 2.21: Components of Committed Expenditure**

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages <sup>5</sup>	20,585	21,756	23,255	24,376	24,729
Expenditure on Pensions	7,833	8,773	10,208	10,089	10,294
Interest Payments	9,782	11,642	15,334	16,306	17,567
<b>Total</b>	<b>38,200</b>	<b>42,171</b>	<b>48,797</b>	<b>50,771</b>	<b>52,590</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	49.57	45.34	43.87	39.15	40.16
Expenditure on Pensions	18.86	18.28	19.26	16.20	16.72
Interest Payments	23.56	24.26	28.93	26.19	28.53
<b>Total</b>	<b>92.00</b>	<b>87.88</b>	<b>92.06</b>	<b>81.54</b>	<b>85.41</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	41.11	39.34	37.23	32.33	32.60
Expenditure on Pensions	15.64	15.87	16.34	13.38	13.57
Interest Payments	19.54	21.05	24.55	21.62	23.16
<b>Total</b>	<b>76.29</b>	<b>76.26</b>	<b>78.12</b>	<b>67.33</b>	<b>69.33</b>
Non-committed RE	11,873	13,125	13,668	24,633	23,270
Percentage of RE	23.71	23.74	21.88	32.67	30.67
Percentage of TE	20.09	12.99	20.84	31.11	24.63
Subsidies	5,080	5,823	6,982	13,361	10,161
Subsidies as percentage of non-committed expenditure	42.79	44.37	51.08	54.24	43.67

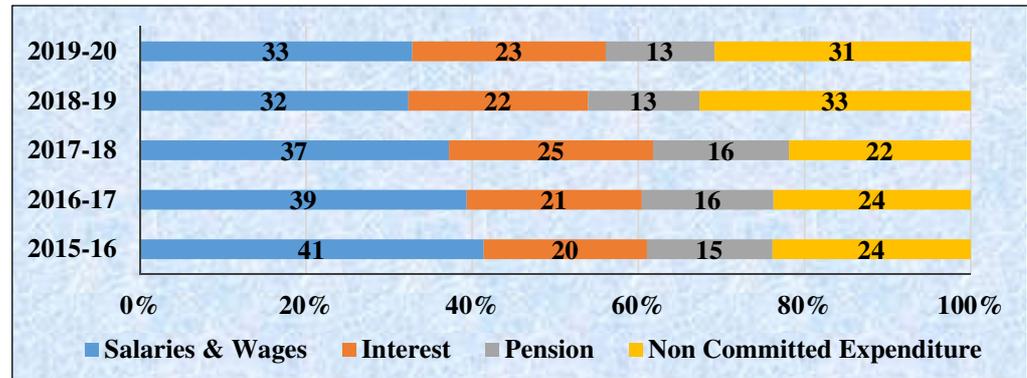
Source: Finance Accounts

**Table 2.21** shows that percentage of non-committed expenditure to revenue expenditure increased from 23.71 per cent in 2015-16 to 30.67 per cent in

<sup>5</sup> Includes Grants-in-aid (Salary) 2015-16 (₹ 3,113 crore); 2016-17 (₹ 3,250 crore); 2017-18 (₹ 3,225 crore); 2018-19 (₹ 3,491 crore); and 2019-20 (₹ 3,248 crore).

2019-20 to which subsidies constituted dominant proportion ranging from 43 per cent to 54 per cent. The State Government attributed (June 2021) the reasons for high non-committed expenditure mainly to increase in power subsidy and debt waiver scheme implemented by the State Government for the welfare of farmers.

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



Source: Finance Accounts

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

The State Government introduced (December 2006) the 'National Pension System' (NPS), in the name of Defined Contribution Pension Scheme (DCPS), applicable to all new entrants joining the State Government Service<sup>6</sup> on or after 1 January 2004. Under this system, employees contribute 10 per cent of basic pay and dearness allowance, which is matched by the State Government (Government's share has been increased to 14 per cent with effect from 1 April 2019). The employees' contribution is booked in Public Account under Major Head 8342-Other Deposits, 117-Defined Contribution Pension Scheme and the employer's contribution is transferred to the designated authority i.e. National Securities Depository Limited (NSDL), debiting Major Head 2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme. The State Government has the responsibility to deposit both employees' and employer's share to the NSDL for further investment as per the guidelines of NPS.

Though the State Government implemented DCPS with effect from January 2004, it started deducting the contribution from employees largely from April 2008<sup>7</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.

As per provisions of the scheme, during 2019-20, employees' contribution of ₹ 746.67 crore was booked under Major Head 8342-Other Deposits

<sup>6</sup> For categories mentioned in Rule 1.2 of Punjab Civil Service Rules, Volume-I Part-I.

<sup>7</sup> Meagre amount of ₹ 0.59 crore was collected during 2006-08.

117-Defined Contribution Pension Scheme for Government Employees in Public Account as per prescribed procedure. Government's contribution of ₹ 707.69 crore towards New Pension Scheme was transferred to the NSDL, debiting Major Head 2071-Pension and Other Retirement Benefits 01 - Civil 117- Defined Contributory Pension Scheme. As per employees' contribution of ₹ 746.67 crore, the due amount of Government contribution at the rate of 14 per cent works out to ₹ 1,045.34 crore. Thus, the Government's contribution was short by ₹ 337.65 crore (₹ 1,045.34 crore – ₹ 707.69 crore). Short-transfer of Government's contribution to the NSDL has resulted in understatement of the Revenue Deficit and Fiscal Deficit to that extent.

During 2019-20, against the balance of ₹ 930.04 crore lying in the Public Account, the State Government transferred ₹ 728.72 crore to NSDL, leaving a balance of ₹ 201.32 crore as on 31 March 2020, which could not be transferred to the fund managers for want of complete particulars of the employees. Thus, the State Government transferred an amount of ₹ 1,436.41 crore to NSDL during 2019-20 (₹ 728.72 by debiting Major Head 8342-117 and ₹ 707.69 crore by debiting Major Head 2071-01-117). The State Government is liable to pay interest on delayed transfer of NPS balances at the corresponding interest rates applicable to the General Provident Fund (GPF) subscribers. Thus, the State Government has created interest liability on the amount not transferred to NSDL; incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected.

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

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

(₹ in crore)

Years	Receipts				Disbursement (Transferred to Pension Fund)	Short transfer (-)/ Excess transfer (+)
	Employees' share	Government contribution	Interest	Total		
1	2	3	4	5 (2+3+4)	6	7 (6-5)
2008-09	38.76*	33.60	0.00	72.36	0.00	(-)72.36
2009-10	45.38	36.26	0.00	81.64	0.00	(-)81.64
2010-11	54.19	51.90	26.86	132.95	2.33	(-)130.62
2011-12	79.19	85.00	22.45	186.64	26.45	(-)160.19
2012-13	181.48	196.78	24.01	402.27	286.17	(-)116.10
2013-14	242.81	230.00	22.78	495.59	481.53	(-)14.06
2014-15	282.86	290.00	21.35	594.21	804.90	(+)210.69
2015-16	389.39	390.00	18.48	797.87	902.69	(+)104.82
2016-17	436.28	435.81	17.19	889.28	957.69	(+)68.41
2017-18	532.59	520.55	15.55	1,068.69	1,058.51	(-)10.18
2018-19	585.78	584.94	14.70	1,185.42	1,203.28	(+)17.86
2019-20	746.67	707.69	--	1,454.36	1,436.41	(-)17.95
<b>Total</b>	<b>3,615.38</b>	<b>3,562.53</b>	<b>183.37</b>	<b>7,361.28</b>	<b>7,159.96</b>	<b>(-)201.32</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 2008-20, against total receipts of ₹ 7,361.28 crore (employees' share: ₹ 3,615.38 crore, State Government contribution: ₹ 3,562.23 crore and interest: ₹ 183.37 crore), amount of ₹ 7,159.96 crore was transferred to the pension fund. Thus, there was short transfer of ₹ 201.32 crore, which is a deferred liability of the State Government.

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

**The Government may credit the outstanding amount along with interest at a rate which should not be less than the GPF rate.**

#### 2.4.1.3 Subsidies

**Table 2.23** depicts the expenditure on subsidies during the period 2015-20. The subsidies during the current year declined by ₹ 3,200 crore (23.95 per cent) from the previous year. The decrease was mainly due to decrease of ₹ 3,683 crore on account of debt relief to farmers.

**Table 2.23: Expenditure on subsidies during 2015-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	5,080	5,823	6,982	13,361	10,161
Subsidies as percentage of Revenue Receipts	12.23	12.14	13.17	21.46	16.50
Subsidies as percentage of Revenue Expenditure	10.15	10.53	11.18	17.72	13.39
Subsidies as percentage of Total Expenditure	8.60	5.77	10.65	16.87	10.76
Subsidies as percentage to Revenue Deficit	59.42	79.65	73.84	101.72	71.13
Power subsidy as percentage to total subsidy	95.41	96.19	94.21	63.13	76.72

Source: Finance Accounts

Power subsidy constituted major portion of the total subsidies ranging between 63 per cent and 96 per cent; and the subsidies contributed 59 per cent to 102 per cent to the revenue deficit during 2015-20.

#### (i) Implicit subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or can be given as concessions. Some implicit subsidies extended during 2019-20 are detailed in **Table 2.24**.

**Table 2.24: Details of implicit subsidies during the year 2019-20**

(₹ in crore)		
Sr. No.	Scheme	Amount
1.	Free books to Scheduled Caste Students (Ist to Xth Class)	25.00
2.	Reimbursement to Transport Department in respect of free transport facility to physically handicapped and blind persons in Government/ Punjab Road Transport Corporation buses	7.92
3.	Reimbursement to Transport Department in lieu of free concessional travel facility to women above the age of 60 years in Government/ Punjab Road Transport Corporation buses	0.67
4.	Ashirwad to Scheduled Castes girls/widows/divorcees and daughters of widows at the time of their marriage	50.75
5.	Ashirwad to Backward Class and Christian girls/widows/divorcees and daughters of widows of any caste at the time of their marriage	19.97
<b>Total</b>		<b>104.31</b>

Source: Detailed Appropriation Accounts

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

Assistance provided by way of grants to the local bodies and other institutions during the period 2015-16 to 2019-20 is presented in **Table 2.25**.

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

(₹ in crore)					
Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	336.17	475.50	1,091.64	1,747.28	2,365.48
Panchayati Raj Institutions	719.36	544.97	230.36	530.18	885.81
<b>Total (A)</b>	<b>1,055.53</b>	<b>1,020.47</b>	<b>1,322.00</b>	<b>2,277.46</b>	<b>3,251.29</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,272.98	2,223.21	2,117.63	2,824.52	3,196.94
Development Authorities	50.00	0.00	0.00	0.00	1,309.29
Hospitals and Other Charitable Institutions	686.90	779.33	627.74	967.34	1,211.06
Other Institutions	1,586.70	1,734.50	2,095.85	2,795.04	914.70
<b>Total (B)</b>	<b>4,596.58</b>	<b>4,737.04</b>	<b>4,841.22</b>	<b>6,586.90</b>	<b>6,631.99</b>
<b>Total (A+B)</b>	<b>5,652.11</b>	<b>5,757.51</b>	<b>6,163.22</b>	<b>8,864.36</b>	<b>9,883.28</b>
Revenue Expenditure	50,073	55,296	62,465	75,404	75,860
Assistance as percentage of Revenue Expenditure	11.29	10.41	9.87	11.76	13.03

Source: Finance Accounts

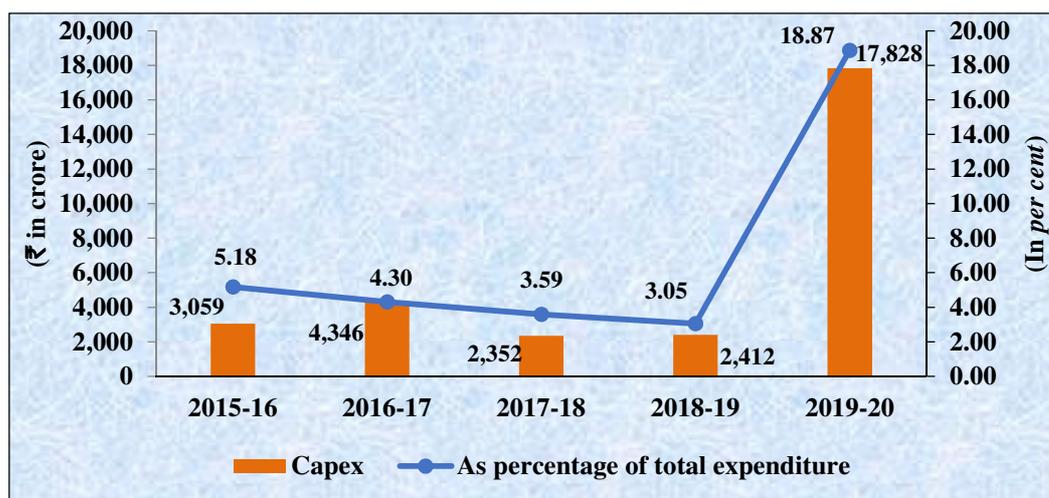
During the current year, financial assistance to the local bodies and other institutions increased by ₹ 1,018.92 crore (11.49 per cent) over the previous year. The increase was mainly due to increase in assistance to Municipal Corporations and Municipalities (₹ 618.20 crore: 35.38 per cent) and Panchayati Raj Institutions (₹ 355.63 crore: 67.08 per cent). The increase in assistance to

Municipal Corporations and Municipalities was mainly on account of increase in General Basic Grant and General Performance Grant recommended by the Fourteenth Finance Commission (FFC) and grants under Punjab Municipal Fund Act, 2006. The increase in assistance to Panchayati Raj Institutions was mainly on account of increase in grant recommended by the FFC. The overall quantum of financial assistance to the local bodies and other institutions as percentage to revenue expenditure increased to 13.03 *per cent* during the current year from 11.76 *per cent* of the previous year.

## 2.4.2 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capex, in both the Centre and State, is being met from budgetary support and extra budgetary resources/off-budget. It also includes investments made by the State Government in Companies/Corporations. Trend of capital outlay in the State over the last five years i.e. 2015-20 is given in **Chart 2.13**.

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



Source: Finance Accounts

**Chart 2.13** shows that the capital outlay increased by ₹ 14,769 crore (482.80 *per cent*) from ₹ 3,059 crore (5.18 *per cent* of total expenditure) in 2015-16 to ₹ 17,828 crore (18.87 *per cent* of total expenditure) in 2019-20. Besides, the State Government also gave Grants-in-aid of ₹ 1,566.84 crore<sup>8</sup> during the period 2015-20 for creation of assets.

### 2.4.2.1 Major changes in capital outlay

Major changes in capital outlay during 2019-20 compared to 2018-19 are depicted in **Table 2.26**.

<sup>8</sup> 2015-16: ₹ 252.96 crore; 2016-17: ₹ 260.10 crore; 2017-18: ₹ 0.50 crore; 2018-19: ₹ 338.94 crore; and 2019-20: ₹ 714.34 crore.

**Table 2.26: Capital outlay during 2019-20 compared to 2018-19**

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
5054-Capital Outlay on Roads and Bridges	514.41	311.58	(-)202.83
4217-Capital Outlay on Urban Development	495.35	323.86	(-)171.49
4700- Capital Outlay on Major Irrigation	56.73	132.54	(+) 75.81
4711-Capital Outlay on Flood Control Projects	26.31	207.86	(+) 181.55
4801- Capital Outlay on Power Projects	0.00	15,628.26	(+) 15,628.26

Source: Finance Accounts

**Chart 2.13** shows that the capital outlay increased by ₹ 15,416 crore (639.14 per cent) from ₹ 2,412 crore in 2018-19 to ₹ 17,828 crore in 2019-20. The overall increase was mainly due to substantial increase in Capital Outlay on Power Projects on account of 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).

#### 2.4.2.2 Quality of capital expenditure

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

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

Capital expenditure in the companies, corporations and other bodies, which are loss making or where net worth is 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 is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As per the latest finalised accounts, total paid up capital of 33 working State PSUs stood at ₹ 23,505.15 crore at the end of 2019-20, of which the State Government's investment (equity) was ₹ 23,358.87 crore (99.38 per cent) in 24 State PSUs.

Twelve State PSUs, in which the State Government held investment of ₹ 22,545.81 crore had aggregated accumulated losses of ₹ 16,326.70 crore (**Appendix 2.3**).

Net worth of nine out of above 12 PSUs with accumulated losses had completely eroded and their net worth had become negative. The net worth of these nine PSUs was (-) ₹ 7,431.47 crore against equity investment of ₹ 512.85 crore (GoP investment: ₹ 473.41 crore) in these PSUs as on 31 March 2020 (*Appendix 2.4*).

In six out of above nine PSUs whose capital had eroded, Government loans outstanding as on 31 March 2020 amounted to ₹ 19,363.06 crore (*Appendix 2.4*).

The long term loans amounting to ₹ 25,334.59 crore extended by the State Government in respect of nine PSUs were outstanding as on 31 March 2020 (*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	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	4,064.56	4,091.32	4,189.27	4,263.25	19,898.08
Return (₹ in crore)*	1.46	3.88	4.45	4.24	4.24
Return ( <i>per cent</i> )*	0.04	0.09	0.11	0.10	0.02
Average rate of interest on Government Borrowings ( <i>per cent</i> )	8.23	7.46	7.70	8.36	7.31
Difference between interest rate and return ( <i>per cent</i> )	8.19	7.37	7.59	8.26	7.29
Difference between interest on Government borrowings and return on investment (₹ in crore)#	332.89	301.53	317.97	352.14	1450.57

Source: Finance Accounts

\* on historical cost

#  $\frac{\text{Investment at the end of the year} \times \text{Difference between interest rate and return}}{100}$

100

During 2019-20, the return on investment was ₹ 4.24 crore<sup>9</sup> (0.02 *per cent*) (based on historical cost and not on net present value basis). The return was only between 0.02 *per cent* and 0.11 *per cent* during 2015-20 while the average rate of interest paid by the State Government on its borrowings was between 7.31 *per cent* and 8.36 *per cent* during the same period. Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 2,755.10 crore. The State Government stated (June 2021) that many of these entities had systemic role to play for other sectors to remain competitive and value-additive. In addition to economic benefits, the social tasks in terms of upliftment of backward classes were also carried out by

<sup>9</sup> Co-operative Banks and Societies (₹ 0.01 crore); Joint Stock Companies (₹ 0.11 crore); and Government Companies (₹ 4.12 crore).

many of these organisations. The reply furnished by the Government was without considering the precarious financial position of the State.

**Table 2.28** shows the details of investments made in the loss making companies/corporations during 2019-20.

**Table 2.28: Investments made in loss making companies during 2019-20**

(₹ in crore)

Sl. No.	Company/Corporation	Cumulative losses as on 31.03.2019	Investment made during 2019-20	Cumulative investment as on 31.03.2020
1.	Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC)*	11.59	6.87	82.62
2.	Punjab State Power Corporation Limited (PSPCL)	7,001.17	15,628.26 <sup>#</sup>	18,401.05

Source: Finance Accounts

\* Accounts from 2018-19 were awaited.

<sup>#</sup> Loans amounting to ₹ 15,628.26 crore extended by the State Government during 2015-16 and 2016-17 under UDAY scheme converted into equity during 2019-20.

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

The figures of Government investments as equity in State Public Sector Undertakings (PSUs) 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 in equity of 19 PSUs was ₹ 19,012.52 crore whereas as per records of PSUs, it was ₹ 23,149.08 crore. There was a difference of ₹ 4,136.56 crore as detailed in (*Appendix 2.6*). Reconciliation should be carried out in time bound manner to figure out the difference. The State Government assured (May 2021) that efforts would be made to reconcile the figures with the office of the Accountant General (A&E), Punjab.

### (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/organizations. **Table 2.29** presents the position of outstanding loans and advances as on 31 March 2020 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

**Table 2.29: Quantum of loans disbursed and recovered during 2015-20**

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	2,615	8,299	49,482	50,169	50,681
Amount advanced during the year	5,968	41,364	760	1,361	783
Amount recovered during the year	218	181	73	849	16,070
Closing Balance of the loans outstanding	8,365	49,482	50,169	50,681	35,394
Net addition	5,750	41,183	687	512	(-)15,287
Interest received	30	1,131	1,339	1,341	1,336
Interest rate on Loans and Advances given by the Government	0.55	3.91	2.69	2.66	3.10
Rate of Interest paid on the outstanding borrowings of the Government	8.09	7.48	8.12	8.00	7.93
Difference between the rate of interest received and interest paid ( <i>per cent</i> )	(-)7.54	(-)3.57	(-)5.43	(-)5.34	(-)4.83

Source: Finance Accounts

During 2019-20, amount of ₹ 783 crore was advanced as loans against ₹ 1,361 crore during the previous year. The loans advanced during the current year included ₹ 100 crore extended to the Punjab State Civil Supplies Corporation (PUNSUP) for procurement and supply of essential commodities; and ₹ 522 crore to other procurement agencies against liability of Atta Dal Scheme. Loans amounting to ₹ 839.22 crore were outstanding at the beginning of the year against Co-operative Sugar Mills. Further, loans of ₹ 100 crore were given to these sugar mills without recovery of earlier loans.

The total outstanding loans advanced by the State Government decreased by ₹ 15,287 crore from ₹ 50,681 crore in 2018-19 to ₹ 35,394 crore in the year 2019-20 mainly due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL). During the current year, the interest receipts marginally decreased by ₹ five crore (0.37 *per cent*) over the previous year. However, the interest received was only 3.10 *per cent* of the outstanding loans and advances during 2019-20.

The outstanding loans (₹ 35,394 crore) at the close of year 2019-20 included the long term loans of ₹ 31,658 crore out of ₹ 32,897 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>10</sup>), of which ₹ 29,428 crore were outstanding; and

<sup>10</sup> This loan is to be repaid by the State Government in equated monthly instalments of ₹ 270 crore (including interest) except for last installment of ₹ 115 crore which is to be paid in September 2034.

- clearing outstanding CCL extended afresh to five State Procurement Agencies (SPA) during 2016-20 (₹ 2,977 crore), of which ₹ 2,230 crore<sup>11</sup> were outstanding.

Thus, against the total amount of ₹ 32,897 crore advanced for clearing old and fresh CCL to SPAs during 2016-20, recovery of only ₹ 1,239 crore<sup>12</sup> had been effected.

During the current year, loans amounting to ₹ 15,628 crore extended to the Punjab DISCOM under UDAY during 2015-16 and 2016-17 were to be converted into Grants-in-aid (₹ 11,728 crore) and equity (₹ 3,900 crore), but the whole amount of ₹ 15,628 crore was converted into equity, as discussed in Paragraph 2.4.2.2 (v).

#### (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 on 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 2019-20 are shown in Table 2.30 and Table 2.31 respectively.

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)
Upto 2011-12	03	2,543.96	770.94
2012-13	--	0.00	0.00
2013-14	--	0.00	0.00
2014-15	02	71.14	61.16
2015-16	04	71.11	53.52
2016-17	10	292.23	195.49
2017-18	04	72.31	55.44
2018-19	16	173.03	46.26
2019-20	13	37.82	18.46
<b>Total</b>	<b>52</b>	<b>3,261.60</b>	<b>1,201.27</b>

Source: Finance Accounts

Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)
Public Works	28	363.19	170.22
Irrigation	19	2,651.98	843.09
Water Supply and Sanitation	05	246.43	187.96
<b>Total</b>	<b>52</b>	<b>3,261.60</b>	<b>1,201.27</b>

The expenditure of ₹ 1,201.27 crore incurred on 52 incomplete projects was yet to yield the intended benefits. Out of 52 incomplete projects, 19 projects on

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

<sup>12</sup> ₹ 492 crore (2017-18: ₹ 26 crore, 2018-19: ₹ 61 crore and 2019-20: ₹ 405 crore) against ₹ 29,920 crore; and ₹ 747 crore (2018-20) against ₹ 2,977 crore.

which expenditure of ₹ 1,081.11 crore had been incurred, pertained to the period prior to the year 2017-18.

Delay in completion of projects not only adversely affected the quality of expenditure but also deprived the State of intended benefits and economic growth. The State Government stated (June 2021) that the matter had been taken up with the concerned departments for taking necessary action in this regard.

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

With an objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal DISCOM Assurance Yojana (UDAY) to improve the operational and financial efficiency of the State DISCOMs. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

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

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

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

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

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

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

2015-16, thereby understating the loans of the State Government by ₹ 4,262.65 crore during that year.

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

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

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

(₹ in crore)				
Year	Equity Investment	Loan	Revenue Grant	Total
2015-16	--	9,859.72	--	9,859.72
2016-17	--	5,768.54	--	5,768.54
<b>Total</b>	<b>--</b>	<b>15,628.26</b>	<b>--</b>	<b>15,628.26</b>
2017-18	--	--	141.81	141.81
2018-19	--	--	90.69	90.69
2019-20	15,628.26	--	--	15,628.26
<b>Total</b>	<b>15,628.26</b>	<b>--</b>	<b>232.50</b>	<b>15,860.76</b>

Source: Finance Accounts

It was observed that the State Government converted (March 2020) entire amount of ₹ 15,628.26 crore into equity (instead of ₹ 11,728.26 crore as grant and ₹ 3,900 crore as equity) during 2019-20, in contravention of provisions of the MoU. Further, GoP took over losses of the DISCOM as specified in the scheme for the years 2017-18 and 2018-19 by paying revenue grant amounting to ₹ 232.50 crore, but it did not pay the revenue grant of ₹ 9.45 crore (25 per cent of the DISCOM's loss amounting to ₹ 37.80 crore of 2018-19) during the current year.

Thus, the revenue deficit and fiscal deficit of the State during the current year was understated by ₹ 11,737.71 crore and ₹ 9.45 crore respectively.

The State Government stated (June 2021) that the entire amount of ₹ 15,628.26 crore was converted into equity during 2019-20 with the approval of Council of Ministers and Vidhan Sabha. The reply of the Government was not in line with the provisions of the MoU. The Government further added that the due amount of ₹ 9.45 crore had been funded to PSPCL by way of GIA in March 2021.

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

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables

them to work together to meet the rising demand of the public for infrastructure development. Sector-wise details of PPP Projects are given in **Table 2.33**.

**Table 2.33: Sector-wise details of PPP projects as on 31 March 2020**

(₹ in crore)

Sl. No.	Sector	Completed		Ongoing		Planned for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Roads	14	1,027.02	--	--	--	--
2.	Urban Infrastructure	--	--	03 <sup>13</sup>	689.00	04 <sup>14</sup>	125.00
	<b>Total</b>	<b>14</b>	<b>1,027.02</b>	<b>03</b>	<b>689.00</b>	<b>04</b>	<b>125.00</b>

Source: Departmental information

Revenue generated from the 14 completed road projects and three ongoing urban infrastructure projects was ₹ 60 crore and ₹ 371 crore respectively up to 31 March 2020.

### 2.4.3 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to total expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Fiscal priority<sup>15</sup> of the State Government with regard to expenditure on social and economic sectors, etc. is shown in **Table 2.34**.

**Table 2.34: Expenditure priority of the State with regard to health, education and capital outlay**

(In per cent)

	TE/GSDP	CE/TE	Education*/TE	Health/ TE
All India Average/ General Category States Average (2015-16)	16.97	14.81	15.68	4.79
Punjab 2015-16	15.15	5.18	14.88	4.41
All India Average/ General Category States Average (2019-20)	15.15	12.97	15.91	5.21
Punjab 2019-20	16.44	18.87	11.74	3.72

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

TE: Total Expenditure and CE: Capital Expenditure (excluding Loans and Advances).

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

<sup>13</sup> (i) Refurbishment, operation and maintenance of Urban *Haat* at Amritsar; (ii) Omaxe City at Patiala and; (iii) Development of bus terminal-cum-commercial complex at SAS Nagar.

<sup>14</sup> (i) Standard tourism project at Dhar Kalan, Pathankot; (ii) Convention Centre at Guru Ram Das Urban Estate; (iii) Heritage hotel at old site of Shri Guru Teg Bahadur Hospital at Amritsar and; (iv) Construction and operation of exhibition Centre at Ludhiana.

<sup>15</sup> Ratio of expenditure in that category to Total Expenditure (TE).

**Table 2.34** shows that:

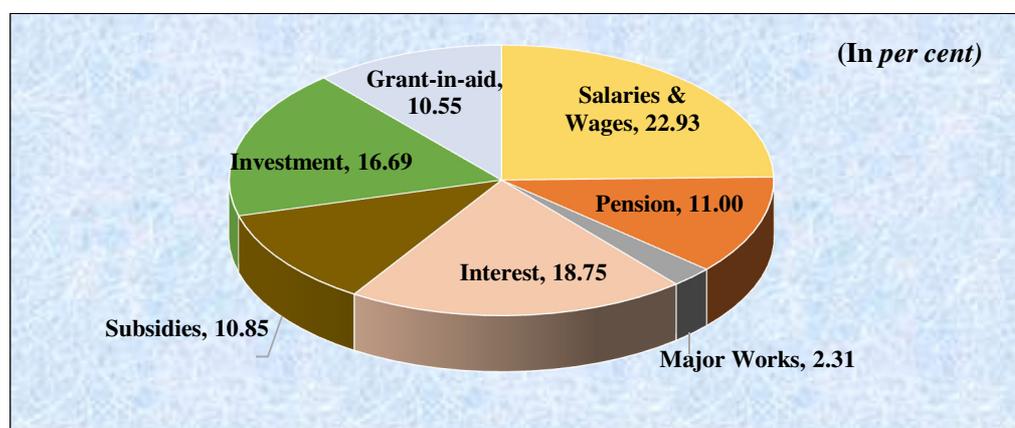
- The State Government's total expenditure as proportion of GSDP, increased from 15.15 *per cent* in 2015-16 to 16.44 *per cent* in 2019-20 whereas for General Category States (GCS) it decreased from 16.97 *per cent* to 15.15 *per cent* during the same period.
- Capital outlay facilitates asset creation which generates opportunities for higher growth. The ratio in this regard increased from 5.18 *per cent* in 2015-16 to 18.87 *per cent* in 2019-20 mainly due to increase in capital outlay on account of conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, otherwise, the ratio would have declined to 2.33 *per cent* in 2019-20. This ratio for General Category States (GCS) decreased from 14.81 *per cent* to 12.97 *per cent* during the same period.
- The ratio of expenditure on education to the total expenditure in Punjab came down from 14.88 *per cent* in 2015-16 to 11.74 *per cent* in 2019-20 whereas the GCS average increased from 15.68 *per cent* to 15.91 *per cent* during the same period.
- The ratio of expenditure on health to total expenditure in Punjab decreased from 4.41 *per cent* in 2015-16 to 3.72 *per cent* in 2019-20 whereas the GCS average increased from 4.79 *per cent* to 5.21 *per cent* during the same period.

**The Government may consider increasing level of outlay on education and health for enhancing the level of human development.**

#### 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**



Source: Finance Accounts

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

## 2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

### 2.5.1 Net Public Account balances

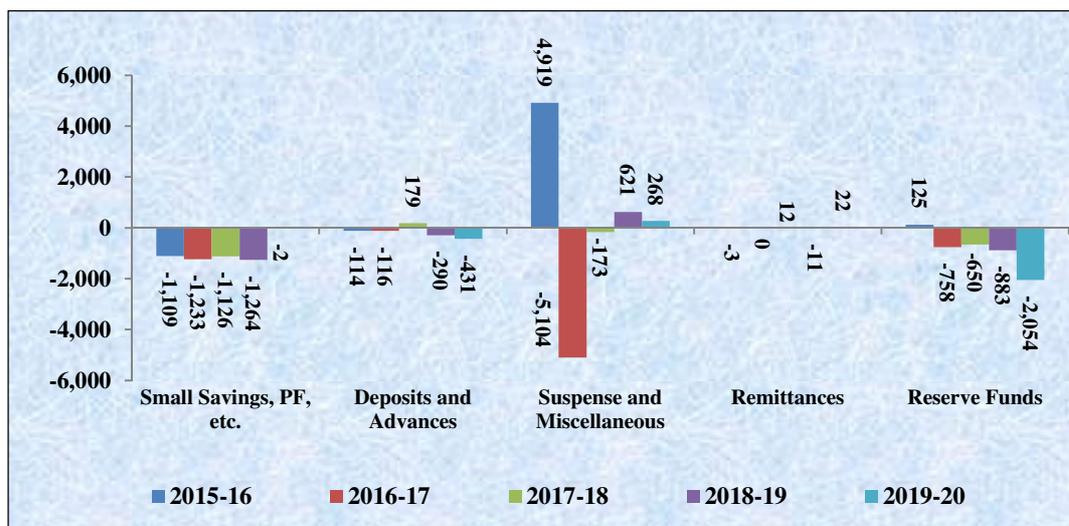
The component-wise net balances in Public Account of the State is given in **Table 2.35** and yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

**Table 2.35: Component-wise net balances in Public Account as on 31 March 2020**

		(₹ in crore)				
Sector	Sub-Sector	2015-16	2016-17	2017-18	2018-19	2019-20
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)19,370.85	(-)20,603.53	(-)21,729.73	(-)22,993.55	(-)22,995.06
Reserve Funds	(a) Reserve Funds bearing Interest	(-)4,102.86	(-)4,869.39	(-)5,519.49	(-)6,402.59	(-)8,203.96
	(b) Reserve Funds not bearing Interest	(-)8.90	(-)0.68	(-)0.68	(-)0.68	(-)253.20
Deposits and Advances	(a) Deposits bearing Interest	(-)774	(-)748.52	(-)825.92	(-)808.08	(-)776.16
	(b) Deposits not bearing Interest	(-)2,389.11	(-)2,530.47	(-)2,273.62	(-)2,581.87	(-)3,045.22
	(c) Advances	0.42	0.42	0.42	0.42	0.42
Suspense and Miscellaneous	(a) Suspense	40.69	23.74	50.87	(-)38.05	(-)8.47
	(b) Other Accounts	5,849.89	762.43	562.71	1,272.82	1,511.04
	(c) Accounts with Governments of Foreign Countries	0.66	0.66	0.66	0.66	0.66
	(d) Miscellaneous	0	0	0	0	0
Remittances	(a) Money Orders, and other Remittances	1.52	1.39	0	(-)9.02	2.68
	(b) Inter-Governmental Adjustment Account	0	0	13.59	11.93	22.59
<b>Total</b>		<b>(-)20,752.54</b>	<b>(-)27,963.95</b>	<b>(-)29,721.19</b>	<b>(-)31,548.01</b>	<b>(-)33,744.68</b>

Source: Finance Accounts

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

**Chart 2.15: Yearly changes in composition of Public Account balances**(*₹in crore*)

Source: Finance Accounts

## 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 of interest bearing reserve funds and non-interest bearing reserve funds.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were six interest bearing funds and two non-interest bearing funds under Reserve Funds as on 31 March 2020. The fund balances lying in these Reserve Funds as on 31 March 2020 are given in **Table 2.36**.

**Table 2.36: Details of Reserve Fund**(*₹in crore*)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2020
<b>A</b>	<b>Reserve Funds bearing Interest</b>	<b>8,203.96</b>
1.	Depreciation Reserve Fund-Motor Transport	115.98
2.	Depreciation Reserve Fund-Government Presses	24.39
3.	Reserve Fund-Motor Transport	0.74
4.	Punjab Road Safety Fund	22.53
5.	State Disaster Response Fund	6,999.48
6.	State Compensatory Afforestation Fund	1,040.84
<b>B</b>	<b>Reserve Funds not bearing Interest</b>	<b>253.20</b>
1.	Sinking Funds	252.52
2.	Other Development and Welfare Fund	0.68
	<b>Grand Total</b>	<b>8,457.16</b>

Source: Finance Accounts

Out of these eight reserve funds, one reserve fund i.e. Other Development and Welfare Funds is in-active since 1982-83.

### 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.

As on 31 March 2019, the outstanding liabilities of the Government of Punjab were ₹ 2,11,917.24 crore. Accordingly, the State Government was required to contribute a minimum of ₹ 1,059.59 crore (0.50 *per cent*) during 2019-20. However, the State Government has made contribution of only ₹ 243.00 crore to the Fund, which has been invested, on which an interest of ₹ 9.52 crore has been earned, thereby leading to a balance of ₹ 252.52 crore at the end of the current year.

Thus, the State Government has not made the minimum contribution of ₹ 7,116.99 crore<sup>16</sup> during 2011-20 to the said Fund since its inception. Non-contribution to Sinking Fund has also resulted in understatement of revenue expenditure by ₹ 816.59 crore during 2019-20 with consequent impact on revenue deficit and fiscal deficit of the State. The State Government stated (June 2021) that they had started making investment in the Consolidated Sinking Fund from 2019-20 (₹ 243 crore) and an amount of ₹ 925 crore had also been invested in the year 2020-21 too.

### 2.5.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of SDRF (September 2010 and July 2015), the Centre and the State Governments were contributing to the Fund in the proportion of 75:25 (revised to 90:10 from the year 2018-19). The contributions are to be transferred under the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

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

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of

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

SDRF. Such expenditure has to be built into the normal budgetary heads/State Plan Funds, etc.

As per Finance Accounts, as on 1 April 2019, an amount of ₹ 6,263.50 crore was lying in the SDRF. During the year 2019-20, ₹ 929.10 crore (₹ 313.05 crore as Centre share; ₹ 115.63 crore as State share; ₹ 2.68 crore towards refund of previous year's unspent balance lying with the Drawing and Disbursing Officers; and ₹ 497.74 crore towards payment of interest by the State Government) were transferred to the Fund. An amount of ₹ 193.12 crore was spent from the Fund during the current year leaving a balance of ₹ 6,999.48 crore. The entire balance of ₹ 6,999.48 crore was lying un-invested in SDRF as on 31 March 2020, in violation of GoI guidelines *ibid*. Besides, the State Government is liable to pay interest of ₹ 3.92 crore to the fund, accrued on account of delayed release of its share during the year 2019-20.

The Government stated (June 2021) that the State did not have surplus cash for making investment, for which it would have to borrow at higher rate of interest from market for making this investment. The reply of the State Government implied that the available balance under SDRF had been used for other than intended purpose, in contravention of the guidelines *ibid*.

Details of expenditure charged to SDRF during 2019-20 are given in **Table 2.37**.

**Table 2.37: Details of expenditure charged to SDRF during 2019-20**

(₹ 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	103.42
	104-Supply of Fodder	0.10
	106-Repairs and restoration of damaged roads and bridges	0.02
	111-Ex-gratia payments to bereaved families	0.92
	113-Assistance for repairs/reconstruction of Houses	7.00
	117-Assistance to Farmers for purchase of live stock	0.17
	122-Repairs and restoration of damaged irrigation and flood control works	81.49
	<b>Total</b>	<b>193.12</b>
<b>2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund</b>	901- Deduct - Amount met from State Disaster Response Fund	193.12
Expenditure charged to SDRF in violation of SDRF guidelines		89.70

Source: Finance Accounts

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹ 89.70 crore out of ₹ 193.12 crore met from SDRF was in contravention of the guidelines. This led to understatement of revenue expenditure to the extent of

₹ 89.70 crore during 2019-20 with consequent impact on revenue deficit and fiscal deficit of the State.

### 2.5.2.3 *Guarantee Redemption Fund*

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

In terms of recommendation of the Twelfth Finance Commission, the State Government constituted ‘Guarantee Redemption Fund’ (GRF) in December 2007 (revised in January 2014 with effect from the financial year 2013-14) with the objective of meeting its obligations arising out of the guarantees issued on behalf of the State bodies. As per the guidelines, the State Government was required to make an initial contribution of at least one *per cent* of outstanding guarantees at the end of the previous year (2012-13) and thereafter at least 0.50 *per cent* of outstanding guarantees at the close of previous year to achieve a minimum level of three *per cent* of outstanding guarantees in next five years. Accordingly, State Government was required to make a minimum contribution of ₹ 1,525.67 crore during the period 2013-14 to 2016-17, but the State Government has not contributed the same to the Fund.

The State Government has further revised (October 2017) the ‘Guarantee Redemption Fund Scheme’ with effect from the financial year 2017-18. In terms of the Scheme, State Government was required to make a minimum contribution of ₹ 206.77 crore for the year 2017-18 (one *per cent* of outstanding guarantee of ₹ 20,676.88 crore at the end of 2016-17), ₹ 98.80 crore for the year 2018-19 (0.50 *per cent* of outstanding guarantee of ₹ 19,760.46 crore at the end of 2017-18) and ₹ 118.59 crore for the year 2019-20 (0.50 *per cent* of outstanding guarantee of ₹ 23,718.68 crore at the end of 2018-19). Total amount required to be contributed to the Fund during the period 2013-20 works out to ₹ 1,949.83 crore. However, the State Government has not contributed anything to the Fund during this period. Non-contribution to GRF has also resulted in understatement of revenue expenditure by ₹ 118.59 crore during 2019-20 with consequent impact on revenue deficit and fiscal deficit of the State. Guarantee fee of ₹ 46.14 crore was also received during the year which was not transferred to Guarantee Redemption Fund, which also impacted the Revenue and Fiscal Deficit of the State to that extent. The State Government stated (June 2021) that investment in the Fund could not be made due to cash crunch.

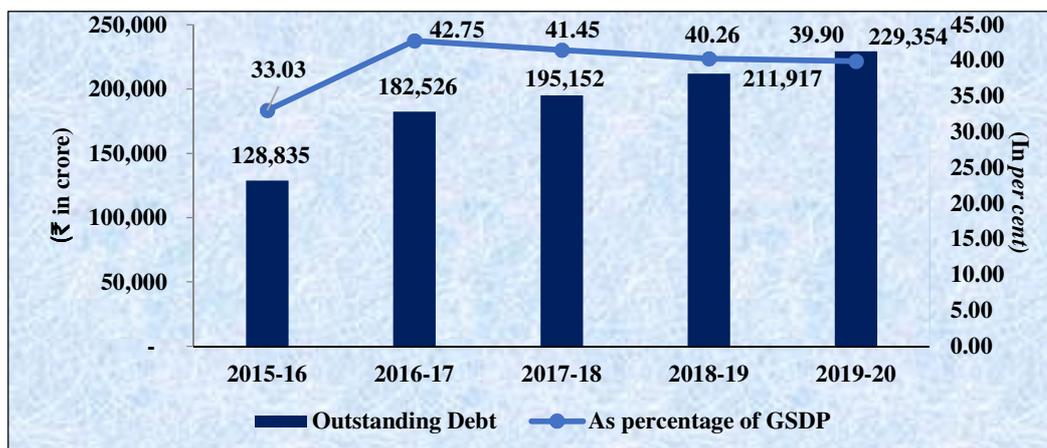
## 2.6 **Debt management**

Debt management is the process of establishing and executing a strategy for managing the Government’s debt in order to raise the required amount of

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

Outstanding debt of the State along with its percentage to GSDP for the years 2015-16 to 2019-20 is as depicted in **Chart 2.16**.

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



Source: Finance Accounts

### 2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The component-wise debt trends of the State for the period of five years beginning from 2015-16 are presented in **Table 2.38**.

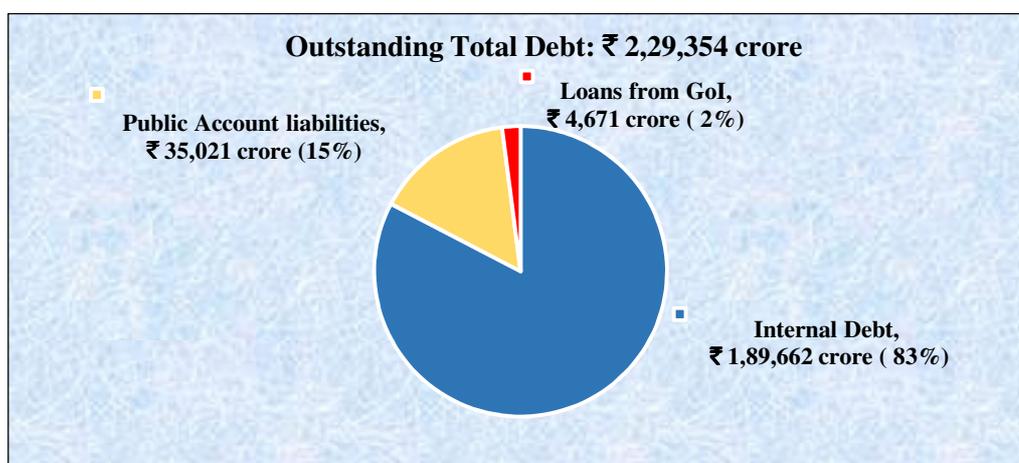
**Table 2.38: Component-wise debt trends**

Components of fiscal liability		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Outstanding Total Debt</b>		<b>1,28,835</b>	<b>1,82,526</b>	<b>1,95,152</b>	<b>2,11,917</b>	<b>2,29,354</b>
Public Debt	Internal Debt	99,023	1,49,880	1,60,785	1,74,172	1,89,662
	Loans from GoI	3,566	3,893	4,018	4,958	4,671
Public Account Liabilities		26,246	28,753	30,349	32,787	35,021
Rate of growth of outstanding total debt (per cent)		14.66	41.67	6.92	8.59	8.23
Gross State Domestic Product (GSDP)		3,90,087	4,26,988	4,70,834	5,26,376	5,74,760
Debt/GSDP (per cent)		33.03	42.75	41.45	40.26	39.90
Total Debt Receipts (including WMA)		48,152	94,290	53,363	61,155	65,907
Total Debt Repayments (including WMA)		31,078	40,599	40,737	44,390	48,470
Total Debt available		17,074	53,691	12,626	16,765	17,437
Debt Repayments/Debt Receipts (per cent)		64.54	43.06	76.34	72.59	73.54

Source: Finance Accounts

The total debt of the State Government had been on the rise as it increased by 78.02 per cent from ₹ 1,28,835 crore in 2015-16 to ₹ 2,29,354 crore in 2019-20, 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 (₹ 27,288 crore out of ₹ 29,920 crore); and (ii) issuing of Bonds for clearing debts of Punjab State Power Corporation Limited (PSPCL) in compliance with the implementation of Ujwal Discom Assurance Yojana (UDAY) during 2015-16 (₹ 5,597 crore) and 2016-17 (₹ 10,031 crore). Break-up of outstanding total debt at the end of 2019-20 is shown in **Chart 2.17**.

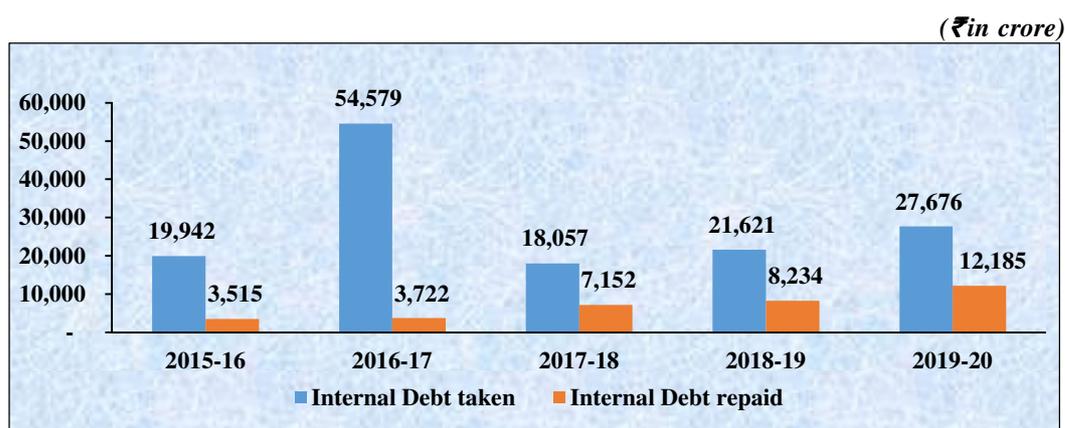
**Chart 2.17: Break-up of outstanding total debt at the end of 2019-20**



Source: Finance Accounts

**Chart 2.18** depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years i.e. 2015-20.

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



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 90,639 crore (91.53 per cent) from ₹ 99,023 crore in 2015-16 to ₹ 1,89,662 crore in 2019-20. An amount of ₹ 15,049 crore was paid towards interest on internal debt during 2019-20.

**Table 2.39** depicts financing pattern of the fiscal deficit during 2015-20 and the financing of fiscal deficit during 2019-20 is expressed through a water flow chart (**Chart 2.19**).

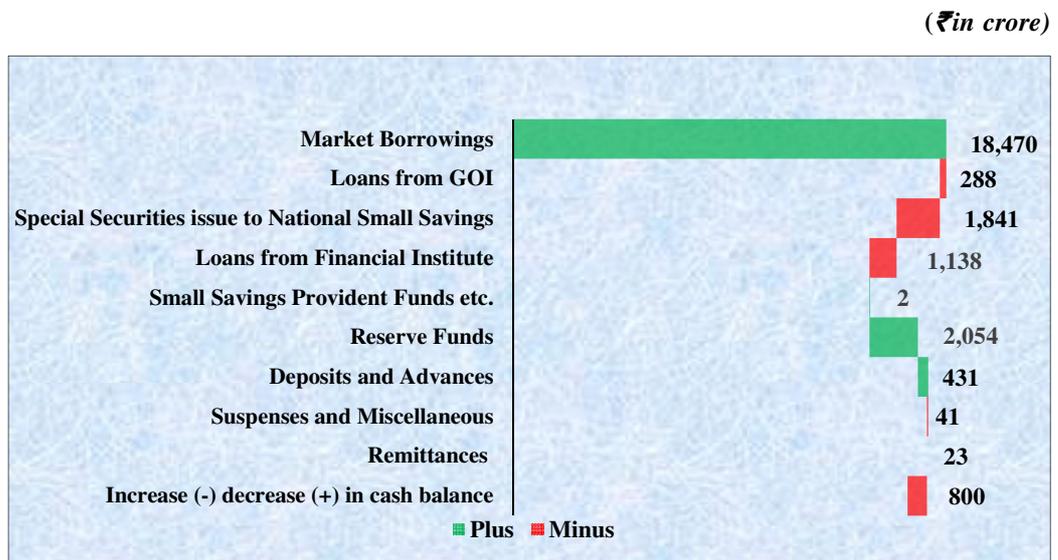
**Table 2.39: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Composition of Fiscal Deficit</b>		<b>(-17,360)</b>	<b>(-47,071)</b>	<b>(-12,494)</b>	<b>(-16,059)</b>	<b>(-16,826)</b>
1.	Revenue Deficit	(-8,550)	(-7,311)	(-9,455)	(-13,135)	(-14,285)
2.	Net Capital outlay	(-3,059)	(-4,346)	(-2,352)	(-2,412)	(-17,828)
3.	Net Loans and Advances	(-5,751)	(-35,414)	(-687)	(-512)	15,287
<b>Financing Pattern of Fiscal Deficit</b>						
1.	Market Borrowings	9,199	12,144	13,349	17,053	18,470
2.	Loans from GoI	(-49)	327	125	940	(-288)
3.	Special Securities issued to NSSF	1,579	(-1,804)	(-1,742)	(-1,801)	(-1,841)
4.	Loans from Financial Institutions	5,648	34,749	(-702)	(-1,865)	(-1,138)
5.	Small Savings, PF, etc.	1,110	1,233	1,126	1,264	2
6.	Deposits and Advances	114	115	(-180)	290	431
7.	Suspense and Miscellaneous	5	17	(-27)	120	(-41)
8.	Remittances	3	0	(-12)	11	(-23)
9.	Reserve Funds	(-126)	758	650	883	2,054
<b>10.</b>	<b>Overall Deficit</b>	<b>17,483</b>	<b>47,539</b>	<b>12,587</b>	<b>16,895</b>	<b>17,626</b>
11.	Increase (-)/Decrease (+) in cash balance	(-123)	(-410)	(-93)	(-836)	(-800)
<b>12.</b>	<b>Gross Fiscal Deficit</b>	<b>17,360</b>	<b>47,071</b>	<b>12,494</b>	<b>16,059</b>	<b>16,826</b>

Source: Finance Accounts

**Chart 2.19: Financing of fiscal deficit during 2019-20**



Source: Finance Accounts

The components of receipts and disbursements financing the fiscal deficit during the year 2019-20 are depicted in **Table 2.40**.

**Table 2.40: Receipts and Disbursements under components financing the fiscal deficit during 2019-20**

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1.	Market Borrowings	27,355	8,885	18,470
2.	Loans from GoI	145	433	(-)288
3.	Special Securities issued to NSSF	0	1,841	(-)1,841
4.	Loans from Financial Institutions	321	1,459	(-)1,138
5.	Small Savings, PF, etc.	3,591	3,589	2
6.	Deposits and Advances	5,288	4,857	431
7.	Suspense and Miscellaneous	55,574	55,615	(-)41
8.	Remittances	46	69	(-)23
9.	Reserve Funds	2,251	197	2,054
<b>10.</b>	<b>Overall Deficit</b>			<b>17,626</b>
11.	Increase (-)/Decrease (+) in cash balance	2,125	1,325	(-)800
<b>12.</b>	<b>Gross Fiscal Deficit</b>			<b>16,826</b>

Source: Finance Accounts

### 2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Table 2.41** and **Chart 2.22**.

**Table 2.41: Debt Maturity Profile of repayment of State debt**

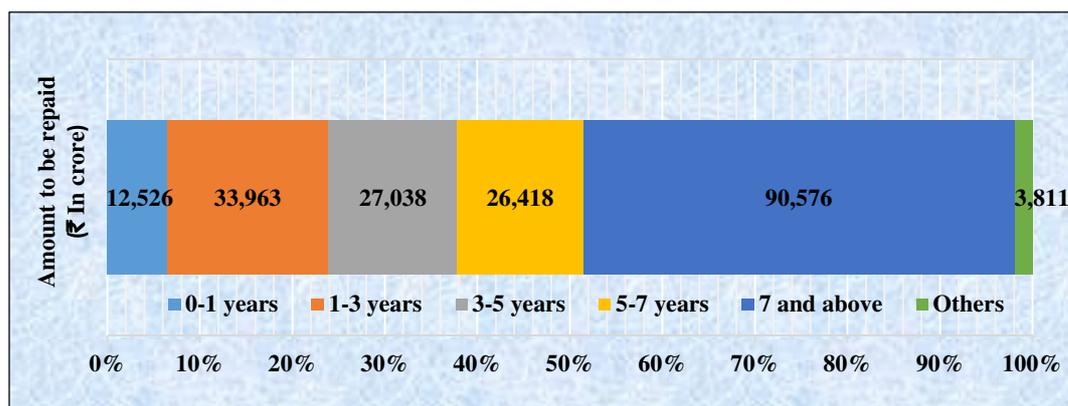
Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	12,525.97	6.45
1 – 3	33,963.49	17.48
3 – 5	27,037.61	13.91
5 – 7	26,418.31	13.59
7 and above	90,575.78	46.61
Others <sup>17</sup>	3,811.46	1.96
<b>Total</b>	<b>1,94,332.63</b>	<b>100.00</b>

Source: Calculated on the basis of Finance Accounts

Table 2.41 indicates that the State Government has to repay 23.93 per cent (₹ 46,489.46 crore) of its debt within the next three years, 13.91 per cent (₹ 27,037.61 crore) between 3-5 years and 13.59 per cent (₹ 26,418.31 crore) between 5-7 years. It signifies that the State has to repay 51.43 per cent of its debt (₹ 99,945.38 crore) in the next seven years.

<sup>17</sup> Payment schedule of this amount is not being maintained by office of the Accountant General (A&E), Punjab.

**Chart 2.20: Debt Maturity Profile**

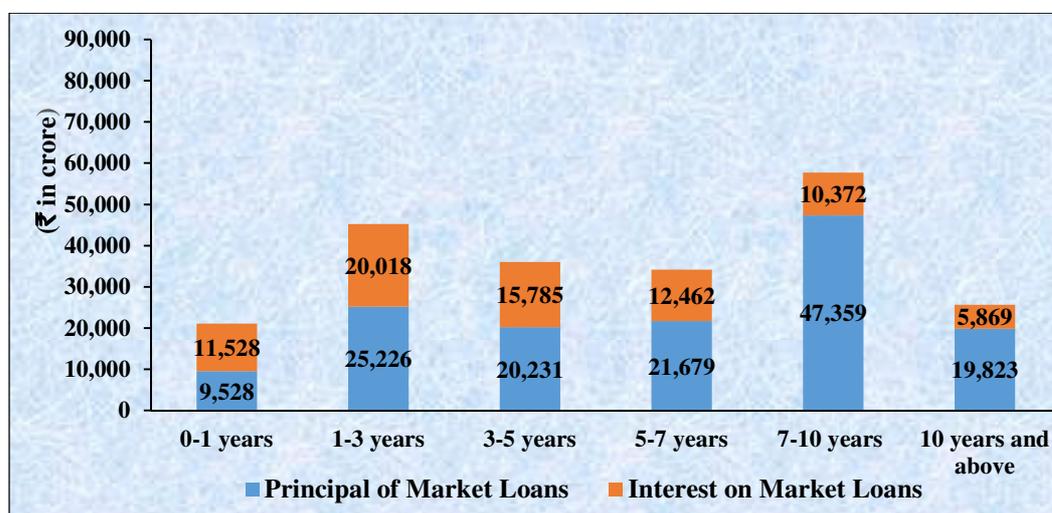


Source: Finance Accounts

The State Government stated (June 2021) that a debt management unit incorporated in the Finance Department had been actively looking at the maturity profile of the State and taking proactive steps to avoid regions of high concentration. The unit had been extending the yield curve of the State by issuing long-term securities. Concentration risk of the State was being monitored actively and mitigated while keeping the credit cost in check.

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

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



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

Note: The maturity profile has been evolved for outstanding market loans and UDAY bonds as on 31 March 2020 and interest has been calculated up to the financial year in which the loans are going to retire.

As on 31 March 2020, market loans amounting to ₹ 2,19,880 crore (including UDAY bonds) along with interest were due for repayment. The State will have to repay market loans of ₹ 1,02,316 crore (47 per cent) (₹ 54,985 crore as principal and ₹ 47,331 crore as interest) during the next five years i.e. up to

2024-25. Market loans of ₹ 91,872 crore (42 per cent) (₹ 69,038 crore as principal and ₹ 22,834 crore as interest) will have to be repaid in subsequent five years period up to 2029-30. This means that in the next five years (2020-25), on an average, the State will have to make repayment of ₹ 20,463 crore annually of the market loans which will go down to ₹ 18,374 crore in the subsequent five years (2025-30). Remaining ₹ 25,692 crore (11 per cent) (₹ 19,823 crore as principal and ₹ 5,869 crore as interest) will be repayable after 2030.

## 2.7 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 2.42** and **Chart 2.22**.

**Table 2.42: Trends in Debt Sustainability Indicators**

(₹ in crore)					
Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Outstanding Public Debt*</b>	<b>1,02,589.32</b>	<b>1,53,773.15</b>	<b>1,64,802.98</b>	<b>1,79,130.45</b>	<b>1,94,332.64</b>
Rate of Growth of Outstanding Public Debt	18.17	49.89	7.17	8.69	8.49
GSDP	3,90,087	4,26,988	4,70,834	5,26,376	5,74,760
Rate of Growth of GSDP	9.85	9.46	10.27	11.80	9.19
Public Debt/GSDP	26.30	36.01	35.00	34.03	33.81
Debt maturity profile of repayment of State debt – including default history, if any	4,098.33	4,473.74	7,317.19	8,318.37	12,238.76
Average interest rate of Outstanding Public Debt (per cent)	8.22	7.58	8.35	8.21	8.17
Percentage of Interest Payment to Revenue Receipts	18.74	20.26	25.08	22.67	24.77
Percentage of Debt Repayment to Debt Receipts	57.38	38.79	76.02	72.50	72.25
Net Debt available to the State <sup>#</sup>	8,596	41,462	(-)2,263	212	(-)52.15
Net Debt available as per cent to Debt Receipts	22.37	49.58	(-)4.92	0.41	(-)0.10
Primary deficit (-)/ Primary surplus (+)	(-)7,578	(-)35,429	2,840	247	741
Debt Stabilisation (Quantum spread <sup>\$</sup> + Primary Deficit)	(-)5,911.30	(-)32,356.10	7,081.35	6,406.40	4,388.97

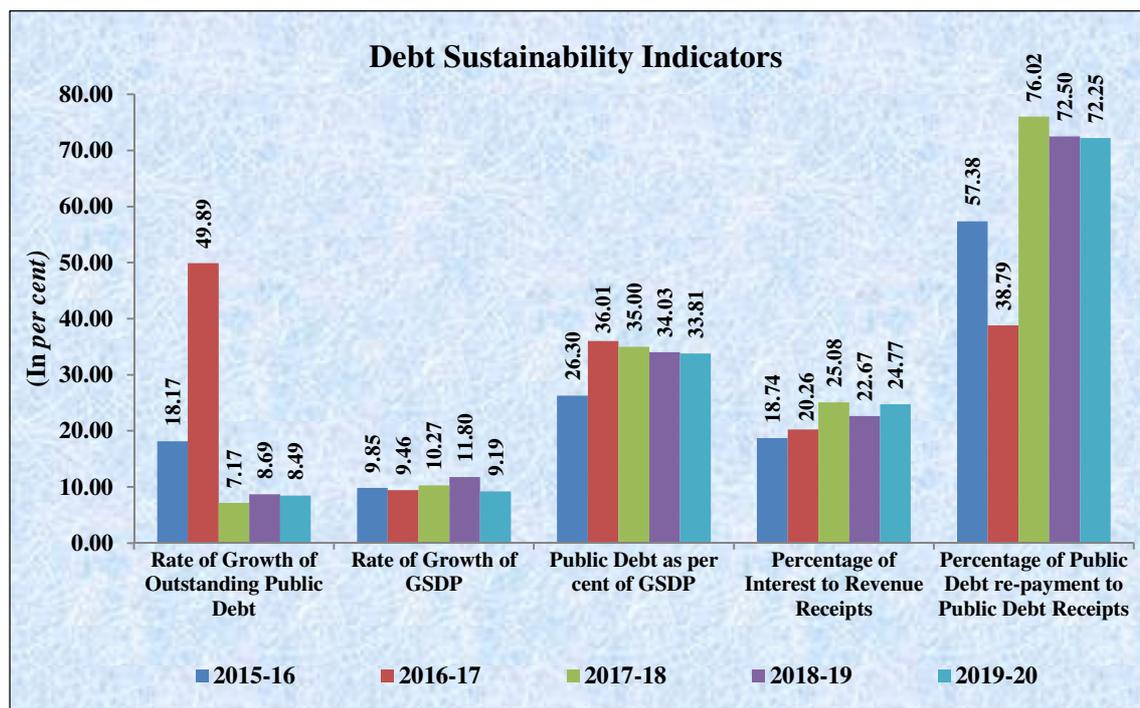
Source Finance Accounts

\*Outstanding Public Debt is the sum of outstanding balances under the Heads 6003-‘Internal Debt’ and 6004-‘Loans and Advances from the Central Government’.

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

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

Chart 2.22: Trends of Debt Sustainability Indicators



Source: Finance Accounts

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio had risen from 26.30 *per cent* in 2015-16 to 36.01 *per cent* in 2016-17 and steadily declined to 33.81 *per cent* in 2019-20 which can be considered as leading towards stability. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. **Table 2.42** shows that this trend had been positive since 2017-18 which indicates that debt-GSDP ratio would eventually be falling.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. Rising interest payments to revenue receipts ratio is not a good indicator for debt sustainability. This ratio increased from 18.74 *per cent* in 2015-16 to 24.77 *per cent* in 2019-20.
- Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 38.79 *per cent* and 76.02 *per cent* during the period 2015-20.

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 2.43** depicts the utilisation of borrowed funds during 2015-20.

**Table 2.43: Utilisation of borrowed funds**

		(₹ in crore)				
Sr. No.	Year	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Total borrowings	38,428	91,180*	47,757	53,925	57,200
2.	Repayment of earlier borrowings (Principal) (percentage)	22,051 (57)	32,443 (35)	34,970 (73)	37,771 (70)	39,574 (70)
3.	Net capital outlay (percentage)	3,059 (8)	4,346 (5)	2,352 (5)	2,412 (4)	17,828 (31)
4.	Net loans and advances (percentage)	5,751 (15)	35,414 (39)	687 (1)	512 (1)	(-)15,287 (-)27
5. (1-2-3-4)	Portion of Revenue expenditure met out of net available borrowings (percentage)	7,567 (20)	18,977 (21)	9,748 (21)	13,230 (25)	15,085 (26)

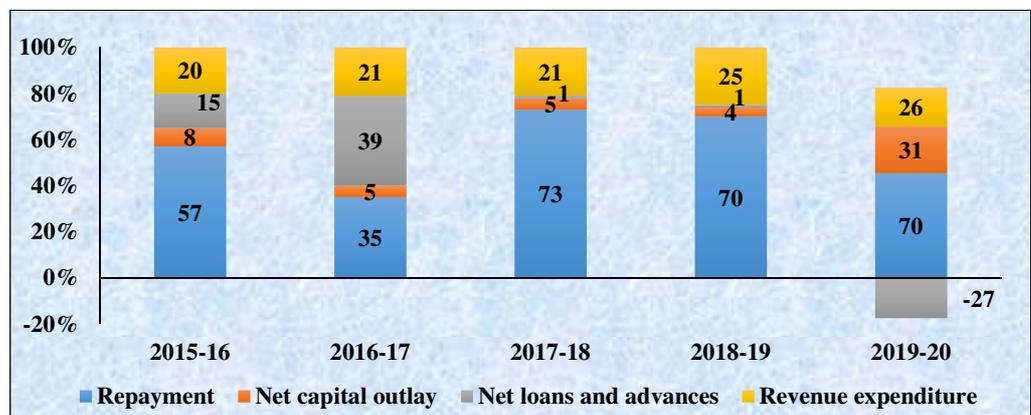
Source: Finance Accounts

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

**Table 2.43** shows that during 2015-16 to 2019-20, the State Government utilised 35-73 per cent of its current borrowings for repayment of earlier borrowings. Revenue expenditure met out of net available borrowings ranged between 20 and 26 per cent. Net capital outlay ranged between 4 and 8 per cent except for the current year when it was 31 per cent. Increase in net capital outlay during the current year was mainly due to conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, as discussed in Paragraph 2.4.2.2 (v). Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of earlier borrowings instead of capital creation/development activities.

Trend of utilisation of borrowed funds during the period 2015-20 is depicted in **Chart 2.23**.

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



Source: Finance Accounts

The State Government agreed (June 2021) to the fact that the borrowings were utilised to repay principal outstanding and other expenditure. Majority of gross borrowings were therefore channeled towards refinancing the debt while balance towards expenditure (revenue and capital).

### 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State. The State Government gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, cooperative banks and societies, etc. As per the Punjab FRBM Act, 2003, outstanding guarantees were to be capped at 80 per cent of revenue receipts of previous year. As per Statement 9 of the Finance Accounts, details of the guarantees and status of outstanding guarantees to total receipts for the last five years is given in **Table 2.44**.

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

Guarantees	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees (i.e. 80 per cent of revenue receipts of previous year)	31,218	33,218	38,388	42,408	49,815
Outstanding amount of guarantees	56,819	20,677	19,760	23,719	25,352

Source: Finance Accounts and Annual Financial Statements

Note: Opening Balance differs from previous year's closing balance during the period 2014-15 to 2018-19. The matter has been referred to the State Government.

The outstanding guarantees for ₹ 25,352 crore as on 31 March 2020 was in respect of Power (₹ 13,505 crore); Co-operatives (₹ 1,512 crore); State Finance Companies/Corporations (₹ 776 crore); Food and Civil Supplies (₹ 976 crore); and Others (₹ 8,583 crore).

The Government gave guarantees within the limits prescribed in the FRBM Act during 2016-20. However, during 2015-16, the guarantees were in excess of the limits prescribed due to guarantees given in respect of cash credit (₹ 29,920 crore) availed by the food procuring agencies.

Out of the outstanding guarantees for ₹ 25,352 crore, the State Government had given guarantees amounting to ₹ 1,677.41<sup>18</sup> crore to six PSUs whose net worth

<sup>18</sup> (i) Punjab State Civil Supplies Corporation Limited: ₹ 551.75 crore; (ii) Punjab State Industrial Development Corporation Limited: ₹ 486.71 crore; (iii) Punjab Agro Foodgrains Corporation Limited: ₹ 299.85 crore; (iv) Punjab Financial Corporation: ₹ 214.54 crore; (v) Punjab State Warehousing Corporation: ₹ 86.14 crore; and (vi) Punjab State Grains Procurement Corporation Limited: ₹ 38.42 crore.

became negative. This means that the actual liability lies with the State Government to repay their loans.

### 2.7.3 Management of Cash Balances

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

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

It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of cash balances and their investment during 2018-19 and 2019-20 are given in **Table 2.45**.

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

(₹ in crore)

	Opening balance as on 1 April 2019	Closing balance as on 31 March 2020
<b>A. General Cash Balance</b>		
Deposits with Reserve Bank of India	20.10	340.67
Investments held in Cash Balance investment account	468.56	805.39
<b>Total (A)</b>	<b>488.66</b>	<b>1,146.06</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz. Forest and Public Works	835.21	725.54
Permanent advances for contingent expenditure with departmental officers	0.26	0.26
Investment of earmarked funds	0.70	253.20
<b>Total (B)</b>	<b>836.17</b>	<b>979.00</b>
<b>Total (A + B)</b>	<b>1,324.83</b>	<b>2,125.06</b>
<b>Interest realised</b>	<b>4.92</b>	<b>5.60</b>

Source: Finance Accounts

The closing cash balance at the end of the current year (₹ 2,125.06 crore) increased by ₹ 800.23 crore over the previous year (₹ 1,324.83 crore).

The cash balance included investment of ₹ 253.20 crore from earmarked funds. During the year 2019-20, the State Government had to resort to overdraft facility on 44 days. The Government was able to maintain a minimum cash balance of ₹ 1.56 crore for 139 days and had also to maintain the minimum balance by

taking ordinary WMA on 183 days. The State had to pay ₹ 23.79 crore as interest on WMA during the year 2019-20.

Balances in Reserve funds are either held in cash or are required to be invested in various securities stipulated in the respective fund guidelines. Investment of only ₹ 243 crore was made from the Consolidated Sinking Fund during the year 2019-20. The general cash balance of ₹ 1,146.06 crore at the close of the year was not even equal to the balance of ₹ 8,203.96 crore in earmarked reserve funds, which means that reserve funds were used for other than intended purpose.

Details of Cash Balance Investment Account during the last five years; and month-wise movement of cash balance and net cash balance investments at the end of month during the year 2019-20 are depicted in **Table 2.46** and **Chart 2.24** respectively.

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

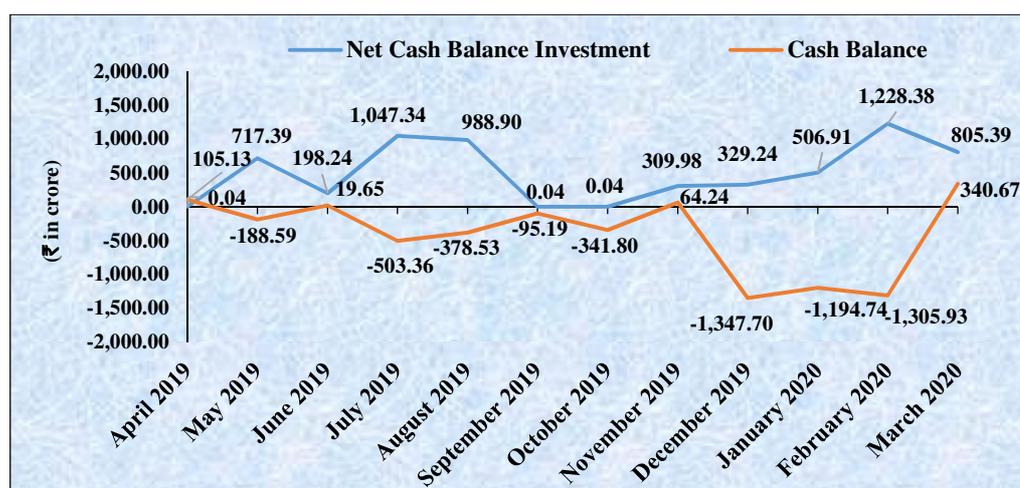
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2015-16	350.35	5,238.43	(+) 4,888.08	12.31
2016-17	5,180.25*	0.04	(-) 5,180.21	(-) 8.05
2017-18	0.04	0.04	0.00	1.56
2018-19	0.04	468.56	(+) 468.52	4.92
2019-20	468.56	805.39	(+) 336.83	5.60

Source: Finance Accounts

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

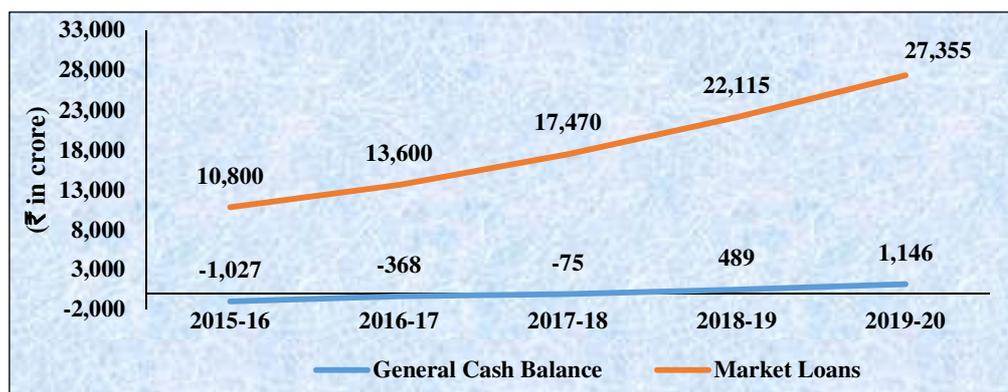
**Chart 2.24: Month-wise movement of net cash balance investments and cash balance at the end of month during 2019-20**



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

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

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



Source: Finance Accounts

During the year 2019-20, the State could have avoided market borrowings to the extent of the general cash balance (₹ 1,146 crore). The general cash balance of ₹ 1,146 crore included cash balance investment of ₹ 805 crore. The State Government stated (June 2021) that timing of borrowing, cash balances and expenditure commitments was sporadic in nature. Also, given the temporary nature of cash balances and long-term implications of debt, sometimes it would be in the favour of Government to borrow pre-emptively to avoid higher rates in future despite having cash balances. Therefore, the recommendation given was not completely valid in today's scenario wherein a large portion of borrowing was done through SDLs (State Development Loans). The reply of the State Government was merely on presumption basis.

## 2.8 Salient features

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Comparison of key parameters of State Finances during 2019-20 with that of the previous year i.e. 2018-19 is summarized in **Table 2.47**.

**Table 2.47: Key parameters**

Positive Indicators	Parameters requiring close watch
↑ Primary surplus for the past three years.	↓ Increase in revenue deficit by 8.76 per cent over previous year.
↑ Increase in revenue expenditure on social services by 6.35 per cent over the previous year.	↓ Decrease in own revenue (own tax and non-tax revenue) by 6.40 per cent.
↑ Decrease in subsidies as percentage of non-committed expenditure by 10.57 per cent over the previous year.	↓ Increase in public debt receipts by 21.28 per cent.

## 2.9 Conclusions

The State passed FRBM Act, 2003 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. The State continued to be a revenue deficit State. The revenue deficit was 23 *per cent* of revenue receipts during 2019-20 against the 21 *per cent* during 2018-19.

The Revenue Deficit which was to be brought down to zero by 2008-09, increased upto ₹ 14,285 crore during 2019-20. It indicates that the State had borrowed funds for meeting current consumption.

Subsidies constituted 10 *per cent* to 18 *per cent* of the revenue expenditure and contributed 59 *per cent* to 102 *per cent* to the revenue deficit during 2015-20. Power subsidy constituted major portion of the total subsidies ranging between 63 *per cent* and 96 *per cent*.

Fiscal Deficit of the State was ₹ 16,826 crore during 2019-20 which was 2.93 *per cent* of the GSDP and was within the target fixed by the State Government in MTFP. The Fiscal Deficit was mainly financed through market borrowings.

Out of total borrowings of ₹ 57,200 crore during 2019-20, the State Government incurred Capital Expenditure of only ₹ 17,828 crore (31 *per cent*) which included equity investment of ₹ 15,628 crore in Punjab State Power Corporation Limited (PSPCL) which means that only ₹ 2,200 crore (4 *per cent*) on creation of capital assets.

Annual growth rate of Revenue Receipts decreased from 6.41 *per cent* in 2015-16 to (-) 1.11 *per cent* in 2019-20, which resulted in higher dependency on borrowed funds for meeting the current consumption. Further, State's own revenue registered a negative growth of 6.40 *per cent* over the previous year, leading to a higher dependency on GoI contributions.

State incurred 69 *per cent* of the total Revenue Expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 31 *per cent* for priority sector expenditure. The percentage of total expenditure in priority sectors such as Education and Health in Punjab was lower than the average of General Category States.

There was a difference of ₹ 4,137 crore in equity investment figures as per State Accounts and as per the Accounts of 19 PSUs. The difference was under reconciliation (February 2021).

In contravention to the UDAY scheme guidelines and tripartite MOU in this regard, State converted the entire amount of loan taken over from DISCOMS, into equity instead of restricting equity and grant in a ratio of 25:75. This has

increased the Capital expenditure at the same time reduced revenue expenditure, which has a direct bearing on the revenue deficit.

The State Government earned a meagre 0.02 *per cent* return on its total investment (₹ 19,898 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31 March 2020.

Loans amounting to ₹ 839 crore were outstanding at the beginning of 2019-20 against co-operative sugar mills. Further loans of ₹ 100 crore were given to these sugar mills without recovery of earlier loans.

Total outstanding debt including public debt and public account liabilities were 39.90 *per cent* of the GSDP. The total debt grew by eight *per cent* over previous year. During the year, outgo because of interest payments was equal to 23 *per cent* of Revenue Expenditure and 29 *per cent* of Revenue Receipts.

The State Government received ₹ 1,336 crore (3.10 *per cent*) as interest on outstanding loans during 2019-20 while paid interest at 7.93 *per cent* on outstanding debt. The State Government raised loans during 2019-20 on an average interest rate of 7.31 *per cent* per annum.

The State Government had not invested funds of ₹ 6,999 crore available under State Disaster Response Fund.

As many as 52 projects scheduled for completion up to 31 March 2020, were incomplete. The expenditure of ₹ 1,201.27 crore incurred on these incomplete projects was yet to yield the intended benefits.

## **2.10 Recommendations**

- (i) The State Government may consider forming a committee to assess the reasons for insufficient return on investment from statutory corporations, Government companies, cooperative banks and societies and to suggest the remedial measures.
- (ii) The State may ensure time bound completion of the incomplete projects.
- (iii) The State Government should mobilise its resources to minimise dependence on borrowings.



# **Chapter-III**

## **Budgetary Management**



## Chapter-III

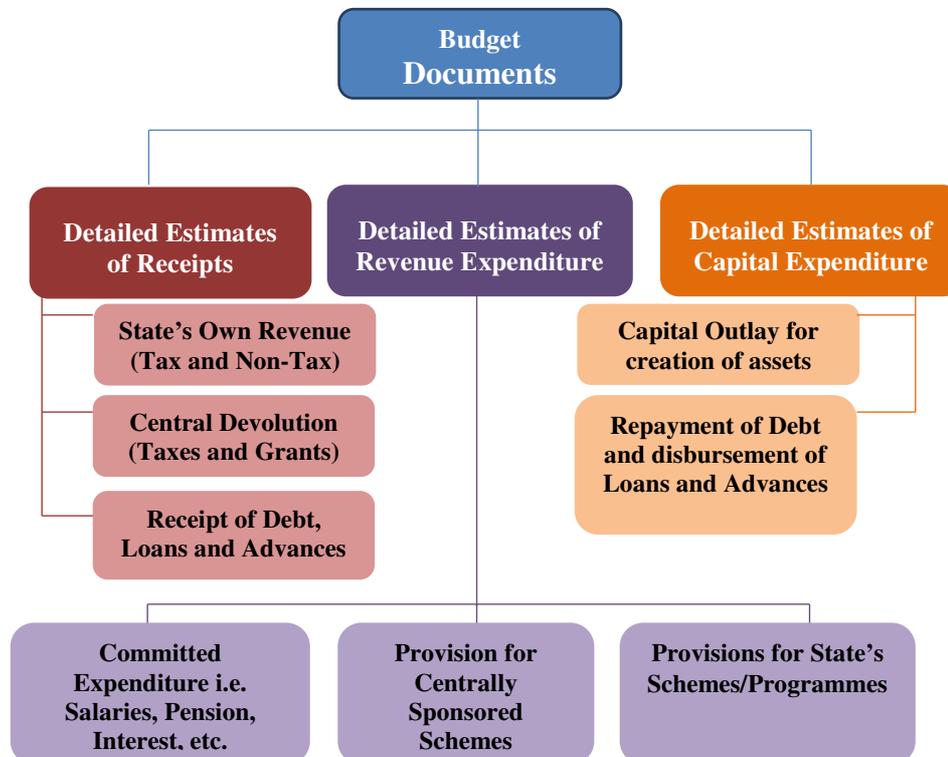
### Budgetary Management

#### 3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called “the annual financial statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show ‘charged’ and ‘voted’ items<sup>1</sup> of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

As per the Punjab Budget Manual, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State budget comprises following documents as given in *Chart 3.1*.

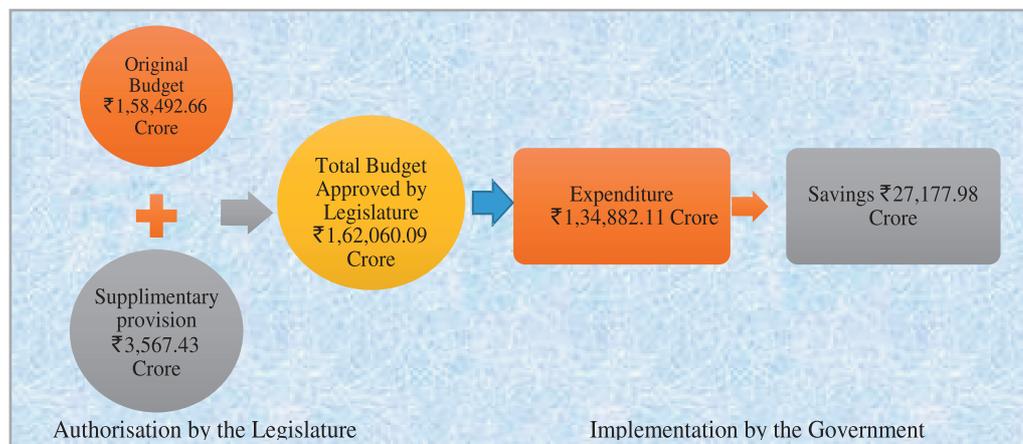
**Chart 3.1: Details of State Budget Documents**



<sup>1</sup> **Charged expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

The various components of budget are depicted in the **Chart 3.2**.

**Chart 3.2: Flow chart of budget implementation**



Source: Appropriation Accounts

### 3.1.1 Summary of total provisions, actual disbursements and savings during financial year 2019-20

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged during 2019-20 for the total 42 grants/appropriations is given in **Table 3.1**.

**Table 3.1: Budget provision, disbursement and savings/excess during the financial year 2019-20**

(₹ in crore)

	Total Budget provision		Disbursements		Saving	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	75,421.32	18,084.65	58,376.67	18,023.78	17,044.65	60.87
Capital	22,940.43	0.00	18,123.88	0.00	4,816.55	0.00
Loans and Advances	973.77	0.00	783.88	0.00	189.89	0.00
Public Debt	0.00	44,639.92	0.00	39,573.90	0.00	5,066.02
<b>Total</b>	<b>99,335.52</b>	<b>62,724.57</b>	<b>77,284.43</b>	<b>57,597.68</b>	<b>22,051.09</b>	<b>5,126.89</b>

Source: Appropriation Accounts

### 3.1.2 Charged and voted disbursements

**Table 3.2: Break-up of total disbursement into charged and voted during the last five years (2015-20)**

(₹ in crore)

Year	Disbursements		Saving (-)/Excess (+)	
	Voted	Charged	Voted	Charged
2015-16	50,233.44	31,996.19	(-)13,981.07	(+)803.66
2016-17	89,712.60	44,273.75	(+)21,667.63	(+)731.96
2017-18	50,617.81	50,499.83	(-)18,842.61	(+)75.58
2018-19	63,196.26	54,259.02	(-)16,027.89	(-)872.71
2019-20	77,284.43	57,597.68	(-)22,051.09	(-)5,126.89

Source: Appropriation Accounts

### 3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts, thus, facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

### 3.3 Integrity of budgetary and accounting process

#### 3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of article 204 of the constitution. Paragraph 14.1 of the Punjab Budget Manual provides that expenditure on new scheme should not be incurred without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was, however, observed that an expenditure of ₹ 2,113.58 crore (*Appendix 3.1*), was incurred in 13 cases (₹ one crore or more in each case) under various components of six grants during the year 2019-20 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect.

#### 3.3.2 Misclassification of Revenue Expenditure as Capital Expenditure

There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature which should correspond with capital major heads only.

However, it was observed that in three cases object heads meant for Revenue Expenditure were operated under Capital Major Heads as given in **Table 3.3**.

**Table 3.3: Detail of Revenue expenditure booked under Capital expenditure**

				(₹ in crore)
Sr. No.	Number and name of grant	Type of Misclassification	Head of account	Amount
1.	12-Home Affairs	Revenue Expenditure booked as Capital Expenditure	4055-207-08-22- Arms and Ammunition	4.11
2.	29-Transport		5055-001-01-21- Supplies and Materials	0.77
3.			5055-201-20-21- Supplies and Materials	0.45
<b>Total</b>				<b>5.33</b>

Source: Demand for grants 2019-20.

### 3.3.3 Unnecessary/excessive supplementary grants

As per article 205 of the Constitution of India, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year.

Audit analysis showed that supplementary provisions (₹ one crore or more in each case) in seven cases (**Appendix 3.2 - Sr. Nos. 2, 7, 13, 18, 22, 23 and 30**) during the year 2019-20 proved excessive as full amount of supplementary provisions could not be utilised. Similarly, supplementary provisions in remaining 24 cases proved unnecessary as the expenditure did not come up even to the level of original provision. No justification was provided by Government for obtaining excessive/unnecessary supplementary grants.

The State Government stated (June 2021) that the supplementary provisions proved unnecessary due to non-release of funds from the treasury because of paucity of funds.

### 3.3.4 Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During 2019-20, 37 re-appropriation orders for ₹ 12,207.03 crore were issued, of which 27 re-appropriation orders for ₹ 9,209.17 crore (75.44 per cent) were issued on 31 March 2020.

Further, in two cases (**Appendix 3.3 - Sr. No. 23 and 25**) out of 35 re-appropriation cases exceeding ₹ one crore, reduction of provision by re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In the remaining 33 cases

augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/supplementary budget provision.

The Government may consider putting in place stringent mechanism for monitoring expenditure and projected requirements for avoiding unnecessary re-appropriations.

### 3.3.5 Unspent amount and surrendered appropriation and/or Large Savings/Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or unrealistic estimating, it is a matter of concern. All Estimating Officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should consider this while exercising final check on the estimates.

Budgetary allocations based on unrealistic proposals, overstretching the potential of resource mobilisation, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year. Excessive savings in some heads also deprive other Departments of the funds which they could have utilised.

The audit of grants and appropriations showed that in 20 cases (under 17 grants), the savings (excluding surrenders) exceeded the total provision by ₹ 100 crore in each case (*Appendix 3.4*). It was further noticed that no expenditure *vis-à-vis* total grant amounting to ₹ 92.98 crore (exceeding ₹ one crore) under eight Grants (Capital-Voted) was incurred (*Appendix 3.5*). Detail of grants/appropriations with budget utilisation less than 50 *per cent* during 2015-20 is given in **Table 3.4**.

**Table 3.4: Grants/Appropriations with lesser Budget Utilisation**

(₹ in crore)

Sr. No.	Grants	Budget Utilisation ( <i>per cent</i> )					Number of Years*	Budget 2019-20	Total Budget Years
		2015-16	2016-17	2017-18	2018-19	2019-20			
1.	13-Industries	31	28	17	42	85	4	2,175.19	5
2.	19-Planning	17	70	16	30	54	3	324.05	5
3.	23-Rural Development and Panchayats	59	42	37	38	33	4	4,357.87	5

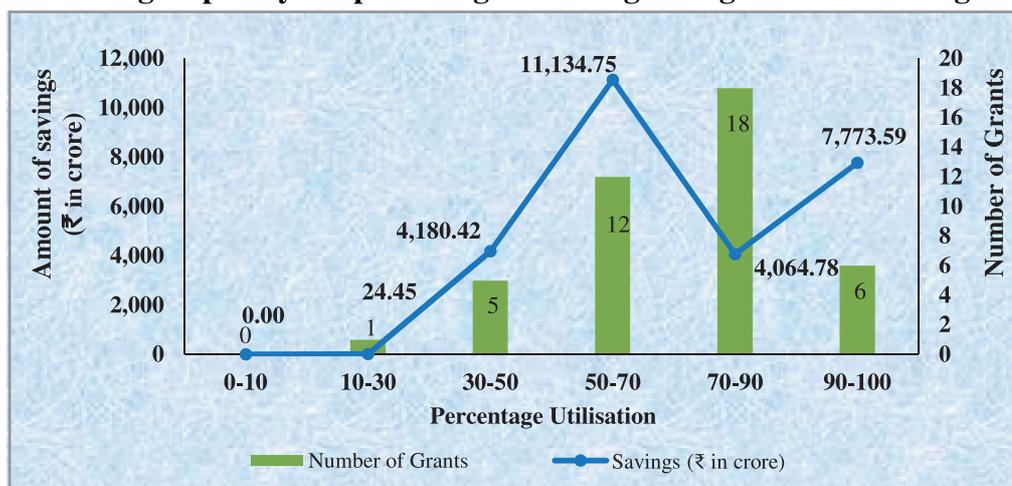
Source: Appropriation Accounts

\* Number of years with utilisation below 50 *per cent*

The above grants relate to Industries, Planning and Rural Development. Government has not been able to ensure that clearances and sanctions are accorded on time so as to ensure that the envisaged benefits accrued to the targeted beneficiaries. Improving Rural Infrastructure is a challenge faced by State and the low utilisation of the grants is a cause for concern. The reason of repeated low utilisation in these grants may be examined by Government, and corrective action taken.

Detail of grants grouped by the percentage of utilisation along with total savings has been shown in (*Appendix 3.6*).

**Chart 3.3: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings**



Source: Appropriation Accounts

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

It was noticed that savings under nine Appropriations and 15 Grants amounting to ₹ 8,254.63 crore (*Appendix 3.7*) were not surrendered at all.

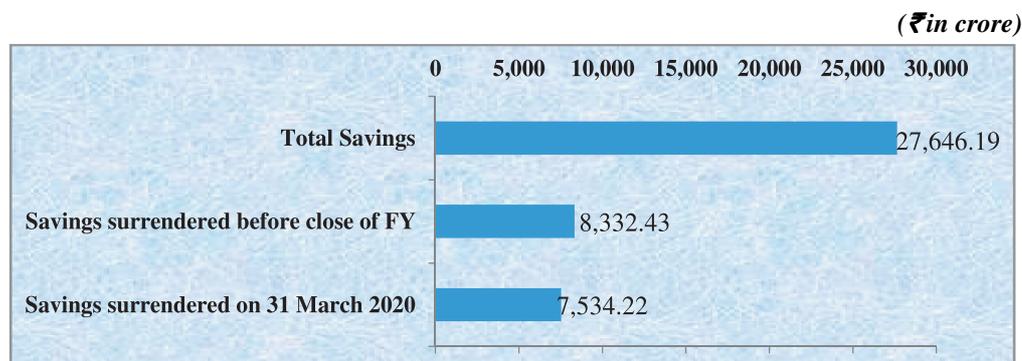
**Table 3.5: Details of surrender of funds in excess of ₹ 10 crore at the end of March 2020***(₹ in crore)*

Sr. No.	Grant Number	Original Budget	Supplementary	Total Provision	Actual expenditure	Saving(-) Excess (+)	Amount Surrendered
<b>Voted (Revenue)</b>							
1.	1-Agriculture	13,292.10	0	13,292.10	7,499.91	(-)5,792.19	2,650.59
2.	3-Co-operation	151.02	0	151.02	90.41	(-)60.61	58.28
3.	5-Education	12,078.32	98.38	12,176.70	10,674.04	(-)1,502.66	962.05
4.	6-Elections	334.41	0	334.41	195.41	(-)139.00	86.37
5.	9-Food and Supplies	369.18	0	369.18	190.91	(-)178.27	172.75
6.	11-Health and Family Welfare	3,447.46	129.50	3,576.96	3,095.87	(-)481.09	180.37
7.	15- Water Resources	1,315.61	85.66	1,401.27	1,164.12	(-)237.15	189.00
8.	21-Public Works	631.04	0	631.04	1,068.88	437.84	125.80
9.	22-Revenue and Rehabilitation	1,377.81	336.31	1,714.12	1,336.37	(-)377.75	61.70
10.	23-Rural Development and Panchayats	3,239.87	248.70	3,488.57	1,304.21	(-)2,184.36	131.70
11.	25-Social Security, Women and Child Welfare	2,804.66	299.46	3,104.12	2,819.16	(-)284.96	59.01
12.	31-Employment	156.49	75.81	232.30	83.82	(-)148.48	70.63
13.	35-Housing and Urban Development	374.42	0	374.42	279.94	(-)94.48	21.01
14.	36-Jails	246.55	23.42	269.97	245.34	(-)24.63	15.50
15.	38-Medical Education and Research	466.53	0	466.53	410.04	(-)56.49	46.30
16.	42-Welfare of SC, ST, OBC and Minorities	1,164.94	0	1,164.94	451.47	(-)713.47	71.78
<b>Total</b>		<b>41,450.41</b>	<b>1297.24</b>	<b>42,747.65</b>	<b>30,909.90</b>	<b>(-)11,837.75</b>	<b>4,902.84</b>
<b>Voted (Capital)</b>							
17.	3-Co-operation	262.14	0	262.14	130.28	(-)131.86	131.58
18.	5-Education	156.63	0	156.63	47.03	(-)109.60	63.65
19.	15- Water Resources	950.81	0	950.81	478.59	(-)472.22	153.42
20.	17-Local Government	1,187.10	0	1187.10	323.86	(-)863.24	611.58
21.	19-Planning	252.88	8.66	261.54	133.66	(-)127.88	84.50
22.	21-Public Works	1,367.28	0	1367.28	636.03	(-)731.25	520.14
23.	23-Rural Development and Panchayats	869.31	0	869.31	133.17	(-)736.14	620.27
24.	28-Tourism and Cultural Affairs	487.84	0	487.84	233.58	(-)254.26	167.24
25.	36-Jails	30.37	0	30.37	3.00	(-)27.37	15.93
26.	38-Medical Education and Research	343.11	0	343.11	122.87	(-)220.24	160.25
27.	42-Welfare of SC, ST, OBC and Minorities	63.23	0	63.23	6.87	(-)56.36	11.46
<b>Total</b>		<b>5,970.70</b>	<b>8.66</b>	<b>5,979.36</b>	<b>2,248.94</b>	<b>(-)3,730.42</b>	<b>2,540.02</b>
<b>Grand Total</b>		<b>47,421.11</b>	<b>1,305.90</b>	<b>48,727.01</b>	<b>33,158.84</b>	<b>(-)15,568.17</b>	<b>7,442.86</b>

Source: Appropriation Accounts

No reasons for low utilisation of budgetary provisions were furnished by the Government.

**Chart 3.4: Savings\* and surrenders before close of financial year 2019-20**



Source: Appropriation Accounts

\* Total savings without deducting excess of ₹468.21 crore under three grants/appropriations

Analysis of Chart revealed that 90 per cent savings were surrendered on 31 March 2020 out of total surrendered amount of ₹ 8,332.43 crore, which could not be re-appropriated. No reasons for the surrender of savings on the last day of the financial year were furnished by the Government. The State Government attributed (June 2021) the reasons for these savings to non-release of funds from treasury because of paucity of funds, but they did not furnish any reasons for non-surrendering of savings.

### 3.3.6 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

#### 3.3.6.1 Excess expenditure

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

**Table 3.6: Summary of excess disbursements over grants/ appropriation during the financial year 2019-20***(₹in crore)*

		Name of Department			
		Public Works	Water Supply and Sanitation	Law and Justice	Total
Voted	Revenue	437.84	26.19	0.00	464.03
Charged	Revenue	0.00	0.00	4.18	4.18
No. of Grants/Appropriations		01	01	01	03
<b>Total Excess Expenditure</b>		<b>437.84</b>	<b>26.19</b>	<b>4.18</b>	<b>468.21</b>
<b>Grand Total</b>		<b>468.21</b>			

Source: Appropriation Accounts

There was an excess disbursement of ₹ 468.21 crore over the authorisation made by the State Legislature under two Grants and one Appropriation during the financial year 2019-20. Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2019-20 is given in *Appendix 3.8* which is yet to be regularised from the State Legislature. Reasons for the excess expenditure were not furnished by the Government.

### 3.3.6.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses were noticed in the grants. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Scrutiny revealed that in three cases, there was persistent excess expenditure of more than ₹50 crore in each case during the last five years as detailed in **Table 3.7**. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2015-20.

**Table 3.7: Persistent excess expenditure during 2015-16 to 2019-20***(₹in crore)*

Sr. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Grant No.-08-Finance 2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits Grant	4,240.00	4,678.76	5,574.45	6,000.00	6,300.00
	Expenditure	4,904.92	5,376.74	6,191.40	6,290.39	6,487.05
	Excess	664.92	697.98	616.95	290.39	187.05

Sr. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
2.	Grant No.-21-Public Works 2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department					
	Grant	0.00	0.00	0.00	0.00	0.00
	Expenditure	108.53	136.71	146.84	97.58	118.91
	Excess	108.53	136.71	146.84	97.58	118.91
3.	Grant No.-21-Public Works 3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges					
	Grant	0.00	0.00	0.00	0.00	0.00
	Expenditure	135.53	94.10	141.29	169.87	213.90
	Excess	135.53	94.10	141.29	169.87	213.90

Source: Appropriation Accounts

All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, such un-voted expenditure may be completely stopped. No justification was given by the Government for persistent excess expenditure.

### 3.3.6.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes Legislative control over the executive. Excess disbursements of ₹ 37,269.28 crore pertaining to 2015-16 to 2018-19 as shown in **Table 3.8** are yet to be regularised from the State Legislature.

**Table 3.8: Excess expenditure relating to previous years requiring regularisation**

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2015-16	02	Animal Husbandry and Fisheries (Revenue-Charged)	0.04	Not regularised
	08	Finance (Revenue-Voted)	456.24	
		Finance (Capital -Charged)	952.79	
	21	Public Works (Revenue-Voted)	221.51	
	22	Revenue and Rehabilitation (Revenue-Voted)	430.88	
26	State Legislature (Revenue-Charged)	0.20		

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2016-17	08	Finance (Revenue-Voted)	400.48	
		Finance (Capital -Charged)	921.19	
	09	Food and Supplies (Revenue-Voted)	29,081.45	
	12	Home Affairs and Justice (Capital -Charged)	1.15	
	15	Irrigation and Power (Capital-Voted)	3,852.06	
	21	Public Works (Revenue-Voted)	182.71	
		Public Works (Revenue-Charged)	0.40	
Public Works (Capital -Charged)		19.36		
2017-18	08	Finance (Revenue-Charged)	159.25	
	10	General Administration (Capital-Charged)	0.33	
	21	Public Works (Revenue-Voted)	264.20	
2018-19	09	Food and Supplies (Revenue-Charged)	0.53	
		General Administration (Capital-Voted)	7.77	
	21	Public Works (Revenue-Voted)	315.75	
		Public Works (Revenue-Charged)	0.99	
<b>Total</b>			<b>37,269.28</b>	

Source: Appropriation Accounts

The excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly, and, therefore, need to be viewed seriously. All the existing cases of excess expenditure need to be got regularised at the earliest.

The Government stated (June 2021) that the process for regularising the excess expenditure for the years 2015-16 to 2018-19 had been initiated. However, reasons for excess expenditure were not furnished by the Government.

### 3.4 Transparency of budgetary and accounting process

#### 3.4.1 Lump Sum budgetary provisions

As per scheme for standardisation of object heads for classification of expenditure issued (December 1994) by Government of India, lump sum provision, in the budget, can be made for expenditure up to ₹ 10 lakh only and, in other cases, break-up of expenditure must be given so as to reflect exact object of expenditure.

However, it was noticed that the Government of Punjab made lump sum provision of ₹ 0.98 crore and ₹ 1.13 crore during 2015-16 and 2016-17 and ₹ 0.50 crore each during 2017-18 to 2019-20 in State budget under Major head 2230-03-789-04-42 under Grant-27-Technical Education and Training, which was irregular. Though the percentage of lump sum provision is very meagre yet it should not be made as a matter of routine.

### 3.5 Effectiveness of budgetary and accounting process

#### 3.5.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds, which they could have utilised.

The total provision for expenditure in 2019-20 was ₹ 1,62,060.09 crore. The actual gross expenditure during the year was ₹ 1,34,882.11 crore. This resulted in savings of ₹ 27,177.98 crore in 2019-20. The details are given in **Table 3.9**.

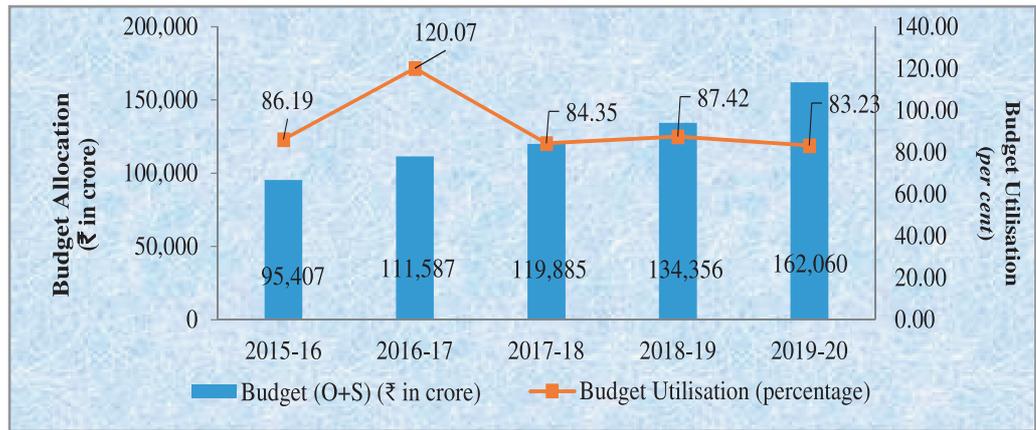
**Table 3.9: Actual expenditure vis-à-vis budget provision during the financial year 2019-20**

(₹ in crore)

	Nature of expenditure	Original Grant/ App.	Supplementary Grant/ App.	Total	Actual expenditure	Net Savings	Surrender during 2019-20	
							Amount	Per cent
Voted	I. Revenue	72,346.48	3,074.84	75,421.32	58,376.67	17,044.65	5,677.83	33.31
	II. Capital	22,842.05	98.38	22,940.43	18,123.88	4,816.55	2,522.93	52.38
	III. Loans & Advances	813.73	160.04	973.77	783.88	189.89	131.58	69.29
<b>Total</b>		<b>96,002.26</b>	<b>3,333.26</b>	<b>99,335.52</b>	<b>77,284.43</b>	<b>22,051.09</b>	<b>8,332.34</b>	<b>37.79</b>
Charged	V. Revenue	17,850.48	234.17	18,084.65	18,023.78	60.87	0.09	0.15
	VII. Capital	0	0	0	0	0	0	0
	VIII. Public Debt- Repayment	44,639.92	0	44,639.92	39,573.90	5,066.02	0	0
<b>Total</b>		<b>62,490.40</b>	<b>234.17</b>	<b>62,724.57</b>	<b>57,597.68</b>	<b>5,126.89</b>	<b>0.09</b>	<b>0</b>
Appropriation to Contingency Fund (if any)		0	0	0	0	0	0	0
<b>Grand Total</b>		<b>1,58,492.66</b>	<b>3,567.43</b>	<b>1,62,060.09</b>	<b>1,34,882.11</b>	<b>27,177.98</b>	<b>8,332.43</b>	<b>30.66</b>

Source: Appropriation Accounts.

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹540.81 crore) and Capital Heads (₹296.15 crore).

**Chart 3.5: Budget Utilisation during 2015-16 to 2019-20**

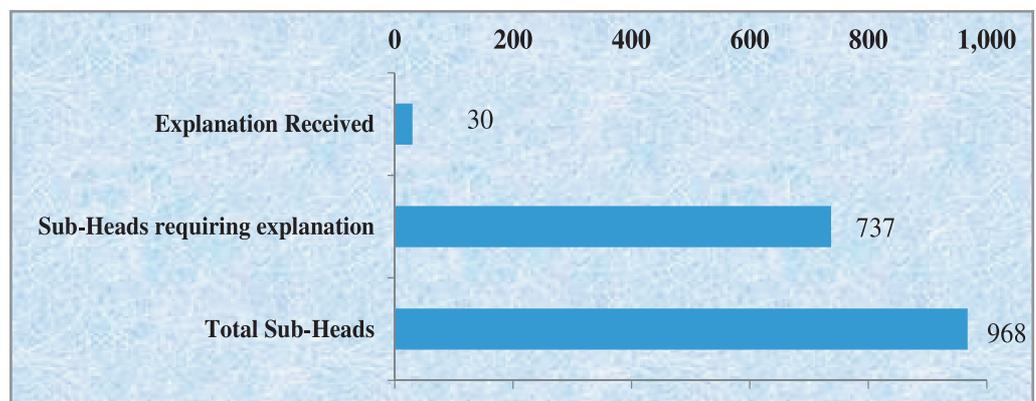
Source: Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2015-16 to 2019-20 are given in **Table 3.10**.

**Table 3.10: Original Budget, Revised Estimate and Actual Expenditure during 2015-20**

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	79,313.87	86,386.96	1,18,237.89	1,29,697.63	1,58,492.66
Supplementary budget	16,093.17	25,199.80	1,646.78	4,658.26	3,567.43
Total budget	95,407.03	1,11,586.76	1,19,884.67	1,34,355.89	1,62,060.09
Revised Estimate	78,599.78	1,44,513.99	1,12,797.42	1,27,415.49	1,51,696.94
Actual Expenditure	82,229.63	1,33,986.35	1,01,117.64	1,17,455.28	1,34,882.11
Savings	13,177.40	22,399.59	18,767.03	16,900.61	27,177.98
Percentage of supplementary to the original provision	20.29	29.17	1.39	3.59	2.25
Percentage of overall saving to the overall provision	13.81	20.07	15.65	12.58	16.77

Source: Annual Financial Statement and Appropriation Accounts

**Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts**

Source: Information supplied by office of the Accountant General (Accounts & Entitlement), Punjab

**Table 3.10** shows that supplementary provision of ₹ 3,567.43 crore constituted 2.25 per cent of the original provision as against 3.59 per cent in the previous year. However, the supplementary provisions during the year 2019-20 proved

unnecessary as the expenditure (₹ 1,34,882.11 crore) did not come up even to the level of original budget provisions (₹ 1,58,492.66 crore).

The State Government stated (June 2021) that the matter would be taken up with the concerned quarters for reasons and intimated to Audit. It was added that an amount of ₹ 5,045 crore was saved due to non-availment of repayment of ways and mean advances (WMA)/overdraft from Reserve Bank of India (RBI).

This reflects that budgetary allocations were based on unrealistic proposals.

### 3.5.2 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by the Government are wholly or partially not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised.

It was observed that under 10 schemes, there was approved outlay of ₹ 2,488.00 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred resulting in non-implementation of schemes as detailed in **Table 3.11**.

**Table 3.11: Details of the schemes for which provision (₹ 100 crore and above) was made but no expenditure was incurred**

(₹ in crore)				
Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
1.	01-Agriculture	2401-00-109-14- Rashtriya Krishi Vikas Yojna	168.00	84.00
2.	08-Finance	6003-00-101-01- Market Loans bearing Interest-61-8.83 per cent Punjab Government Stock 2018	1,000.00	1,000.00
3.		6003-00-101-01- Market Loans bearing Interest-83.8.44 per cent Punjab Government Stock 2020	200.00	200.00
4.	17-Local Government	3604-00-200-12-Grants-in-Aid to Municipal Committees/Corporations/ Notified Area Committees in lieu of Abolition of Octroi on Liquor in the State	155.00	170.90
5.		4217-60-789-38-Urban Rejuvenation Mission-500 Habitations	115.00	64.40
6.	20-Power	2801-80-101-02-Assistance to Punjab Power Corporation Limited-01- Compensation for loss under UDAY Schemes as per clause 1.2(1)	150.00	150.00

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
7.	21-Public Works	5054-03-337-46- Pradhan Mantri Gram Sadak Yojna-03-NABARD (Rural Infrastructure Development Fund)-(XXIV)	100.00	110.00
8.	23-Rural	4515-00-103-42-Smart Village Scheme	300.00	16.20
9.	Development and Panchayats	4515-00-789-31-Smart Village Scheme	200.00	10.80
10.	32-Forestry and Wild Life	2406-04-904-01-State Compensatory Afforestation Fund (SCAF)	100.00	100.00
<b>Total</b>			<b>2,488.00</b>	<b>1,906.30</b>

Source: Appropriation Accounts.

Further, under 15 schemes, there was approved out lay of ₹ 606.95 crore which was withdrawn in revised outlay as detailed in **Table 3.12**. This reflects that budgetary allocations were based on unrealistic proposals.

**Table 3.12: Details of the schemes for which provision (₹ 10 crore and above) was made but were withdrawn in revised outlay**

(₹ in crore)

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
1.	05-Education	4202-01-203-25-Construction of New Colleges-02-Setting up of Bebe Nanki Government College (Girls) at Sultanpur Lodhi-	10.00	00
2.	09-Food and Supplies	2408-01-103-01-Gram Samridhi Yojana (India Food Processing and Programme)-	90.00	00
3.		2408-01-789-01-Gram Samridhi Yojana (India Food Processing and Value Addition Pilot Programme)-	30.00	00
4.	15-Water Resources	4711-03-103-63- Integrated project to address Water Logging problem in South-Western Districts of Punjab (Additional Central Assistance)	112.80	00
5.	17-Local Government	4217-60-051-14- Mission for Development of 100 Smart Cities-01-Green Public Transportation	80.00	00
6.		4217-60-051-14- Mission for Development of 100 Smart Cities-02-Iconic City Amritsar	10.00	00
7.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-01-Canal Based Water Supply for Patiala (ADB)	50.00	00
8.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-02-Canal Based Water Supply for Jalandhar (ADB)	50.00	00
9.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-03-Canal Based Water Supply for Amritsar (World Bank)	50.00	00
10.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-04-Canal Based Water Supply for Ludhiana (World Bank)	50.00	00
11.		4217-60-789-12- Jawahar Lal Nehru Urban Renewal Mission (1) Urban Infrastructure and Governance	17.02	00

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
12.	25-Social Security, Women and Child Welfare	4235-02-101-04- Scheme for implementation of the persons with Disability Act 1995 (SPIDA)	10.50	00
13.	27-Technical Education and Training	2203-00-102-02-Assistance to Maharaja Ranjeet Singh Punjab Technical University Bathinda	17.00	00
14.		2230-03-003-66- Grants-in-Aid to Punjab Skill Development Mission Society-03-Pradhan Mantri Kaushal Vikas Yojna	13.88	00
15.		2501-06-102-01- Assistance to Punjab Skill Development Mission Society-01-Deendayal Upadhyay Grameen Kaushalaya Yojna	15.75	00
<b>Total</b>			<b>606.95</b>	<b>00</b>

Source: Appropriation Accounts.

Justification for unrealistic budget allocations, which led to non-implementation of schemes, was not furnished by the Government.

### 3.5.3 Financial power being flouted in relation to re-appropriation

Para 14.5 (v) of Punjab Budget Manual provides that re-appropriations are not permissible after the close of the financial year. It was, however, noticed that three re-appropriation orders amounting to ₹ 2,054.71 crore were rejected by Accountant General (A&E) Punjab because these were issued after the close of the financial year and were issued without any logical reasons.

Further, no re-appropriation shall be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for definite purpose, so as to ensure that Supplementary Grants could be used for the purpose for which these were voted and for no other purpose. It was, however, noticed that two re-appropriations amounting to ₹ 18 crore were issued from the Supplementary Grants voted by the Assembly for definite purpose as detailed in **Table 3.13**.

**Table 3.13: Details of re-appropriation issued from the Supplementary Grants**

Sr. No.	Head of Account	Original Budget	Supple-mentary	Re-appropriation	Total	Expenditure	Savings
1.	3604-00-200-27-Punjab Municipal Infrastructure Development Fund (PMIDF Act 2011)	100.00	17.41	(-)17.41	100.00	100.00	0
2.	3053-80-800-01-Maintenance of Air Craft	10.13	5.50	(-)0.59	15.04	12.03	(-)3.01
<b>Total</b>		<b>110.13</b>	<b>22.91</b>	<b>(-)18.00</b>	<b>115.04</b>	<b>112.03</b>	<b>(-)3.01</b>

Source: Appropriation Accounts.

### 3.5.4 Rush of expenditure

Rule 56 of the General Financial Rules provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided.

Audit scrutiny revealed that in four cases as given in **Table 3.14**, the expenditure incurred during 4<sup>th</sup> quarter of the year ranged between 53.64 *per cent* and 96.52 *per cent* against the target of 20 *per cent* and the expenditure incurred during the month of March 2020 alone ranged between 51.58 *per cent* and 87.18 *per cent*. Further entire expenditure of ₹ 21,483.93 crore in 21 sub-heads was incurred in the month of March 2020 alone (*Appendix 3.9*).

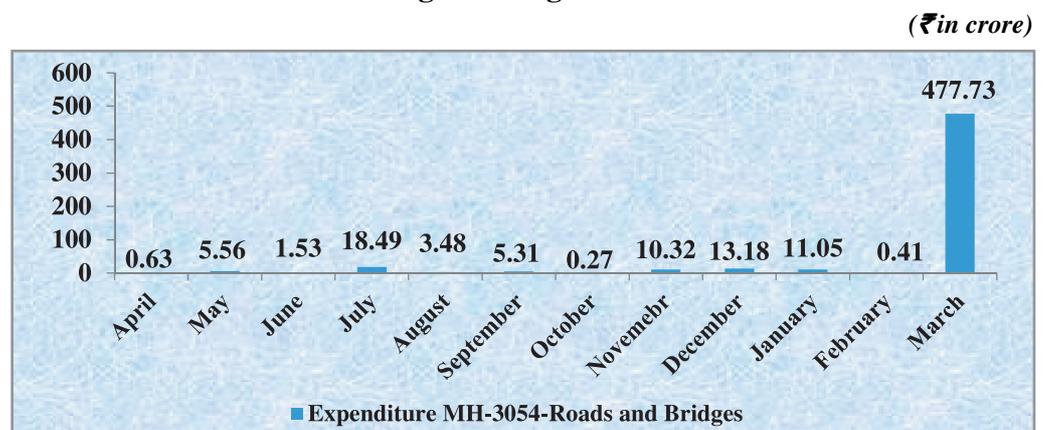
**Table 3.14: Major Heads with more than 50 per cent of expenditure in March 2020 alone**

(₹ in crore)

Sr. No.	Major Head	Description	4 <sup>th</sup> Quarter	Total expenditure during 2019-20	Expenditure during March 2020	Expenditure in 4 <sup>th</sup> Quarter as percentage of total expenditure	Expenditure in March 2020 as percentage of total expenditure
1.	2852	Industries	1,696.34	1,757.49	1,182.61	96.52	67.29
2.	3054	Roads and Bridges	489.19	547.96	477.73	89.27	87.18
3.	4217	Capital Outlay on Urban Development	173.72	323.86	167.05	53.64	51.58
4.	4700	Capital Outlay on Major Irrigation	92.96	132.54	87.29	70.14	65.86

Source: Information supplied by office of the Accountant General (Accounts & Entitlement), Punjab

**Chart 3.7: Month wise expenditure of Major Head 3054-Roads and Bridges during 2019-20**



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

It was observed that heavy expenditure of ₹ 477.73 crore (87 per cent) was incurred in March 2020 against the full year expenditure of ₹ 547.96 crore under Major Head-3054 – Roads and Bridges but no justification for this was provided by the Government.

### 3.5.5 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e. 01-Agriculture and 08-Finance was conducted wherein magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

#### 3.5.5.1 Grant No. 01 – Agriculture

##### (i) Introduction

Grant 01-Agriculture includes Major Heads 2401-Crop Husbandry, 2402-Soil and Water Conservation, 2406-Forestry and Wild Life, 2415-Agricultural Research and Education, 4059-Capital Outlay on Public Works and 4401- Capital Outlay on Crop Husbandry.

##### (ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2017-18 to 2019-20) is given in **Table 3.15**.

**Table 3.15: Budget and Expenditure during the year 2017-18 to 2019-20**

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2017-18	Revenue-Original (V)	10,577.34	10,657.13	6,923.03	3,734.10 (35.04)
	Supplementary	79.79			
	Revenue-Original (C)	0.13	0.61	0.46	0.15 (24.59)
	Supplementary	0.48			
	Capital-Original (V)	3.52	3.52	(-)6.50	10.02 (284.66)
	Supplementary	0			
2018-19	Revenue-Original (V)	14,425.32	14,425.32	11,457.23	2,968.09 (20.58)
	Supplementary	0			
	Revenue-Original (C)	0.01	0.11	0.09	0.02 (18.18)
	Supplementary	0.10			
	Capital-Original (V)	2.04	2.04	1.90	0.14 (6.86)
	Supplementary	0			
2019-20	Revenue-Original (V)	13,292.10	13,292.10	7,499.91	5,792.19 (43.58)
	Supplementary	0			
	Revenue-Original (C)	0.03	1.20	1.00	0.20 (16.67)
	Supplementary	1.17			
	Capital-Original (V)	6.24	6.24	1.90	4.34 (69.55)
	Supplementary	0			

Source: Appropriation Accounts

Un-utilised budget provision ranged between 6.86 per cent and 284.66 per cent during 2017-20.

**(iii) Non-surrender of savings**

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. The position of savings and surrenders under Grant-1-Agriculture during 2017-20 has been depicted in **Table 3.16**.

**Table 3.16: Non-surrender of savings***(₹ in crore)*

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2017-18	3,734.11	0.15	10.02	1,305.11 (34.95)	0.00	1.42 (14.17)
2018-19	2,968.09	0.02	0.14	2,592.03 (87.33)	0.00	0.09 (64.29)
2019-20	5,792.19	0.20	4.34	2,650.59 (45.76)	0.00	2.14 (49.31)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

**(iv) Persistent savings**

It was observed that a substantial portion of the budget allocation remained unutilised every year under certain heads of accounts during 2017-18 to 2019-20, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 3.17**.

**Table 3.17: Persistent savings under Grant No. 01***(₹ in crore)*

Sr. No.	Head of Account	2017-18	2018-19	2019-20
1.	2401-00-001-01-Direction	9.30 (4.79)	20.01 (9.13)	15.24 (6.75)
2.	2401-00-111-05-Agriculture Census	0.99 (68.75)	0.36 (48)	1.02 (79.06)
3.	2401-00-111-07-Rationalisation of Irrigation Statistics	1.75 (77.43)	0.56 (36.36)	2.13 (93.01)
4.	2402-00-102-20-National Mission on Micro Irrigation	0.68 (57.63)	1.97 (58.81)	0.51 (15.22)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

**3.5.5.2 Grant No. 08-Finance****(i) Introduction**

Grant 08-Finance includes Major Heads 2047-Other Fiscal Service, 2048-Appropriation for Reduction or Avoidance of Debt, 2049-Interest Payments, 2054-Treasury and Accounts Administration, 2070-Other Administrative Services, 2071-Pension and Other Retirement Benefits, 2075-Miscellaneous General Services, 2235-Social Security and Welfare, 3451- Secretariat – Economic Services, 6003-Internal Debt of the State Government, 6004-Loans and Advances from the Central Government, 7610-Loans to Government Servants etc. and 7615-Miscellaneous Loans.

**(ii) Budget and Expenditure**

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years is given in **Table 3.18**.

**Table 3.18: Budget and Expenditure during the year 2017-18 to 2019-20***(₹ in crore)*

Year	Section	Budget provision	Total	Expenditure	Un-utilised provision and its percentage
2017-18	Revenue-Original (V)	11,087.10	11,087.10	10,737.64	349.46 (3.25)
	Supplementary	0			
	Revenue-Original (C)	14,910.50	15,174.73	15,333.97	Excess expenditure over budget provision
	Supplementary	264.23			
	Capital-Original (V)	50.11	50.11	37.78	12.33 (24.61)
	Supplementary	0			
	Capital-Original (C)	34,985.96	35,029.64	34,969.58	60.06 (0.17)
	Supplementary	43.68			
2018-19	Revenue-Original (V)	12,622.54	12,622.54	11,607.79	1,014.75 (8.04)
	Supplementary	0			
	Revenue-Original (C)	16,260.10	16,311.55	16,306.17	5.38 (0.03)
	Supplementary	51.45			
	Capital-Original (V)	74.70	74.70	34.06	40.64 (54.40)
	Supplementary	0			
	Capital-Original (C)	36,109.99	38,623.32	37,770.93	852.39 (2.21)
	Supplementary	2,513.33			
2019-20	Revenue-Original (V)	12,658.69	12,658.69	11,585.62	1,073.07 (8.48)
	Supplementary	0			
	Revenue-Original (C)	17,669.26	17,868.10	17,810.64	57.46 (0.32)
	Supplementary	198.84			
	Capital-Original (V)	51.60	51.60	30.06	21.54 (41.74)
	Supplementary	0			
	Capital-Original (C)	44,639.92	44,639.92	39,573.90	5,066.02 (11.35)
	Supplementary	0			

Source: Appropriation Accounts

During 2017-18, unutilised budget provision ranged between 0.17 per cent and 24.61 per cent under Revenue (V) and Capital Section. However, an excess expenditure over budget provision under Revenue Charged section was noticed during 2017-18. During 2018-19 and 2019-20, unutilised budget provision ranged between 0.03 per cent and 54.40 per cent.

**(iii) Non-surrender of savings**

Rule 17.20 of the Punjab Financial Rules provides that, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no savings were surrendered during 2017-18 and 2019-20 and no savings were surrendered under Revenue and Capital (Charged) sections during 2018-19. The position of surrender of unutilised provision is depicted in **Table 3.19**.

**Table 3.19: Non-surrender of savings***(₹ in crore)*

Year	Savings				Amount surrendered (percentage)			
	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)
2017-18	349.45	0	12.33	60.06	0	0	0	0
2018-19	1,014.75	5.38	40.64	852.39	936.84 (92.32)	0	28.45 (70.00)	0
2019-20	1,073.07	57.46	21.54	5,066.02	0	0	0	0

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

**(iv) Persistent savings**

It was observed that a substantial portion of the budget allocation remained unutilised every year under certain heads of accounts during 2017-18 to 2019-20, indicating non-achievement of the projected financial outlays in the respective years as detailed in the **Table 3.20**.

**Table 3.20: Persistent savings under Grant No. 08***(₹ in crore)*

Sr. No.	Head of Account	2017-18	2018-19	2019-20
<b>Revenue (V)</b>				
1.	2054-00-097-01-Treasury Establishment	3.26 (10.23)	0.69 (2.46)	5.12 (15.83)
2.	2071-01-102-01-Commuted Value of Pensions	53.21 (19.26)	4.96 (1.95)	48.07 (17.94)
3.	2071-01-104-01-Gratuities	118.59 (10.24)	295.45 (27.51)	438.04 (40.03)
4.	2071-01-115-01-Leave Encashment Benefits	133.52 (17.84)	143.90 (20.56)	114.89 (15.63)
5.	2075-00-103-01-Prizes	12.96 (20.83)	6.35 (15.88)	627.16 (90.70)
6.	2075-00-103-02-Direction and Administration	1.06 (20.42)	0.33 (7.25)	6.46 (56.92)
7.	2235-60-104-01-Deposit Linked Insurance Scheme	0.86 (50.29)	0.93 (54.07)	0.93 (53.45)
8.	3451-00-092-01-Directorate of Financial Resources and Economic Intelligence	1.63 (62.69)	1.11 (41.11)	1.79 (51.44)
<b>Revenue (C)</b>				
9.	2049-01-115-01-Interest on Ways and Means Advances from Reserve Bank of India	12.50 (25)	5.30 (18.60)	10.10 (35.44)
<b>Capital (V)</b>				
10.	7610-00-800-01-Festival Advances	5.50 (23.91)	9.67 (38.68)	10.23 (40.92)
11.	7610-00-800-11-Wheat Advances	6.03 (23.19)	2.37 (11.29)	10.98 (42.23)
<b>Capital (C)</b>				
12.	6004-02-105-01-State Plan Loans Consolidated in terms of recommendations of the 12 <sup>th</sup> Finance Commission	24.34 (13.69)	24.34 (13.69)	24.34 (13.69)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

**(v) Persistent Excess**

In three cases there was persistent excess expenditure of more than ₹ one crore in each case during the last three years as detailed in **Table 3.21**.

**Table 3.21: Persistent Excess expenditure over budget provision under Grant No. 08**

(₹ in crore)				
Sr. No.	Head of Account	2017-18	2018-19	2019-20
<b>Revenue (V)</b>				
1.	2071-01-101-01-Pension and Other Retirement Benefits	616.95	290.39	187.05
2.	2049-01-101-01-Interest on Market Loan	1,324.01	1,306.95	85.23
3.	2049-04-101-01-Interest on Block Loans	23.46	32.11	8.17
<b>Total</b>		<b>1,964.42</b>	<b>1,629.45</b>	<b>280.45</b>

Source: Appropriation Accounts.

**(vi) Excess expenditure over provisions requiring regularisation**

Article 205 (1) (b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that excess expenditure of ₹ 552.33 crore (**Appendix 3.8, Sr. No. 2 to 13**) was incurred under 12 schemes during the year 2019-20 which may be got regularised under the above mentioned provisions.

The Government may consider taking up necessary action to regularise the excess expenditure.

**3.6 Conclusions**

The budgetary system of the State Government was not upto the mark, as overall utilisation of budget was 83.23 per cent of total grants and appropriations during 2019-20. Budgetary allocations were based on unrealistic proposals as out of total 42 grants, in 17 grants savings excluding surrenders were more than ₹ 100 crore.

An expenditure of ₹ 2,113.58 crore was incurred during the year 2019-20 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

Supplementary provisions were also not on realistic basis as in 24 cases the supplementary provisions were unnecessary. There was rush of expenditure at fag end of the year. In four major heads, more than 50 per cent of the expenditure under each major head during 2019-20 was incurred in the month of March 2020.

In two grants and one appropriation, the expenditure of ₹ 468.21 crore during 2019-20 was excess over the authorisation made by the State Legislature which vitiates the system of budgetary and financial control. The excess expenditure of ₹ 37,269.28 crore for the period 2015-16 to 2018-19 is also required to be regularised from the State Legislature.

Under 10 schemes, there was approved out lay of ₹ 2,488.00 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred. Further, under 15 schemes, there was approved out lay of ₹ 606.95 crore which was withdrawn in revised outlay which deprived the beneficiaries of intended benefits.

### **3.7 Recommendations**

- (i) Government should prepare realistic budget estimates, backed with correct assessment for availability of resources and potential to expend, to avoid large savings and supplementary provisions.
- (ii) Government should ensure strict compliance of provisions of budget manual in preparation of supplementary provisions and ensure transparency in estimation for avoiding unnecessary supplementary provisions.
- (iii) Government may consider formulating strategies for actual execution of major policy decisions in the State at the time of preparing budgetary estimates.
- (iv) Government should adhere to quarterly targets fixed for incurring expenditure through periodic monitoring, to avoid rush of expenditure towards end of the year, and for proper utilisation of savings through timely surrender.



## **Chapter-IV**

# **Quality of Accounts and Financial Reporting Practices**



## Chapter-IV

### Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

#### Issues related to completeness of accounts

#### 4.1 Funds outside Consolidated Fund or Public Account of the State

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.

It has been observed that funds meant to be credited to Consolidated Fund were kept outside the Consolidated Fund of the State as discussed below:

**Collection of levies like; Cess/Royalty:** The State Government imposed various Cess for meeting out expenditure for specific purposes. Some of the Cess are discussed below;

##### (i) Cultural Cess

The State Government imposed (April 2013) a cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges, etc. 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 Consolidated Fund of the State (CFS).

It was, however, noticed that an amount of ₹ 4.14 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies as of March 2020. The State Government stated (June 2021) necessary instructions would be issued to the concerned departments to do the needful.

**(ii) Market Fee collected under Punjab Agricultural Produce Markets Act, 1961**

In order to regulate the purchase, sale, storage, processing of agriculture produce and the establishment of markets for the purpose in the State of Punjab, the State Government notified (May 1961) the Punjab Agricultural Produce Markets Act, 1961 (PAPM Act) under which Punjab State Agricultural Marketing Board (PSAMB) was established. As per Section 23 of the Act, a fee on *ad valorem* basis, at the rate of one rupee and fifty paise for every one hundred rupees on the agricultural produce bought or sold by licensee in the notified market area was levied. The fee was revised (2017) as (i) fee on agriculture produce bought or sold by a licensee in the notified market area at the rate not exceeding three rupees for every one hundred rupees; and (ii) additional fee on the agriculture produce when sold by a producer to a licensee in the notified market area at a rate not exceeding one rupee for every one hundred rupees.

During 2019-20, there was an opening balance of ₹ 388.90 crore, receipts during the year were ₹ 1,803.95 crore and expenditure was ₹ 1,738.61 crore thereby leaving unutilised amount of ₹ 454.24 crore at the end of the year with the Board, without routing through the Consolidated Fund of the State.

**(iii) Rural Development Fee collected under Punjab Rural Development Act, 1987**

In order to accelerate rural development, augment agricultural production, improve facilities to the dealers and purchasers of agricultural produce and to provide for relief for loss of agricultural produce due to natural calamities, the State Government notified (April 1987) the Punjab Rural Development Act, 1987 (PRD Act) under which Punjab Rural Development Board (PRDB) was established. As per Section 5 of the PRD Act, a fee on *ad valorem* basis, at the rate of rupees two, revised (December 2017) to rupees three for every one hundred rupees, in respect of the agricultural produce, bought or sold in the notified market area was levied.

On being enquired (June-July 2021), the State Government/PRDB did not provide the details/status of Rural Development Fee lying with the PRDB (July 2021).

The Additional Chief Secretary (Development), Punjab Rural Development Board (PRDB) stated (July 2021) that since separate funds had been created under the respective Acts (PAPM Act and PRD Act), there was no need to transfer Market Fee and Rural Development Fee to the Consolidated Fund of the State. It was added that executive letter of the Finance Department (February 2018) could not override the provisions of the statutes. The reply of PRDB was contrary to the Constitutional provisions and instructions issued by the Finance Department.

Both the Acts provide for creation of separate funds for crediting the fees collected. The fees collected are transferred to the Boards without routing these through the Consolidated Fund of the State which is against the provisions of Rule 7(1) of the Punjab Treasury Rules and Subsidiary Treasury Rules issued thereunder read with Article 266(1) of the Constitution of India according to which all money received by or tendered to the State Government shall without delay be paid in full to the treasury and shall be included in the Consolidated Fund of the State.

#### **(iv) 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 construction, 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.

#### **(v) Cancer Cess**

The State Government notified (April 2013) the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 under which cancer cess was imposed. The cess would be collected as a percentage of cost of infrastructure development projects having worth of more than 50 crore and on other works as specified under Section 6 of the Act. The fund would be administered by a Board constituted under the Act and it could be utilised for specific purposes as mentioned under Section 5 of the Act.

However, it was noticed that labour cess and cancer cess, though collected by the collecting agencies, were transferred partially to the concerned authorities (Boards) during 2019-20 as shown in **Table 4.1**.

**Table 4.1: Details of cesses not transferred to the designated Authorities/Boards**

(₹ in crore)

Sr. No.	Name of Cess	Opening balance as on 1 April 2019	Amount of Cess collected	Total	Cess transferred to Designated Authority (Boards)	Balance amount with the collecting agency
1.	Labour Cess	5.09	19.27	24.36	18.00	6.36
2.	Cancer Cess	9.21	9.61	18.82	10.98	7.84
<b>Total</b>						<b>14.20</b>

Sources: Departmental Information

**4.1.1 Funds of Regulators outside Government Account:**

Research Laboratory, Patiala under the Department of Public Works (Building and Roads) conducts the various tests required during the execution of civil works and to check the quality of work executed. This includes testing of bearing capacity of soil of buildings, bitumen penetration test, job mix formulae for road works, mix design for bitumen mixes, etc. The Chief Engineer (CE), cum Chief Vigilance Officer and Director, Quality Control Cell, Public Works (B&R) Department, Mohali sought (October 2009) approval of rates/fees to be recovered for various tests to be conducted by Research Laboratory, Patiala alongwith proposal to deposit the fee so collected with Punjab Roads and Bridges Development Board (PRBDB), Mohali. Department of Public Works, Government of Punjab approved the proposal in May 2010. Thereafter, the Department of Finance (FD), Government of Punjab, has instructed (February 2018) all administrative departments to deposit all state levies and receipts in the Consolidated Fund of the State under the relevant head of account. Further, any retention or diversion of such funds will require a specific authorisation from the FD, which shall be obtained afresh by 31 March 2018.

Scrutiny of records (January 2020), revealed that PRBDB was having balance of ₹ 0.51 crore as on April 2018 and thereafter collected fees amounting to ₹ 1.12 crore during 2018-19 and 2019-20. As per above mentioned instruction of FD, the total amount of ₹ 1.63 crore was required to be deposited in the Consolidated Fund of the State. However, Research Laboratory, Patiala deposited this amount with PRBDB without obtaining the specific authorisation from FD in violation of the *ibid* instructions.

**4.2 Non-discharge of liability in respect of interest towards interest bearing deposits**

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits under Major Head-8338 and 8342.

Audit observed that ₹ 60.61 crore were required to be paid as interest (taking average interest rate of Ways and Means Advance for the year 2019-20 at 7.50 per cent per annum) on the balance of ₹ 808.08 crore lying under interest bearing deposit heads viz. Minor Head 101-Deposits of Municipal Corporations and 104-Deposits of other Autonomous Bodies below Major Head 8338-Deposits of Local Funds and Minor Head 103-Deposits of Government Companies, Corporations etc. and Minor Head 117-Define Contribution Pension Scheme for Government Employees and Minor Head 120-Miscellaneous Deposits below Major Head 8342-Other Deposits as on 31 March 2019 as shown in **Table 4.2**. Non-payment of interest liability has resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

**Table 4.2: Details of non-discharge of liability in respect of interest towards interest bearing deposits**

(₹ in crore)						
Sr. No.	Name/Head of the interest bearing deposit	Opening Balance as on 1 April 2019	Receipts	Disbursements	Balance as on 31 March 2020	Amount of Interest not provisioned
1.	8338-101-Deposits of Municipal Corporations	0.08	0	0	0.08	0.01
2.	8338-104-Deposits of Other Autonomous Bodies	0.07	0	0	0.07	0.01
3.	8342-103-Deposits of Government companies, corporations etc.	145.00	0	0	145.00	10.88
4.	8342-117-Define Contribution Pension Scheme for Government Employees	183.37	746.67	728.72	201.32	13.75
5.	8342-120-Miscellaneous Deposits	479.56	650.14	700.00	429.70	35.96
<b>Total</b>		<b>808.08</b>	<b>1,396.81</b>	<b>1,428.72</b>	<b>776.17</b>	<b>60.61</b>

Source: Finance Accounts

### 4.3 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2019-20, the GoI transferred ₹ 4,551.70 crore directly to various implementing agencies/Non-Governmental organisations of the State as detailed in **(Appendix 4.1)** which was more by 81.46 per cent than the amount released in 2018-19 (₹ 2,508.36 crore). This is 159 per cent of the amount (₹ 2,864.31 crore) released by the GoI for centrally sponsored scheme as Grants-in-Aid, through the state budget.

## Issues related to transparency

### 4.4 Delay in submission of Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, Volume-1 prescribes that where grants are sanctioned and cases in which conditions are attached to the Utilisation of Grant in the form of specification of particular objects of expenditure or the time within which the money must be spent or otherwise, the departmental officer on whose signature or countersignature the Grant-in-Aid bill was drawn should be primarily responsible for certifying to the Accountant General, the fulfilment of the conditions attaching to the grant. Utilisation Certificates (UCs) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent can't be treated as final. The status of outstanding UCs as per records of the Accountant General (Accounts and Entitlements) is given in **Table 4.3(a&b)**.

**Table 4.3(a): Arrears in submission of Utilisation Certificates**

(₹ in crore)

Year*	Opening Balance		Addition		Clearance		Closing Balance	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
2016-17	05	4.47	128	1,031.65	120	448.31	13	587.81
2017-18	13	587.81	117	531.35	85	826.74	45	292.42
2018-19	45	292.42	234	2,912.87	185	2,759.10	94	446.19

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

\* The year mentioned above relates to 'Grant year' which becomes due after eighteen months of actual drawl.

**Table 4.3(b): Age-wise pendency of Utilisation Certificates**

(₹ in crore)

Year of Grant	No. of UCs	Amount
Up to 2016-17	19	72.47
2017-18	36	94.90
2018-19	39	278.82
<b>Total</b>	<b>94</b>	<b>446.19</b>

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

**Chart 4.1: Outstanding UCs in respect of 10 major Departments**(**₹**in crore)

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Analysis revealed that Major outstanding Utilisation Certificates pertain to the Department of Rural Development and Panchayats, (16). It was further observed that ₹ 223.76 crore i.e. 50.15 *per cent* of the total outstanding amount of ₹ 446.19 crore pertain to three Departments viz. Department of Rural Development and Panchayats (₹ 132.76 crore), Excise and Taxation (₹ 50.00 crore) and Sports and Youth Services (₹ 41.00 crore).

Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner. The State Government stated (June 2021) directions were being issued to the concerned departments on monthly basis for submission of UCs.

#### 4.5 Abstract Contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. These amounts are held under objection pending submission of Detailed Contingent (DC) bills to the PAG (A&E) within six months. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

The details of AC bills, under objection, pending adjustment, as on 31 March 2020 is given in **Table 4.4(a&b)**.

**Table 4.4(a): Details of non-submission of DC bills**

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2017-18	453	701.75	26	163.23	65	103.45	414	761.53
2018-19	414	761.53	944	3,567.26	569	1,245.48	789	3,083.31
2019-20	789	3,083.31	1336	3,857.03	1,530	5,148.32	595	1,792.02

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

**Table 4.4(b): Age-wise pendency of DC bills**

(₹ in crore)

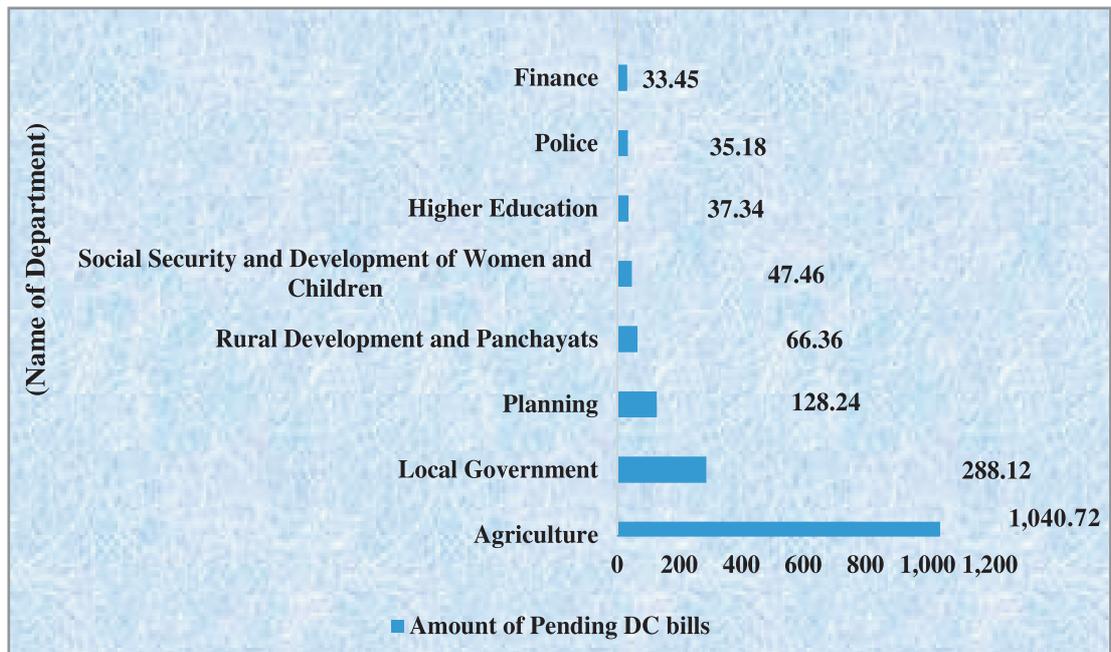
Year of Grant	No. of DC bills	Amount
Up to 2017-18	147	258.88
2018-19	183	1,308.20
2019-20	265	224.94
<b>Total</b>	<b>595</b>	<b>1,792.02</b>

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

It was observed that out of 595 pending AC bills, 251 bills amounting to ₹ 628.44 crore were drawn for creation of capital assets. Further, out of 1264 AC bills amounting to ₹ 1,819.03 crore drawn during 2019-20, 321 bills amounting to ₹ 390.78 crore were drawn in March 2020.

**Chart 4.2: Pending DC Bills in respect of major Departments**

(₹ in crore)



Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be treated as final. The State Government stated (June 2021) that directions were being issued to the departments from time to time for clearance of pending AC bills.

### Issues related to measurement

#### 4.6 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out aggregating the outstanding debit and credit balances separately under various heads. Significant suspense items have been shown as gross debit and credit balances for the last three years, in **Table 4.5**.

**Table 4.5: Balances under Suspense and Remittance Heads**

(₹ in crore)

Head of Account		2017-18		2018-19		2019-20	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1							
<b>8658</b>	<b>Suspense Account -</b>						
101	Pay and Accounts Office-Suspense	70.63	4.44	55.24	0.03	70.75	0.04
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>66.19 Dr.</b>		<b>55.21 Dr.</b>		<b>70.71 Dr.</b>	
102	Suspense Account-(Civil)	0.19	..	29.53	..	18.30	..
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>0.19 Dr.</b>		<b>29.53 Dr.</b>		<b>18.30 Dr.</b>	
109	Reserve Bank Suspense-(Headquarters)	0.04	..	0.66	..	0.33	..
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>0.04 Dr.</b>		<b>0.66 Dr.</b>		<b>0.33 Dr.</b>	
110	Reserve Bank Suspense- (Central Accounts Office)	..	..	0.69	..	22.27	..
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>..</b>		<b>0.69 Dr.</b>		<b>22.27 Dr.</b>	
112	Tax Deducted at Source (TDS) Suspense	..	15.42	..	124.06	..	119.96
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>15.42 Cr.</b>		<b>124.06 Cr.</b>		<b>119.96 Cr.</b>	
123	AIS Officers' Group Insurance Scheme	..	0.14	..	0.09	..	0.11
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>0.14 Cr.</b>		<b>0.09 Cr.</b>		<b>0.11 Cr.</b>	
<b>8782</b>	<b>Cash Remittance and adjustments between officers rendering account to the same Accounts Officer</b>						
102	Public Works Remittances	0.10	..	(-) 9.02	..	(-) 3.51	..
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>0.10 Dr.</b>		<b>(-) 9.02 Dr.</b>		<b>(-) 3.51 Dr.</b>	
103	Forest Remittances	(-) 0.01	..	..	..	6.19	..
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>(-) 0.01 Dr.</b>		<b>..</b>		<b>6.19 Dr.</b>	
<b>8793</b>	<b>Inter-State Suspense Account</b>						
	<b>Net Debit (Dr.) / Credit (Cr.)</b>	<b>13.50 Dr.</b>		<b>11.93 Dr.</b>		<b>22.59 Dr.</b>	

Source: Finance Accounts

#### 4.7 Reconciliation of Cash Balances

The Cash Balance of the State Government for 2019-20 as per Accounts of the AG (A&E) was ₹ 509.95 crore (Credit) while the same was reported as ₹ 446.78 crore (Credit) by the Reserve Bank of India. As such, there was an un-reconciled difference of ₹ 956.73 crore (Credit).

The difference was mainly due to wrong reporting and non-reconciliation of figures by Agency Banks with treasuries, which is under review. After integration of e-Kuber system (of the RBI) with State Integrated Financial Management System (IFMS) for payments in the State, the difference in reporting transactions has also led to the increase in difference, as the State IFMS reports on transaction date basis whereas the e-Kuber system reports the transactions on scroll date basis. As on 31 July 2020 (the date of closure of March Supplementary Accounts), there was a difference of ₹ 101.24 crore (net credit).

The State Government is required to claim interest for delayed credit of collections by the Agency Banks as per procedure laid down in Para 5.11 of 'Memorandum of Instructions on Accounting and Reconciliation-State Government transactions' which has not been done. As such, delayed interest calculated by the Accountant General (A&E) based on Cash Balance Reconciliation was conveyed to the State Government, which raised penal interest claims of ₹ 5.23 crore with Agency Banks. These claims have not yet been settled.

#### 4.8 Cash with divisional officers

In terms of Rule 2.10 (b) (5) of Punjab Financial Rules Vol.-I, no money should be withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time.

As per instructions (March 2015) of Finance Department, the Public Works Department (PWD) Drawing and Disbursing Officers (DDO) will keep funds of deposit works related to non-Government agencies under head '8443-Civil Deposits 108-PW Deposit'. The PWD DDOs can draw funds from their deposit accounts by presenting bills to the treasury under the same head of account.

It was further directed that all bank accounts should be closed and unspent amounts kept under head '8671-Departmental Balances 101-Civil' should be remitted into Government account (under head '8443-Civil Deposits) by 31 March 2015 and no bank accounts would be operated w.e.f. April 2015.

In contravention of the instructions *ibid*, as on 31 March 2020, an amount of ₹ 725.54 crore was still lying under Major Head 8671-Departmental Balances

with Departmental Officers' in 188 Public Works Divisions. Of this, amount of ₹ 710.74 crore was lying in 593 bank accounts (as per divisional cash books), ₹ 13.48 crore in cash chest and ₹ 1.32 crore cash-in-transit. These bank accounts remained operative as is evident from the transactions viz. ₹ 810.79 crore (credit) and ₹ 701.12 crore (debit) made during 2019-20. Had these funds been deposited in the Government account (under head '8443-Civil Deposits'), borrowings to this extent could have been avoided.

### Issues related to disclosure

#### 4.9 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Punjab as well as deficiencies therein during 2019-20 is detailed in **Table 4.6**.

**Table 4.6: Compliance to Accounting Standards**

Sr. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1:	Guarantees Given by the Government – Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	NIL
2.	IGAS-2:	Accounting and Classification of Grants-in-aid	Not complied (Statement 10 of Finance Accounts)	Information regarding total value of Grants-in-aid in kind and value of Grants-in-aid in kind being Capital Assets in nature could not be made as this information was not provided by the State Government.
3.	IGAS-3:	Loans and Advances made by Government	Not complied (Statement 7 and 18 of Finance Accounts)	Disclosure regarding interest payment in arrears, rate of interest and moratorium period (if any) in respect of fresh Loans and Advances given during the year, those given to the loanee entities from whom repayments of earlier loans are in arrears and loans sanctioned without specific terms and conditions could not be made as this information was not provided by the State Government.

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

The State Government stated (June 2021) that necessary action would be taken in this regard.

#### 4.10 Submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the Government in the fields of Urban Development, Housing, Labour Welfare, Agriculture and Justice. As on 31 March 2020, 20 accounts in respect of five out of nine autonomous bodies from 2006-07 to 2018-19 were pending as detailed in **Table 4.7**.

**Table 4.7: Arrears of accounts of bodies or authorities as on 31 March 2020**

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to FY 2019-20
1.	Punjab Legal Services Authority, Chandigarh	2018-19	1
2.	Punjab Khadi and Village Industries, Board, Chandigarh	2017-18	2
3.	Punjab State Human Rights Commission, Chandigarh	--	0
4.	Punjab Labour Welfare Board, Chandigarh	2006-07	13
5.	Pushpa Gujral Science City, Kapurthala	--	0
6.	Punjab Building and Other Construction Workers Welfare Board, SAS Nagar	2017-18	2
7.	Punjab Bus Metro Society, Amritsar	2017-18	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	--	0
9.	Real Estate Regulatory Authority, Chandigarh	--	0
<b>Total</b>			<b>20</b>

Source: Office records

Note: Cut-off date of the pendency of any previous Financial Year is to be taken as 30 September of succeeding Financial Year.

Delay in respect of five autonomous bodies out of nine ranged between one to thirteen years, of which the Punjab Labour Welfare Board had not submitted its accounts since 2006-07. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest. The State Government stated (June 2021) that matter was being pursued with the concerned PSUs for submission of accounts and directions had also been issued to the Director Public Enterprises and Disinvestment, who oversees the work of Autonomous Bodies, to take further necessary action.

**The State Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. Further, since the Punjab Labour Welfare Board has not submitted its accounts since 2006-07 i.e. more than thirteen years, the matter may be taken up for review by the Government.**

#### 4.11 Departmental Commercial Undertakings/Corporations/Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

It was observed that accounts of 27 Public Sector Undertakings (PSU)/Corporations were in arrears, of which five<sup>1</sup> were loss making. Further, audit noticed that a budgetary support of ₹ 730.78 crore was provided to six PSUs/Corporations during the last three years despite their accounts being in arrears as detailed in **Table 4.8**.

**Table 4.8: Year wise details of Budgetary support to Commercial Undertakings/Corporations/Companies**

(₹ in crore)

Sr. No.	Name of Company/Corporations	Budgetary support			
		2017-18	2018-19	2019-20	Total
1.	Punjab Small Industries and Export Corporation Limited	0.00	9.48	17.00	26.48
2.	Punjab Water Resources Management and Development Corporation Limited	114.62	150.14	97.51	362.27
3.	Punjab State Civil Supplies Corporation Limited	0.00	0.00	122.43	122.43
4.	PEPSU Road Transport Corporation	54.00	55.62	50.98	160.60
5.	Punjab Financial Corporation	0.00	5.00	4.00	9.00
6.	Jalandhar Smart City Limited	25.00	0.00	25.00	50.00
<b>Total</b>		<b>193.62</b>	<b>220.24</b>	<b>316.92</b>	<b>730.78</b>

Source: Information supplied by PSUs

Age profile of PSUs/Corporations having accounts in arrear is given in **Table 4.9**.

<sup>1</sup> (i) Punjab State Grains Procurement Corporation Limited, (ii) Punjab Water Resources Management and Development Corporation Limited, (iii) Punjab State Civil Supplies Corporation Limited, (iv) PEPSU Road Transport Corporation and (v) Punjab Financial Corporation.

**Table 4.9: Age profile of PSUs/Corporations having accounts in arrear**

Range in years	Number of PSUs/Corporations
0-1	12
1-3	02
3-5	03
>5	10
<b>Total</b>	<b>27</b>

Source: Office records

**Table 4.9** shows that accounts in respect of 10 PSUs were in arrears for more than five years. In the absence of timely finalisation of accounts, results of investments of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out. **The State Government may take up the matter with the PSUs for non-submission of accounts for more than five years.**

## Other Issues

### 4.12 Misappropriations, losses, thefts, etc.

Rule 2.33 of the Punjab Financial Rules, stipulates that every Government employee would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or any loss arising from fraud or negligence on the part of any other Government employee to the extent that he contributed to the loss by his own action or negligence. Further, as per rule 2.34 *ibid*, the cases of defalcations and losses are required to be reported to the AG (A&E).

As on 31 March 2020, 17 cases of misappropriation, losses, theft, etc. involving ₹ 33.55 crore were pending. The department-wise break-up of pending cases is given in **Table 4.10**.

**Table 4.10: Details of pending cases of misappropriation, losses, theft, etc.**

(₹ in crore)

Name of Department/ Corporation	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Election	1	0	0	0	1	0	0	0
Punjab State Warehousing Corporation	6	11.73	0	0	0	0	0	0
Punjab Agro Food grains Corporations	7	14.51	0	0	0	0	0	0
Agriculture	1	0.11	1	0.11	0	0	0	0
Food and Supply	2	7.20	1	0.13	0	0	1	7.07
<b>Total</b>	<b>17*</b>	<b>33.55</b>	<b>2</b>	<b>0.24</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>7.07</b>

Source: Departmental data/information

\* Status in respect of remaining 13 cases were not available.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table 4.11**.

**Table 4.11: Profile of misappropriations, losses, defalcations, etc.**

(₹ in crore)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	05	9.95	Theft cases	04	0.36
5-10	11	23.60			
10-15	01	0	Misappropriation/ loss of Government material	13	33.19
<b>Total</b>	<b>17</b>	<b>33.55</b>		<b>17</b>	<b>33.55</b>

Out of the total cases, four cases amounting to ₹ 0.36 crore were related to theft of Government money/store. Further, in respect of one case of loss, departmental action had not been finalised while in one case (₹ 7.07 crore) criminal proceedings were finalised but recovery of the amount was pending. It was further noticed that out of 17 cases of losses due to theft/ misappropriation, 12 cases of ₹ 23.60 crore were more than five years old, including one case which was more than 10 years old.

The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc. The State Government

stated (June 2021) that the requisite instructions had been issued to the respective administrative departments for taking appropriate action in this regard.

#### **4.13 Follow up action on State Finances Audit Report**

In every State, the Public Accounts Committee (PAC)/Finance Department require the line Departments to provide a *suo-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Discussion on the State Finance Audit Report for the year 2013-14 was held on 03 August 2015 in the PAC meeting and the Committee directed the Finance Department for submission of reply of all the paragraph within three weeks, but no reply had been received from Finance Department till date.

The matter regarding non submission of reply was discussed by PAC on 05 July 2019 and 22 October 2019 and directed the Finance Department for submission of replies of State Finance Audit Reports for the year 2014-15 to 2016-17 within 15 days. In PAC meeting held on 02 June 2020, Finance Department has requested to allow another four months to submit the replies to the State Finance Audit Reports and Committee agreed to allow the time. However, no reply except for the year 2016-17 had been received till date even after lapse of more than five months.

#### **4.14 Conclusions**

Culture Cess collected to the tune of ₹ 4.14 crore was not transferred to the Consolidated Fund of the State. Government departments did not transfer various cesses amounting to ₹ 14.20 crore to the concerned Boards. Similarly, receipts of ₹ 1.63 crore collected by Research Laboratory, PWD (B&R), Patiala were not credited to Consolidated Fund of the State up to March 2020.

There were substantial delays in submission of utilisation certificates, which indicates lack of internal control of administrative departments and is an indication of the tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants. A large number of autonomous bodies, and departmentally run commercial undertakings did not prepare their final accounts for considerable periods. As a result, their financial position could not be assessed and results of investments of the Government remain outside the purview of State Legislature.

Further, in cases of theft of Government money, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods.

#### 4.15 Recommendations

- (i) The Government should prescribe a proper accounting procedure for collection and utilisation of various cesses so that data is easily accessible from the State Accounts.
- (ii) The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (iii) Finance Department should put in place a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.
- (iv) The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.
- (v) The Government should ensure adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.

**Chandigarh**  
**The 17 September 2021**

  
**(PUNAM PANDEY)**  
**Principal Accountant General (Audit), Punjab**

**Countersigned**

**New Delhi**  
**The 23 September 2021**

  
**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**



# Appendices



## Appendix 1.1

(Referred to in paragraph 1.1, page 1)

### Profile of Punjab

A. General Data			
Sr. No.	Particulars	Figures	
1.	Area	50,362 sq km	
2.	Population as per 2011 Census	2.77 crore	
3.	Density of Population (as per 2011 census) (All India Density = 382 <sup>1</sup> persons per Sq.Km. )	551 persons per Sq. km.	
4.	Population below poverty line ( All India Average = 21.9 per cent)	8.3 per cent	
5.	Literacy (as per 2011 census) (All India Average = 73 per cent)	75.80 per cent	
6.	Infant mortality (per 1000 live births) (All India Average = 33 per 1000 live births )	21	
7.	Life Expectancy at birth (All India Average =69 years)	72.4	
8.	Gini Coefficient <sup>2</sup> (a measure of inequality of income among the population. Value rate is from zero to one. Value closer to zero indicates inequality is less and vice versa) (All India Average = Rural : 0.28; Urban : 0.37)	Rural - 0.29 Urban - 0.36	
9.	Gross State Domestic Product (GSDP) 2019-20 at current prices	₹ 5,74,760 crore	
10.	Per capita GSDP CAGR <sup>3</sup> (2011-12 to 2019-20)	General Category States Average	10.53
		Punjab	8.65
		All India Average	9.84
11.	GSDP CAGR (2011-12 to 2019-20)	General Category States Average	11.98
		Punjab	10.08
12.	Population Growth (2011 to 2020)	General Category States Average	10.98
		Punjab	8.36
13.	Total cropped area	78.25 lakh hectares	
14.	Gross Irrigated area	77.67 lakh hectares	
15.	Percentage of total irrigated area to cropped area	99.26 per cent	

Source: Economic Surveys of India and Punjab 2018-19 and 2019-20.

<sup>1</sup> [www.censusindia.gov.in](http://www.censusindia.gov.in) (Census Info India 2011 Final Population Totals).

<sup>2</sup> [http://planningcommission.nic.in/data/datatable/data\\_2312/DatabookDec2014%20106.pdf](http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20106.pdf).

<sup>3</sup> Compounded Annual Growth Rate.

<b>B. Financial Data</b>							
<b>Sr. No.</b>	<b>Particulars</b>	<b>Figures (in per cent)</b>					
		<b>2010-11 to 2018-19</b>		<b>2014-15 to 2018-19</b>		<b>2018-19 to 2019-20</b>	
	<b>CAGR</b>	<b>General Category States</b>	<b>Punjab</b>	<b>General Category States</b>	<b>Punjab</b>	<b>General Category States</b>	<b>Punjab</b>
a.	Of Revenue Receipts	13.65	10.70	12.71	12.39	2.08	(-)1.12
b.	Of Own Tax Revenue	12.21	8.18	10.42	5.41	2.12	(-)5.00
c.	Of Non Tax Revenue	11.19	4.50	9.67	27.38	23.44	(-)12.24
d.	Of Total Expenditure	13.87	10.61	12.22	12.18	4.09	19.32
e.	Of Capital Outlay	14.64	0.15	12.35	(-) 6.22	(-)3.86	639.05
f.	Of Revenue Expenditure on Education	11.58	11.98	9.37	7.83	11.81	7.49
g.	Of Revenue Expenditure on Health	15.43	12.91	13.23	7.38	9.48	7.85
h.	Of Salary and Wages	10.78	9.99	10.35	6.39	9.51	2.85
i.	Of Pension	14.14	8.36	14.27	8.61	9.74	2.03

Source: Finance Accounts

## Appendix 1.2

(Referred to in paragraphs 1.4.2 page 8)

Summarised financial position of the Government of Punjab  
as on 31 March 2020(*₹*in crore)

LIABILITIES	As on 31.03.2019	As on 31.03.2020
<b>Internal Debt -</b>	<b>174171.75</b>	<b>189662.07</b>
Market Loans bearing interest	109747.67	128217.67
Market Loans not bearing interest	0.04	0.04
Loans from Life Insurance Corporation of India	0.00	0.00
Loans from other Institutions	64425.68	61444.36
Ways and Means Advances and Overdrafts from Reserve Bank of India	(-1.64)	0.00
<b>Loans and Advances from Central Government-</b>	<b>4958.70</b>	<b>4670.57</b>
Non-Plan Loans	20.92	17.91
Loans for State Plan Schemes	3159.25	2728.45
Pre 1984-85 Loans	0.31	0.30
Other loans for State	1778.22	1923.91
<b>Contingency Fund</b>	<b>25.00</b>	<b>25.00</b>
<b>Small Savings, Provident Funds, etc.</b>	<b>22993.55</b>	<b>22995.06</b>
<b>Deposits</b>	<b>3389.96</b>	<b>3821.38</b>
<b>Reserve Funds</b>	<b>6403.28</b>	<b>8457.15</b>
<b>Suspense and Miscellaneous Balances</b>	<b>69.27</b>	<b>28.62</b>
<b>Remittance Balances</b>	<b>--</b>	<b>--</b>
<b>TOTAL</b>	<b>212011.51</b>	<b>229659.85</b>
ASSETS		
<b>Gross Capital Outlay on Fixed Assets -</b>	<b>48248.06</b>	<b>66075.49</b>
Investments in shares of Companies, Corporations, etc.	4263.23	19898.06
Other Capital Expenditure	43984.83	46177.43
<b>Loans and Advances -</b>	<b>50681.72</b>	<b>35395.17</b>
Loans for Power Projects	16395.80	761.23
Other Development Loans	34276.87	34625.29
Loans to Government servants and miscellaneous loans	9.05	8.65
<b>Advances with Departmental Officers</b>	<b>0.42</b>	<b>0.42</b>
<b>Remittance Balances</b>	<b>2.91</b>	<b>25.26</b>
<b>Cash</b>	<b>1324.83</b>	<b>2125.06</b>
Cash in Treasuries and local remittances	--	--
Departmental Cash Balance	835.21	725.54
Permanent Advances/Cash Imprest)	0.26	0.26
Cash Balance Investments	468.56	805.39
Deposits with Reserve Bank of India	20.10	340.67
Investments from Earmarked Funds	0.70	253.20
<b>Suspense and Miscellaneous Balances</b>	<b>0.66</b>	<b>0.66</b>
<b>Deficit on Government Account -</b>	<b>111752.91</b>	<b>126037.79</b>
Add Revenue Deficit of the current year	13134.63	14284.89
Accumulated deficit at the beginning of the year	98618.28	111752.90
<b>TOTAL</b>	<b>212011.51</b>	<b>229659.85</b>

Source: Finance Accounts

## Appendix 2.1

(Referred to in paragraph 2.2, page 18)

## Abstract of receipts and disbursements for the year 2019-20

(₹ in crore)

Receipts	2018-19	2019-20	Disbursements	2018-19	2019-20
1	2	3	4	5	6
<b>Section-A: Revenue</b>					
<b>I-Revenue receipts</b>	<b>62269.08</b>	<b>61574.75</b>	<b>I-Revenue expenditure-</b>	<b>75403.71</b>	<b>75859.64</b>
(i)-Tax revenue	31574.28	29994.79	<b>General services</b>	<b>36930.51</b>	<b>38614.35</b>
(ii)-Non-tax revenue	7582.29	6654.08	<b>Social Services-</b>	<b>18320.37</b>	<b>19483.85</b>
(iii) State's share of Union Taxes and Duties	12005.14	10345.85	-Education, Sports, Art and Culture	10102.59	10859.61
(iv) Non-Plan Grants	0.00	0.00	-Health and Family Welfare	3143.38	3390.28
(v) Grants for State Plan Schemes	0.00	0.00	Water Supply, Sanitation, Housing and Urban Development	957.98	800.73
(vi) Grants for Centrally Sponsored Plan Schemes	(-) 74.21	(-) 68.84	-Information and Broadcasting	45.45	55.87
(vii) Grants for Centrally Sponsored Schemes	3091.70	2864.31	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	610.93	451.47
(viii) Finance Commission Grants	719.54	2710.13	-Labour and Labour Welfare	226.58	250.59
(ix) Other Transfer/ Grants to States/ Union Territories with Legislatures	7370.34	9074.43	-Social Welfare and Nutrition	3199.61	3635.94
			-Others	33.85	39.36
			<b>Economic Services-</b>	<b>17888.17</b>	<b>14551.12</b>
			-Agriculture and Allied Activities	12343.28	8364.61
			-Rural Development	435.84	451.38
			-Irrigation and Flood Control	1169.63	1175.24
			-Energy	2196.88	1596.53
			-Industry and Minerals	707.43	1850.37
			-Transport	740.82	860.07
			-Science, Technology and Environment	4.28	4.28
			-General Economic Services	290.01	248.64
			<b>Grants-in-aid Contributions</b>	<b>2264.66</b>	<b>3210.32</b>
<b>II. Revenue deficit carried over to Section B</b>	<b>13134.63</b>	<b>14284.89</b>	<b>II. Revenue Surplus carried over to Section-B</b>	--	--
<b>Total Section A</b>	<b>75403.71</b>	<b>75859.64</b>		<b>75403.71</b>	<b>75859.64</b>

Receipts	2018-19	2019-20	Disbursements	2018-19	2019-20
1	2	3	4	5	6
<b>Section-B : Others</b>					
<b>III-Opening Cash balance including Permanent Advances and Cash Balance Investment</b>	<b>488.45</b>	<b>1324.83</b>	<b>III Opening Overdraft from Reserve Bank of India</b>	<b>--</b>	<b>--</b>
<b>IV – Misc. Capital Receipts</b>	<b>0.02</b>	<b>0.30</b>	<b>IV-Capital Outlay</b>	<b>2412.24</b>	<b>17827.73</b>
			<b>General Services</b>	<b>169.34</b>	<b>153.96</b>
			<b>Social Services-</b>	<b>1047.25</b>	<b>964.50</b>
			-Education, Sports, Art and Culture	178.72	226.78
			-Health and Family Welfare	100.47	128.47
			Water Supply, Sanitation, Housing and Urban Development	753.82	599.50
			-Information and Broadcasting	0.00	0.00
			-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.00	6.88
			-Social Welfare and Nutrition	8.72	0.00
			- Other Social Services	5.52	2.87
			<b>Economic Services-</b>	<b>1195.65</b>	<b>16709.27</b>
			-Agriculture and Allied Activities	80.18	0.03
			-Rural Development	200.94	133.17
			-Irrigation and Flood Control	252.85	440.56
			Energy	0.00	15628.26
			Industry and Minerals	0.00	0.00
			Transport	515.19	315.73
			Science Technology and Environment	2.94	0.00
			General Economic Services	143.55	191.52
<b>V Recoveries of Loans and Advances</b>	<b>848.67</b>	<b>16070.44</b>	<b>V-Loans and Advances Disbursed</b>	<b>1361.05</b>	<b>783.88</b>
-From Power Projects	6.31	15634.57	-For Power Projects	0.00	0.00
-From Government Servants	34.95	30.46	-To Government Servants	34.06	30.05
-From others	807.41	405.41	-To Others	1326.99	753.83

<b>Receipts</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Disbursements</b>	<b>2018-19</b>	<b>2019-20</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>VI-Revenue surplus brought down</b>	--	--	<b>VI-Revenue Deficit Brought down</b>	<b>13134.63</b>	<b>14284.89</b>
<b>VII- Public debt receipts</b>	<b>22938.51</b>	<b>27820.65</b>	<b>VII-Repayment of Public Debt</b>	<b>8611.05</b>	<b>12618.46</b>
-External Debt	--	--	-External Debt	--	--
-Internal debt other than ways and means Advances and Overdraft	22325.28	27674.13	-Internal debt other than ways and means Advances and Overdraft	8234.08	12185.45
-Net transactions under Ways and Means Advances	(-704.22)	1.64	-Net transactions under Ways and Means Advances	0.00	0.00
-Net transactions under overdraft	0.00	0.00	-Net transactions under overdraft	0.00	0.00
-Loans and Advances from Central Government	1317.45	144.88	-Repayment of Loans and Advances to Central Government	376.97	433.01
<b>VIII- Appropriation to Contingency fund</b>	<b>Nil</b>	<b>Nil</b>	<b>VIII-Appropriation to Contingency fund</b>	<b>Nil</b>	<b>Nil</b>
<b>IX-Amount transferred to Contingency fund</b>	<b>Nil</b>	<b>Nil</b>	<b>IX-Expenditure from Contingency fund</b>	<b>Nil</b>	<b>Nil</b>
<b>X-Public Account Receipts#</b>	<b>64839.91</b>	<b>66752.04</b>	<b>X-Public Account Disbursement#</b>	<b>62271.76</b>	<b>64328.24</b>
-Small Savings and Provident funds	3565.08	3590.73	-Small Savings and Provident funds	2301.26	3589.23
-Reserve funds	923.82	2251.05	-Reserve funds	40.72	197.17
-Deposits and Advances	4567.43	5288.87	-Deposits and Advances	4277.02	4857.45
-Suspense and Miscellaneous#	55702.58	55574.83	-Suspense and Miscellaneous#	55582.44	55615.48
-Remittances	81.00	46.56	-Remittances	70.32	68.91
<b>XI-Closing Overdraft from Reserve Bank of India</b>	<b>Nil</b>	<b>Nil</b>	<b>XI Cash Balance at end</b>	<b>1324.83</b>	<b>2125.06</b>
			Cash in Treasuries and Local Remittances	--	--
			Deposits with Reserve Bank	20.10	340.67
			Other cash balance and Investments	836.17	979.00
			Cash Balance Investment	468.56	805.39
<b>Total Section-B</b>	<b>89115.56</b>	<b>111968.26</b>		<b>89115.56</b>	<b>111968.26</b>
<b>Total (A+B)</b>	<b>164519.27</b>	<b>187827.90</b>	<b>Total</b>	<b>164519.27</b>	<b>187827.90</b>

Source: Finance Accounts

## Appendix 2.2

(Referred to in paragraphs 2.3.2.1 page 21)

### Time Series data on State Government Finances

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Part A: Receipts</b>					
<b>1. Revenue Receipts</b>	<b>41523</b>	<b>47985</b>	<b>53010</b>	<b>62269</b>	<b>61575</b>
<b>(i) Tax Revenue<sup>4</sup></b>	<b>26690</b>	<b>27747</b>	<b>30423</b>	<b>31574</b>	<b>29995</b>
	(64)	(58)	(57)	(51)	(49)
State's Goods and Service Tax	0	0	7901	13273	12751
			(26)	(42)	(43)
Taxes on Sales, Trades etc. <sup>5</sup>	15857	17587	11160	6572	5223
	(59)	(63)	(37)	(21)	(17)
State Excise <sup>5</sup>	4796	4406	5136	5072	4865
	(18)	(16)	(17)	(16)	(16)
Taxes on vehicles <sup>5</sup>	1475	1548	1911	1861	1994
	(6)	(6)	(6)	(6)	(7)
Stamps and Registration fees <sup>5</sup>	2449	2044	2135	2298	2258
	(9)	(7)	(7)	(7)	(8)
Land Revenue	55	68	91	69	67
Other Taxes <sup>5</sup>	2058	2094	2089	2429	2837
	(8)	(8)	(7)	(8)	(9)
<b>(ii) Non-Tax Revenue<sup>4</sup></b>	<b>2650</b>	<b>5863</b>	<b>4319</b>	<b>7582</b>	<b>6654</b>
	(7)	(12)	(8)	(12)	(11)
<b>(iii) State's share of Union taxes and duties<sup>4</sup></b>	<b>8009</b>	<b>9599</b>	<b>10617</b>	<b>12005</b>	<b>10346</b>
	(19)	(20)	(20)	(19)	(17)
<b>(iv) Grants in aid from GOI<sup>4</sup></b>	<b>4174</b>	<b>4776</b>	<b>7651</b>	<b>11108</b>	<b>14580</b>
	(10)	(10)	(14)	(18)	(23)
<b>2. Misc Capital Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Recoveries of Loans and Advances</b>	<b>218</b>	<b>181</b>	<b>73</b>	<b>849</b>	<b>16070</b>
<b>4. Total revenue and Non-debt capital receipts (1+2+3)</b>	<b>41741</b>	<b>48166</b>	<b>53083</b>	<b>63118</b>	<b>77645</b>
<b>5. Public Debt Receipts</b>	<b>20207</b>	<b>55234</b>	<b>18517</b>	<b>22939</b>	<b>27821</b>
Internal Debt (excluding Ways & Means Advances and Overdrafts)	19942	54311	17622	22325	27674
Net transactions under Ways and Means advances and Overdrafts	0	268	435	(-704)	2
Loans and Advances from Government of India	265	655	460	1318	145
<b>6. Total receipts in the Consolidated Fund (4+5)</b>	<b>61948</b>	<b>103400</b>	<b>71600</b>	<b>86057</b>	<b>105466</b>
<b>7. Contingency Fund Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>8. Public Account Receipts</b>	<b>54552</b>	<b>52724</b>	<b>47083</b>	<b>64840</b>	<b>66752</b>
<b>9. Total receipts of the State (6+7+8)</b>	<b>116500</b>	<b>156124</b>	<b>118683</b>	<b>150897</b>	<b>172218</b>

<sup>4</sup> Figures in parenthesis indicate percentage to Revenue Receipts.

<sup>5</sup> Figures in parenthesis indicate percentage to Tax Revenue.

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Part B: Expenditure/ Disbursement</b>					
<b>10. Revenue Expenditure<sup>6</sup></b>	<b>50073</b>	<b>55296</b>	<b>62465</b>	<b>75404</b>	<b>75860</b>
	(85)	(55)	(95)	(95)	(80)
Plan <sup>7</sup>	5311	5966	62465	75404	75860
	(11)	(11)	(100)	(100)	(100)
Non-Plan <sup>7</sup>	44762	49330			
	(89)	(89)			
General Services including interest payments <sup>7</sup>	24713	28488	34500	36931	38615
	(49)	(52)	(55)	(49)	(51)
Social Services <sup>7</sup>	14898	15672	15470	18320	19484
	(30)	(28)	(25)	(24)	(26)
Economic Services <sup>7</sup>	9756	10218	11194	17888	14551
	(20)	(18)	(18)	(24)	(19)
Grants in aid and Contributions <sup>7</sup>	706	918	1301	2265	3210
	(1)	(2)	(2)	(3)	(4)
<b>11. Capital Outlay<sup>6</sup></b>	<b>3059</b>	<b>4346</b>	<b>2352</b>	<b>2412</b>	<b>17828</b>
	(5)	(4)	(4)	(3)	(19)
Plan <sup>8</sup>	2733	3929	2352	2412	17828
	(89)	(90)	(100)	(100)	(19)
Non-Plan <sup>8</sup>	326	417			
	(11)	(10)			
General Services <sup>8</sup>	253	249	180	169	154
	(8)	(6)	(8)	(7)	(1)
Social Services <sup>8</sup>	828	1087	916	1047	965
	(27)	(25)	(39)	(43)	(5)
Economic Services <sup>8</sup>	1978	3010	1256	1196	16709
	(65)	(69)	(53)	(50)	(94)
<b>12. Disbursement of Loans and Advances<sup>6</sup></b>	<b>5969</b>	<b>41364</b>	<b>760</b>	<b>1361</b>	<b>783</b>
	(10)	(41)	(1)	(2)	(1)
<b>13. Total of revenue expenditure, capital expenditure and disbursement of loan and advances (10+11+12)</b>	<b>59101</b>	<b>101006</b>	<b>65577</b>	<b>79177</b>	<b>94471</b>
<b>14. Repayments of Public Debt</b>	<b>3830</b>	<b>4050</b>	<b>7487</b>	<b>8611</b>	<b>12618</b>
Internal Debt (excluding Ways and Means Advances and Overdraft)	3515	3722	7152	8234	12185
Net transactions under Ways and Means advances and Overdraft	--	--	--	--	--
Loans and Advances from Government of India	315	328	335	377	433
<b>15. Appropriation to Contingency Fund</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

<sup>6</sup> Figures in parenthesis indicate percentage to total expenditure.

<sup>7</sup> Figures in parenthesis indicate percentage to revenue expenditure.

<sup>8</sup> Figures in parenthesis indicate percentage to capital expenditure.

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>62931</b>	<b>105056</b>	<b>73064</b>	<b>87788</b>	<b>107089</b>
<b>17. Contingency Fund disbursements</b>	--	--	--	--	--
<b>18. Public Account disbursements</b>	<b>53447</b>	<b>50600</b>	<b>45526</b>	<b>62272</b>	<b>64328</b>
<b>19. Total disbursements by the State (16+17+18)</b>	<b>116378</b>	<b>155656</b>	<b>118590</b>	<b>150060</b>	<b>171417</b>
<b>Part C: Deficits</b>					
<b>20. Revenue Deficit (1-10)</b>	<b>(-)8550</b>	<b>(-)7311</b>	<b>(-)9455</b>	<b>(-)13135</b>	<b>(-)14285</b>
<b>21. Fiscal Deficit (4 – 13)</b>	<b>(-)17360</b>	<b>(-)47071<sup>9</sup></b>	<b>(-)12494</b>	<b>(-)16059</b>	<b>(-)16826</b>
<b>22. Primary Deficit (-)/ Surplus (+) (21-23)</b>	<b>(-)7578</b>	<b>(-)35429<sup>9</sup></b>	<b>2840</b>	<b>247</b>	<b>741</b>
<b>Part D: Other data</b>					
<b>23. Interest Payments (included in the revenue expenditure)</b>	<b>9782</b>	<b>11642</b>	<b>15334</b>	<b>16306</b>	<b>17567</b>
<b>24. Financial Assistance to local bodies etc.</b>	<b>5652</b>	<b>5758</b>	<b>6163</b>	<b>8864</b>	<b>9883</b>
<b>25. Ways and Means Advances/Overdraft availed (days)</b>	<b>275</b>	<b>344</b>	<b>313</b>	<b>233</b>	<b>227</b>
Ways and Means Advances availed (days)	218	165	213	170	183
Overdraft availed (days)	57	179	100	63	44
<b>26. Interest on Ways and Means Advances/Overdraft</b>	<b>28</b>	<b>59</b>	<b>48</b>	<b>27</b>	<b>24</b>
<b>27. Gross State Domestic Product (GSDP)</b>	<b>390087</b>	<b>426988</b>	<b>470834</b>	<b>526376</b>	<b>574760</b>
<b>28. Total Outstanding Debt (year end)</b>	<b>128835<sup>10</sup></b>	<b>182526</b>	<b>195152</b>	<b>211917</b>	<b>229354</b>
<b>29. Outstanding Guarantees (year end)</b>	<b>56819</b>	<b>20677</b>	<b>19760</b>	<b>23719</b>	<b>25352</b>
<b>30. Maximum amount guaranteed (year end)</b>	<b>31066</b>	<b>15534</b>	<b>14214</b>	<b>14287</b>	<b>14434</b>
<b>31. Number of incomplete projects</b>	<b>11</b>	<b>12</b>	<b>40</b>	<b>53</b>	<b>52</b>
<b>32. Capital blocked in incomplete projects</b>	<b>447</b>	<b>435</b>	<b>118</b>	<b>158</b>	<b>1201</b>
<b>Part E: Fiscal Health Indicators (per cent)</b>					
<b>I Resource Mobilization</b>					
Own Tax revenue/GSDP	6.84	6.50	6.46	6.00	5.22
Own Non-tax revenue/GSDP	0.68	1.37	0.92	1.44	1.16
Central Transfers/GSDP	2.05	2.25	2.25	2.28	1.80

<sup>9</sup> Excluding borrowings of ₹ 5,768.54 crore under UDAY to take over DISCOMs debt as per GoI's letter No. 40(6)PF-1/2009 Vol. II dated 29<sup>th</sup> March 2016 which were not to be counted towards fiscal deficits limits of the State during 2016-17.

<sup>10</sup> Decreased by ₹ 606 crore through proforma adjustment in respect of the loan already repaid by PUNGRAIN to the State Bank of India in 2003-04 and 2004-05.

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>II Expenditure Management</b>					
Total Expenditure/GSDP	15.15	23.66	13.93	15.04	16.44
Total Expenditure/Revenue Receipts	142.33	210.49	123.71	127.15	153.42
Revenue Expenditure/Total Expenditure	84.72	54.75	95.25	95.23	80.30
Expenditure on Social Services/ Total Expenditure	26.61	16.59	24.99	24.46	21.65
Expenditure on Economic Services/ Total Expenditure	19.85	13.10	20.09	25.78	33.88
Capital Outlay/ Total Expenditure	5.18	4.30	3.59	3.05	18.87
Capital Outlay on Social & Economic Services/ Total Expenditure	4.75	4.06	3.31	2.83	18.71
<b>III Management of fiscal Imbalances</b>					
Revenue deficit /GSDP	(-2.19)	(-1.71)	(-2.01)	(-2.50)	(-2.49)
Fiscal deficit/GSDP	(-4.45)	(-11.02*)	(-2.65)	(-3.05)	(-2.93)
Primary deficit (surplus)/GSDP	(-1.94)	(-8.30*)	0.60	0.05	0.13
Revenue Deficit/Fiscal Deficit	49.25	15.53	75.68	81.79	84.90
<b>IV Management of Fiscal Liabilities</b>					
Total Outstanding Debt/GSDP	33.03	42.75	41.45	40.26	39.90
Total Outstanding Debt/RR	310.27	380.38	368.14	340.33	372.48
<b>V Other Fiscal Health Indicators</b>					
Return on Investment (per cent)	0.04	0.09	0.11	0.10	0.02
Financial Assets/Liabilities	36.49	51.16	49.47	47.29	45.12

Source: Finance Accounts

\* Excluding borrowings of ₹5769 crore under UDAY to take over DISCOMs debt as per GoI's letter No. 40(6)PF-1/2009 Vol. II dated 29<sup>th</sup> March 2016 which were not to be counted towards fiscal deficit limits of the State during 2016-17.

### Appendix 2.3

(Referred to in paragraph 2.4.2.2 (i), page 44)

#### Statement showing accumulated losses in PSUs in which State Government has equity investment

(₹in crore)

Sr. No.	Name of the PSU	GoP equity at close of the year 2019-20	Accumulated Profits (+)/ Losses (-)
1.	Ludhiana Smart City Limited	0.01	(-)0.16
2.	Gulmohar Tourist Complex (Holiday Home) Limited	0.02	(-)5.21
3.	Punjab Scheduled Castes Land Development and Finance Corporation	62.67	(-)14.96
4.	Punjab Agro Juices Limited	50.00	(-)69.21
5.	Punjab Water Resource Management and Development Corporation Limited	300.00	(-)181.57
6.	Punjab Financial Corporation	29.31	(-)258.92
7.	PEPSU Road Transport Corporation	307.08	(-)393.53
8.	Punjab State Industrial Development Corporation Limited	78.21	(-)702.48
9.	Punjab State Warehousing Corporation	4.00	(-)871.00
10.	Punjab State Civil Supplies Corporation Limited	3.73	(-)1948.38
11.	Punjab State Grains Procurement Corporation Limited	1.05	(-)3721.91
12.	Punjab State Power Corporation Limited	21709.73	(-)8159.37
<b>Total</b>		<b>22545.81</b>	<b>(-)16326.70</b>

Source: Finalised accounts of the PSUs upto September 2020

**Appendix 2.4***(Referred to in paragraph 2.4.2.2 (i), page 45)***PSUs with negative net worth and accumulated losses in which  
Government of Punjab invested as equity***(₹ in crore)*

Sr. No.	Name of Company	Total paid up capital	GoP equity	Net profit after interest, tax and dividend	Accumulated losses	Net worth	GoP loan as on 31 March 2020
1.	Punjab Agro Juices Limited	50.00	50.00	(-)1.49	(-)69.21	(-)19.21	30.00
2.	Punjab State Grains Procurement Corporation Limited	1.05	1.05	(-)224.05	(-)3721.91	(-)3720.86	6722.47
3.	Gulmohar Tourist Complex (Holiday Home) Limited	0.02	0.02	(-)0.21	(-)5.21	(-)5.19	0.00
4.	Punjab State Civil Supplies Corporation Limited	3.73	3.73	(-)55.27	(-)1948.38	(-)1944.65	9298.33
5.	Punjab State Industrial Development Corporation Limited	78.21	78.21	(-)4.04	(-)702.48	(-)624.27	0.00
6.	PEPSU Road Transport Corporation	331.44	307.08	(-)5.20	(-)393.53	(-)62.09	23.75
7.	Ludhiana Smart City Limited	0.01	0.01	(-)0.18	(-)0.16	(-)0.15	0.00
8.	Punjab State Warehousing Corporation	8.00	4.00	240.51	(-)871.00	(-)836.52	3278.67
9.	Punjab Financial Corporation	40.39	29.31	6.71	(-)258.92	(-)218.53	9.84
<b>Total</b>		<b>512.85</b>	<b>473.41</b>	<b>(-)43.22</b>	<b>(-)7970.80</b>	<b>(-)7431.47</b>	<b>19363.06</b>

Source: Finalised accounts of the PSUs upto September 2020

Note: Net Profit, Accumulated losses, Net Worth and Paid up Capital is as per latest finalised accounts.

**Appendix 2.5***(Referred to in paragraph 2.4.2.2 (i), page 45)***Position of outstanding long term loans extended by  
Government of Punjab to State PSUs as on 31 March 2020***(₹in crore)*

<b>Sr. No.</b>	<b>Name of the PSU</b>	<b>Amount of outstanding loan</b>
1.	Punjab Agro Foodgrains Corporation Limited	5728.89
2.	Punjab Agro Juices Limited	30.00
3.	Punjab State Grains Procurement Corporation Limited	6722.47
4.	Punjab Water Resources Management and Development Corporation Limited	222.26
5.	Punjab State Civil Supplies Corporation Limited	9298.33
6.	Punjab State Warehousing Corporation	3278.67
7.	PEPSU Road Transport Corporation	23.75
8.	Punjab Financial Corporation	9.84
9.	Punjab State Power Corporation Limited	20.38
<b>Total</b>		<b>25334.59</b>

*Source: Finalised accounts of the PSUs upto September 2020*

**Appendix 2.6***(Referred to in paragraph 2.4.2.2 (ii), page 46)***Government Investment as per Finance Accounts vis a vis records of Public Sector Undertakings***(₹ in crore)*

<b>Sr. No.</b>	<b>Name of the PSU</b>	<b>As per Finance Accounts</b>	<b>As per records of PSUs</b>	<b>Difference</b>
1.	Punjab Agro Industries Corporation Limited	46.23	45.46	-0.77
2.	Punjab Agro Juices Limited	0.00	50.00	50.00
3.	Punjab State Seeds Corporation Limited	3.70	4.51	0.81
4.	Punjab Small Industries and Export Corporation Limited	4.77	49.86	45.09
5.	Punjab Water Resources Management & Development Corporation Limited	206.90	300.00	93.10
6.	Gulmohar Tourist Complex (Holiday Home) Limited	0.00	0.02	0.02
7.	Punjab Tourism Development Corporation Limited	5.40	6.66	1.26
8.	Punjab State Warehousing Corporation	3.92	4.00	0.08
9.	Punjab Scheduled Castes Land Development and Finance Corporation	82.62	62.67	(-)19.95
10.	PEPSU Road Transport Corporation	255.05	307.08	52.03
11.	Punjab Poultry Development Corporation Limited	2.88	3.09	0.21
12.	Amritsar Hotel Limited	0.00	0.02	0.02
13.	Neem Chameli Tourist Complex Limited	0.00	0.02	0.02
14.	Punjab Police Housing Corporation Limited	0.00	0.05	0.05
15.	Amritsar Smart City Limited	0.00	0.01	0.01
16.	Jalandhar Smart City Limited	0.00	0.01	0.01
17.	Ludhiana Smart City Limited	0.00	0.01	0.01
18.	Punjab State Power Corporation Limited	18401.05	21709.73	3308.68
19.	Punjab State Transmission Corporation Limited	0.00	605.88	605.88
	<b>Total</b>	<b>19012.52</b>	<b>23149.08</b>	<b>4136.56</b>

*Source: Finalised accounts of the PSUs upto September 2020*

**Appendix 3.1***(Referred to in paragraph 3.3.1, page 75)***Statement showing expenditure incurred without budget provision**

<b>Sr. No.</b>	<b>Number and Name of grant</b>	<b>Expenditure without provision (₹ in crore)</b>	<b>Head of Account</b>
1.	08-Finance	15.75	2235-60-200-02-Ex-Gratia Payments to Families of Ministers, Government Servants etc. dying in Harness
2.		1000.00	6003-00-101-03-Market Loans bearing Interest from Nov. 2011-49- 8.83 per cent Punjab State Development Loan 2019
3.		200.00	6003-00-101-03-Market Loans bearing Interest from Nov. 2011-50-8.44 per cent Punjab State Development Loan 2019
4.	13-Industries	1.11	6851-00-102-07-Loans to New Industries in Lieu of Refund of Sales Tax/Purchase Tax and Other Inter State Sales Tax
5.	15-Water Resources	2.86	4700-02-799-Suspense
6.	21-Public Works	118.91	2059-80-001-07-Establishment Charges paid to Public Health Department for Works Done by that Department
7.		10.12	2059-80-799-Suspense
8.		213.90	3054-80-001-01-Establishment Charges Transferred on Pro-rata Basis to the Major Head 3054 Roads and Bridges
9.		259.37	3054-80-797-01-Amount Transferred to Subvention from Central Road Fund
10.		171.28	5054-03-337-47-01-Construction of 10 Rural Roads and 1 Bridge Project under [Rural Infrastructure Development Fund-XXIV (1)]
11.	29-Transport	4.03	3055-00-797-02-Amount transferred to General Reserve Fund
12.		22.53	3055-00-797-03-Punjab State Road Safety Fund
13.	41-Water Supply and Sanitation	93.72	2215-01-799-Suspense
<b>Total</b>		<b>2113.58</b>	

*Source: Appropriation Accounts*

**Appendix 3.2**

(Referred to in paragraph 3.3.3, page 76)

**Statement showing cases where supplementary provision  
(₹ one crore or more in each case) proved unnecessary/excessive**

(₹ in crore)

Sr. No.	Number and Name of grant	Original provision	Supplementary provision	Actual expenditure	Savings out of Original Provision
<b>A-Revenue (Voted)</b>					
1.	02-Animal Husbandry and Fisheries	580.36	7.63	481.48	98.88
2.	04-Defence Services Welfare	90.08	15.84	95.23	0.00
3.	5-Education	12078.32	98.38	10674.04	1404.28
4.	7-Excise and Taxation	217.59	6.53	206.53	11.06
5.	10-General Administration	249.14	9.05	222.81	26.33
6.	11-Health and Family Welfare	3447.46	129.50	3095.87	351.59
7.	13-Industries	1727.98	405.18	1849.88	0.00
8.	15-Water Resources	1315.61	85.66	1164.12	151.49
9.	17-Local Government	3137.04	773.82	2407.51	729.53
10.	20-Power	2073.18	303.46	1601.18	472.00
11.	22-Revenue and Rehabilitation	1377.81	336.31	1336.37	41.44
12.	23-Rural Development and Panchayats	3239.87	248.70	1304.21	1935.66
13.	25-Social Security, Women and Child Welfare	2804.66	299.46	2819.16	0.00
14.	26-State Legislature	53.59	1.23	48.57	5.02
15.	28-Tourism and Cultural Affairs	134.17	14.21	134.03	0.14
16.	29-Transport	388.27	11.59	355.86	32.41
17.	31-Employment Generation and Training	156.49	75.81	83.82	72.67

Sr. No.	Number and Name of grant	Original provision	Supplementary provision	Actual expenditure	Savings out of Original Provision
18.	32-Forestry and Wild Life	196.90	215.19	212.49	0.00
19.	36-Jails	246.55	23.42	245.34	1.21
20.	37-Law and Justice	575.97	4.10	509.95	66.02
21.	39-Printing and Stationary	37.15	2.13	29.22	7.93
<b>B-Revenue (Charged)</b>					
22.	18-Personnel	7.75	1.20	8.48	0.00
<b>C-Capital (Voted)</b>					
23.	06-Election	0.00	2.00	0.00	0.00
24.	12-Home Affairs	130.18	5.11	56.49	73.69
25.	13-Industries	12.29	29.72	1.11	11.18
26.	18-Personnel	0.60	7.40	0.00	0.60
27.	19-Planning	252.88	8.66	133.66	119.22
28.	24-Science, Technology and Environment	4.39	6.02	0.00	4.39
29.	29-Transport	1.25	19.92	0.00	1.25
30.	35-Housing and Urban Development	0.22	1.17	0.24	0.00
31.	40-Sports and Youth Services	11.00	1.00	3.09	7.91

Source: Appropriation Accounts

## Appendix 3.3

(Referred to in paragraph 3.3.4, page 76)

## Statement showing unnecessary re-appropriation of funds

(`in crore)

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
	<b>01-Agriculture</b>						
1.	2402-00-102-38-01- Repair/ Renovation of Existing Village Ponds for Irrigation	0.94	0	2.82	3.76	0.47	-3.29
2.	2402-00-102-28- Project for Judicious use of Available Water and Harvesting of Rain Water for Enhancing Irrigation Potential in Punjab State(Rural Infrastructure Development Fund- XVII)	0.01	0	4.99	5.00	0	-5.00
3.	2402-00-102-40- NABARD-RIDF- Projects- 01-Project for Utilization of Treated Water for Irrigation from Sewerage Treatment Plants in Punjab (NABARD- RIDF-XXIV)-	0.94	0	2.82	3.76	0	-3.76
	<b>02-Animal Husbandry and Fishries</b>						
4.	2403-00-101-18-Foot and Mouth Disease Control Programme-	5.47	5.59	3.72	14.78	6.81	-7.97
	<b>05-Education</b>						
5.	2202-01-101-27- Samagrha Shiksha Abhiyan, Punjab- 01-Assistance to Samagrha Shiksha Abhiyan Society	285.00	29.18	19.46	333.64	284.56	-49.08
6.	2202-01-112-01-Mid Day Meal	110.58	0	12.88	123.46	103.79	-19.67
7.	2202-01-789-02-Mid Day Meal	180.42	1.66	19.35	201.43	180.42	-21.01
8.	2202-01-112-18- Samagrha Shiksha Abhiyan, Punjab- 01-Assistance to Samagrha Shiksha Abhiyan Society	465.00	67.54	47.91	580.45	421.74	-158.71
9.	2202-80-001-01- Direction and Administration-	36.61	0	1.42	38.03	32.10	-5.93

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
	<b>11-Health and Family Welfare</b>						
10.	2210-01-001-58-Seed Corpus of Cancer Relief Fund	34.00	0	6.80	40.80	27.20	-13.60
	<b>12-Home Affairs and Justice</b>						
11.	4055-00-207-03-District Police (Proper)-	10.00	0	7.05	17.05	7.05	-10.00
12.	4055-00-207-08-Modernisation of Police Forces	60.00	5.11	4.22	69.33	27.56	-41.77
13.	4055-00-207-18-Better Policing-04-Setting up of Cyber Forensic Lab-cum-Training Centre for Project Cyber Crime Prevention against Women and Children	1.09	0	1.46	2.55	0	-2.55
	<b>13-Industries</b>						
14.	2852-80-789-01-Power Subsidy to Industries	151.30	0	46.79	198.09	138.71	-59.38
15.	2852-80-800-01-Incentives under Various Industrial Policies-01-Power Subsidy to Industry	1361.70	405.17	15.91	1782.78	1598.62	-184.16
	<b>15-Water Resources</b>						
16.	2701-80-800-08-Works Expenditure	15.00	22.66	9.34	47.00	25.48	-21.52
17.	4701-06-01-08-Works Expenditure	10.24	0	6.18	16.42	4.78	-11.64
18.	4701-57-800-02-Reconstruction of Distributaries-03-Reconstruction of Malookpur Distributary including Kikerkhera, Waryamkhera, Dhinganwali, Bhangerkhera Minors	3.30	0	2.70	6.00	2.78	-3.22
19.	4702-00-102-08-Works Expenditure	7.80	0	26.13	33.93	0.02	-33.91
20.	4711-03-103-58-Consolidated Project Proposal for Works to be Executed alongwith Indo-Pak Border on River Ravi to Check Erosion and to Neutralize Effect of Protection Works Executed by Pakistan Government	7.02	0	7.92	14.94	5.83	-9.11

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
	<b>17-Local Government</b>						
21.	3604-00-200-12-Grants-in-Aid to Municipal Committees/ Corporations Notified Area Committees in Lieu of Abolition of Octroi on Liquor in the State	155.00	0	15.90	170.90	0	-170.90
	<b>21-Public Works</b>						
22.	5054-03-.337-46-Pradhan Mantri Gram Sadak Yojana-03-NABARD (Rural Infrastructure Development Fund)-(XXIV)	100.00	0	10.00	110.00	0	-110.00
23.	5054-03-337-47-Construction of Roads and Bridges-01-Construction of 10 Rural Roads and 1 Bridge Project under [Rural Infrastructure Development Fund-XXIV (I)]-	30.40	0	-30.40	0	171.28	171.28
	<b>22-Revenue and Rehabilitation</b>						
24.	2030-01-101-01-Cost of Stamps	0.50	0	2.75	3.25	0	-3.25
25.	2245-02-122-03-Procurement and Equipment	10.00	0	-9.00	1.00	76.15	75.15
	<b>23-Rural Development and Panchayats</b>						
26.	3604-00-200-24-Grant Recommended by the 14th Finance Commission to Panchayati Raj Institutions	2100.00	248.70	280.02	2628.72	659.14	-1969.58
	<b>27-Technical Education and Training</b>						
27.	2230-03-003-67-Skill Strengthening for Industrial Value Enhancement (STRIVE)	0.75	0	2.80	3.55	0	-3.55
	<b>29-Transport</b>						
28.	3055-00-800-05-Scheme for Punjab State Road Safety	0	1.09	3.01	4.10	0	-4.10

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
	<b>31-Employment</b>						
29.	2230-02-101-11-04-District Bureau of Employment and Enterprises	7.00	0	1.17	8.17	3.41	-4.76
30.	2501-60-102-01-01-Deen Dayal Upadhayay Grameen Kaushal Yojana	0	33.29	22.18	55.47	15.75	-39.72
31.	2501-60-789-01-01-Deen Dayal Upadhayay Grameen Kaushal Yojana	0	11.10	7.39	18.49	5.25	-13.24
	<b>35- Housing and Urban Development</b>						
	<b>37-Law and Justice</b>						
32.	2235-60-200-39-Creation of Victim Compensation Fund	3.00	4.10	2.00	9.10	5.09	-4.01
	<b>38- Medical Education and Research</b>						
33.	4210-03-105-36-Setting up of AIIMS like Institute in the State	4.83	0	5.07	9.90	3.44	-6.46
	<b>40- Sports and Youth Services</b>						
34.	2204-00-001-02-Setting up of Youth Welfare Department	3.54	0	1.08	4.62	2.71	-1.91
	<b>42- Welfare of SC, ST, OBC and Minorities</b>						
35.	4225-01-789-08-Pradhan Mantri Adarsh Gram Yojana	30.00	0	5.64	35.64	0	-35.64
<b>Total</b>		<b>5191.44</b>	<b>835.19</b>	<b>569.48</b>	<b>6596.11</b>	<b>3810.14</b>	<b>-2785.97</b>

Source: Appropriation Accounts

**Appendix 3.4**

(Referred to in paragraph 3.3.5, page 77)

**Statement showing details of grants having large savings  
(savings above ₹ 100 crore) during the year**

(₹ in crore)

Sr. No.	Number and Name of grant	Total budget provision	Actual Expenditure	Saving (-)	Surrendered	Saving excluding surrendered
<b>Revenue Voted</b>						
1.	1 –Agriculture	13292.10	7499.91	5792.19	2650.59	3141.60
2.	5-Education	12176.70	10674.04	1502.66	962.05	540.61
3.	8-Finance	12658.69	11585.62	1073.07	0	1073.07
4.	11-Health and Family Welfare	3576.96	3095.87	481.09	180.37	300.72
5.	12-Home Affairs	6893.61	6396.86	496.75	329.71	167.04
6.	13Industries	2133.16	1849.88	283.28	6.09	277.19
7.	17-Local Government	3910.86	2407.51	1503.35	0.18	1503.17
8.	20-Power	2376.64	1601.18	775.46	0	775.46
9.	22-Revenue and Rehabilitation	1714.12	1336.37	377.75	61.70	316.05
10.	23-Rural Development and Panchayats	3488.56	1304.21	2184.35	131.71	2052.64
11.	25-Social Security, Women and Child Welfare	3104.12	2819.16	284.96	59.01	225.95
12.	32-Forestry and Wild life	412.09	212.49	199.60	13.82	185.78
13.	33-Government Reforms	254.68	91.71	162.97	0	162.97
14.	42-Welfare of SC,ST, OBC and Minorities	1164.94	451.47	713.47	71.78	641.69
<b>Total</b>		<b>67157.23</b>	<b>51326.28</b>	<b>15830.95</b>	<b>4467.01</b>	<b>11363.94</b>
<b>Capital Voted</b>						
15.	15-Water Resources	950.81	478.59	472.22	153.42	318.80
16.	17-Local Government	1187.10	323.86	863.24	611.58	251.66
17.	20-Power	15738.91	15628.26	110.65	0	110.65
18.	21-Public Works	1367.28	636.03	731.25	520.14	211.11
19.	23-Rural Development and Panchayats	869.31	133.17	736.14	620.27	115.87
20.	41-Water Supply and Sanitation	1034.54	275.41	759.13	0	759.13
<b>Total</b>		<b>21147.95</b>	<b>17475.32</b>	<b>3672.63</b>	<b>1905.41</b>	<b>1767.22</b>
<b>G Total (Revenue + Capital)</b>		<b>88305.18</b>	<b>68801.60</b>	<b>19503.58</b>	<b>6372.42</b>	<b>13131.16</b>

Source: Appropriation Accounts

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**Appendix 3.5**

(Referred to in paragraph 3.3.5, page 77)

**Statement showing details of grants exceeding ₹one crore  
(capital-voted) having no expenditure**

(₹in crore)

<b>Sr. No.</b>	<b>Number and Name of grant</b>	<b>Budget provision</b>
1.	04-Defence Services Welfare	8.23
2.	06-Elections	2.00
3.	18-Personnel	8.00
4.	24-Science, Technology and Environment	10.41
5.	25-Social Security, Women and Child Welfare	31.06
6.	29-Transport	21.17
7.	31-Employment	1.61
8.	34-Horticulture	10.50
<b>Total</b>		<b>92.98</b>

Source: Appropriation Accounts

**Appendix-3.6**

(Referred to in paragraph 3.3.5 Page 78)

**Statement showing grant-wise savings**

(₹ in crore)

Sr. No.	Grant No.	Total Budget	Total Expenditure	Savings	Utilisation (per cent)
1.	24	28.72	4.27	24.45	14.87
2.	23	4357.88	1437.38	2920.50	32.98
3.	31	233.91	83.82	150.09	35.83
4.	33	279.70	104.27	175.43	37.28
5.	40	253.57	89.01	164.56	35.10
6.	42	1228.18	458.34	769.84	37.32
7.	1	13299.54	7502.81	5796.73	56.41
8.	3	413.19	220.72	192.47	53.35
9.	6	336.41	195.41	141.00	58.09
10.	15	2363.35	1653.97	709.38	69.98
11.	17	5097.96	2731.37	2366.59	53.58
12.	19	324.05	173.94	150.11	53.68
13.	27	547.35	313.87	233.48	57.34
14.	28	636.23	367.62	268.61	57.78
15.	32	412.38	212.78	199.60	51.60
16.	34	147.72	80.83	66.89	54.72
17.	38	809.75	532.98	276.77	65.82
18.	41	1584.18	851.05	733.13	53.72
19.	2	597.15	481.51	115.64	80.63
20.	4	114.15	95.23	18.92	83.43
21.	5	12339.54	10726.46	1613.08	86.88
22.	9	1029.34	813.45	215.89	79.03
23.	10	272.06	232.60	39.46	85.50
24.	11	3595.30	3102.79	492.51	85.11
25.	13	2175.19	1851.01	324.18	85.10
26.	14	68.95	55.93	13.02	81.12
27.	16	28.35	22.67	5.68	79.96
28.	18	32.18	23.01	9.17	71.50
29.	21	1998.43	1705.01	293.42	85.32
30.	22	1732.28	1354.30	377.98	78.18
31.	25	3135.29	2819.16	316.13	89.92
32.	26	55.93	49.20	6.73	87.97
33.	29	421.03	355.86	65.17	82.84
34.	35	375.81	280.18	95.63	74.55
35.	36	300.34	248.34	52.00	82.69
36.	39	39.78	29.61	10.17	74.43
37.	7	224.24	206.56	17.68	92.12
38.	8	75218.30	69000.22	6218.08	91.75
39.	12	7030.35	6454.37	575.98	91.81
40.	20	18115.57	17229.46	886.11	95.11
41.	30	54.13	49.89	4.24	92.17
42.	37	752.33	680.85	71.48	90.50
<b>Total</b>		<b>162060.09</b>	<b>134882.11</b>	<b>27177.98</b>	<b>83.23</b>

Source: Appropriation Accounts

**Appendix-3.7**

(Referred to in paragraph 3.3.5, page 78)

**Statement showing details of appropriations/grants in which savings not surrendered at all**

(₹ in crore)

Sr. No.	Number and Name of grant	Revenue/ Capital	Total Grant/ Appropriation	Actual expenditure	Savings
<b>Charged Appropriation</b>					
1.	01-Agriculture	Revenue	1.20	1.00	0.20
2.	08-Finance	Revenue	17868.09	17810.63	57.46
		Capital	44639.92	39573.90	5066.02
3.	10-General Administration	Revenue	13.87	9.79	4.08
4.	12-Home Affairs	Revenue	1.45	1.02	0.43
5.	18-Personnel	Revenue	8.95	8.48	0.47
6.	22-Revenue and Rehabilitation	Revenue	0.76	0.56	0.20
7.	25-Social Security, Women and Child welfare	Revenue	0.11	0	0.11
8.	26-State Legislature	Revenue	1.11	0.63	0.48
9.	41-Water Supply and Sanitation	Revenue	2.00	1.82	0.18
<b>Total</b>			<b>62537.46</b>	<b>57407.83</b>	<b>5129.63</b>
<b>Voted Grant</b>					
10.	06-Elections	Capital	2.00	0	2.00
11.	07-Excise and Taxation	Revenue	224.12	206.53	17.59
12.	08-Finance	Revenue	12658.69	11565.62	1093.07
		Capital	51.60	30.06	21.54
13.	09-Food and Supplies	Capital	660.15	622.54	37.61
14.	10-General Administration	Revenue	258.19	222.81	35.38
15.	13-Industries	Capital	42.01	1.11	40.90
16.	18-Personnel	Revenue	15.23	14.53	0.70
		Capital	8.00	0	8.00

Sr. No.	Number and Name of grant	Revenue/ Capital	Total Grant/ Appropriation	Actual expenditure	Savings
17.	20-Power	Revenue	2376.64	1601.17	775.47
		Capital	15738.91	15628.26	110.65
18.	26-State Legislature	Revenue	54.81	48.57	6.24
19.	29-Transport	Capital	21.17	0	21.17
20.	33-Governance Reforms	Revenue	254.68	91.71	162.97
		Capital	25.02	12.56	12.46
21.	35-Housing and Urban Development	Capital	1.39	0.24	1.15
22.	39-Printing and Stationery	Revenue	39.28	29.22	10.06
23.	40- Sports and Youth Services	Capital	12.00	3.09	8.91
24.	41-Water Supply and Sanitation	Capital	1034.54	275.41	759.13
<b>Total</b>			<b>33478.43</b>	<b>30353.43</b>	<b>3125.00</b>
<b>Grand Total</b>			<b>96015.89</b>	<b>87761.26</b>	<b>8254.63</b>

Source: Appropriation Accounts

### Appendix 3.8

(Referred to in paragraph 3.3.6.1, page 81)

#### Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during the financial year 2019-20

(₹ in crore)

Sr. No.	Grant No.	Major head	Major head description	Original provision	Re-appropriation/ Supplementary	Total	Expenditure	Excess
1	2	3	4	5	6	7=5+6	8	9=8-7
1.	07	2039-State Excise	00-001-01-District Establishment	50.68	0.00	50.68	53.76	3.08
2.		2054-Treasury and Accounts Administration	00-095-98-05-Manpower	0.55	0.00	0.55	3.46	2.91
3.		2071- Pension and Other Retirement Benefits	01-101-01-Pension and Other Retirement Benefits	6300.00	0.00	6300.00	6487.05	187.05
4.			01-117-01-Government Contribution for Defined Contribution Scheme	645.00	0.00	645.00	707.69	62.69
5.	08	2075-Miscellaneous General Services	00-190-01-Assistance to Punjab Infrastructure Development Board	1216.95	0.00	1216.95	1309.29	92.34
6.		2048-Appropriation for Reduction or Avoidance of Debt	00-101-02-Appropriation for Consolidated Sinking Fund	0.00	198.83	198.83	243.00	44.17
7.		2049- Interest Payments	01-101-01-Interest on Market Loans	9435.66	0.00	9435.66	9520.89	85.23
8.			01-305-02-Expenditure relating to Issue of New Loans	3.10	0.00	3.10	30.23	27.13
9.			2049-04-101-01-Interest on Block Loans	130.00	0.00	130.00	138.17	8.17
10.			2049-60-701-08-Interest on Delayed payment of 14 <sup>th</sup> Finance Commission Grant	10.00	0.00	10.00	45.00	35.00

Sr. No.	Grant No.	Major head	Major head description	Original provision	Re-appropriation/ Supplementary	Total	Expenditure	Excess
11.		6003-Internal Debt of the State Government	00-105-01-Loans from the National Bank for Agriculture and Rural Development	486.00	0.00	486.00	488.63	2.63
12.			00-107-01-01-Loan to Clear Legacy Amount of Cash Credit Limit in respect of PUNGRAIN	944.70	0.00	944.70	947.11	2.41
13.		6004-Loans and Advances from the Central Government	02-101-01-Block Loans	274.00	0.00	274.00	276.60	2.60
14.	11	2210-Medical and Public Health	06-789-16-National Tobacco Control Programme	0.16	0.00	0.16	2.34	2.18
15.	15	2700-Major Irrigation	04-001-01-Direction	133.00	0.15	133.15	147.00	13.85
16.	17	2217-Urban Development	80-191-03-02-Performance Grants	0.00	0.00	0.00	26.97	26.97
17.	21	2059-Public Works	60-053-11-Industrial Training	35.00	0.00	35.00	36.17	1.17
18.		2245-Relief on Account of Natural Calamities	02-122-03-Procurement and Equipment	10.00	-9.00	1.00	76.15	75.15
19.	22	4059-Capital Outlay on Public Works	01-051-08-Assistance to Bar Associations of District and Sub-Division Level for Construction of Bar Rooms, Advocate Chambers and Bar Libraries	0.01	0.00	0.01	17.38	17.37

Sr. No.	Grant No.	Major head	Major head description	Original provision	Re-appropriation/ Supplementary	Total	Expenditure	Excess
20.	33	2052-Secretariat General Services	00-092-33-Implementation of Recommendations made by Punjab Governance Reforms Commission in respect of various Departments	0.00	0.00	0.00	3.60	3.60
21.	37	2014-Administration of Justice	00-102-01-High Court	152.49	13.78	166.27	170.45	4.18
22.	41	4215-Capital Outlay on Water Supply and Sanitation	02-102-02-01-Utilisation of Performance based incentive Grants	4.96	0.00	4.96	38.72	33.76
23.			02-789-01-01-Utilisation of Performance based incentive Grants	3.30	0.00	3.30	25.81	22.51
<b>Total</b>				<b>19835.56</b>	<b>203.76</b>	<b>20039.32</b>	<b>20795.47</b>	<b>756.15</b>

Source: Appropriation Accounts

Note: Reasons for excess expenditure were not furnished by the Department.

**Appendix 3.9**

(Referred to in paragraph 3.5.4, page 89)

**Statement showing sub heads where entire expenditure (₹ ten crore or more in each case) was booked in March 2020**

(₹ in crore)

Sr. No.	Number and Name of Grant	Major head/ sub head	Amount
1.	01-Agriculture	2401-01-789-42	33.32
2.		2402-00-102-35	17.92
3.	08-Finance	2048-00-101-02	243.00
4.		2049-01-200-01	2292.89
5.		2049-03-104-01	1678.15
6.		2049-03-104-02	15.96
7.		2049-03-108-01	40.93
8.		2049-05-105-01	497.74
9.	11-Health and Family Welfare	2210-06-101-26	15.71
10.		2211-00-109-01	12.19
11.	17-Local Government	4217-60-051-13	60.63
12.		4217-60-051-15	98.47
13.	20-Power	4801-80-101-03-	15628.26
14.	21-Public Works	2059-80-001-07	118.91
15.		3054-80-001-01	213.90
16.		3054-80-797-01	259.37
17.	23-Rural Development and Panchayats	2515-00-101-10	33.67
18.		4515-00-103-37	14.04
19.	29-Transport	3055-00-797-03	22.53
20.	34-Horticulture	2401-00-119-42	15.89
21.	37-Law and Justice	2014-00-102-01	170.45
<b>Total</b>			<b>21483.93</b>

Source: Appropriation Accounts

### Appendix 4.1

(Referred to in paragraph 4.3, page 101)

#### Statement showing details of Funds transferred by Government of India directly to State implementing agencies

(₹ in crore)

Sr. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases of funds during 2019-20
1.	Food Subsidy for Decentralized Procurement of Food grains under NFSA (9533)	Punjab State Grains Procurement Corporation Limited	1612.07
2.	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) (3624)	Department of Agriculture, Punjab	1254.54
3.	Mahatma Gandhi National Rural Employment Guarantee Programme (9178) (9219)	The Punjab State Rural Employment Guarantee Society	647.45
4.	Promotion of Agricultural Mechanization for in-situ Management of Crop Residue (3618)	Department of Agriculture, Punjab	273.80
5.	Works under Roads Wing (0833)	1. Punjab State Forest Development Corporation Limited 2. Executive Engineer - Central Works Division, Punjab, PWD B & R No. 1 Amritsar, No.2 Bathinda, Abohar, Ferozepur 3. Government Contractors	269.28
6.	Member of Parliament Local Area Development Scheme (MPLADS) (1261)	Deputy Commissioners	70.00
7.	National Highway Authority of India (0845)	1. Competent Authority for Land Acquisition cum SDM Barnala, Tapa, Nihal Singh Wala 2. Executive Engineer - Central Works Division, Punjab, PWD B & R Sangrur at Patiala, Patiala 3. Joint Venture - Era Infra Engineering Limited and J. S. Grover Construction 4. Punjab State Grains Procurement Corporation Limited, Tarn Taran 5. The Hind Samachar Limited	66.68
8.	Scheme for Assistance to Sugar Mills for 2018-19 Season (3684)	1. The Ajnala Co-operative Sugar Mills Limited 2. The Fazilka Co-operative Sugar Mills Limited 3. Nahar Industrial Enterprises Limited 4. Chadha Sugars and Industries Private Limited 5. The Gurdaspur Co-operative Sugar Mills Limited	64.56

Sr. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases of funds during 2019-20
		6. The Batala Co-operative Sugar Mills Limited 7. A. B. Sugars Limited 8. The Bhogpur Co-operative Sugar Mills Limited 9. The Nakodar Co-operative Sugar Mills Limited 10. The Budhewal Co-operative Sugar Mills Limited 11. The Morinda Co-operative Sugar Mills Limited 12. The Nawanshehar Co-operative Sugar Mills Limited	
9.	National Aids and STD Control Programme (NACO) (9316)	Punjab State Aids Control Society	39.19
10.	Infrastructure Development and Capacity Building (MSME) (0646)	1. Policy Implementation Unit 2. Punjab Small Industries and Export Corporation Limited	20.42
11.	Scheme for defraying expenditure towards internal transport, freight, handling & other charges on export (3652)	1. The Ajnala Co-operative Sugar Mills Limited 2. The Fazilka Co-operative Sugar Mills Limited 3. Nahar Industrial Enterprises Limited 4. Chadha Sugars and Industries Private Limited 5. The Gurdaspur Co-operative Sugar Mills Limited 6. The Batala Co-operative Sugar Mills Limited 7. A. B. Sugars Limited 8. The Bhogpur Co-operative Sugar Mills Limited 9. The Nakodar Co-operative Sugar Mills Limited 10. The Budhewal Co-operative Sugar Mills Limited 11. The Morinda Co-operative Sugar Mills Limited 12. The Nawanshehar Co-operative Sugar Mills Limited	19.38
12.	Science and Technology Institutional and Human Capacity Building (1817)	Educational Institutions	19.05
13.	Subsidy - Creation and Maintenance of Buffer Stocks of Sugar (3623)	1. The Ajnala Co-operative Sugar Mills Limited 2. The Fazilka Co-operative Sugar Mills Limited 3. Nahar Industrial Enterprises Limited 4. Chadha Sugars and Industries Private Limited 5. The Gurdaspur Co-operative Sugar Mills Limited	15.30

Sr. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases of funds during 2019-20
		6. The Batala Co-operative Sugar Mills Limited 7. A. B. Sugars Limited 8. The Bhogpur Co-operative Sugar Mills Limited 9. The Nakodar Co-operative Sugar Mills Limited 10. Wahid Sandhar Sugars Limited 11. The Budhewal Co-operative Sugar Mills Limited 12. The Morinda Co-operative Sugar Mills Limited 13. The Nawanshehar Co-operative Sugar Mills Limited	
14.	Pradhan Mantri Kisan Sampada Yojana - Integrated Cold Chain and Value Addition Infrastructure (3608)	1. Pagro Frozen Foods Private Limited 2. Siberian Tiger Foods 3. Asianlak Health Foods Private Limited 4. Kathpal Dairies 5. Goyal Farm Fresh 6. A. S. Frozen Foods 7. Sangha Refrigeration	14.71
15.	Biotechnology Research and Development (0150)	Educational Institutions	14.08
16.	Solar Power - Off-grid (3322)	Punjab Energy Development Agency	12.25
17.	Schemes for Development of Sugar Industries (3044)	The Bhogpur Co-operative Sugar Mills Limited	10.20
18.	Other Schemes having a release below ₹ 10.00 crore in each case (Base Year: 2019-20)	Miscellaneous Agencies	128.74
<b>Total</b>			<b>4551.70</b>

Source: Information relating to GoI releases during the year 2019-20 collected from Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2019-20).





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