

Executive Summary

Executive Summary

Background

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

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

Chapter-I: Overview

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

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

[Paragraph 1.5]

Chapter-II: Finances of the State

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

[Paragraphs 2.3.2.1 and 2.3.3]

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

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

[Paragraphs 2.4 and 2.4.1]

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

[Paragraph 2.4.1.2]

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

[Paragraph 2.4.1.3]

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

[Paragraph 2.4.2.2(i)]

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

[Paragraph 2.4.2.2(iii)]

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

[Paragraph 2.4.2.2(iv)]

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

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

[Paragraph 2.4.3]

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

[Paragraph 2.5.2.2]

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

[Paragraph 2.6.1]

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

[Paragraph 2.7]

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

[Paragraph 2.7.3]

Chapter-III: Budgetary Management

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

[Paragraphs 3.3.5 and 3.5.1]

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

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

Chapter-IV: Quality of Accounts and Financial Reporting Practices

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

[Paragraph 4.4]

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

[Paragraph 4.5]

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

[Paragraph 4.9]

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

[Paragraph 4.10]

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

[Paragraph 4.12]