

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter provides an overview of the finances of the State Government during the financial year 2016-17 by benchmarking against past trends of major fiscal aggregates. *Appendix 1.1* contains profile of Punjab and *Appendix 1.2* contains the structure of the Government Accounts and layout of the Finance Accounts of the State Government on which this Report is based.

1.1.1 Profile of the State

Punjab is an agrarian State. The State is located in the north-western corner of India. It spreads over a geographical area of 50,362 sq kms and ranks 19th among States in terms of area. It has been organized into 22 districts. The districts have further been divided into 87 sub-divisions, 149 blocks and 12,581 inhabited villages.

As per 2011 census, the State's population increased from 2.44 crore in 2001 to 2.77 crore in 2011 recording a decadal growth of 13.52 *per cent*. The population of the State accounts for 2.29 *per cent* of the country's population and ranks 15th among States in terms of population. The population density of the State increased from 484 persons per sq km in 2001 to 551 persons per sq km in 2011 which is higher than the population density of 382 persons per sq km at national level.

1.1.2 Gross State Domestic Product

The Gross State Domestic Product (GSDP) of a State measures the value of goods and services produced within the State. The trends in the annual growth of India's Gross Domestic Product (GDP) at current prices and Punjab's GSDP at current prices are indicated in **Table 1.1**.

Table 1.1: Trends in Gross State Domestic Product

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP (₹ in crore)	9944013	11233522	12445128	13682035	15183709
Growth rate of GDP (<i>per cent</i>)	13.82	12.97	10.79	9.94	10.98
State's GSDP (₹ in crore)	297734	332147	354908	391543	427870
Growth rate of GSDP (<i>per cent</i>)	11.67	11.56	6.85	10.32	9.28

Source: Official website of Ministry of Statistics and Programme Implementation, Government of India (www.mospi.nic.in) as of August 2017.

1.1.3 Salient features of financial management of the State Government

All receipts of the State Government are required to be accounted for in the Consolidated Fund of the State constituted under Article 266(1) of the Constitution of India. Expenditure therefrom is authorised by the State Legislature through Appropriation Act. Money so authorised by the Appropriation Act is spent as per provisions contained in the Punjab Financial Rules, the Departmental Financial Rules and instructions issued by the Finance Department from time to time. The Punjab Financial Rules contain the financial regulations of general nature issued by the Finance Department for the guidance of various departments and offices. The Departmental Financial Rules are the Rules relating to the Public Works and Forest Departments. The accounts of the State Government are kept in three parts viz. (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. The annual accounts of the State Government consist of the Finance Accounts and the Appropriation Accounts. The Finance Accounts of the Government of Punjab are laid out in twenty two statements.

In May 2003, the State Government had enacted the Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003 to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudential 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 targets up to the year 2014-15 were fixed.

The Fourteenth Finance Commission (FFC) recommended that the State Government might amend its FRBM Act to provide for the 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.

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 of 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.

However, as of March 2017, the State Government had not amended its FRBM Act as per recommendations of the FFC.

1.1.4 Summary of fiscal transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the year 2016-17 vis-à-vis those of 2015-16. **Appendix 1.3-Part A** provides the abstract of receipts and disbursements for the year 2016-17 as well as the summarized financial position of the State Government as on 31 March 2017.

Table 1.2: Summary of the fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2015-16	2016-17		2015-16	2016-17		
Section A: Revenue							
				Total	Non-Plan	Plan	Total
Revenue receipts	41523.38	47985.42	Revenue expenditure	50073.49	49330.33	5965.72	55296.05
Tax revenue raised by the State	26690.49	27746.66	General services	24713.44	28477.85	10.08	28487.93
Non-tax revenue	2650.27	5863.20	Social services	14897.86	11055.28	4616.82	15672.10
Share of Union taxes/ duties	8008.90	9599.73	Economic services	9756.04	8878.79	1338.82	10217.61
Grants from Government of India	4173.72	4775.83	Grants-in-aid and Contributions	706.15	918.41	0.00	918.41
Section B: Capital							
Misc. Capital Receipts	0.26	0.41	Capital Outlay	3059.42	417.27	3929.03	4346.30
Recoveries of Loans and Advances	218.45	180.93	Disbursement of Loans and Advances	5968.59	41364.12	0.00	41364.12
Public Debt receipts	20207.21	55234.21*	Public Debt repayments	3830.30	4050.38	0.00	4050.38
Contingency Fund	0.00	0.00	Contingency Fund	0.00	0.00	0.00	0.00
Public Account receipts#	54552.21	52723.92	Public Account disbursements#	53446.58	50599.95	0.00	50599.95
			Proforma adjustment of prior period	00.00	58.18	0.00	58.18
Opening Cash Balance	(-)137.76	(-)14.63	Closing Cash Balance	(-)14.63	395.28	0.00	395.28
TOTAL	116363.75	156110.26	TOTAL	116363.75	95615.56	60494.70	156110.26

Source: Finance Accounts of the respective years.

* Includes net transaction of ₹ 268.13 crore under Ways and Means Advances.

Public Account receipts/disbursements have been shown in this table as gross figures and at other places in the Report as net of disbursement. Further, these exclude transactions of investment of cash balances and departmental cash in chests. The net effect of these transactions is included in the opening and closing cash balances.

1.1.5 Significant changes over the previous year

The following are the major changes in fiscal transactions during 2016-17 over the previous year:

- Revenue receipts increased by ₹ 6,462 crore (15.56 per cent) which is due to increase in tax revenue (₹ 1,057 crore: 3.96 per cent), non-tax revenue (₹ 3,213 crore: 121.23 per cent as detailed in paragraph 1.3.1.2), share of union taxes and duties (₹ 1,590 crore: 19.86 per cent) and grants from GoI (₹ 602 crore: 14.42 per cent).
- Revenue expenditure increased by ₹ 5,223 crore (10.43 per cent), which is due to increase of revenue expenditure for general services (₹ 3,775 crore: 15.28 per cent) followed by social services (₹ 774 crore: 5.20 per cent), economic services (₹ 462 crore: 4.74 per cent) and grants-in-aid and contributions (₹ 212 crore: 30.03 per cent).

- There was a considerable increase of ₹ 35,395 crore (593.03 per cent) in the disbursement of loans and advances which is due to disbursement of loan of ₹ 29,920 crore for one time settlement of Legacy Cash Credit Accounts for food procurement operations and ₹ 10,031 crore to Punjab State Power Corporation Limited (PSPCL) for implementation of Ujwal Discom Assurance Yojna (UDAY), as discussed in paragraph 1.8.4.
- Public debt receipts increased significantly by ₹ 35,027 crore (173.34 per cent) which was mainly due to raising of long term loans (₹ 29,920 crore) by State Government for one time settlement of Legacy Cash Credit Accounts for food procurement operations and issuing of Bonds (₹ 10,031 crore) for advancement of loans to PSPCL for clearing their debts in compliance to the implementation of UDAY as discussed in paragraph 1.9.3. On the other hand, public debt repayments exhibited an increase of only ₹ 220 crore (5.74 per cent).
- Public account receipts decreased by ₹ 1,828 crore (3.35 per cent) and public account disbursements decreased by ₹ 2,847 crore (5.33 per cent).
- Net closing cash balances increased by ₹ 410 crore (2801.85 per cent).

1.1.6 Review of the fiscal situation

The Fourteenth Finance Commission (FFC) and the State Government set fiscal targets to be achieved during 2016-17. Government of India, while reiterating the targets set by FFC, recommended evaluation of fiscal parameters with the estimated GSDP (₹ 4,27,297 crore¹). Though, the State Government did not amend its FRBM Act during 2016-17 as per recommendations of the FFC to set targets, the targets set by FFC and proposed in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to the estimated GSDP are given in **Table 1.3**.

Table 1.3: Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2016-17

Fiscal variables	Targets as prescribed in FFC	Targets in the Budget	Actuals (as per estimated GSDP)	Percentage variation of actuals over	
				Targets of FFC	Targets of Budget
Revenue Deficit/GSDP (<i>per cent</i>)	(-)1.63	(-)1.76	(-) 1.71	0.08	(-) 0.05
Fiscal Deficit/GSDP (<i>per cent</i>)	(-)3.00	(-)2.88	(-) 11.02*	8.02	8.14
Ratio of total outstanding debt of the Government to GSDP (<i>per cent</i>)	31.49	30.41	42.72	(-) 11.23	(-) 12.31

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

* Excluding additional borrowings of ₹ 5,768.54 crore under UDAY for taking DISCOMs debt.

The Government could not contain the fiscal deficit and the Debt–GSDP ratio at the levels prescribed by FFC and projected in the State budget estimates. Though the revenue deficit was within the level projected in the budget estimates, it was marginally higher than the ratio fixed by FFC.

¹ GoI's letter No. 40(6)PF-1/2009 Vol. II dated 29 March 2016

1.1.7 Budget estimates and actuals

The budget presented by the State Government provides description of projections or estimates of revenue and expenditure for a particular fiscal year. The budget estimates *vis-à-vis* actuals in respect of various fiscal parameters for the year 2016-17 are given in *Appendix 1.4*. The budget estimates *vis-à-vis* actuals in respect of important fiscal parameters are given in **Table 1.4**.

Table 1.4: Important fiscal parameters: Budget Estimates *vis-à-vis* Actuals

(₹ in crore)

2016-17	Tax Revenue	Non-tax Revenue	Revenue Receipts	Revenue Expenditure	Interest Payments	Capital Expenditure
BE	30547	3807	50181	58164	10788	4804
Actuals	27747	5863	47985	55296	11642	4346
Difference	(-2800)	2056	(-2196)	(-2868)	854	(-458)

Source: Finance Accounts and Budget at a Glance 2016-17

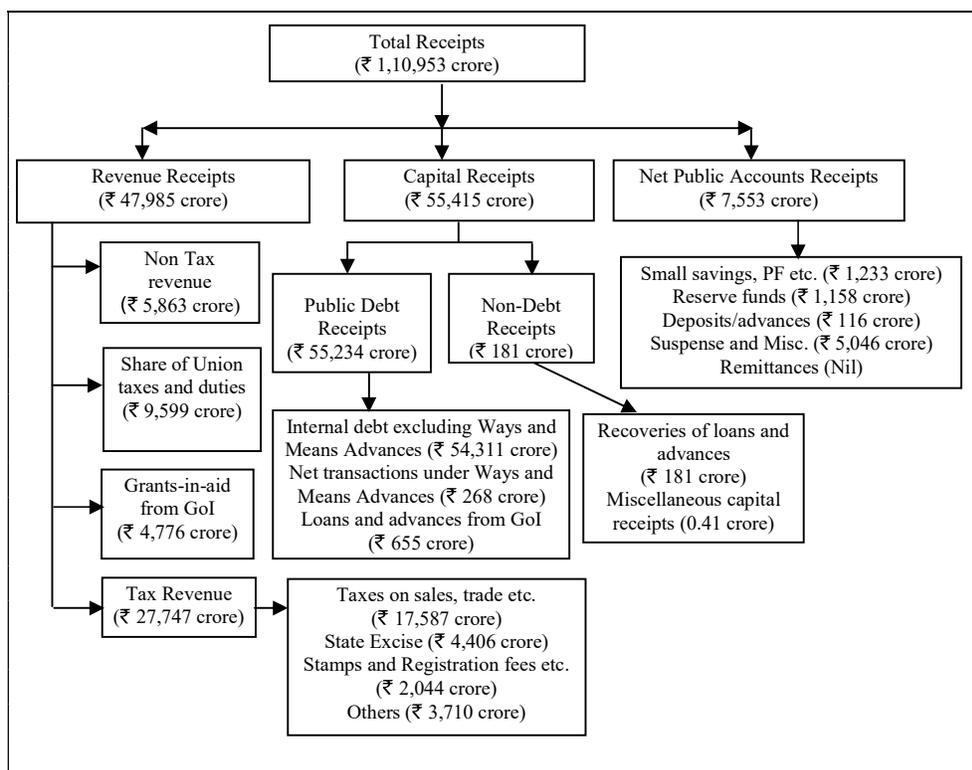
Total revenue receipts remained lower by ₹ 2,196 crore (4.38 per cent) and tax revenue by ₹ 2,800 crore (9.17 per cent), whereas non-tax revenue was higher by ₹ 2,056 crore (54.01 per cent) than the budget estimates.

The revenue expenditure and the capital expenditure remained lower by ₹ 2,868 crore (4.93 per cent) and ₹ 458 crore (9.53 per cent) respectively, whereas the interest payments were higher by ₹ 854 crore (7.92 per cent).

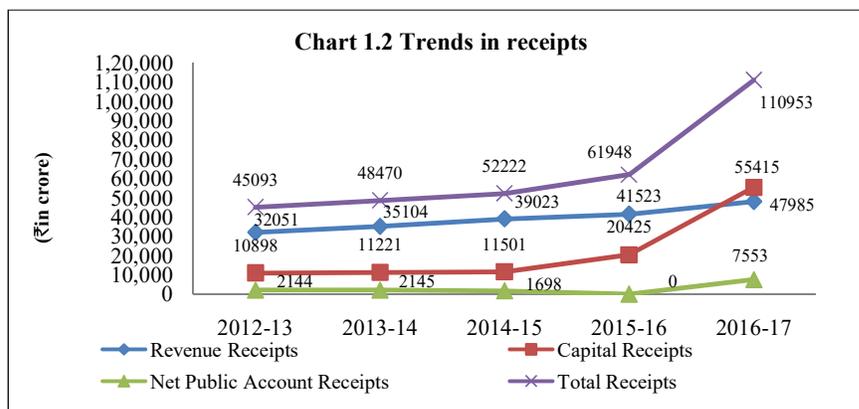
1.2 Resources of the State**1.2.1 Resources of the State as per the Annual Finance Accounts**

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. 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). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Besides, 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. The receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts are indicated in **Table 1.2**. **Chart 1.2** depicts the trends in various components of the receipts of the State during 2012-13 to 2016-17. The position of total receipts of the State is depicted in **Chart 1.1**.

Chart 1.1: Composition of receipts of the State during 2016-17



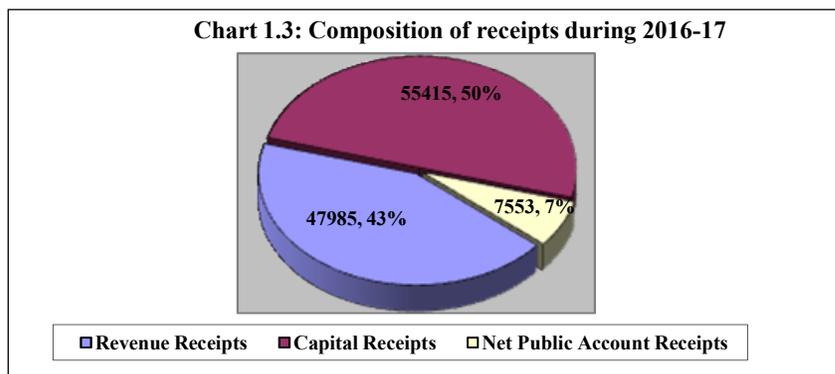
Source: Finance Accounts



During the period 2012-13 to 2016-17 revenue receipts and capital receipts increased from ₹ 32,051 crore and ₹ 10,898 crore to ₹ 47,985 crore and ₹ 55,415 crore respectively. The net public account receipts also exhibited an increasing trend during 2012-17, as it increased from ₹ 2,144 crore in 2012-13 to ₹ 7,553 crore in 2016-17.

Overall, the total receipts increased by 146.05 per cent from ₹ 45,093 crore to ₹ 1,10,953 crore during 2012-13 to 2016-17.

The composition of resources of the State during the current year is given in **Chart 1.3**.



During the year 2016-17, contribution of revenue receipts, capital receipts and net public account receipts towards total receipts was 43 *per cent*, 50 *per cent* and seven *per cent* respectively.

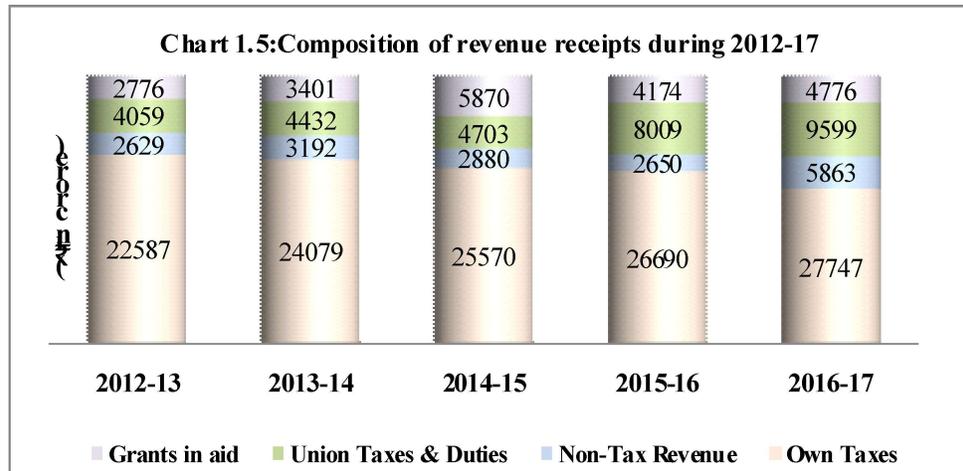
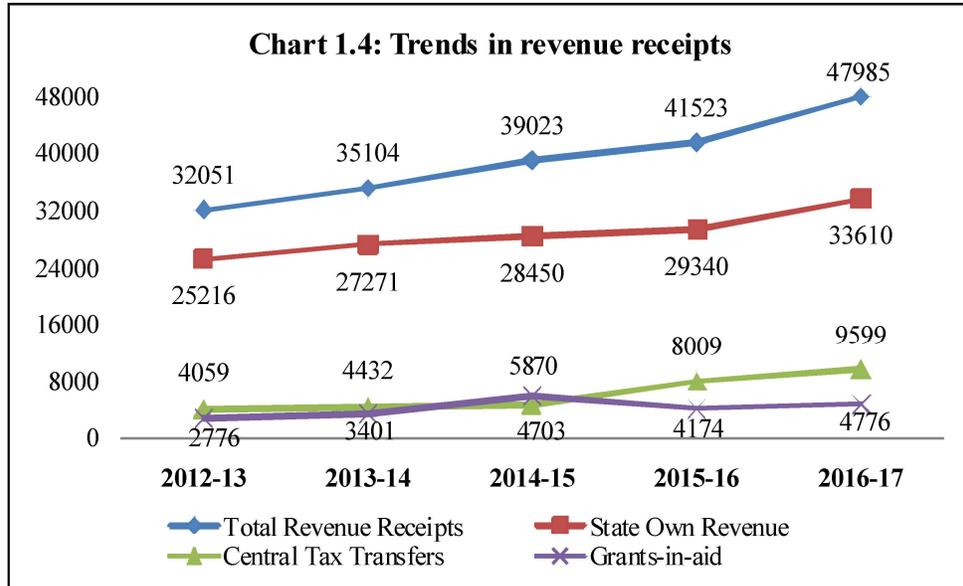
1.2.2 Funds transferred to State implementing agencies outside the State budget

The Government of India (GoI) had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes/programmes in the social and economic sectors. From 2014-15 onwards, GoI decided (May 2014) to route these funds through State budget. However, Finance Accounts showed that an amount of ₹ 1,986.12 crore was released directly to the State implementing agencies/organizations during the year 2016-17 which increased by 206.43 *per cent* as compared to 2015-16 (₹ 648.14 crore). The increase was mainly due to increase of ₹ 496.91 crore under MGNREGA and ₹ 211.33 crore to implementing agencies under NHAI, besides increase in direct release of ₹ 558.99 crore to miscellaneous agencies with releases of less than ₹ 10.00 crore in each case. In addition to ₹ 1,986.12 crore, an amount of ₹ 598.09 crore was released to agencies other than State implementing agencies.

1.3 Revenue receipts

Statement 14 of the Finance Accounts details the revenue and capital receipts of the State Government. The revenue receipts consist of the State's own tax and non-tax revenues, share of union taxes/duties and grants-in-aid from GoI.

The trends and composition of revenue receipts over the period 2012-17 are presented in *Appendix 1.5* and also depicted in **Charts 1.4** and **1.5** respectively.



The revenue receipts during the current year (₹ 47,985 crore) were less by ₹ 2,196 crore (4.38 per cent) as compared to projections in the budget estimates (₹ 50,181 crore) for the year 2016-17 (*Appendix 1.4*). The trends in revenue receipts relative to GSDP are presented in **Table 1.5**.

Table 1.5: Trends in revenue receipts

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue receipts (RR) (₹ in crore)	32051	35104	39023	41523	47985
Rate of growth of RR (per cent)	22.17	9.52	11.16	6.41	15.56
RR/GSDP (per cent)	10.76	10.57	11.00	10.60	11.21
Buoyancy ratios²					
Revenue buoyancy w.r.t GSDP	1.90	0.82	1.63	0.62	1.68
State's own tax buoyancy w.r.t GSDP	1.70	0.57	0.90	0.42	0.43
Revenue buoyancy w.r.t. State's own taxes	1.12	1.44	1.80	1.46	3.93

Source: Finance Accounts

The revenue receipts increased from ₹ 32,051 crore in 2012-13 to ₹ 47,985 crore in 2016-17 at an annual average growth rate of 12.96 per cent. The ratio of revenue receipts to GSDP remained around 11 per cent during 2012-17 though it increased from 10.76 in 2012-13 to 11.21 per cent in 2016-17. The revenue buoyancy with reference to GSDP kept on fluctuating during 2012-17 as it came down from 1.90 in 2012-13 to 1.68 in 2016-17. The sudden spike in revenue buoyancy in 2016-17 *vis-à-vis* the previous year was primarily due to sharp increase in non-tax revenue of the State and enhanced devolution of Central funds. Though the share of union taxes and duties increased during 2015-16 over the previous year (2014-15), yet its effect was not seen in the buoyancy due to considerable decrease in the grants-in-aid and non-tax revenue during the same period. The State's own tax buoyancy with reference to GSDP remained low and came down from 1.70 in 2012-13 to 0.43 in 2016-17.

1.3.1 State's own resources

The State's share in Union taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission. The State's performance in mobilization of resources was assessed in terms of its own resources comprising own-tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2016-17 *vis-à-vis* assessment made by Fourteenth Finance Commission (FFC) are given in **Table 1.6**.

Table 1.6: Tax and non-tax receipts *vis-à-vis* projections

	FFC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FFC projections	Budget estimates
Own Tax revenue	38311	30547	27747	(-)27.57	(-)9.17
Non-tax revenue	3536	3807	5863	65.81	54.01

Source: Report of FFC, Annual Financial Statement 2016-17 and Finance Accounts

² Buoyancy ratio indicates the elasticity or degree of responsiveness of fiscal variable with respect to a given change in the base variable.

In respect of own-tax revenue, State Government fell short of projections made by FFC and in budget estimates by 27.57 per cent and 9.17 per cent respectively. However, non-tax revenue increased by 65.81 per cent and 54.01 per cent than the projections made by FFC and in budget estimates respectively.

1.3.1.1 Tax revenue

The collections in respect of major taxes and duties are given in **Table 1.7**.

Table 1.7: Components of State's own tax revenue

(₹ in crore)

Revenue Receipt	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes on Sales, Trade etc.	13218 (18)	14847 (12)	15455 (4)	15857 (3)	17587 (11)
State Excise	3332 (21)	3765 (13)	4246 (13)	4796 (13)	4406 (-8)
Taxes on Vehicles	995 (17)	1146 (15)	1394 (22)	1475 (6)	1548 (5)
Stamp Duty and Registration fees	2920 (-5)	2500 (-14)	2474 (-1)	2449 (-1)	2044 (-17)
Land Revenue	37 (48)	42 (14)	47 (12)	55 (17)	68 (24)
Taxes and Duties on Electricity	2035 (119)	1710 (-16)	1875 (10)	1968 (5)	1993 (1)
Other taxes and duties on commodities and services	50 (56)	69 (38)	79 (14)	90 (14)	101 (12)
Total Own Tax Revenue	22587 (20)	24079 (7)	25570 (6)	26690 (4)	27747 (4)

Source: Finance Accounts

Figures in parenthesis show rate of growth over previous year

Although the total own tax revenue increased by ₹ 1,057 crore (3.96 per cent) during the current year yet there was a decline of eight per cent in State excise which is a major contributor to tax revenue. The decrease was attributed to allotment of liquor vends below the reserve price, less receipt of application money and non-receipt of complete licence fee from some of the contractors. The State's own-tax revenue (₹ 27,747 crore) during 2016-17 was lower by ₹ 2,800 crore (9.17 per cent) than the assessment made in the budget estimates (₹ 30,547 crore).

1.3.1.2 Non-tax revenue

In the current year, the share of non-tax revenue in total revenue receipts went up to 12.22 per cent from 6.38 per cent in the previous year. The non-tax revenue increased by 121.23 per cent during the current year over the previous year. The composition and growth in State's non-tax revenue is given in **Table 1.8**.

Table 1.8: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17
Interest Receipts	170.47 (0)	174.68 (2)	193.88 (11)	225.28 (16)	1293.80 (474)
Dividends and Profits	0.33 (-81)	1.46 (342)	1.48 (1)	1.46 (-1)	3.88 (166)
Misc. General Services	1420.73 (339)	1640.32 (15)	1473.47 (-10)	999.84 (-32)	3028.08 (203)
Road Transport	222.51 (21)	199.68 (-10)	161.67 (-19)	148.49 (-8)	213.89 (44)
Other non-tax receipts	815.17 (13)	1175.35 (44)	1049.23 (-11)	1275.20 (22)	1323.55 (4)
Total Non-Tax revenue	2629.21 (88)	3191.49 (21)	2879.73 (-10)	2650.27 (-8)	5863.20 (121)

Source: Finance Accounts

Figures in parenthesis show rate of growth over previous year

The increase of ₹ 3,212.93 crore in total non-tax revenue over the previous year 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 includes ₹ 1,425 crore transferred from Major Head 8342 without required details of receipts as discussed in paragraph 1.9.7.

1.3.1.3 Grants-in-aid

The position of grants-in-aid received during the period 2012-13 to 2016-17 is presented in Table 1.9.

Table 1.9: Grants-in-aid from Government of India

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-plan Grants	894.91	1064.11	2003.87	1274.64	1610.35
Total non-plan grants	894.91	1064.11	2003.87	1274.64	1610.35
Plan Grants <i>of which</i>					
Grants for State Plan Schemes	684.19	1058.26	3597.61	2320.12	2523.14
Grants for Central Plan Schemes	60.63	7.67	80.06	341.76	78.65
Grants for Centrally Sponsored plan Schemes	1135.84	1271.34	188.41	237.20	563.69
Total plan grants	1880.66	2337.27	3866.08	2899.08	3165.48
Total grants	2775.57	3401.38	5869.95	4173.72	4775.83
Percentage increase in grants over previous year	13.72	22.55	72.58	(-28.90)	14.43
Percentage of total grants to revenue receipts	8.66	9.69	15.04	10.05	9.95

Source: Finance Accounts

Grants-in-aid from GoI increased at an annual average rate of 18.88 per cent during the period 2012-13 to 2016-17. It decreased by 28.90 per cent in 2015-16 over 2014-15 and again increased by 14.43 per cent in the current year over the previous year. **Table 1.9** shows that the contribution of grants-in-aid towards revenue receipts increased from 8.66 per cent in 2012-13 to 15.04 per cent in 2014-15. Thereafter it started decreasing and came down to 9.95 per cent in 2016-17.

1.3.1.4 Central tax transfer

The actual release of share in Union taxes and duties to State Government during 2010-17 *vis-à-vis* projections made by Thirteenth Finance Commission and Fourteenth Finance Commission is tabulated in **Table 1.10**.

Table 1.10: 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 sharable service tax (As per recommendations of TFC)	3207	3051	(-) 156
2011-12		3665	3554	(-) 111
2012-13		4398	4059	(-) 339
2013-14		5278	4432	(-) 846
2014-15		6333	4703	(-) 1630
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 sharable service tax (As per recommendations of FFC)	NA*	8009	--
2016-17		NA*	9600	--

Source: Reports of the TFC & FFC and Finance Accounts

* As of March 2017, no fiscal consolidation roadmap (FCR) for the years 2015-16 to 2019-20 was prepared by the State Government.

State Government's share in Union taxes increased by ₹ 1,591 crore (19.87 per cent) during 2016-17 over the previous year.

1.3.1.5 Cost of collection

The figures of major own tax receipts, expenditure incurred on collection of these own taxes and percentage of such expenditure to own tax revenue receipts *vis-à-vis* All India Average percentage are given in **Appendix 1.6**. During the period 2012-13 to 2015-16, the percentage of expenditure on collection to collection in respect of various components of State's own tax revenue is lower than the All India average³ except in Taxes on Sales, Trades etc. for the years 2012-13 and 2015-16.

1.4 Capital receipts

The capital receipts are non-debt capital receipts such as proceeds from disinvestment of equity in Government companies/corporations, recoveries of loans and advances and debt capital receipts credited under public debt section of the Consolidated Fund. The public debt receipts fall broadly under two

³ Data in respect of All India average for the year 2016-17 was not available.

categories-(a) loans/advances from the Union Government; and (b) borrowings from banks, financial institutions through negotiated loans or open market borrowings through issue of State Development Loans. The share of non-debt capital receipts and loans/advances from the Union Government was insignificant and capital receipts were mainly on account of borrowing from banks, financial institutions and open market, as detailed in **Table 1.11**.

Table 1.11: Trends in growth and composition of capital receipts*(₹ in crore)*

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts	22340.80	24253.30	31361.21	38646.75	83808.46
Miscellaneous Capital Receipts	0.21	0.51	0.52	0.26	0.41
Recovery of Loans and Advances	174.09	112.30	137.15	218.45	180.93
Public Debt Receipts	22166.50	24140.49	31223.54	38428.04	83627.12*
<i>Internal Debt</i>	<i>21944.56</i>	<i>23762.52</i>	<i>30656.92</i>	<i>38162.71</i>	<i>82972.18</i>
<i>Growth rate</i>	<i>49.07</i>	<i>8.28</i>	<i>29.01</i>	<i>24.48</i>	<i>117.42</i>
<i>Loans and advances from GoI</i>	<i>221.94</i>	<i>377.97</i>	<i>566.62</i>	<i>265.33</i>	<i>654.94</i>
<i>Growth rate</i>	<i>48.45</i>	<i>70.30</i>	<i>49.91</i>	<i>(-53.17)</i>	<i>146.84</i>
Rate of growth of debt Capital Receipts	49.06	8.90	29.34	23.07	117.62
Rate of growth of non-Debt capital receipts	83.98	(-)35.28	22.04	58.87	(-)17.09
Rate of growth of GSDP	11.67	11.56	6.85	10.32	9.28
Rate of growth of Capital Receipts (<i>per cent</i>)	49.28	8.56	29.31	23.23	116.86

Source: Finance Accounts and for GSDP—Official website of Ministry of Statistics and Programme Implementation, Government of India (www.mospi.nic.in).

* Including Ways and Means Advances of ₹ 28,661.04 crore.

During the current year the public debt receipts increased by ₹ 45,199 crore (117.62 *per cent*) over the previous year. This steep increase in public debt receipts was due to 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, as discussed in paragraph 1.9.3.

1.5 Public Account receipts

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 of the State, are kept in the Public Account set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature. Here, the State Government acts as a banker. The balance after disbursements is the fund available with the State Government for use, as given in **Table 1.12**.

Table 1.12: Detail of net Public Account receipts

(₹ in crore)

Source of State Receipts	Public Account receipts		Disbursements from Public Account		Excess of receipts over disbursements	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Small Savings, Provident Fund, etc.	3440.60	3373.38	2331.65	2140.71	1108.95	1232.67
Reserve Funds	590.15	1345.98	1115.61	187.66	(-)525.46	1158.32
Deposits and advances	5693.70	5943.42	5579.35	5827.53	114.35	115.89
Suspense and Miscellaneous*	56189.20	53808.39	61108.09	48762.16	(-)4918.89	5046.23
Remittances	104.35	77.92	101.65	77.79	2.70	0.13
Total	66018.00	64549.09	70236.35	56995.85	(-)4218.35	7553.24

Source: Finance Accounts of respective years

* Includes transactions of investment of cash balances and departmental cash in chest.

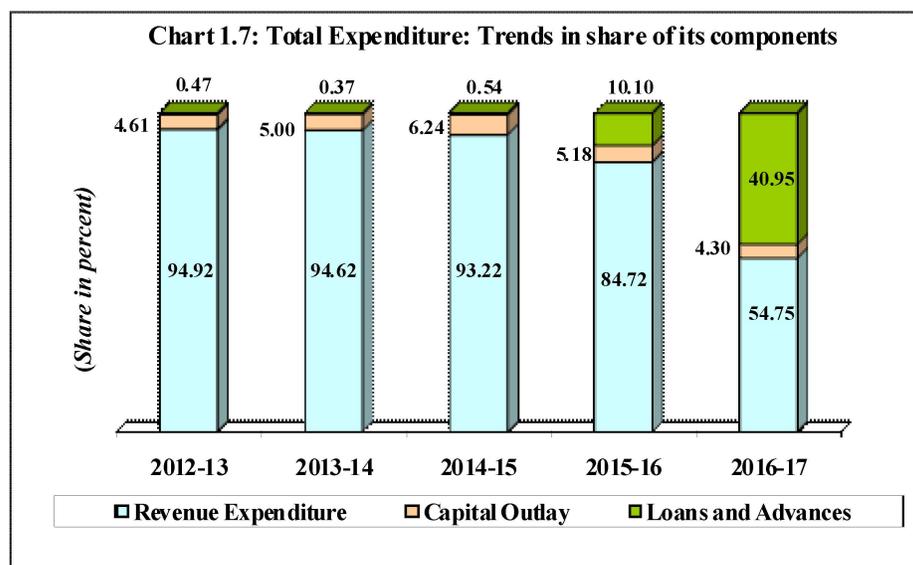
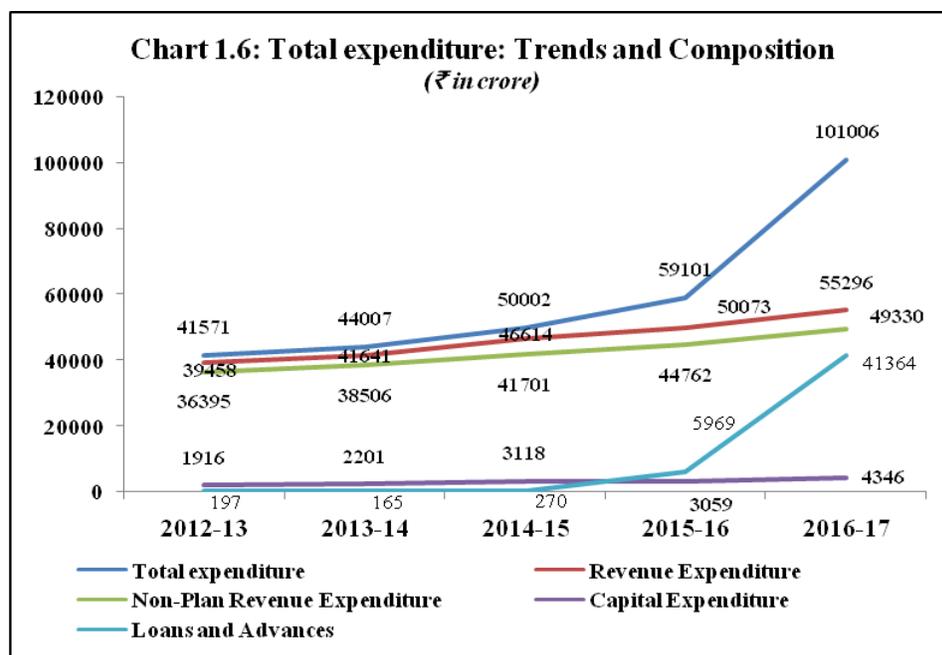
The receipts exceeded the disbursement in Public Account by ₹ 7,553.24 crore during 2016-17. The excess in public account receipts was due to substantial increase of ₹ 5,046.23 crore under suspense and miscellaneous items.

1.6 Application of resources

The Government raises resources to perform their sovereign functions, to maintain the existing level of delivery in social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Analysis of the allocation of expenditure at the State Government level assumes significance, since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.6.1 Growth and composition of expenditure

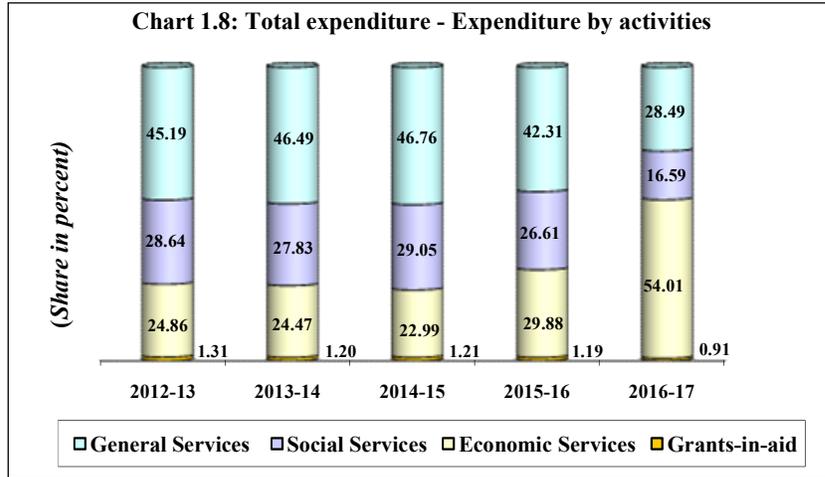
Chart 1.6 presents the trends of total expenditure over the period of the last five years (2012-17). Its composition in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7** and **1.8** respectively.



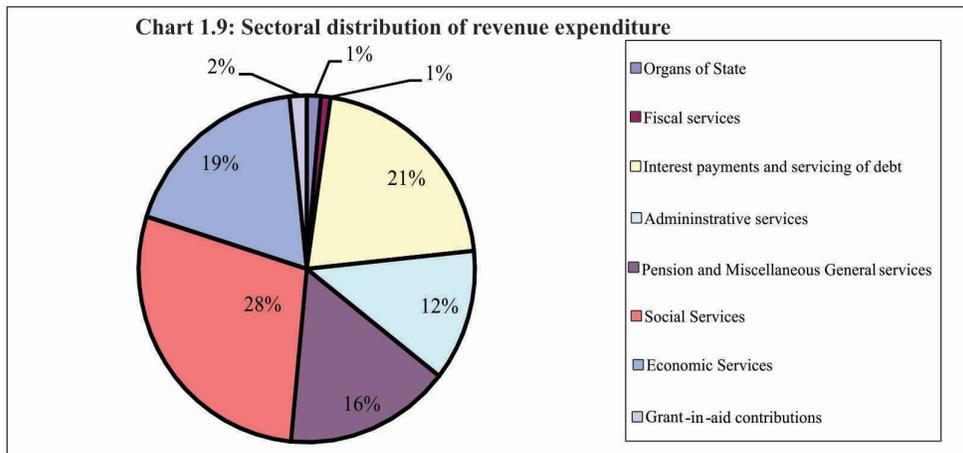
The total expenditure of the State Government increased by ₹ 59,435 crore (142.97 per cent) from ₹ 41,571 crore in 2012-13 to ₹ 1,01,006 crore in 2016-17. It increased by ₹ 41,905 crore (70.90 per cent) over the previous year. The revenue expenditure increased by ₹ 5,223 crore (10.43 per cent), the capital expenditure increased by ₹ 1,287 crore (42.07 per cent) and disbursement of loans and advances increased by ₹ 35,395 crore (593.03 per cent) during the current year over the previous year. This increase was due to disbursement of loans of ₹ 29,919.96 crore by the State Government for one time settlement of Legacy Cash Credit Account for food procurement operations and ₹ 10,031.19 crore to PSPCL for clearing their debts in compliance to implementation of UDAY, as discussed in

paragraph 1.8.4. The revenue expenditure constituted dominant proportion (85 to 95 per cent) of the total expenditure during 2012-16 (**Chart 1.7 and Appendix 1.5**) but it remained at 55 per cent during the current year.

During 2012-17, the revenue expenditure grew at an annual average growth rate of 10.95 per cent. The plan revenue expenditure contributed only eight to 11 per cent, whereas the non-plan revenue expenditure was 89 to 92 per cent of the total revenue expenditure during the same period (**Appendix 1.5**).



The movement of relative share of various components of expenditure (**Chart 1.8**) indicates that the share of general services in total expenditure decreased from 45.19 per cent in 2012-13 to 28.49 per cent in 2016-17, social services decreased from 28.64 per cent to 16.59 per cent and economic services increased from 24.86 per cent to 54.01 per cent during the same period. The development expenditure i.e. ‘expenditure on social and economic services’ together increased from 53.50 per cent in 2012-13 to 70.60 per cent in 2016-17.



The revenue expenditure increased by ₹ 5,223 crore (10.43 per cent) from ₹ 50,073 crore in 2015-16 to ₹ 55,296 crore in 2016-17. The overall increase is the result of significant increase from the previous year under the heads Interest payments (₹ 1,859.99 crore: 19.01 per cent), Power (₹ 1,105.11 crore: 216.69 per cent), Pension and Other Retirement Benefits (₹ 940.61 crore: 12.01 per cent), Other Administrative Services (₹ 483.60 crore: 160.20 per cent), Medical and Public Health (₹ 263.42 crore: 10.94 per cent), Police (₹ 251.92 crore: 5.61 per cent), Compensation and assignments to Local Bodies and Panchayati Raj (₹ 212.26 crore: 30.06 per cent), General Education (₹ 167.18 crore: 2.01 per cent), Relief on account of Natural Calamities (₹ 145.97 crore: 27.91 per cent), Civil Supplies (₹ 145.28 crore: 32.59 per cent), Information and Publicity (₹ 127.43 crore: 225.42 per cent), Social Security and Welfare (₹ 104.02 crore: 7.52 per cent), Elections (₹ 73.28 crore: 161.09 per cent), Art and Culture (₹ 64.51 crore: 375.67 per cent). However, there was decrease in revenue expenditure mainly under Crop Husbandry (₹ 553.42 crore: 10.78 per cent), Other rural development programmes (₹ 203.69 crore: 48.40 per cent), Housing (₹ 132.77 crore: 26.81 per cent), Roads and Bridges (₹ 109.01 crore: 37.53 per cent). The sector-wise distribution of revenue expenditure is shown in **Chart 1.9**.

During the current year, the capital expenditure increased by ₹ 1,287 crore (42.07 per cent) over the previous year. The increase was mainly under capital outlay on Roads and Bridges (₹ 459.49 crore: 52.49 per cent), Medium Irrigation Commercial (₹ 241.92 crore: 146.13 per cent), Command Area Development (₹ 190.70 crore: 93.90 per cent), Water Supply and Sanitation (₹ 154.75 crore: 46.69 per cent), Flood control projects (₹ 153.23 crore: 59.48 per cent) and Housing (₹ 55.87 crore: 148.99 per cent). The capital expenditure during the current year (₹ 4,346 crore) was less by 10 per cent of the projections made in the State Budget (₹ 4,804 crore).

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.13** presents the trends in expenditure on these components during 2012-13 to 2016-17.

Table 1.13: Trends in components of committed expenditure

(₹ in crore)

Sr. No	Components of committed expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
						BE	Actuals
1	Salaries and Wages [#] ,	14120 (44)	14852 (42)	16304 (42)	17437 (42)	19556 (39)	18504 (39)
	<i>Under Non-Plan Head</i>	13727	14496	15615	17032	18904	17959
	<i>Under Plan Head*</i>	393	356	689	405	652	545
2	Interest payments	6831 (21)	7820 (22)	8960 (23)	9782 (24)	10788 (21)	11642 (24)
3	Pensions	5966 (19)	6277 (18)	7249 (19)	7833 (19)	7768 (15)	8773 (18)
4	Subsidies	5132 (16)	4904 (14)	4772 (12)	5080 (12)	9265 (18)	5823 (12)
	Total committed expenditure	32049	33853	37285	40132	47377	44742
	Total revenue expenditure	39458	41641	46614	50073	58164	55296
	Revenue receipts	32051	35104	39023	41523	50181	47985

Source: Finance Accounts

Figures in parenthesis indicate percentage to Revenue Receipts

[#] Salaries (2016-17): ₹ 17,705.59 crore + Wages (2016-17): ₹ 798.42 crore

* Plan Head includes centrally sponsored schemes

Table 1.14 presents the targets of various components of committed expenditure *vis-à-vis* actuals during 2016-17.

Table 1.14: Committed expenditure *vis-à-vis* targets during 2016-17

(₹ in crore)

Item	FFC	2015-16	2016-17	
			BE	Actuals
Salaries	--	17128	19231	17706
Interest payments	10296	9782	10788	11642
Pensions	8332	7833	7768	8773
Subsidies	--	5080	9265	5823
<i>of which Power subsidy</i>	--	4847 (95)	8966 (97)	5601 (96)

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

Figures in parenthesis indicate percentage of power subsidy to total subsidy

1.6.2.1 Salaries

Table 1.14 shows that during 2016-17, the expenditure on salaries increased by ₹ 578 crore (3.37 per cent) over the previous year. Actuals of salaries decreased by 7.93 per cent against the budget estimates. During 2016-17 salaries and wages as a percentage of revenue receipts were 39 per cent, which was very high (**Table 1.13**).

1.6.2.2 Interest payments

Table 1.13 shows that during the period from 2012-13 to 2016-17 interest payments consumed 21 to 24 per cent of revenue receipts. **Table 1.14** shows that the interest payments increased over the previous year by ₹ 1,860 crore. It also exceeded the targets fixed by FFC and under State Budget by ₹ 1,346 crore and ₹ 854 crore respectively.

1.6.2.3 Pension payments

Table 1.14 shows that during 2016-17, the pension payments recorded a growth of ₹ 940 crore (12 *per cent*) over the previous year. Pension payment exceeded the projections of FFC and budget estimates by ₹ 441 crore (5.29 *per cent*) and ₹ 1,005 crore (12.94 *per cent*) respectively.

1.6.2.4 Subsidies

Table 1.14 shows that the subsidies during the current year rose by ₹ 743 crore (14.63 *per cent*) over the previous year.

Impact of power subsidy on fiscal position of the State

Subsidies constituted 13 to 16 *per cent* of the total committed expenditure of the State Government on revenue account. Out of these, the power subsidy accounted for 95 to 99 *per cent* of the total subsidy during 2012-17, as detailed in **Table 1.15**.

Table 1.15: Power subsidy to total subsidy, farmers, PSPCL, revenue deficit and borrowings

(₹ in crore)

Year	Total subsidy	Power subsidy (percentage to total subsidy)	Power subsidy to farmers (percentage to power subsidy)	Power subsidy to PSPCL for electrification (percentage to power subsidy)	Revenue Deficit (percentage of power subsidy to revenue deficit)	Net borrowings [#] available for revenue expenditure (percentage of power subsidy to net borrowings available for revenue expenditure)
2012-13	5132	5059 (99)	0.00 (*)	5059 (*)	7407 (68)	7279 (70)
2013-14	4904	4815 (98)	0.00 (*)	4815 (*)	6537 (74)	7402 (65)
2014-15	4772	4642 (97)	2137 (46)	2505 (54)	7591 (61)	6729 (69)
2015-16	5080	4847 (95)	4337 (89)	510 (11)	8550 (57)	13318 (36)
2016-17	5823	5601 (96)	3986 (71)	1615 (29)	7311 (77)	14440 (39)

Source: Finance Accounts

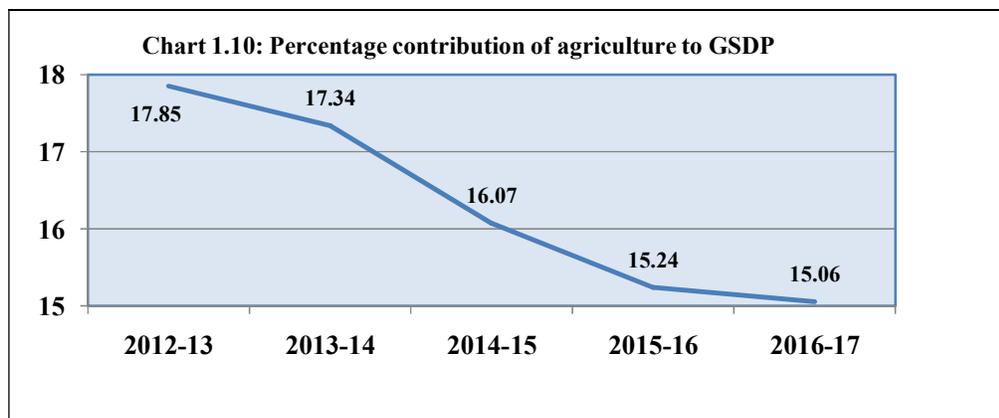
PSPCL = Punjab State Power Corporation Limited

*Prior to 2014-15, power subsidy to farmers was being booked together with power subsidy for electrification to PSPCL under Major Head-2801-Power.

[#] Borrowings available after repayment of earlier borrowings and meeting capital expenditure.

During 2012-17, revenue deficit ranged between ₹ 6,537 crore and ₹ 8,550 crore and power subsidy constituted a significant portion of it, which ranged between 57 and 77 *per cent*. As much as 36 to 70 *per cent* of the net borrowings available with the State during this period (**Table 1.32**) were utilized for meeting power subsidy. Being a committed expenditure of the State, power subsidy affected the resources available for capital expenditure, which remained between four and six *per cent* of the total expenditure and was also short by 10 to 70 *per cent* of the budgeted capital expenditure.

The State Government made power supply free to farmers in March 1997, but booked it together with power subsidy for electrification to PSPCL under Major Head-2801 up to 2013-14. Though the power subsidy to Agriculture Sector (farmers) increased from 46 *per cent* to 71 *per cent* of the total power subsidy during 2014-17, the contribution of agriculture to GSDP exhibited a declining trend, as it decreased from 16.07 to 15.06 *per cent* during the same period as shown in **Chart 1.10**.



With the provision of free power supply to Agriculture Sector in March 1997, the preference for irrigation shifted from canal to electricity operated tube-wells. The electricity operated tube-wells have since continued to dominate the irrigation preference and has risen by 347.86 *per cent* from 2.80 lakh in 1980-81 to 12.54 lakh in 2015-16. As a result, electricity consumption in Agriculture Sector increased by 111.19 *per cent* in 2015-16 (115139 kwh) over 2001-02 (54519 kwh)⁴. As agricultural power supply is still unmetered, the subsidy of ₹ 10,460 crore⁵ paid to PSPCL for providing free power to farmers during 2014-17 was on estimation basis.

1.6.3 Financial assistance to the local bodies/other institutions

The assistance provided by way of grants and loans to the local bodies and other institutions during the current year and the previous years is presented in **Table 1.16**.

Table 1.16 : Financial assistance to Local Bodies and Other Institutions

(₹ in crore)

Institutions	2012-13	2013-14	2014-15	2015-16	2016-17
Educational Institutions <i>including Aided Schools, Aided Colleges, Universities, etc.</i>	921.18	564.95	689.66	864.67	732.08
Urban Local Bodies <i>including Municipal Corporations, Municipalities and Municipal Councils</i>	164.43	165.09	302.77	336.17	475.50
Panchayati Raj Institutions <i>including Zila Parishads, Panchayat Samities and Gram Panchayats</i>	499.49	420.17	790.54	719.36	544.97
Development Agencies	127.67	754.92	1107.74	422.39	220.13
Hospitals and Other Charitable Institutions	105.06	98.15	266.91	107.97	85.43
TOTAL	1817.83	2003.28	3157.62	2450.56	2058.11
Assistance as percentage of RE	4.61	4.81	6.77	4.89	3.72

Source: Finance Accounts

⁴ Data in respect of sector-wise electricity consumption prior to 2001-02 was not available.

⁵ Amount of subsidy paid to PSPCL for the years 2012-13 and 2013-14 could not be ascertained, as prior to 2014-15, power subsidy on account of free power supply to farmers was being booked together with power subsidy for electrification to PSPCL under Major Head-2801.

During the current year, financial assistance to the local bodies and other institutions decreased by ₹ 392.45 crore (16.01 per cent) over the previous year. The decrease was mainly due to decrease in assistance to Development Agencies (₹ 202.26 crore: 47.88 per cent), Zila Parishads and other Panchayati Raj Institutions (₹ 174.39 crore: 24.24 per cent) and Educational Institutions (₹ 132.59 crore: 15.33 per cent). The assistance to municipal corporations and municipalities increased by ₹ 139.33 crore (41.45 per cent) during the current year over the previous year. The overall quantum of financial assistance to the local bodies and other institutions decreased to 3.72 per cent of the revenue expenditure during the current year from 4.89 per cent of the previous year and was the lowest during 2012-17.

1.7 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure involves adequacy and efficiency of the expenditure.

1.7.1 Adequacy of public expenditure

Adequacy of public expenditure indicates whether there are enough provisions for providing public services. The responsibility to incur expenditure on social sector and economic infrastructure are largely assigned to the State Governments. For enhancing the levels of human development, the States are required to step up their expenditure on key social services like education, health etc. The fiscal priority (ratio of expenditure on a particular category to the aggregate expenditure) to a particular sector is considered low if it is below the respective national average. The fiscal priority of the State Government with regard to development expenditure, expenditure on social sector and capital expenditure etc. is shown in **Table 1.17**.

Table 1.17: Fiscal priority of the State in 2012-13 and 2016-17

(In per cent)

Fiscal Priority of the State (Ratio)	AE/ GSDP	DE [#] / AE	SSE/ AE	ESE/ AE	CE/ AE	Education*/ AE	Health/ AE
General Category States Average 2012-13	14.80	70.00	38.20	29.80	13.70	17.70	4.60
Punjab 2012-13	13.96	53.50	28.64	24.51	4.61	16.40	4.58
General Category States Average 2016-17	16.70	70.90	32.20	35.10	19.70	15.20	4.80
Punjab 2016-17	23.61	70.60	16.59	54.01	4.30	8.94	2.86

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

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE: Capital Expenditure

[#] Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed

* Expenditure on Education includes expenditure on Sports, Art & Culture

Table 1.17 shows that:

- Public expenditure, as indicated by the ratio of aggregate expenditure to GSDP, increased from 13.96 per cent to 23.61 per cent during 2012-17 whereas for General Category States (GCS) it increased from 14.80 per cent to 16.70 per cent during 2012-17.

- Development expenditure⁶ refers to the expenditure on economic and social sector. Increased priority to development expenditure results in better human and physical asset formation which will further increase the growth prospects of the State. In the State of Punjab, the ratio of development expenditure to aggregate expenditure increased unusually from 53.50 *per cent* in 2012-13 to 70.60 *per cent* in 2016-17, whereas for GCS there was a nominal growth from 70.00 *per cent* in 2012-13 to 70.90 *per cent* in 2016-17. The increase was due to disbursement of loans of ₹ 29,919.96 crore by the State Government for one time settlement of Legacy Cash Credit Account for food procurement operations and ₹ 10,031.19 crore to PSPCL for clearing their debts in compliance to implementation of UDAY, as discussed in paragraph 1.8.4.
- The ratio of social sector expenditure incurred by Punjab to aggregate expenditure decreased to 16.59 *per cent* in 2016-17 as compared to 28.64 *per cent* in 2012-13. The GCS also exhibited the same trend as ratio of social sector expenditure to aggregate expenditure decreased from 38.20 *per cent* in 2012-13 to 32.20 *per cent* in 2016-17.
- Though the ratio of economic sector expenditure of GCS to aggregate expenditure increased from 29.80 *per cent* in 2012-13 to 35.10 *per cent* in 2016-17, it increased exponentially in Punjab from 24.51 *per cent* in 2012-13 to 54.01 *per cent* in 2016-17. The increase was due to disbursement of loans as discussed in paragraph 1.8.4.
- Capital expenditure increases the asset creation which will generate opportunities for higher growth. In Punjab, the ratio of capital expenditure slightly decreased to 4.30 *per cent* in 2016-17 from 4.61 *per cent* in 2012-13, whereas it increased in GCS from 13.70 *per cent* to 19.70 *per cent* during the same period.
- The ratio of expenditure on education sector to the aggregate expenditure came down drastically from 16.40 *per cent* in 2012-13 to 8.94 *per cent* in 2016-17. The GCS also exhibited a decrease from 17.70 *per cent* to 15.20 *per cent* during the same period.
- The ratio of expenditure on Health to aggregate expenditure slightly increased in GCS from 4.60 *per cent* in 2012-13 to 4.80 *per cent* in 2016-17. It exhibited a reverse trend in Punjab as it decreased from 4.58 *per cent* to 2.86 *per cent* during the same period.

1.7.2 Efficiency of public expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁷. Apart from improving the allocation towards development expenditure, the efficiency of expenditure is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP). The higher the ratio of this component to total

⁶ Please refer the glossary (Appendix 4.1)

⁷ Please refer the glossary (Appendix 4.1)

expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.18** presents the expenditure incurred in various sectors during the year 2016-17, **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years' expenditure.

Table 1.18: Expenditure incurred in various sectors*(₹ in crore)*

Sector	Total expenditure	Amount of capital expenditure	Per cent spent on capital expenditure
General services	28778.04	248.78	0.86
Social services	16759.45	1087.35	6.49
Economic services	54550.58*	3010.17	5.52

Source: Calculated on the basis of Finance Accounts

* Includes ₹ 39,951.15 crore on account of loans to food procuring agencies (₹ 29,919.96 crore) for one time settlement of cash credit accounts and PSPCL (₹ 10,031.19 crore) for implementation of UDAY.

Table 1.18 shows that the capital expenditure incurred in various sectors during the year 2016-17 remained below seven *per cent* of the total expenditure.

Table 1.19: Development expenditure*(₹ in crore)*

Components of development expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actual
Total development expenditure (a to c)	22241 (53.50)	23017 (52.30)	26019 (52.04)	33388 (56.49)	34571 (54.56)	71310 (70.60)
a. Development revenue expenditure	20342 (48.93)	20919 (47.54)	22967 (45.93)	24654 (41.71)	29799 (47.03)	25890 (25.63)
b. Development capital expenditure	1754 (4.22)	1982 (4.50)	2866 (5.73)	2806 (4.75)	4373 (6.90)	4097 (4.06)
c. Development loans and advances	145 (0.35)	116 (0.26)	186 (0.37)	5928 (10.03)	399 (0.63)	41323 (40.91)

Source: Calculated on the basis of Finance Accounts and Annual Financial Statement 2016-17

Figures in parenthesis indicate percentage to aggregate expenditure.

Table 1.19 shows that the total development expenditure increased by ₹ 49,069 crore (220.62 *per cent*) from 2012-13 to 2016-17 and by ₹ 37,922 crore (113.58 *per cent*) during the current year over the previous year.

The development revenue expenditure increased from ₹ 20,342 crore in 2012-13 to ₹ 25,890 crore in 2016-17. It increased by ₹ 1,236 crore (5.01 *per cent*) during the current year over the previous year, whereas it was less by ₹ 3,909 crore (13.12 *per cent*) when compared with the BE of the State for the year 2016-17.

The development capital expenditure increased from ₹ 1,754 crore in 2012-13 to ₹ 4,097 crore in 2016-17. It is only 4.06 *per cent* of aggregate expenditure (₹ 1,01,006 crore) in the current year whereas it was 4.22 *per cent* in 2012-13. It implies that the State Government is giving less priority to capital expenditure for development.

The expenditure on development loans and advances increased manifold from ₹ 145 crore in 2012-13 to ₹ 41,323 crore in 2016-17. The expenditure on development loans and advances increased by ₹ 35,395 crore (597.08 per cent) over the previous year and by ₹ 40,924 crore (10256.64 per cent) than the State's own budget estimates of 2016-17. Reasons for this steep increase have been discussed under paragraph 1.6.1 and in paragraph 1.7.1.

Table 1.20: Expenditure on selected Social and Economic Services vis-à-vis respective total expenditure

(In per cent)

Social/Economic Infrastructure	2015-16		2016-17	
	Ratio of CE to TE	In RE, the share of S&W	Ratio of CE to TE	In RE, the share of S&W
Social Services (SS)				
General Education	1.70	72.24	1.02	72.95
Health & Family Welfare	0.08	67.37	0.78	62.34
Water Supply, Sanitation, Housing and Urban Development	37.71	44.55	50.34	53.87
Total (SS)	5.27	59.38	6.49	57.14
Economic Services (ES)				
Agriculture and Allied Activities	1.21	13.29	0.23	14.65
Irrigation & Flood Control	36.39	76.77	50.04	69.65
Power and Energy	0.00	0.16	0.00	0.05
Transport	58.46	31.15	72.81	38.71
Total (ES)	11.20	23.71	5.52	22.17
Total (SS+ES)	8.41	45.26	5.75	43.34

CE: Capital Expenditure; TE: Total Expenditure; RE: Revenue Expenditure; S&W: Salary and Wages.

Source: Calculated on the basis of Finance Accounts

Table 1.20 shows that in 2016-17, the ratio of capital expenditure (CE) to the total expenditure (TE) increased by 1.22 percentage points on the Social Services (SS) but decreased by 5.68 percentage points on Economic Services (ES) over the previous year.

The share of salaries and wages components in revenue expenditure on SS decreased from 59.38 per cent to 57.14 per cent and in ES from 23.71 per cent to 22.17 per cent during the current year over the previous year.

The combined ratio of CE to TE on SS and ES decreased by 2.66 percentage points during 2016-17 over the previous year and the share of salaries and wages in revenue expenditure on SS and ES decreased from 45.26 to 43.34 per cent.

1.7.3 End use of various cesses imposed by State Government

State Government imposed various cesses for meeting expenditure for specific purposes. End use of major cesses imposed by the State Government was checked to ascertain whether the amount collected on account of these cesses was utilised for meeting expenditure on specific purposes only or other expenditure was also met from the amount of cess. The findings are as under:

(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. under the Punjab Ancient, Historical Monuments, Archaeological sites and Cultural Heritage Maintenance Board Act, 2013. The proceeds of the cess were to be credited by the agencies concerned directly into the Consolidated Fund of the State (CFS). The cess so collected was to be released by the State Government under the Plan Scheme to the Board established under the Act for meeting expenditure on:

- (i) preservation and conservation of the protected/unprotected monuments in the State;
- (ii) construction of the buildings of State/National importance and repayment of loans raised for construction/creation of the buildings of State/National importance;
- (iii) operation and maintenance and upkeep of the buildings under sub section (ii) above; and
- (iv) any other building.

During the period 2013-17, State collected ₹ 269.11 crore⁸ on account of cultural cess. Out of this, the Director, Cultural Affairs, Archaeology and Museums, Punjab, who is a member secretary of the Board, spent ₹ 263.40 crore⁹ for meeting the intended expenses. The balance of ₹ 5.71 crore remained in the Government account.

(ii) Social Infrastructure Cess

State Government, by insertion of a new section (3-D) in the Indian Stamp Act, 1899 (as applicable to Punjab) imposed (February 2013) the social infrastructure cess at the rate of one *per cent* on all those instruments mentioned in entry 23 of Schedule I-A of the Act which are chargeable with duty under section 3 and additional duty under sections 3-B and 3-C. The cess so collected was to be utilised for providing and improving infrastructure in the social sector.

The Department of Revenue and Rehabilitation collected ₹ 174.04 crore during 2016-17 on account of social infrastructure cess. As regards expenditure out of the cess collected, the reply of the Finance Department was awaited (December 2017). Thus, Audit could not ascertain as to whether the cess collection was utilized for the specific purpose or not.

(iii) Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers Welfare Act and the Building and Other Construction Workers Welfare Cess Act provide that in order to provide basic amenities and welfare facilities to workers engaged in

⁸ 2013-14: ₹ 39.14 crore; 2014-15: ₹ 47.32 crore; 2015-16: ₹ 88.57 crore and 2016-17: ₹ 94.08 crore.

⁹ 2013-14: ₹ 5.80 crore; 2014-15: ₹ 69.48 crore; 2015-16: ₹ 78.87 crore and 2016-17: ₹ 109.25 crore.

construction activities, State Government shall collect a cess on the cost of construction incurred by an employer at the rates notified by the Central Government and deposit it with the Board constituted for carrying out the welfare schemes for construction workers. The State Government instructed (November 2008) all the heads of the Departments/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 Buildings 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 building and other construction workers in the State. Details of cess collected by the Board and expenditure incurred there from are given in the **Table 1.21**.

Table 1.21: Detail of cess collected

(₹ in crore)

Year	Actual receipts				Actual expenditure		
	Cess collected	Beneficiaries contribution	Interest earned	Total receipts	Administrative expenditure	Expenditure on schemes	Total expenditure
2009-10	37.68*	0.130	0.69	38.50	1.28	--	1.28
2010-11	92.69	0.004	2.98	95.67	1.06	0.14	1.20
2011-12	112.95	0.023	4.92	117.89	1.47	1.15	2.62
2012-13	122.03	0.870	25.92	148.82	1.34	1.23	2.57
2013-14	120.52	1.600	43.48	165.60	2.60	79.18	81.78
2014-15	155.49	1.900	47.50	204.89	3.43	61.73	65.16
2015-16	145.97	3.130	55.95	205.05	4.00	122.79	126.79
2016-17	200.85	5.230	55.51	261.59	4.89	164.39	169.28
Total	988.18	12.887	236.95	1238.01	20.07	430.61	450.68

Source: Departmental figures

* Cess of 2009-10 includes ₹ 0.93 crore cess collected during 2008-09.

Table 1.21 showed that against the available cess of ₹ 1,238.01 crore, the Board could utilize only ₹ 450.68 crore (36.40 *per cent*) (including administrative expenditure of ₹ 20.07 crore) during 2009-17 on the welfare activities, with the result that an unspent amount of ₹ 787.33 crore (63.60 *per cent*) was lying with the Board as on 31 March 2017.

1.8 Analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low level but also meet its capital expenditure and investments including loans and advances. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital works undertaken by the State Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial results of irrigation works

The financial results of nine¹⁰ major irrigation projects involving a capital expenditure of ₹ 510.24 crore at the end of March 2017 showed that revenue realised from these projects during 2016-17 (₹ 88.24 crore) was only 17.29 per cent of the capital expenditure on these projects. This return was not sufficient to cover even the total working expenses and maintenance charges (₹ 391.55 crore) and interest charges (₹ 25.09 crore) during the year 2016-17. These projects suffered a net loss of ₹ 328.40 crore.

1.8.2 Incomplete projects

The department-wise information pertaining to the incomplete projects (scheduled to be completed between 2008-09 and 2016-17) as on 31 March 2017 is given in the **Table 1.22**.

Table 1.22: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Expenditure	Cost overrun
Public Works Department (B&R)	8	36.52	NA	16.54	NA
Irrigation	2	2485.81	NA	391.58	NA
	1	58.15	74.14	26.57	15.99
Water Supply and Sanitation	1	1.17	NA	0.66	NA
TOTAL	12	2581.65		435.35	

Source: Finance Accounts

NA stands for Not Available

Out of total 12 incomplete projects, eight projects budgeted for ₹ 36.52 crore were in Public Works Department (B&R) and three projects budgeted for ₹ 2,543.96 crore were in Irrigation Department. Of the three incomplete projects in Irrigation Department, cost overrun of ₹ 15.99 crore was noticed in one project. The expenditure of ₹ 435.35 crore incurred on these 12 incomplete projects was yet to yield the intended benefits.

1.8.3 Investment in share capital and return thereon

(i) The details of investment in share capital and return thereon during the year 2012-17 are given in **Table 1.23**.

¹⁰ (i) Upper Bari Doab Canal; (ii) Sirhind canal; (iii) Sutlej valley project (Eastern canal); (iv) Shah Nahar Canal Project; (v) Madhopur Beas Link Project; (vi) Harike Project; (vii) Installation of 96 tubewells in Shahkot block of Jalandhar district; (viii) Installation of 150 tubewells along main branch to augment Irrigation supplies from Upper Bari Doab Canal tracts; and (ix) Installation of 108 tubewells in Mahilpur block of Hoshiarpur district.

Table 1.23: Return on investment in share capital

Investment/return/ cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	3832.65	3862.16	3977.48	4064.56	4091.32
Return (Dividend) (₹ in crore)	0.33	1.46	1.48	1.46	3.88
Return (per cent)	0.01	0.04	0.04	0.04	0.09
Average rate of interest on Government Borrowing (per cent)	7.79	8.04	8.35	8.09	7.48
Difference between interest rate and return (per cent)	7.78	8.00	8.31	8.05	7.39

Source: Finance Accounts

During 2016-17, the return on investment was ₹ 3.88 crore¹¹ (0.09 per cent). The return was only between 0.01 and 0.09 per cent during 2012-17 while the average rate of interest paid by the State Government on its borrowings was between 7.48 and 8.35 per cent during the same period.

(ii) The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2017 is given in **Table 1.24**.

Table 1.24: Equity, loans, guarantees outstanding as per Finance Accounts vis-à-vis records of PSUs

Particulars	₹ in crore)		
	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3608.50	7844.52	4236.02
Loans	41191.88 ¹²	39782.51	1409.37
Guarantees	10178.61	10152.77	25.84

Source: Finance Accounts and records of PSUs

Audit observed that the differences occurred in respect of 29 PSUs and some of the differences were pending reconciliation since 1985-86. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.8.4 Loans and advances by the 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 1.25** presents the position of outstanding loans and advances as on 31 March 2017 and interest receipts vis-à-vis interest payments by the State Government on its borrowings during the last five years.

¹¹ Co-operative Banks and Societies (₹ 0.04 crore), Statutory Corporations, Joint Stock Companies (₹ 0.10 crore) and Government Companies (₹ 3.74 crore).

¹² Includes ₹ 22,974.19 crore in respect of State Procurement Agencies (excluding MARKFED).

Table 1.25: Position of outstanding loans and advances and interest received/paid
(₹ in crore)

Quantum of loans/ interest receipts/ cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Opening Balance of loans outstanding	2406	2429	2482	2615	8299*
Amount advanced during the year	197	165	270	5968	41364
Amount recovered during the year	174	112	137	218	181
Closing Balance of the loans outstanding	2429	2482	2615	8365	49482
Interest received	44	48	55	30	1131
Interest received as <i>per cent</i> to the outstanding Loans and Advances	1.83	1.93	2.10	0.36	2.29
Interest paid as <i>per cent</i> to the outstanding fiscal liabilities of the Government	7.79	8.04	8.35	8.09	7.48
Difference between the rate of, interest paid and interest received (<i>per cent</i>)	(-)5.96	(-) 6.11	(-)6.25	(-)7.73	(-)5.19

Source: Finance Accounts

*Decreased by ₹ 66 crore through proforma adjustment on account of prior period adjustment.

During 2016-17, ₹ 41,364 crore were advanced as loans against ₹ 5,968 crore during previous year. The steep increase of ₹ 35,396 crore (593.03 *per cent*) in the advancement of loans in the current year was mainly due to disbursement of loan of ₹ 29,920 crore for one time settlement of Legacy Cash Credit Accounts for food procurement operations. In addition, ₹ 10,031 crore were disbursed to Punjab State Power Corporation Limited (PSPCL) for clearing their debts in compliance to implementation of Ujwal Discom Assurance Yojna (UDAY) as discussed in paragraph 1.9.2.

In addition to this, State Government also made payment of ₹ 664.14 crore as principle and ₹ 149.75 crore as interest directly to State Bank of India outside the Consolidated Fund of the State on account of settlement of Legacy Cash Credit Accounts for food procurement operations.

The total outstanding loan increased from ₹ 8,365 crore in 2015-16 to ₹ 49,482 crore in the year 2016-17. During the current year the interest receipts increased by ₹ 1,101 crore (3670 *per cent*) over the previous year. The increase was mainly due to interest receipts of ₹ 1,072.79 crore against loans given to PSPCL during 2015-16 for implementation of UDAY. Despite this sizeable increase in receipt of interest, the interest received was only 2.29 *per cent* of the outstanding loans and advances during 2016-17 whereas interest payment was 7.48 *per cent* of its outstanding fiscal liabilities.

1.8.5 Cash balances and investment of cash balances

Table 1.26 depicts the cash balances and investments made by the State Government out of the cash balances during the year 2016-17. Total investment out of cash balances during 2016-17 was ₹ 0.04 crore. The State Government did not earn any interest during the current year. The cash balances at the close of the current year increased from ₹ (-)14.63 crore of the previous year to ₹ 395.28 crore mainly due to increase of ₹ 5,238.39 crore in investment held in the cash balance investment account, (₹ 58.18 crore under Government of India securities held up for want of reconciliation and ₹ 5,180.21 crore under Government of India treasury bills) over previous year.

Table 1.26: Cash balances and investment of cash balances

(₹ in crore)

	Overall Cash Position of the Government	As on 31 st March 2016	As on 31 st March 2017	Increase(+)/ Decrease(-)
(A)	General Cash Balances-			
1	Deposits with Reserve Bank of India	(-)6265.20	(-)367.84	(+)5897.36
2	Investment held in the Cash balance Investment Account	5238.43	0.04	(-)5238.39
(i)	GoI Securities	58.18	0.00	(-)58.18
(ii)	GoI Treasury Bills	5180.21	0.00	(-)5180.21
(iii)	Punjab State Power Corporation Bonds	0.04	0.04	0.00
	Total (A)	(-)1026.77	(-)367.80	(+)658.97
(B)	Other Cash Balances and Investments-			
1	Cash with departmental officers viz Forest and Public Works	611.23	762.12	(+)150.89
2	Permanent advances for contingent expenditure with departmental officers	0.23	0.26	(+)0.03
3	Investments of earmarked fund	400.68	0.70	(-)399.98
	Total (B)	1012.14	763.08	(-)249.06
	Total (A) and (B)	(-)14.63	395.28	(+)409.91
	Interest realised on investment	12.31	0.00	(-)12.31

Source: Finance Accounts

Under an agreement with the RBI, the Government of Punjab has to maintain a minimum balance of ₹ 1.56 crore on all days with the bank. If the balance falls below the agreed minimum balance on any day, the deficiency is made good by taking ways and means advances/overdraft from the RBI.

As per statement 6 of the Finance Accounts, State Government obtained ways and means advance of ₹ 15,205.47 crore on 90 occasions during 2016-17 but repaid a sum of ₹ 14,937.34 crore, leaving an amount of ₹ 268.13 crore unpaid at the close of the financial year. An amount of ₹ 42.66 crore was paid as interest on these advances.

During 2016-17, the State Government availed shortfall of ₹ 26.52 crore on 16 occasions and overdraft of ₹ 13,428.95 crore on 97 occasions, which were fully repaid during the year itself. Rupees 16.33 crore was paid as interest on these shortfalls/overdrafts.

1.8.6 Parking of fund outside Government Accounts

In terms of Rule 2.10 of Punjab Financial Rules Vol.-I, no money is 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.

An amount of ₹ 762.12 crore as on 31 March 2017 pertaining to Major Head 8671-Departmental Balances was lying idle with Departmental Officers. There were cash balances of ₹ 474.65 crore, ₹ 596.67 crore, ₹ 575.34 crore and ₹ 611.23 crore at the close of financial years 2012-13, 2013-14, 2014-15 and 2015-16, respectively. These balances, which should have been remitted by the Departmental Officers into treasury by 31 March of the respective years, are exhibiting an increasing trend. Had these funds been deposited in the Government account, borrowings to this extent could have been avoided.

1.9 Assets and liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts capture the fiscal liabilities and the assets created out of the expenditure incurred. *Appendix 1.3–Part B* gives an abstract of such liabilities and the assets as on 31 March 2017, compared with the corresponding position as on 31 March 2016. The liabilities consist mainly of internal borrowings, loans and advances from GoI; receipts from the Public Account and Reserve Funds. The assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

In real terms, during 2016-17, the assets grew by ₹ 46,001.61 crore (97.08 per cent) whereas the liabilities increased by ₹ 52,685.11 crore (40.57 per cent) over the previous year. The ratio of Financial Assets to Liabilities rose to 51.16 per cent in 2016-17 from 36.49 per cent in the previous year.

1.9.2 Ujwal DISCOM Assurance Yojana

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOMs), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal Discom Assurance Yojna (UDAY) to improve the operational and financial efficiency of the State DISCOMs. As per the scheme, the States were to take over 75 per cent of debt of DISCOMs outstanding as on 30 September 2015, over a period of two years, by transfer of grant to DISCOMs i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17. In case the State was unable to absorb the interest burden of the entire grant immediately, the transfer of grant could be spread over three years at the rate of 25 per cent in the years 2015-16, 2016-17 and 2017-18, with the remaining transfer through State loan to DISCOMs.

Accordingly, a tripartite Memorandum of Understanding (MoU) was entered into amongst GoI, Government of Punjab (GoP) and Punjab State Power Corporation Limited (PSPCL) i.e. Punjab DISCOM on 4 March 2016. As per MoU, GoP, in line with the provisions of the scheme, committed to take over 50 per cent (₹ 10,418.84 crore) of the Punjab DISCOM debt¹³ in 2015-16 and 25 per cent (₹ 5,209.42 crore) in 2016-17.

During 2015-16, against the commitment of ₹ 10,418.84 crore, GoP could arrange ₹ 9,859.72 crore by issuing UDAY bonds, thereby compensating the PSPCL short by ₹ 559.12 crore than committed. This included a transaction of ₹ 4,262.65 crore which was not accounted for in the Finance Accounts of 2015-16 and mention had been made in the Report of the Comptroller and Auditor General of India on State Finances for the year 2015-16. During 2016-17, against the commitment of ₹ 5,209.42 crore, GoP transferred ₹ 5,768.54 crore, which included balance of ₹ 559.12 crore of 2015-16 and

¹³ Total outstanding debt was ₹ 20,837.68 crore as on 30 September 2015.

booked ₹ 10,031.19 crore to accounts including the amount of ₹ 4,262.65 crore of previous year which was not accounted for in the previous years' accounts.

1.9.3 Fiscal liabilities

Fiscal liabilities comprise Public Debt and Other Liabilities. The Public Debt consists of market loans, loans from banks/financial institutions, and loans and advances from the GoI. The other liabilities include deposits under small savings scheme, provident funds and other deposits. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. The trends in outstanding fiscal liabilities, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts of the State and State's own resources as also the buoyancy of fiscal liabilities with respect to these parameters during the period 2012-17 are presented in **Table 1.27**.

Table 1.27: Fiscal liabilities–Basic Parameters

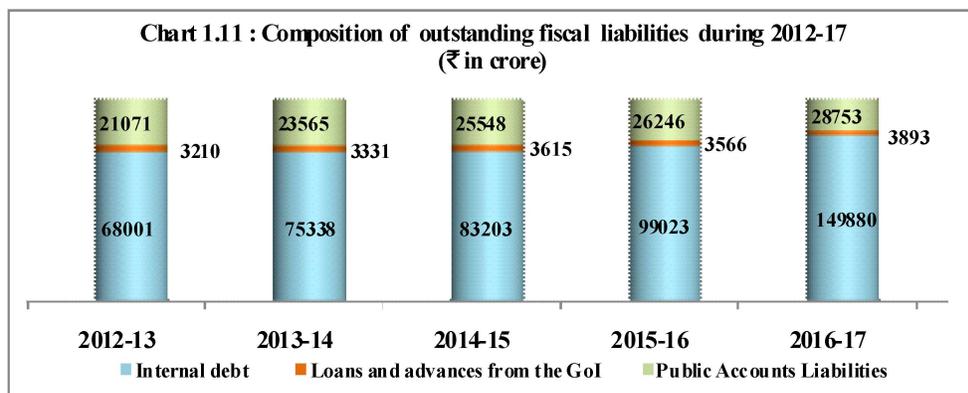
	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal liabilities (₹ in crore)	92282	102234	112366	128835	182526
<i>Rate of Growth (per cent)</i>	11.05	10.78	9.91	14.66	41.67
Public debt	71211	78669	86818	102589	153773
<i>Internal debt</i>	68001	75338	83203	99023	149880
<i>Loans and advances from the GoI</i>	3210	3331	3615	3566	3893
Public Accounts liabilities	21071	23565	25548	26246	28753
Ratio of fiscal liabilities to					
<i>GSDP (per cent)</i>	30.99	30.78	31.66	32.90	42.66
<i>Revenue receipts (per cent)</i>	287.92	291.23	287.95	310.27	380.38
<i>Own resources (per cent)</i>	365.95	374.88	394.96	439.10	543.07
Buoyancy of Fiscal liabilities to					
<i>GSDP (ratio)</i>	0.95	0.93	1.45	1.42	4.49
<i>Revenue receipts (ratio)</i>	0.50	1.13	0.89	2.29	2.68
<i>Own resources (ratio)</i>	0.45	1.32	2.29	4.68	2.86

Source: Finance Accounts.

There was an increase of ₹ 53,691 crore (41.67 per cent) in fiscal liabilities during the current year over the previous year, which is attributed mainly to increase of ₹ 51,184 crore (95.33 per cent) under Public debt and ₹ 2,507 crore (4.67 per cent) under public account liabilities.

- Public debt increased on account of raising of long term loans of ₹ 29,919.96 crore by the State Government for one time settlement of Legacy Cash Credit Account for food procurement operations, Market loans (₹ 12,143.51 crore) and ₹ 10,031.19 crore to PSPCL for clearing their debts in compliance to implementation of UDAY.
- Other liabilities increased due to increase of ₹ 1,232.67 crore in Small Savings, Provident Funds, etc., ₹ 1,166.53 crore in Reserve Fund bearing interest and ₹ 141.37 crore in Deposits not bearing interest. Deposit bearing interest declined by ₹ 25.48 crore.

The composition of outstanding fiscal liabilities during the year 2012-13 to 2016-17 is as presented in **Chart 1.11**.



The overall fiscal liabilities of the State Government had been on the rise and it increased from ₹ 92,282 crore as on 31 March 2013 to ₹ 1,82,526 crore as on 31 March 2017. At the end of the current year, the public debt liabilities (₹ 1,53,773 crore) comprised of internal debt of ₹ 1,49,880 crore and loans of ₹ 3,893 crore from GoI. The Public Account liabilities during the current year (₹ 28,753 crore) comprised of small savings, provident fund (₹ 20,604 crore) and interest bearing and non-interest bearing obligations¹⁴ (₹ 8,149 crore). The total fiscal liabilities went up at an annual average growth rate of 17.61 per cent during the period 2012-13 to 2016-17.

1.9.4 Management of Reserve Funds

Reserve Funds exist for specific and well defined purpose and are fed by contributions or grants from the Consolidated Fund or from outside agencies. It comprises of interest bearing reserve funds and non-interest bearing reserve funds. **Table 1.28** presents the position of reserve funds as on 31 March 2017.

Table 1.28: Position of Reserve Funds

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Reserve Funds bearing interest					
1. Closing balance	3240	3579	4228	4103	4869
Investments made from balance	Nil	Nil	Nil	400	Nil
2. Funds utilised for intended purposes	13	238	19	716	179
3. Interest paid on interest-bearing reserve funds	276	311	374	390	337
Reserve Funds not bearing interest					
Closing balance	9	9	9	9	1
Investments made from balance	0.68	0.68	0.68	0.68	0.68
Cumulative aggregate balance	3249	3588	4237	4112	4870
Inoperative Reserve Funds					
No. of inoperative funds	4	4	4	4	Nil
Amount	9	9	9	9	Nil

Source: Finance Accounts of respective years

¹⁴ Reserve funds bearing interest (₹ 4,869 crore), Reserve funds not bearing interest (₹ 1.00 crore), Deposits bearing interest (₹ 749 crore) and Deposits not bearing interest (₹ 2,530 crore).

Table 1.28 shows that the cumulative aggregate balance in Reserve Funds as on 31 March 2017 was ₹ 4,870 crore and only ₹ 0.68 crore (0.01 per cent) were invested. An amount of ₹ 8.22 crore pertaining to four Reserve Funds¹⁵ not bearing interest which were inoperative since 1982-83 till 2015-16 has been transferred to revenue receipts by the State Government during the current year.

1.9.5 Investment of State Disaster Response Fund

The GoI, Ministry of Home Affairs constituted (September 2010) the State Disaster Response Fund (SDRF) at State level for providing immediate relief to the victims of natural calamities and issued guidelines for administration of this fund. As per paragraph 19 of the guidelines, the accretions to the SDRF together with the income earned on the investment of the SDRF is required to be invested in one or more of the instruments viz. (a) Central Government dated securities; (b) auctioned treasury bills; and (c) interest earning deposits and certificates of deposits with scheduled commercial banks.

As per Finance Accounts, an amount of ₹ 400 crore invested during 2015-16 was disinvested during the current year. The entire balance of ₹ 4,740.42 crore was lying un-invested in SDRF as on 31 March 2017.

1.9.6 Status of guarantees

The State Government gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, cooperative banks and societies etc. Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State. As per Statement 9 of the Finance Accounts, details of the guarantees given by the State Government during last five years is given in **Table 1.29**.

Table 1.29: Guarantees given by the Government of Punjab

Guarantees	₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding amount of guarantees at the end of the year	58102	61411 [#]	66782 [#]	56819 [#]	20608

Source: Finance Accounts

[#] Outstanding guarantees at the beginning of the year differs from the outstanding guarantees at the end of previous year. The information is provided by the State Government.

The significant decrease in outstanding guarantees in 2016-17 over the previous year was mainly due to one-time settlement of ₹ 29,919.96 crore on account of cash credit accounts for State food procuring agencies. The outstanding guarantees for ₹ 20,608 crore as on 31 March 2017 was in respect of banks and financial institutions (₹ 895 crore); cash credit facilities (₹ 518 crore); and working capital to companies, corporations, co-operative societies and banks (₹ 19,195 crore).

¹⁵ (i) Development Funds for Agricultural purposes (₹ 0.04 crore); (ii) Industrial Development Funds (₹ 6.15 crore); (iii) Other Development and Welfare Funds (₹ 1.63 crore); and (iv) Food grains-Reserve Funds (₹ 0.40 crore).

In terms of recommendation of the Twelfth Finance Commission, the State Government introduced the 'Guarantee Redemption Fund Scheme' (GRF) in December 2007 (revised on 8 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 level bodies. As per the guidelines, the State Government is required to contribute with an initial contribution of minimum one *per cent* of outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* of outstanding guarantees in next five years.

Accordingly, the State Government was required to make a minimum contribution of ₹ 600.61 crore for the year 2013-14 (one *per cent* of outstanding guarantees of ₹ 60,061.25 crore at the end of 2012-13), ₹ 307.06 crore for the year 2014-15 (0.50 *per cent* of outstanding guarantee of ₹ 61,411 crore at the end of 2013-14), ₹ 333.91 crore for the year 2015-16 (0.50 *per cent* of outstanding guarantee of ₹ 66,782.36 crore at the end of 2014-15) and ₹ 284.09 crore for the year 2016-17 (0.50 *per cent* of outstanding guarantee of ₹ 56,818.84 crore at the end of the previous year i.e. 2015-16) which was not done. As such, the State Government did not contribute even the minimum amount of ₹ 1,525.67 crore during the period 2013-14 to 2016-17 to the GRF as required under the guidelines *ibid*. Non-contribution to GRF has also resulted in understatement of revenue expenditure by ₹ 284.09 crore during 2016-17 with consequent impact on revenue deficit and fiscal deficit of the State Government.

1.9.7 Off-budget borrowings

State Government issued a notification (March 2008) for operating Punjab State Development & Welfare Fund (Fund). As per notification, five *per cent* of amount realized from the bidders by way of auction or sale of all immovable properties was to be deposited in this fund under Major Head-8342-Other Deposits in the public account of the State.

The State Government got net deposits of ₹ 1,425 crore from three agencies¹⁶ between June 2016 and October 2016 under the Major Head 8342-Other Deposits, 120-Miscellaneous Deposits, 09-Punjab State Development & Welfare Fund. These deposits were got transferred (February 2017) by the State Government to Major Head 0075-Miscellaneous General Services, 800-Other Receipts, 85-Miscellaneous Receipts and treated as revenue receipts for all purposes. This resulted in off budget borrowing, overstatement of revenue receipts and understatement of revenue deficit to the same extent.

1.10 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, pursue its cost and risk objectives, keep the public debt at sustainable

¹⁶ Department of Food and Civil Supply (₹ 250 crore), Housing and Urban Development Authority (₹ 250 crore) and Punjab Infrastructure Development Board (₹ 925 crore).

levels and to meet any other public debt management goals the government may set through enactment or any other annual budget announcements.

1.10.1 Debt profile of the State

(i) Growth of debt

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Saving Fund and loans from financial institutions, etc.), Loans and advances from the Central Government and Other liabilities (Small savings, Provident Fund, Reserve Fund, Deposits).

Table 1.30: Debt Growth Rate

Particulars	₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
1. Internal Debt (Percentage of internal debts to total public debt)	68001	75338	83203	99023	149880
	(95)	(96)	(96)	(97)	(97)
(i) Market Loans (Percentage of market loans to total public debt)	43063	50318	58003	67202	79346
	(60)	(64)	(67)	(66)	(52)
(ii) Ways & Means Advances from RBI	158	593	0	0	268
(iii) Loans from Financial Institutions	3061	3047	2895	7937*	48187
(iv) Special Securities issued to NSSF	21719	21380	22305	23884	22079
2. Loans from Government of India	3210	3331	3615	3566	3893
Total Public debt	71211	78669	86818	102589	153773
Other liabilities	21071	23565	25548	26246	28753
Total debt	92282	102234	112366	128835	182526

Source: Finance Accounts

* Decreased by ₹ 606 crore owing to proforma adjustment on account of loans already repaid by PUNGRAIN to the State Bank of India in 2003-04 and 2004-05.

During the period from 2012-13 to 2016-17, total Public debt increased from ₹ 71,211 crore to ₹ 1,53,773 crore (115.94 per cent). During the current year, public debt increased by ₹ 51,184 crore (49.89 per cent) over the previous year. This increase was due to increase in internal debt by ₹ 50,857 crore (51.36 per cent) and ₹ 327.10 crore (9.17 per cent) in Loans from Central Government. The increase in Internal debt, was due to raising of long term loans of ₹ 29,919.96 crore by the State Government for one time settlement of Legacy Cash Credit Account for food procurement operations, Market loans (₹ 12,143.51 crore) and ₹ 10,031.19 crore to PSPCL for clearing their debts in compliance to implementation of UDAY, as discussed in paragraph 1.9.3. The share of market borrowings in total Public debt was between 60 to 67 per cent during 2012-16 which came down to 52 per cent during the current year, but at the same time share of loans from financial institutions in total public debt increased from eight per cent in 2015-16 to 31 per cent in 2016-17.

(ii) Maturity profile of debt**Table 1.31: Maturity profile of repayment of State debt as on 31 March 2017**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	7317.19*	4.77
1 – 3	20702.70	13.49
3 – 5	29882.95	19.47
5 – 7	29977.28	19.53
7 and above	63137.27	41.13
Others ¹⁷	2487.63	1.62
TOTAL	153505.02*	100.00

Source: Calculated on the basis of Finance Accounts

*Excludes ₹ 268.13 crore on account of ways and means advances remained unpaid during the current year.

Table 1.31 indicates that the State Government has to repay 18.26 per cent (₹ 28,020 crore) of its debt within the next three years, 19.47 per cent (₹ 29,883 crore) between 3-5 years and 19.53 per cent (₹ 29,977 crore) between 5-7 years. It signifies that the State has to repay 57.26 per cent of its debt (₹ 87,880 crore) in the next seven years. Thus, the State is heading towards a serious debt repayment position, especially when its major irrigation projects had accumulated losses of ₹ 1,633.40 crore¹⁸ during 2012-17 and the application of debt raised by the State Government towards creation of new assets remained between four to six per cent of total expenditure during 2012-17.

The State needs to formulate a well thought out debt management strategy and step up resource mobilization to ensure debt stability. Unless such efforts are made in this regard, the State would face serious debt servicing challenges, which could lead to a situation of a debt trap.

Table 1.32: Details of utilization of borrowed funds towards repayment, net capital expenditure and revenue expenditure

(₹ in crore)				
Year	Total Borrowings	Repayment of earlier borrowings (Principal) (percentage)	Net capital expenditure (Percentage)	Portion of Revenue expenditure met out of net available borrowings (Percentage)
1	2	3	4	5=2-3-4
2012-13	24311	15116 (62)	1916 (8)	7279 (30)
2013-14	26285	16683 (63)	2200 (8)	7402 (28)
2014-15	32922	23075 (70)	3118 (10)	6729 (20)
2015-16	38428	22051 (57)	3059 (8)	13318 (35)
2016-17	51229*	32443 (63)	4346 (9)	14440 (28)

Source: Finance Accounts

* Excludes 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 DISCOMs debt under UDAY (₹ 10,031.19 crore).

¹⁷ Payment schedule of this amount is not being maintained by the Accountant General (A&E).

¹⁸ 2012-13: ₹ 302.75 crore; 2013-14: ₹ 369.08 crore; 2014-15: ₹ 338.41 crore; 2015-16: ₹ 294.76 crore and 2016-17: ₹ 328.40 crore.

Table 1.32 shows that during 2012-13 to 2016-17, State Government utilized 57 to 70 per cent of its current borrowings for repayment of earlier borrowings, 20 to 35 per cent for revenue expenditure and only 8 to 10 per cent of borrowings were utilised for capital expenditure.

1.10.2 Debt sustainability in Punjab

Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GSDP. A falling debt/GSDP ratio can be considered as leading towards stability. The ratio of interest payments to revenue receipts is also used as measure of debt sustainability. In this section, assessment of the sustainability of public debt is made using trends observed in critical variables.

Table 1.33: Debt Sustainability

	(₹ in crore)				
Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding Public Debt ¹	71211.65	78669.20	86818.03	102589.32	153773.15
Rate of Growth of Outstanding Public Debt	10.99	10.47	10.36	18.17	49.89
GSDP	297734	332147	354908	391543	427870
Rate of Growth of GSDP	11.67	11.56	6.85	10.32	9.28
Average interest Rate of Outstanding Public Debt	8.06	8.25	8.39	8.22	7.58
Percentage of Interest to Revenue Receipt	21.31	22.28	22.96	23.56	24.26
Percentage of Debt Repayment to Debt Receipt	68.19	69.11	73.90	58.96	38.80
Net Debt available to the State ²	1593	1275	1208	7991	41462

Source Finance Accounts

1. Outstanding public debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government
2. 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.

- Public Debt of the State increased by 116 per cent during the period 2012-17 from ₹ 71,212 crore in 2012-13 to ₹ 1,53,773 crore in 2016-17. The rate of growth ranged between 10.36 per cent and 18.17 per cent during 2012-16 which jumped to 49.89 per cent during 2016-17 as discussed in paragraph 1.9.3.
- The ratio of interest payments to revenue receipts increased from 21.31 per cent in 2012-13 to 24.26 per cent in 2016-17.
- The percentage of debt repayments to debt receipts decreased substantially from 68.19 per cent in 2012-13 to 38.80 per cent in 2016-17.
- Availability of net debt to State increased from ₹ 1,593 crore in 2012-13 to ₹ 41,462 crore in 2016-17.

1.10.3 Buoyancy of assets to liabilities

The ratio of aggregate assets to aggregate fiscal liabilities could also be considered as a surrogate measure of quality of application of borrowed funds. Table 1.34 shows the buoyancy of assets with respect to liabilities.

Table 1.34: Buoyancy of assets to liabilities

(₹ in crore and growth in per cent)

Period	Aggregate liabilities	Aggregate assets	Ratio of assets to liabilities	Annual growth of liabilities	Annual growth of assets	Buoyancy of assets to liabilities
2012-13	92543	32730	35.37	11.07	5.87	0.53
2013-14	102275	35924	35.13	10.52	9.76	0.93
2014-15	112391	38450	34.21	9.89	7.03	0.71
2015-16	129866	47386	36.49	15.55	23.24	1.49
2016-17	182551	93388	51.16	40.57	97.08	2.39

Source: Finance Accounts

The ratio of assets to liabilities during 2012-16 remained between 34.21 to 36.49 per cent which increased to 51.16 per cent during 2016-17. The average annual growth of liabilities was 17.52 per cent during 2012-17 whereas during the current year it was 40.57 per cent. Similarly, average annual growth of assets was 28.60 per cent during 2012-17 and it was 97.08 per cent during 2016-17. The buoyancy of assets to liabilities increased to 2.39 in 2016-17 from 0.53 in 2012-13.

The significant increase in ratio of asset to liabilities during 2016-17 was attributed to increase of ₹ 39,951 crore in borrowings from financial institutions and advancement of these borrowings as loan to food procuring agencies and PSPCL as discussed in paragraph 1.9.3.

1.10.4 Raising of loans in excess of net borrowing limit fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of GoI if any part of a loan, which has been made to the State by GoI, is still outstanding.

The GoI, Ministry of Finance, Department of Expenditure fixed (March 2016) the net borrowing ceiling of the State Government for the financial year 2016-17 as ₹ 12,819 crore and instructed the State Government to ensure that its incremental borrowings from all sources remained within this ceiling.

As per Statement 6 of the Finance Accounts *viz.* statement of borrowings and other liabilities, incremental borrowings of the State Government were ₹ 53,691 crore during the financial year 2016-17 which exceeded the net borrowing ceiling by ₹ 40,872 crore (318.84 per cent).

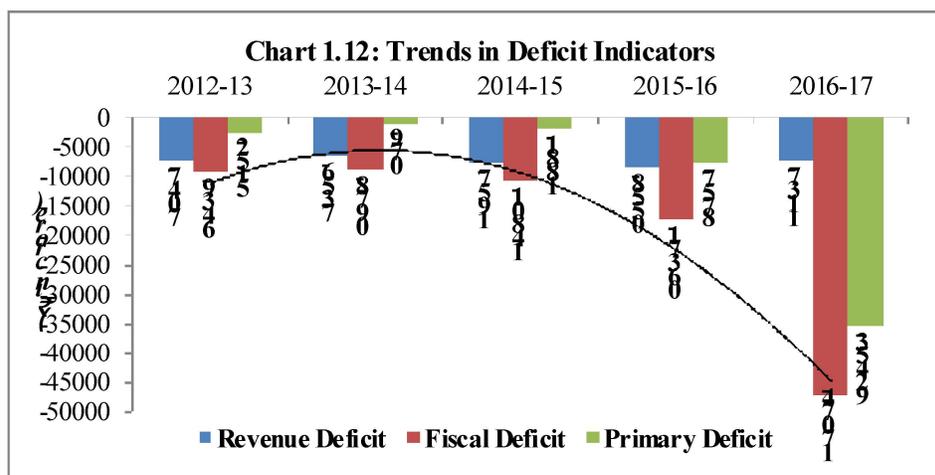
1.11 Fiscal imbalances

Three key fiscal parameters—revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between the its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further,

the ways in which the deficit is financed and the resources raised applied are important pointers to its fiscal health.

1.11.1 Trends in deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2012-17.



The revenue deficit, which indicates the excess of revenue expenditure over the revenue receipts, increased to ₹ 8,550 crore (2.18 per cent of GSDP) in 2015-16 from ₹ 7,407 crore (2.49 per cent of GSDP) in 2012-13. This came down to ₹ 7,311 crore (1.71 per cent of GSDP) during the current year.

Punjab Urban Development Agency (PUDA), raised loans of ₹ 2,000 crore¹⁹, which were passed on to the State Government. The 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” of the State Government. Mention of repayment of ₹ 1,138.82 crore²⁰ during 2013-16 had been made in the Reports of the Comptroller and Auditor General of India on State Finances for the years 2013-14, 2014-15 and 2015-16.

During the year 2016-17, the State Government repaid ₹ 362.49 crore by booking it as revenue expenditure under the Major Head 2216-Housing, 02-Urban Housing, 190-Assistance to Public Sector and Other Undertaking, 01-Assistance to PUDA, 50-Other charges thereby overstating the revenue expenditure and revenue deficit as well.

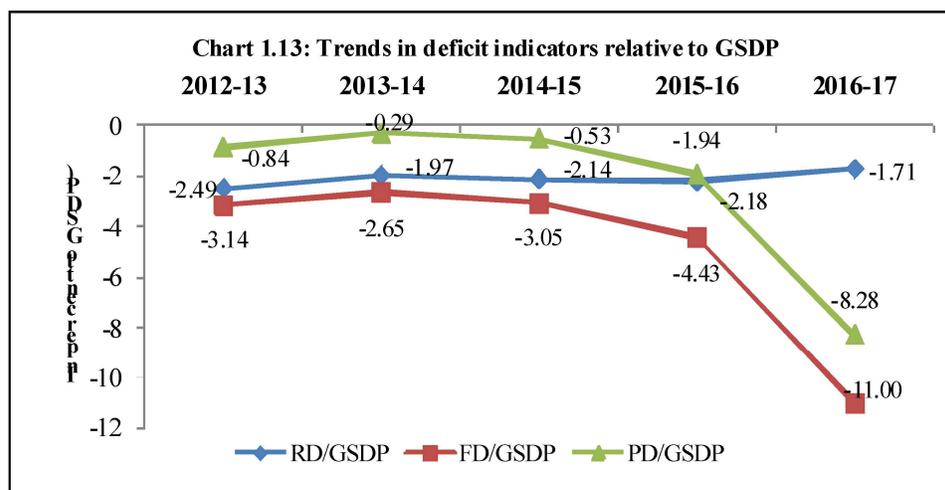
The fiscal deficit, which represents the total borrowings of the State i.e. its total resource gap, increased significantly by ₹ 29,711 crore (171 per cent) during the current year over the previous year. Fiscal deficit increased to

¹⁹ ₹ 1,000 crore in 2012-13 and ₹ 1,000 crore in 2013-14.

²⁰ ₹ 176.88 crore in 2013-14, ₹ 466.68 crore in 2014-15 and ₹ 495.26 crore in 2015-16.

₹ 47,071 crore²¹ (11.00 per cent of GSDP) during the current year against ₹ 17,360 crore (4.43 per cent of GSDP) of the previous year.

The primary deficit, which indicates the excess of primary expenditure (*total expenditure net of interest payments*) over non-debt receipts, rose to ₹ 35,429 crore²¹ (8.28 per cent of GSDP) in the current year against ₹ 2,515 crore (0.84 per cent of GSDP) of 2012-13.



1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit is reflected in the Table 1.35.

Table 1.35: Components of Fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Composition of Fiscal Deficit		(-9346)	(-8790)	(-10841)	(-17360)	(-47071) [#]
1	Revenue Deficit	(-7407)	(-6537)	(-7591)	(-8550)	(-7311)
2	Net Capital Expenditure	(-1916)	(-2200)	(-3117)	(-3059)	(-4346)
3	Net Loans and Advances	(-23)	(-53)	(-133)	(-5751)	(-35414)
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	8559	7255	7685	9199	12144
2	Loans from GOI	(-49)	121	283	(-49)	327
3	Special Securities issued to NSSF	(-503)	(-339)	925	1579	(-1804)
4	Loans from Financial Institutions	(-956)	421	(-745)	5648	34749
5	Small Savings, PF etc	1565	1964	1735	1110	1233
6	Deposits and Advances	(-66)	192	(-402)	114	115
7	Suspense and Miscellaneous	17	(-241)	(-288)	5	17
8	Remittances	(-6)	(-110)	3	3	0
9	Reserve Fund	632	339	650	(-126)	758
10	Increase/Decrease in cash balance	152	(-812)	995	(-123)	(-410)
11	Overall Deficit	9346	8790	10841	17360	47071[#]

Source: Finance Accounts

[#] Includes ₹ 58 crore on account of proforma adjustment of prior period and excludes additional 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 March 2016.

²¹ Excludes additional 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 March 2016.

During 2016-17, the fiscal deficit of the State was met mainly from loans from financial institutions (₹ 34,749 crore), market borrowings (₹ 12,144 crore) and small savings, provident fund, etc. (₹ 1,233 crore).

1.11.3 Quality of deficit/surplus

The contribution of revenue deficit and net capital expenditure (including loans and advances) to fiscal deficit indicates the quality of deficit in the States finances. The share of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously being eroded and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (Table 1.37) would indicate the extent to which the deficit is on account of deficit in capital account which may be desirable to improve the productive capacity of the State's economy.

Table 1.36: Details of fiscal deficit during 2012-17

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Composition of Fiscal Deficit		9346	8790	10841	17360	47071[#]
1	Revenue Deficit (-)/Surplus(+)	(-)7407 (79.25)	(-)6537 (74.37)	(-)7591 (70.02)	(-)8550 (49.25)	(-)7311 (15.53)
2	Net Capital Expenditure	(-)1916 (20.50)	(-)2200 (25.03)	(-)3117 (28.75)	(-)3059 (17.62)	(-)4346 (9.23)
3	Net Loans and Advances	(-)23 (0.25)	(-)53 (0.60)	(-)133 (1.23)	(-)5751 (33.13)	(-)35414 (75.24)

Excludes additional 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 March 2016. Figures in parenthesis indicated contribution to fiscal deficit.

Contribution of net Loans and Advances to Fiscal Deficit increased from 0.25 per cent in 2012-13 to 75.24 per cent in 2016-17. This was due to increase in disbursement of loans and advances during the current year, as discussed in paragraph 1.8.4. Contribution of net capital expenditure declined from 20.50 per cent in 2012-13 to 9.23 per cent in 2016-17.

Table 1.37: Details of primary deficit during 2012-17

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances disbursed	Primary expenditure	Primary deficit (-)	Primary deficit as per cent of GSDP
1	2	3	4	5	6 (3+4+5)	7 (2-6)	8
2012-13	32225	32627	1916	197	34740	(-)2515	(-)0.84
2013-14	35217	33821	2201	165	36187	(-)970	(-)0.29
2014-15	39161	37654	3118	270	41042	(-)1881	(-)0.53
2015-16	41741	40291	3059	5969	49320	(-)7579	(-)1.94
2016-17	48166	43654	4346	41364	89364	(-)35429*	(-)8.28

Source: Finance Accounts

* Excluding additional 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 March 2016.

Non-debt receipts increased by 33.10 per cent during 2012-17 and were sufficient to meet the primary revenue expenditure during 2013-17.

The primary revenue surplus showed an increasing trend 2012-17 except in 2015-16, where it decreased by ₹ 57 crore over the previous year (2014-15).

The primary deficit increased manifold during 2012-17, as it increased from ₹ 2,515 crore in 2012-13 to ₹ 35,429 crore in 2016-17, which was due to substantial increase in disbursement of loans and advances.

1.12 Conclusions

The revenue receipts increased from ₹ 32,051 crore in 2012-13 to ₹ 47,985 crore in 2016-17 at an annual average growth rate of 12.96 *per cent*, whereas the revenue expenditure grew at an annual average growth rate of 10.95 *per cent*. The revenue expenditure continued to constitute a dominant proportion (55 to 95 *per cent*) of the total expenditure during 2012-17.

Although capital expenditure increased by ₹ 1,287 crore over the previous year, it was less than the projections made in the State Budget by ₹ 458 crore, which indicates that asset creation was not given as much priority as intended in the budget estimates.

Twelve projects, scheduled for completion between 2008-09 and 2016-17 were incomplete. The expenditure of ₹ 435.35 crore incurred on these incomplete projects is yet to yield the intended benefits. Nine major irrigation projects suffered a loss of ₹ 328.40 crore during 2016-17.

The return on investment from Co-operative Banks and Societies and Statutory Corporations, Joint Stock Companies and Government Companies was only between 0.01 and 0.09 *per cent* during 2012-17 while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.48 and 8.35 *per cent* during the same period.

During 2016-17, there was an increase of ₹ 35,395 crore (593.03 *per cent*) in the disbursement of loans and advances which is due to loan of ₹ 29,920 crore to food procuring agencies and ₹ 10,031 crore to PSPCL for implementation of UDAY.

The ratio of Financial Assets to Liabilities rose to 51.16 *per cent* in 2016-17 from 36.49 *per cent* in the previous year.

Total public debt increased from ₹ 71,211 crore in 2012-13 to ₹ 1,53,773 crore in 2016-17 primarily on account of loan to food procuring agencies and PSPCL for implementation of UDAY. The percentage of debt repayments to debt receipts decreased substantially from 68.19 *per cent* in 2012-13 to 38.80 *per cent* in 2016-17.

The revenue deficit declined to ₹ 7,311 crore (1.71 *per cent* of GSDP) in the current year from ₹ 7,407 crore (2.49 *per cent* of GSDP) in the year 2012-13.

There was a steep increase of ₹ 29,711 crore (171 *per cent*) in fiscal deficit during the current year over the previous year. Fiscal deficit increased to

₹ 47,071 crore (11.00 *per cent* of GSDP) during the current year against ₹ 17,360 crore (4.43 *per cent* of GSDP) of the previous year.

1.13 Recommendations

- (i) There has been consistent decline in growth rates of its tax revenue that has declined from 20 *per cent* in 2012-13 to seven *per cent* in 2013-14, 4.4 *per cent* in 2015-16 and further to four *per cent* in 2016-17. Collections from stamp duty and registration fees have registered negative growth rate since 2012-13. Collection of State excise has also declined in 2016-17 over 2015-16. The State Government may take necessary action to raise its tax earnings.
- (ii) The State's spending on social sector as proportion of aggregate expenditure has declined since 2012-13. Expenditure on key social sectors like Education and Health are below the General Category States' average. Since these are crucial for enhancing the level of human development, the State Government may raise its outlay on these two sectors and raise it to the level of General Category States' average spending on these sectors.
- (iii) The State may like to review the policy of providing free power to farmers keeping in view the fact that preference for irrigation has shifted from canal to electricity operated tube wells which besides leading to depletion of groundwater resources has resulted in increased burden of power subsidy.
- (iv) Percentage of debt repayments to debt receipts has declined from 68 *per cent* in 2012-13 to 39 *per cent* in 2016-17. The State may strive to improve its debt redemption ratio to ensure that debt servicing liabilities do not become unsustainable.
- (v) The State may initiate measures to improve realization of user charges to make the irrigation schemes economically viable.
- (vi) The State may ensure time bound completion of the incomplete projects and ensure that there are no further cost overruns.