

Chapter-II
Finances of the State

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2.1 Major changes in key fiscal aggregates in 2021-22 vis-à-vis 2020-21

Major changes in key fiscal aggregates of the State during the financial year 2021-22, compared to the previous year, are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts	<ul style="list-style-type: none">• Revenue receipts of the State increased by 13.21 <i>per cent</i>• Own tax receipts of the State increased by 24.20 <i>per cent</i>• Own Non-tax receipts increased by 15.20 <i>per cent</i>• State's Share of Union Taxes and Duties increased by 43.71 <i>per cent</i>• Grants-in-Aid from Government of India decreased by 14.20 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">• Revenue expenditure increased by 11.92 <i>per cent</i>• Revenue expenditure on General Services increased by 9.22 <i>per cent</i>• Revenue expenditure on Social Services increased by 16.88 <i>per cent</i>• Revenue expenditure on Economic Services increased by 30.81 <i>per cent</i>• Expenditure on Grants-in-Aid and Contributions decreased by 35.39 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">• Capital expenditure increased by 82.79 <i>per cent</i>• Capital outlay on General Services increased by 25.32 <i>per cent</i>• Capital outlay on Social Services increased by 29.32 <i>per cent</i>• Capital outlay on Economic Services increased by 151.74 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">• Recoveries of Loans and Advances increased by 310.42 <i>per cent</i>• Disbursement of Loans and Advances increased by 64.87 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">• Public Debt Receipts decreased by 20.54 <i>per cent</i>*• Repayment of Public Debt increased by 29.63 <i>per cent</i>
Public Account	<ul style="list-style-type: none">• Public Account Receipts increased by 21.46 <i>per cent</i>• Disbursement of Public Account increased by 17.71 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none">• Cash balance decreased by 25.69 <i>per cent</i>

Source: Finance Accounts

* Excluding ₹ 8,359 crore and ₹ 12,132.41 crore as back-to-back loans from GOI during 2020-21 and 2021-22 respectively, in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

2.2 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

Table 2.2: Details of sources and application of funds during 2020-21 and 2021-22

(₹ in crore)

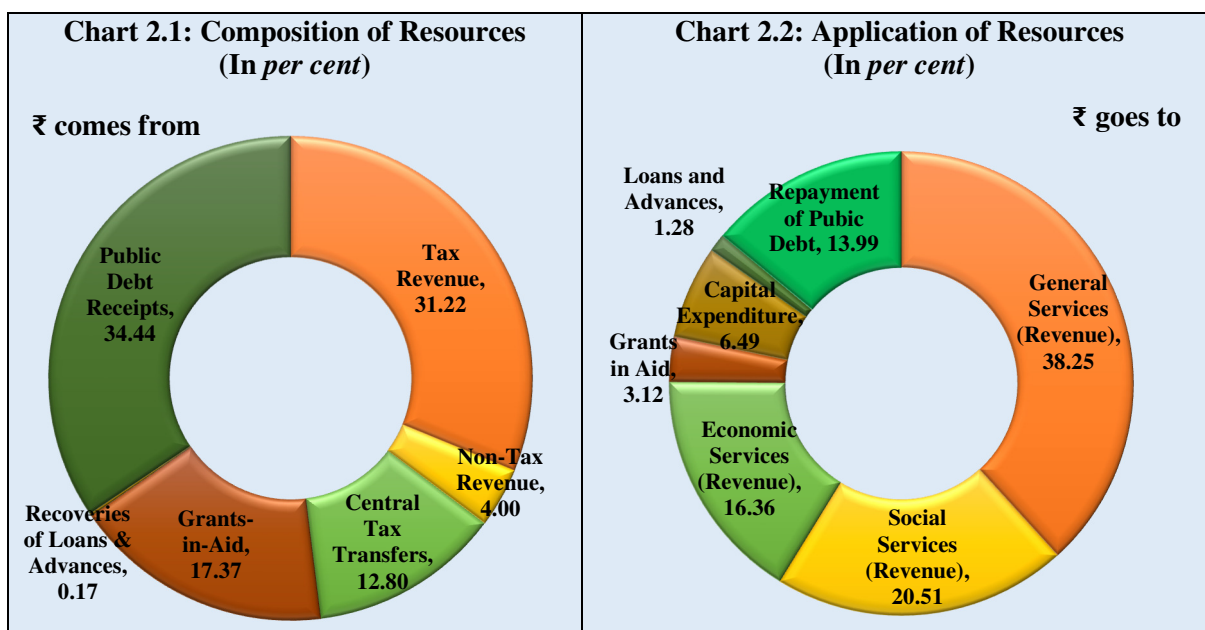
	Particulars	2020-21	2021-22	Increase (+)/ Decrease (-) (per cent)
Sources	Opening Cash Balance with RBI	2,125	9,248	(+) 7,123 (335)
	Revenue Receipts	69,048	78,168	(+) 9,120 (13)
	Recoveries of Loans and Advances	50	207	(+) 157 (314)
	Public Debt Receipts (Net)*	29,061	21,897	(-) 7,164 (-25)
	Public Account Receipts (Net)	646	3,574	(+) 2,928 (453)
	Total	1,00,930	1,13,094	(+) 12,164 (12)
Application	Revenue Expenditure	86,344	96,636	(+) 10,292 (12)
	Capital Expenditure	4,382	8,010	(+) 3,628 (83)
	Disbursement of Loans and Advances	956	1,576	(+) 620 (65)
	Closing Cash Balance with RBI	9,248	6,872	(-) 2,376 (-26)
	Total	1,00,930	1,13,094	(+) 12,164 (12)

Source: Finance Accounts

* Includes ₹ 8,359 crore and ₹ 12,132 crore received during 2020-21 and 2021-22 respectively as back-to-back loans from GoI in lieu of GST Compensation shortfall

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

Composition and application of resources in the Consolidated Fund of the State during 2021-22 is given in **Chart 2.1** and **Chart 2.2**.



Source: Finance Accounts

2.3 Resources of the State

The resources of the State are described below:

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

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

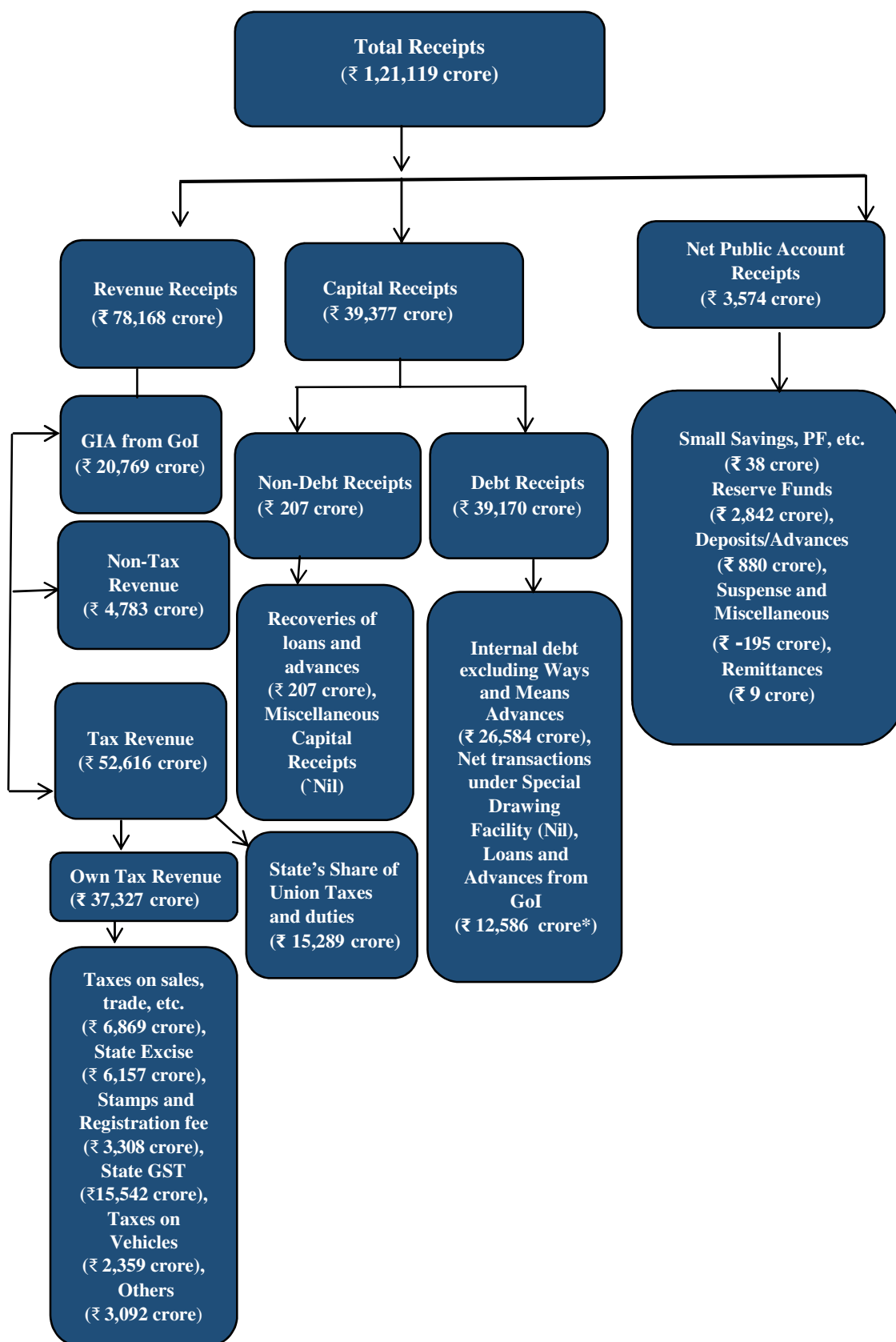
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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

2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of total receipts of the State is depicted in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2021-22



Source: Finance Accounts

* Includes ₹ 12,132 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

Out of the total resources of ₹ 1,21,119 crore of the State Government during the year 2021-22, Revenue Receipts (₹ 78,168 crore) constituted 64.54 *per cent*. Capital Receipts (₹ 39,377 crore) and net Public Account Receipts (₹ 3,574 crore) constituted 32.51 *per cent* and 2.95 *per cent* of the total resources respectively.

2.3.2 State's Revenue Receipts

2.3.2.1 Trends and growth of Revenue Receipts

Trends and growth of revenue receipts with respect to Gross State Domestic Product (GSDP) over the five-year period (2017-22) are shown in **Table 2.3**. The trends and composition of revenue receipts over the same period are presented in **Appendix 2.2**.

Table 2.3: Trends in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR)	53,010	62,269	61,575	69,048	78,168
Rate of growth of RR (<i>per cent</i>)	10.47	17.47	(-)1.11	12.14	13.21
Tax Revenue	41,040	43,579	40,341	40,691	52,616
<i>Own Tax Revenue</i>	30,423	31,574	29,995	30,053	37,327
<i>State's share in Union taxes and duties</i>	10,617	12,005	10,346	10,638	15,289
Non-Tax Revenue	4,319	7,582	6,654	4,152	4,783
Grants- in aid from GoI	7,651	11,108	14,580	24,205	20,769
Own Revenue (Own Tax and Non-tax Revenue)	34,742	39,156	36,649	34,205	42,110
Rate of growth of Own Revenue (<i>per cent</i>)	3.37	12.71	(-)6.40	(-)6.67	23.11
GSDP (2011-12 Series)	4,71,014	5,12,510	5,37,031	5,32,555	5,84,042
				(Q)	(A)
Rate of growth of GSDP (<i>per cent</i>)	10.31	8.81	4.78	(-)0.83	9.67
RR/GSDP (<i>per cent</i>)	11.25	12.15	11.47	12.97	13.38
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.02	1.98	(-) 0.23	--*	1.37
State's Own Revenue Buoyancy w.r.t GSDP	0.33	1.44	(-) 1.34	--*	2.39

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

* Buoyancy ratio was not calculated as GSDP growth was negative.

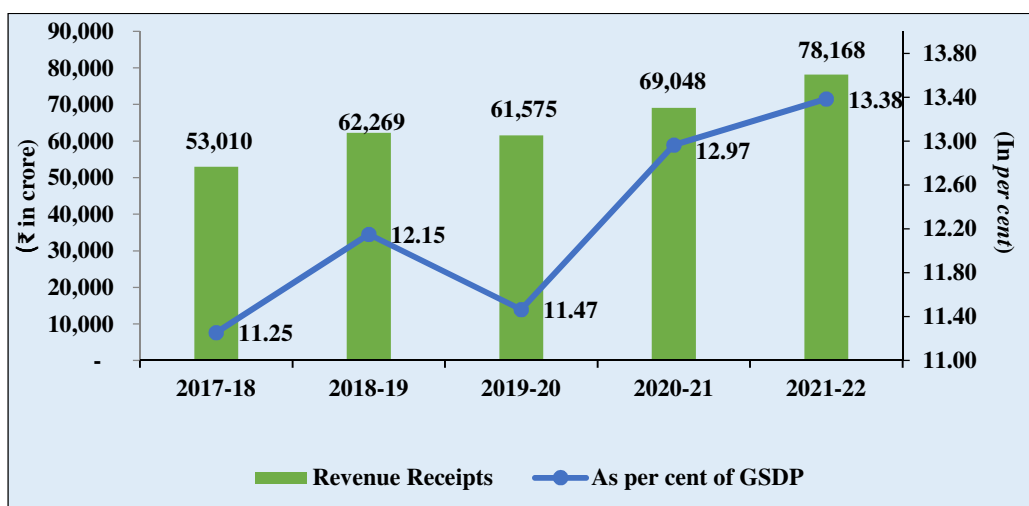
Table 2.3 shows that the revenue receipts increased by 47.46 *per cent* from ₹ 53,010 crore in 2017-18 to ₹ 78,168 crore in 2021-22. During the period of five years, it increased at an annual average growth rate of 10.43 *per cent*. Tax revenue and non-tax revenue increased by ₹ 11,925 crore (29.30 *per cent*) and ₹ 631 crore (15.20 *per cent*) respectively in 2021-22 as compared to 2020-21. The revenue buoyancy with reference to GSDP increased from 1.02 *per cent* in 2017-18 to 1.37 *per cent* in 2021-22. The State's own revenue buoyancy with

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

reference to GSDP also increased considerably from 0.33 *per cent* in 2017-18 to 2.39 *per cent* in 2021-22. The sudden spike in own revenue buoyancy in 2021-22 vis-à-vis the previous years was primarily due to sharp increase in own tax revenue of the State. The major increase was in receipts under SGST, Taxes on Sales, Trade etc., Taxes on Vehicles and Stamp duty & Registration fee. Increase in these heads was attributed to resumption of business activities to full strength and healthy economic recovery post Covid-19 pandemic. There was also an increase in non-tax revenue in the current year over the previous year. Trends in components of own tax revenue and non-tax revenue are discussed in paragraphs 2.3.2.2 (i) and 2.3.2.2 (ii) respectively.

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

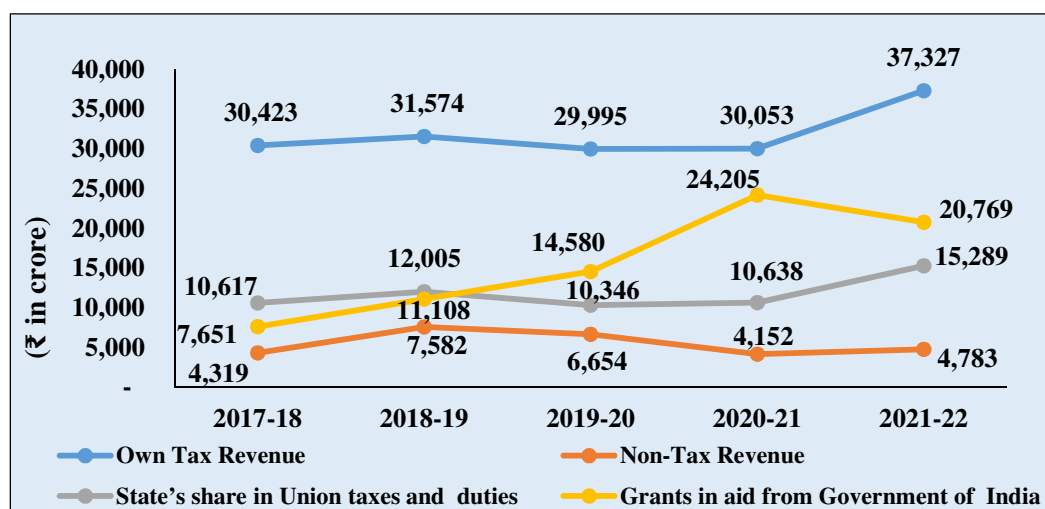
Chart 2.4: Trends of Revenue Receipts



Source: Finance Accounts

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

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts

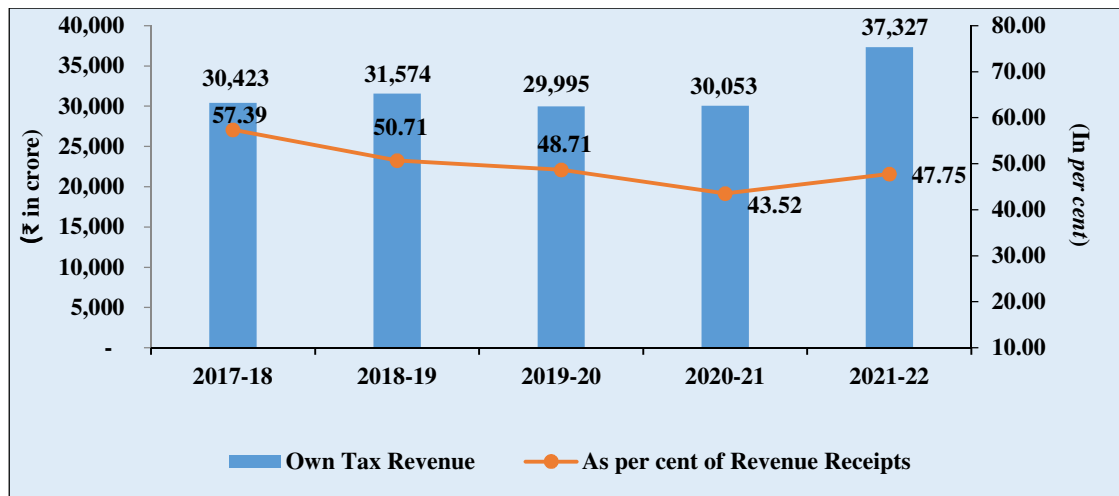
2.3.2.2 State's Own Resources

(i) Own tax revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc.

Trends of own tax revenue and analysis of its components during the period 2017-22 are shown in **Chart 2.6** and **Table 2.4** respectively.

Chart 2.6: Trends of Own Tax Revenue during 2017-22



Source: Finance Accounts

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Taxes on Sales, Trade etc.	11,160	6,572	5,223	5,372	6,869	
SGST	7,901	13,273	12,751	11,819	15,542	
State Excise	5,136	5,072	4,865	6,164	6,157	
Taxes on Vehicles	1,911	1,861	1,994	1,472	2,359	
Stamp Duty and Registration fees	2,135	2,298	2,258	2,470	3,308	
Land Revenue	91	69	66	68	84	
Taxes on Goods and Passengers	0	0	0	3	0	
Other taxes	2,089	2,429	2,838	2,685	3,008	
Total	30,423	31,574	29,995	30,053	37,327	

Source: Finance Accounts

The total own tax revenue increased by ₹ 7,274 crore (24.20 per cent) during the current year over the previous year. The major increase was in receipts under

SGST (₹ 3,723 crore), Taxes on Sales, Trade etc. (₹ 1,497 crore), Taxes on Vehicles (₹ 887 crore) and Stamp duty & Registration fee (₹ 838 crore).

Increase in State Goods and Services Tax (SGST) was attributed to resumption of business activities to full strength and healthy economic recovery post COVID-19 pandemic, increase in wholesale and retail prices of commodities and increased enforcement by the department. Further, increase in taxes on sales was on account of increase in VAT revenue due to higher consumption of petrol and diesel owing to increased economic activity in FY 2021-22 due to lesser impact of COVID-19. The retail prices of diesel and petrol also remained substantially high in FY 2021-22. Increase in Taxes on Vehicles was attributed to registration of more number of vehicles and restoration of taxes of all commercial vehicles and Stage Carriage and Educational Institution buses which were exempted by Government of Punjab during 2020-21. Increase in Stamp duty and Registration fees was due to increase in collector rates and number of registrations during 2021-22.

(a) State Goods and Services Tax (SGST)

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

The projected revenue in accordance with base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2021-22 is given in **Table 2.5**.

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

(₹ in crore)

Year	Projected revenue amount	Revenue collected amount [#]	Compensation due amount	Compensation received amount [*]	Shortfall (-)/ Excess (+)
1	2	3	4 = 2-3	5	6 = 5-4
2017-18 ²	14,596.58	9,486.15	5,110.43	4,037.00	(-)1,073.43
2018-19	22,186.80	12,482.76	9,704.04	7,129.00	(-)2,575.04
2019-20	25,292.96	12,676.00	12,616.96	8,804.54	(-)3,812.42
2020-21	28,833.97	11,685.98	17,147.99	18,053.05	(+) 905.06
2021-22	32,870.00	15,482.79	17,387.21	16,574.74	(-)812.47
Total	1,23,780.31	61,813.68	61,966.63	54,598.33	(-)7,368.30

Source: Finance Accounts of the respective years and Excise and Taxation Department

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

^{*} During the year 2020-21 and 2021-22, it includes ₹ 8,359 crore and ₹ 12,132.41 crore respectively, given as loan by GoI to the State Government and booked under Major Head '6004-Loans and Advances from the Central Government 09-Other Loans for States/ Union Territory with Legislature Schemes 101-Block Loans'.

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

The growth in GST collection in the State was lesser than projected growth and there was total shortfall of ₹ 61,966.63 crore during 2017-22 against the projected GST receipt of ₹ 1,23,780.31 crore. GoI has released ₹ 54,598.33 crore upto March 2022 as compensation including release of ₹ 20,491.41 crore as back-to-back loan to the State in lieu of GST Compensation shortfall.

The State Government stated (December 2022) that the matter was being taken up aggressively with GoI for release of the remaining compensation.

(b) Audit of GST Receipts

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. In case of Punjab, which is a Model-II State, role-based access to back-end application was provided to office of the Principal Accountant General (Audit), Punjab in December 2020. However, the access was limited to their premises only and the matter of providing remote access was under consideration. The accounts for the year 2021-22 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

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

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

Arrears of revenue

As on 31 March 2022, the arrears of revenue in respect of principal heads of revenue were ₹ 17,170 crore, of which ₹ 4,278.48 crore were outstanding for more than five years, as depicted in **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022
1.	Taxes/VAT on Sales, Trade, etc.	15,086.79	3,826.39
2.	Goods and Services Tax	958.41	0.00
3.	Forests and Wildlife	42.72	36.40
4.	State Excise	356.97	209.87
5.	Taxes on Vehicles	246.08	32.34
6.	Land Revenue	303.22	0.00
7.	Stamps and Registration Fee	175.81	173.48
Total		17,170.00	4,278.48

Source: Departmental Information

Arrears in assessment

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

Table 2.7: Arrears of assessment

Sr. No.	Head of Revenue	Cases pending at the beginning of 2021-22	New cases due for assessment during 2021-22	Total cases due for assessment	Cases disposed of during 2021-22	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, etc.	44,577*	21,553	66,130	29,008	37,122	43.87

Source: Departmental information

* Opening Balance differs by 12575 cases from the closing balance of 2020-21 due to revised assessment policy of the State Government.

During the period 2017-22, the number of pending cases at the end of the respective years were 1,06,781 (2017-18); 94,605 (2018-19); 72,667 (2019-20); 57,152 (2020-21) as against 37,122 cases at the end of 2021-22. Disposal of cases during this period ranged between 19.47 per cent and 54.32 per cent.

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

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department concerned.

The details of cases of evasion of tax detected by the Excise and Taxation, cases finalised and the demand for additional tax raised; and details of refund cases during the year 2020-21, as reported by the departments concerned, are depicted in **Table 2.8** and **Table 2.9** respectively.

Table 2.8: Evasion of tax detected

Sr. No.	Head of revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	Total	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2022
					No. of cases	Amount of demand (₹ in crore)	
1.	Goods and Services Tax	25 [#]	39	64	20	13.67	44
Total		25	39	64	20	13.67	44

Source: Departmental information

The Department attributed (October 2022) the variation in closing balance of previous year and opening balance of current year to change in source/method of collection of information.

Table 2.9: Details of refund cases(*₹ in crore*)

Sr. No.	Particulars	GST		Sales Tax/VAT		State Excise		Taxes on Vehicles	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,948	263.51	1,181	74.46*	208#	27.12#	4	0.02
2.	Claims received during the year	9,284	1,573.27	1,822	221.13	4	0.13	0	0.00
3.	Refunds made during the year	8,968	1,335.49	2,089	169.64	3	0.43	0	0.00
4.	Refunds rejected during the year	1,225	300.02	531	68.83	0	0.00	0	0.00
5.	Balance outstanding at the end of year	1,039	201.27	383	57.12	209	26.82	4	0.02

Source: Departmental information

* Differs by ₹ 0.02 Crore from the closing balance of 2020-21. The matter was taken up with the Taxation Commissioner, Punjab. Their reply is awaited (November 2022).

Differs from closing balance of 2020-21 due to correction of information in respect of one district by the department.

(ii) Non-tax revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Trends in components of State's non-tax revenue during 2017-22 are shown in **Table 2.10**.

Table 2.10: Components of State's Non-tax Revenue(*₹ in crore*)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Interest Receipts	1,404.94	1,455.26	2,105.51	144.38	181.08	
Dividends and Profits	4.45	4.24	4.24	1.26	6.66	
Other non-tax receipts	2,909.00	6,122.79	4,544.33	4,006.49	4,596.03	
a) Major and Medium Irrigation	71.37	24.22	92.49	91.92	108.14	
b) Road Transport	158.69	208.99	176.35	110.17	99.77	
c) Urban Development	72.43	65.31	44.53	49.78	92.52	
d) Education, Sports, Art and Culture	41.87	56.75	196.22	137.70	155.19	
e) Non-ferrous mining	122.40	36.13	90.88	120.56	136.53	
f) Pensions and Other Retirement Benefits	32.14	26.03	121.88	209.90	148.35	
g) Miscellaneous General Services	1,478.97	4,851.58	2,743.87	2,208.41	2,375.91	
h) Other or Miscellaneous	931.13	853.78	1,078.11	1,078.05	1,479.62	
Total	4,318.39	7,582.29	6,654.08	4,152.13	4,783.77	

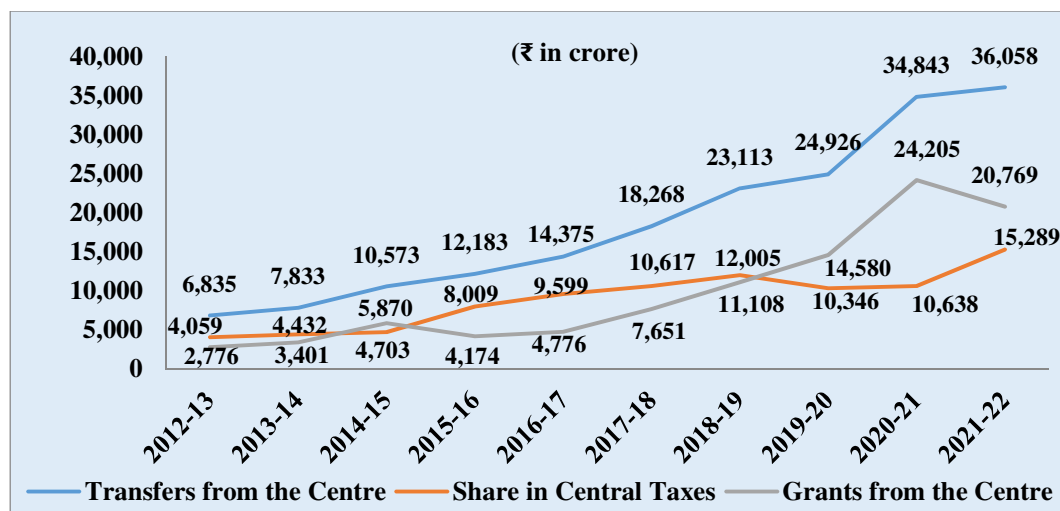
Source: Finance Accounts

During the year 2021-22, there was increase of ₹ 631.64 crore (15.21 per cent) in total non-tax revenue over the previous year which was mainly due to increase of ₹ 36.70 crore in interest receipts and ₹ 589.54 crore in other non-tax receipts. The increase in other non-tax receipts was mainly under Miscellaneous General Services (₹ 167.50 crore) and Other or Miscellaneous (₹ 401.57 crore).

2.3.2.3 Transfers from the Centre

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

Chart 2.7: Trends in transfers from Centre



Source: Finance Accounts

(i) Central tax transfer

The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by Thirteenth Finance Commission, Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2010-11 to 2021-22 is tabulated in **Table 2.11**.

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

(₹ in crore)				
Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2010-11		3,207	3,051	(-)156
2011-12	1.389 per cent of net proceeds of all shareable taxes excluding service tax and 1.411 per cent of net proceeds of shareable service tax (as per recommendations of 13 th FC)	3,665	3,554	(-)111
2012-13		4,398	4,059	(-)339
2013-14		5,278	4,432	(-)846
2014-15		6,333	4,703	(-)1,630
2015-16	1.577 per cent of net proceeds of all shareable taxes excluding service tax and 1.589 per cent of net proceeds of shareable service tax (as per recommendations of 14 th FC)	8,009*	8,009	--
2016-17		9,600*	9,600	--
2017-18	As per Fiscal Consolidation Roadmap of State Government	10,617*	10,617	--
2018-19		12,009	12,005	(-)4
2019-20		13,319	10,346	(-)2,973
2020-21	1.788 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 th FC)	9,834	10,638	(+)804
2021-22	1.807 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 th FC)	12,027	15,289	(+)3,262

Source: Reports of the 13th FC, 14th FC, 15th FC, Finance Accounts and Annual Financial Statements

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

The State Government's share in Union taxes and duties increased by ₹ 4,651 crore (43.72 per cent) during 2021-22 over the previous year.

During the first two years (2020-22) of period of Fifteenth Finance Commission (2020-26), State's share in Union taxes and duties amounting to ₹ 25,927 crore was 51.26 per cent of the total share during period of Fourteenth Finance Commission (2015-20).

Trends in components of Central tax transfers are shown in **Table 2.12**.

Table 2.12: Central Tax transfers

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	151.60	2,964.16	2,935.85	3,179.01	4,580.49
Integrated Goods and Services Tax (IGST)	1,072.32	236.60	--*	--#	--
Corporation Tax	3,252.81	4,176.53	3,527.47	3,197.28	4,161.71
Taxes on Income other than Corporation Tax	2,746.76	3,075.85	2,764.01	3,276.09	4,714.62
Customs	1,072.00	851.31	655.78	576.80	1,091.09
Union Excise Duties	1,120.50	565.74	455.97	359.30	557.39
Service Tax	1,201.05	109.29	--	42.87	166.80
Other Taxes ³	(-)0.10	25.66	6.77	7.03	16.69
Total	10,616.94	12,005.14	10,345.85	10,638.38	15,288.79
Percentage of increase/decrease over previous year	10.60	13.08	(-)13.82	2.83	43.71
Percentage of total Central tax transfers to Revenue Receipts	20.03	19.28	16.80	15.41	19.56

Source: Finance Accounts

* Amount of ₹ 7,166.64 crore received from GoI during 2019-20 was accounted for under Major Head 0006 - SGST.

Booking of share of net proceeds assigned to States (Minor Head-901) under Sub-Major Heads '01-IGST on Import/Export of Goods and Services' and '02-IGST on Domestic Supply of Goods and Services' has been discontinued w.e.f. 01 April 2020 as per correction slip issued by the Controller General of Accounts, New Delhi.

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

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

³ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

Table 2.13: Grants-in-aid from Government of India*(₹ in crore)*

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Grants for Centrally Sponsored Plan Schemes*	(-)0.63	(-)74.21	(-)68.84	(-)0.48	(-)4.03
Grants for Centrally Sponsored Schemes	3,096.13	3,091.70	2,864.31	2,880.41	3,678.16
Finance Commission Grants [#]	355.69	719.54	2,710.13	11,481.23	12,435.61
Other transfers/Grants to States/Union Territories with Legislature	4,199.81	7,370.34	9,074.43	9,843.85	4,659.15
Total	7,651.00	11,107.37	14,580.03	24,205.01	20,768.89
Percentage of increase/ decrease over the previous year	60.20	45.18	31.26	66.01	(-)14.20
Percentage of GIA to Revenue Receipts	14.43	17.84	23.68	35.06	26.57

Source: Finance Accounts

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

During 2020-21 and 2021-22, it includes post-devolution Revenue Deficit Grant of ₹ 7,658.90 and ₹ 10,080.99 crore respectively, as recommended by the 15th FC.

Table 2.13 shows that the GIA from GoI increased at an annual average rate of 37.69 per cent during the period 2017-18 to 2021-22. Other transfers to State during 2021-22 include GST Compensation of ₹ 4,442.34 crore. The decrease in GIA during the current year (14.20 per cent) over the previous year was due to substantial decrease in Other transfers/Grants to States/Union Territories with Legislature by ₹ 5,184.70 crore (52.67 per cent) which was attributed to decrease in GST Compensation by ₹ 5,251.71 crore partially offset by increase of ₹ 52.17 crore in Grants for Central Road Fund in 2021-22 as compared to the previous year. Further, the contribution of GIA towards revenue receipts increased from 14.43 per cent in 2017-18 to 26.57 per cent in 2021-22.

(a) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹ 3,678 crore for Centrally Sponsored Schemes during 2021-22, the major amounts were given to:

- Urban Rejuvenation Mission : AMRUT (Atal Mission for Rejuvenation and Urban Transformation and Smart Cities Mission) - Urban Rejuvenation Mission - 500 Cities (₹ 649 crore- 433.86 per cent increase over previous year);
- National Education Mission - Samagra Shiksha Abhiyan (erstwhile Sarva Shiksha Abhiyan) (₹ 506 crore-3.86 per cent decrease over previous year);
- National Health Mission (NHM) - National Rural Health Mission (₹ 526 crore-19.13 per cent decrease over previous year);
- Urban Rejuvenation Mission : AMRUT (Atal Mission for Rejuvenation and Urban Transformation and Smart Cities Mission) - Mission for Development for 100 Smart Cities (₹ 370 crore-100 per cent increase over previous year); and
- Mahatma Gandhi National Rural Employment Guarantee Programme (₹ 269 crore-22.35 per cent increase over previous year).

(b) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15th FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), post devolution revenue deficit and health sector. Details of grants provided by GoI are given in **Table 2.14**.

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

(₹ in crore)

Transfers		Recommendation of 15 th FC for 2021-22	Actual release by GoI during 2021-22	Release by State Government
				Total (%age of release by GoI)
(i) Grants to PRIs		1,026.00	718.20	718.20 (100)
(a) Tied Grant		615.60	307.80	307.80 (100)
(b) Un-tied Grants		410.40	410.40	410.40 (100)
(ii) Grants to ULBs		505.00	493.75	292.75 (59)
(a) One million plus cities (for ambient air quality)		45.00	33.75*	33.75 (100)
(b) One million plus cities (for SWM and sanitation)		90.00	90.00	0.00 (0)
(c) Non-million plus cities (un-tied grants for local needs)		148.00	148.00	148.00 (100)
(d) Non-million plus cities (tied grants for drinking water, rain water harvesting, SWM and Sanitation)		222.00	222.00	111.00 (50)
Total for Local Bodies		1,531.00	1,211.95	1,010.95 (83)
SDRF	Centre share	495.00	396.00	396.00 (100)
	State share	165.00		132.00
Total for SDRF		660.00	396.00	528.00
Grants for Health Sector		401.00	399.66	248.96 (62)
Post Devolution Revenue Deficit Grant		10,081.00	10,081.00	--

Source: 15th FC Report and departmental information

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

* ₹ 33.75 crore were released by GoI against recommended amount of ₹ 45 crore, based on the performance assessment and recommendation from the Ministry of Environment, GoI.

- As against the amount of ₹ 1,026 crore recommended by the 15th FC in respect of PRIs, GoI released ₹ 718.20 crore⁴ during 2021-22 and remaining amount of ₹ 307.80 crore was released during 2022-23. The amount released by GoI was released by GoP during the same period.
- In respect of ULBs, against the recommended amount of ₹ 505.00 crore, GoI released ₹ 493.75 crore during 2021-22. Out of ₹ 493.75 crore

⁴ Differs by ₹ 347.00 crore from that appearing in Statement No.14 of the Finance Accounts, which pertained to the year 2020-21 but released by GoI in 2021-22.

released by the GoI, the State Government released ₹ 292.75 crore during 2021-22 and remaining ₹ 201 crore were released in 2022-23.

- In respect of SDRF, 15th FC recommended Centre and State share in the ratio of 75:25. As against the recommended share of ₹ 495 crore, GoI released ₹ 396 crore during the year 2021-22 and ₹ 99 crore during 2022-23. GoP released ₹ 528 crore (GoI share: ₹ 396 crore and State share: ₹ 132 crore) during 2021-22.
- In respect of Grants for Health Sector, GoI released ₹ 399.66 crore against ₹ 401 crore recommended by the 15th FC. Out of ₹ 399.66 crore released by GoI, GoP released ₹ 248.96 crore in 2021-22 and remaining ₹ 150.70 crore in 2022-23.

2.3.3 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Trends of capital receipts and its components during 2017-18 to 2021-22 are shown in **Table 2.15**.

Table 2.15: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	18,590	23,788	43,891	34,077	27,244
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	73	849	16,070	50	207
Public Debt Receipts	18,517	22,939	27,821	34,027	27,037
<i>Internal Debt*</i>	<i>18,057</i>	<i>21,621</i>	<i>27,676</i>	<i>33,595</i>	<i>26,584</i>
<i>Growth rate (per cent)</i>	<i>(-)66.92</i>	<i>19.74</i>	<i>28.01</i>	<i>21.39</i>	<i>(-)20.87</i>
<i>Loans and advances from GoI[#]</i>	<i>460</i>	<i>1,318</i>	<i>145</i>	<i>432</i>	<i>453</i>
<i>Growth rate (per cent)</i>	<i>(-)29.77</i>	<i>186.52</i>	<i>(-)89.00</i>	<i>197.93</i>	<i>4.86</i>
Rate of growth of debt Capital Receipts (per cent)	(-)66.48	23.88	21.28	22.31	(-)20.54
Rate of growth of Non-debt Capital Receipts (per cent)	(-)59.67	1,063.01	1,792.82	(-)99.69	314.00
Rate of growth of GSDP (per cent)	10.31	8.81	4.78	(-)0.83	9.67
Rate of growth of Capital Receipts (per cent)	(-)66.45	27.96	84.51	(-)22.36	(-)20.05

Source: Finance Accounts

* Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility, which was Nil during 2021-22.

[#] During the year 2020-21 and 2021-22, it excludes ₹ 8,359 crore and ₹ 12,132 crore respectively as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

During the current year, after excluding back-to-back loans given by GoI during 2020-22 in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources, the public debt receipts decreased substantially by

₹ 6,990 crore (20.54 per cent) over the previous year. Internal debt also decreased by ₹ 7,011 crore (20.87 per cent) over the previous year.

2.3.4 State's performance in mobilisation of resources

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

The State's actual own tax and non-tax revenue for the year 2021-22 *vis-à-vis* assessment made by Fifteenth Finance Commission (15th FC) and Budget Estimates are given in **Table 2.16**.

Table 2.16: Tax and non-tax revenue *vis-à-vis* projections during 2021-22

(₹ in crore)

Resources	15 th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				15 th FC projections	Budget estimates
Own Tax revenue	35,988	49,461	37,327	3.72	(-)24.53
Non-tax revenue	4,935	7,758	4,783	(-)3.08	(-)38.35

Source: Report of 15th FC, Annual Financial Statement and Finance Accounts.

Own tax revenue of the State Government was higher than projections made by 15th FC by 3.72 per cent but fell short of budget estimates by 24.53 per cent. Non-tax revenue was lower by 3.08 per cent than the projections made by 15th FC and was lower by 38.35 per cent than the budget estimates.

2.4 Application of resources

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

Growth and composition of expenditure

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

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

Loans and Advances: Loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

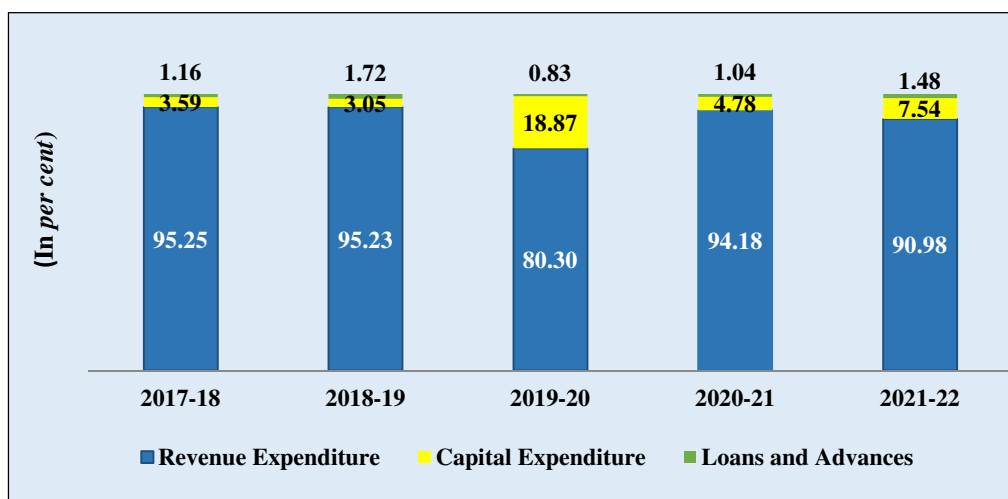
Trends of overall expenditure and its components are shown in **Table 2.17** and **Chart 2.8**.

Table 2.17: Total expenditure and its composition

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	65,577	79,177	94,471	91,682	1,06,222
Revenue Expenditure (RE)	62,465	75,404	75,860	86,344	96,636
Capital Expenditure (CE)	2,352	2,412	17,828	4,382	8,010
Loans and Advances	760	1,361	783	956	1,576
As a percentage of GSDP					
TE/GSDP	13.92	15.45	17.59	17.22	18.19
RE/GSDP	13.26	14.71	14.13	16.21	16.55
CE/GSDP	0.50	0.47	3.32	0.82	1.37

Source: Finance Accounts

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



Source: Finance Accounts

Table 2.17 shows that the total expenditure increased by ₹ 40,645 crore (61.98 per cent) from ₹ 65,577 crore in 2017-18 to ₹ 1,06,222 crore in 2021-22, which ranged between 13.92 per cent to 18.19 per cent of GSDP during the period of five years. **Chart 2.8** shows that the revenue expenditure constituted dominant proportion (80 to 95 per cent) during 2017-22 of the total expenditure. The capital expenditure, on the other hand, constituted between three and eight per cent except for the year 2019-20 when it was 19 per cent due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL), as discussed in Paragraph 2.4.2.2(v) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020.

The State Government stated (December 2022) that earnest efforts would be made to bring some improvement in this area during 2023-24.

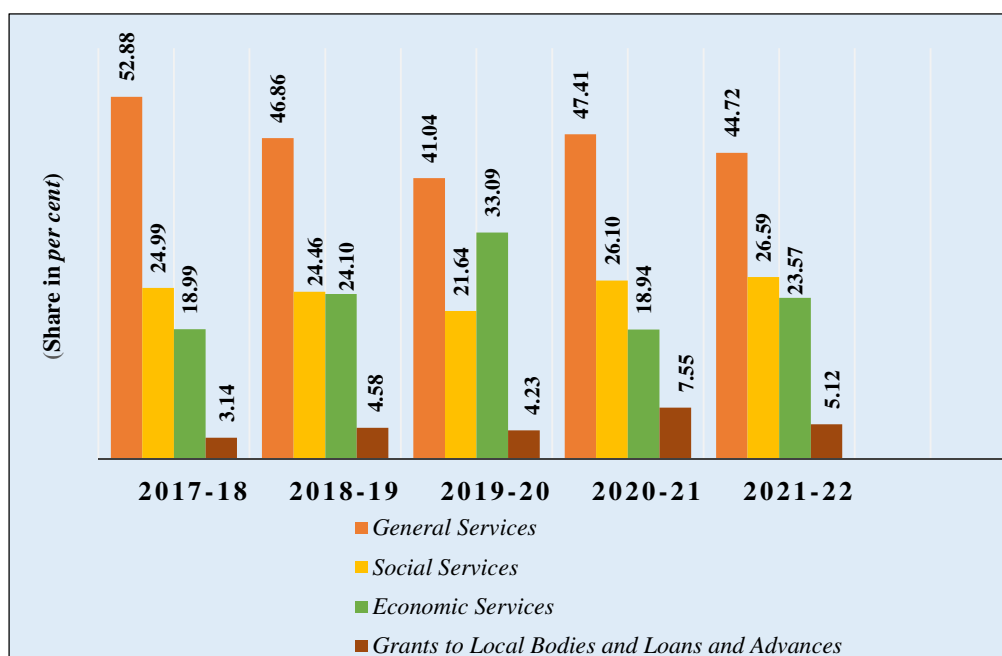
Relative share of various sectors of expenditure during 2017-22 is depicted in **Table 2.18** and **Chart 2.9**.

Table 2.18: Relative share of various sectors of expenditure

Parameters	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	34,680	37,100	38,769	43,464	47,504
Social Services	16,386	19,367	20,449	23,926	28,245
Economic Services	12,450	19,084	31,260	17,365	25,039
Others (Grants to Local Bodies and Loans and Advances)	2,061	3,626	3,993	6,927	5,434

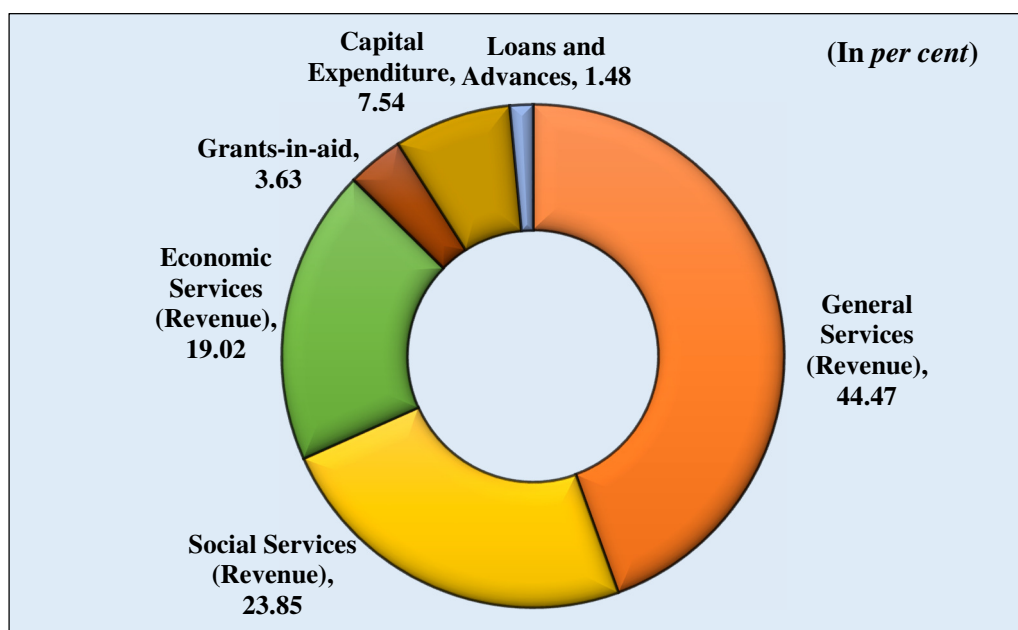
Source: Finance Accounts

Chart 2.9: Total expenditure - Expenditure by activities



Source: Finance Accounts

Chart 2.9 shows that the relative share of various components of expenditure in the total expenditure fluctuated during 2017-22. The share of Social Services, Economic Services and Grants to local bodies and loan and advances in total expenditure increased from 24.99 per cent, 18.99 per cent and 3.14 per cent in 2017-18 to 26.59 per cent, 23.57 per cent and 5.12 per cent respectively in 2021-22, while that of General Services decreased from 52.88 per cent to 44.72 per cent during the same period. **Chart 2.10** shows composition of expenditure by function.

Chart 2.10: Composition of expenditure by function during 2021-22

Source: Finance Accounts

2.4.1 Revenue expenditure

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

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	65,577	79,177	94,471	91,682	1,06,222
Revenue Expenditure (RE)	62,465	75,404	75,860	86,344	96,636
Rate of Growth of RE (per cent)	12.96	20.71	0.60	13.82	11.92
Revenue Expenditure as percentage of TE	95.25	95.23	80.30	94.18	90.98
RE/GSDP (per cent)	13.26	14.71	14.13	16.21	16.55
Revenue Receipts	53,010	62,269	61,575	69,048	78,168
Rate of Growth of RR (per cent)	10.47	17.47	(-)1.11	12.14	13.21
RE as percentage of RR	117.84	121.09	123.20	125.05	123.63
Rate of Growth of GSDP (per cent)	10.31	8.81	4.78	(-)0.83	9.67
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.26	2.35	0.13	--*	1.23
Revenue Receipts (ratio)	1.24	1.19	(-)0.54	1.14	0.90

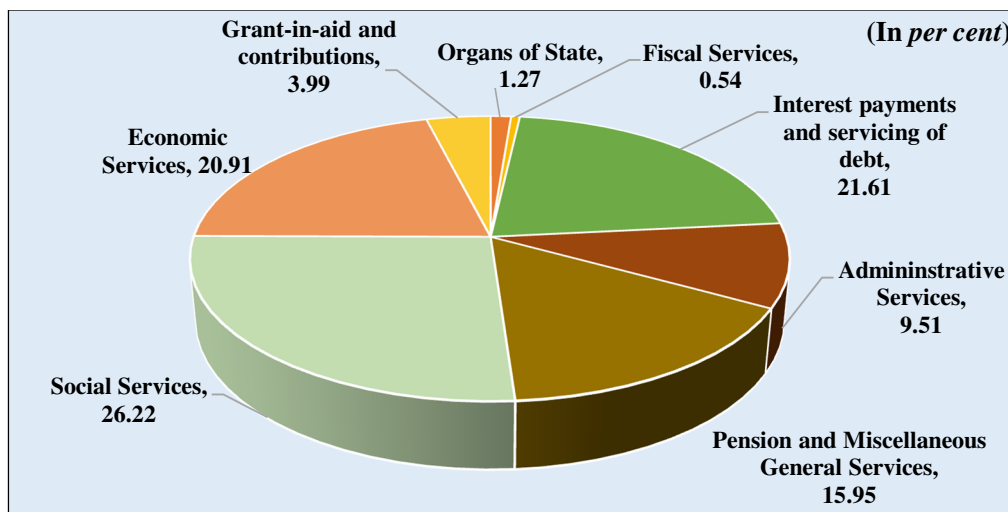
Source: Finance Accounts

* Buoyancy ratio was not calculated as GSDP growth was negative.

The revenue expenditure increased by ₹ 34,171 crore (54.70 per cent) from ₹ 62,465 crore in 2017-18 to ₹ 96,636 crore in 2021-22. It increased at an annual

average growth rate of 12 per cent, whereas as percentage of GSDP, it increased from 13.26 per cent to 16.55 per cent during the same period. Buoyancy of revenue expenditure with reference to revenue receipts also improved in 2021-22.

Chart 2.11: Sector-wise distribution of revenue expenditure during 2021-22



Source: Finance Accounts

2.4.1.1 Major changes in revenue expenditure

The revenue expenditure increased substantially by ₹ 10,292 crore (11.92 per cent) from ₹ 86,344 crore in 2020-21 to ₹ 96,636 crore in 2021-22. Significant variations under various Major Heads of Accounts with regard to revenue expenditure of the State during the current year as compared to the previous year are depicted in **Table 2.20**.

Table 2.20: Variations in revenue expenditure during 2021-22 compared to 2020-21

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2235-Social Security and Welfare	3,212.66	5,487.65	2,274.99
2801-Power	2,189.41	4,382.98	2,193.57
2401-Crop Husbandry	6,895.84	8,568.18	1,672.34
2071-Pensions and Other Retirement Benefits	13,680.00	14,729.94	1,049.94
2049-Interest Payments	18,152.50	19,063.50	911.00
2048-Appropriation for Reduction or Avoidance of Debt	925.01	1,820.02	895.01
2055-Police	6,138.20	7,021.71	883.51
2245-Relief on account of Natural Calamities	620.05	1,427.76	807.71
2202-General Education	11,599.18	12,339.27	740.09
3604-Compensation and assignments to Local Bodies and Panchayati Raj Institutions	5,971.31	3,858.69	(-), 2,112.62

Source: Finance Accounts

Table 2.20 shows:

- increase of ₹ 2,275 crore (70.81 *per cent*) under ‘Social Security and Welfare’, which was mainly due to increase of ₹ 1,091 crore in ‘Pensions under Social Security Schemes’ and increase of ₹ 919 crore in ‘Special Component plan for Scheduled Castes’ which was due to revision of rates of pension to old age persons/ widows and destitutes/handicapped person;
- increase of ₹ 2,194 crore in Power was mainly due to increase of ‘Assistance to Electricity Boards’ by ₹ 2,155 crore on account of subsidy under rural electrification of Punjab State Electricity Board;
- increase of ₹ 1,672 crore in ‘Crop Husbandry’ which was mainly due to increase of ₹ 688 crore in ‘Other Expenditure’ mainly on account of increase of ₹ 409 crore in debt relief to farmers and ₹ 279 crore in grant to Punjab Rural Development Board, ₹ 552 crore in ‘Agricultural Farms’ for power subsidy and ₹ 288 crore in ‘Special Component Plan for Scheduled Castes’ which was attributed to increase in debt relief and power subsidy to farmers;
- increase of ₹ 1,050 crore under ‘Pensions and Other Retirement Benefits’, which was mainly due to increase of ₹ 765 crore in ‘Superannuation and Retirement Allowances’, ₹ 437 crore in ‘Gratuities’ and ₹ 127 crore in ‘Commutated Value of Pensions’ partially offset by decrease of ₹ 365 crore in ‘Leave Encashment Benefits’. This was attributed to increased retirement due to the decision of the State Government to do away with the optional extension for employees to generate employment for the youth;
- increase of ₹ 911 crore in ‘Interest Payments’ which was primarily due to increase of ₹ 1,245 crore in ‘Interest on Market Loans’ partially offset by decrease of ₹ 183 crore in ‘Interest on Special Securities issued to National Small Savings Fund of Central Government by State Government’ and ₹ 120 crore in ‘Interest on Other Internal Debt’;
- increase of ₹ 895 crore in ‘Appropriation for Reduction or Avoidance of Debt’ due to increase of ₹ 895 crore in contribution to Consolidated Sinking Fund;
- increase of ₹ 884 crore in ‘Police’ which was primarily due to increase of ₹ 653 crore in ‘District Police’, ₹ 169 crore in ‘Special Police’ and ₹ 50 crore in ‘Criminal Investigation Vigilance’;
- increase of ₹ 808 crore in ‘Relief on account of Natural Calamities’ which was primarily due to increase of ₹ 464 crore in ‘Transfer to Reserve Funds and Deposit Accounts- State Disaster Response Fund’, ₹ 389 crore in ‘Other Expenditure’ and ₹ 161 crore in ‘Gratuitous Relief’ partially offset by decrease of ₹ 276 crore in ‘Repairs and restoration of damaged irrigation and flood control works’;

- increase of ₹ 740 crore in ‘General Education’ which was primarily due to increase of ₹ 709 crore in ‘Secondary Education’ and ₹ 151 crore in ‘Elementary Education’ partially offset by decrease of ₹ 119 crore in ‘University and Higher Education’; and
- decrease of ₹ 2,113 crore under ‘Compensation and assignments to Local Bodies and Panchayati Raj Institutions’ which was due to decrease of ₹ 2,113 crore in ‘Other Miscellaneous Compensations and Assignments’. Increase in 2020-21 to Urban Local Bodies and Panchayati Raj Institutions was due to clearance of backlog as per 14th FC recommendations.

2.4.1.2 Committed expenditure

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

Table 2.21: Components of Committed Expenditure

(₹ in crore)

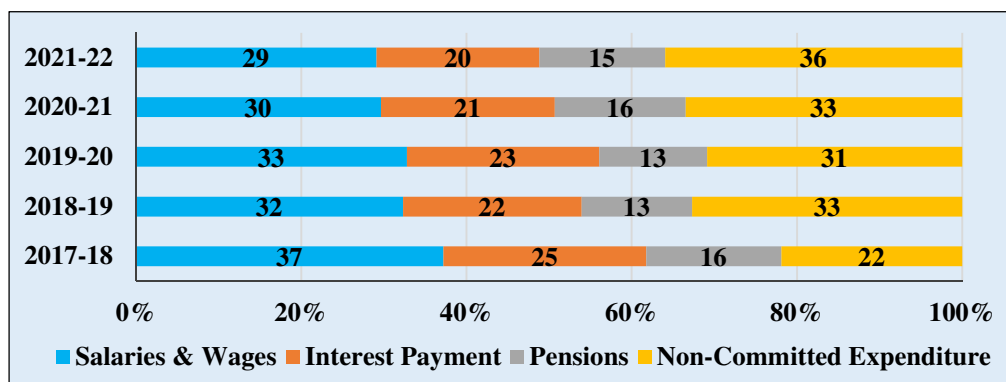
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages ⁵	23,255	24,376	24,729	25,607	28,124
Expenditure on Pensions	10,208	10,089	10,294	13,680	14,730
Interest Payments	15,334	16,306	17,567	18,153	19,064
Total	48,797	50,771	52,590	57,440	61,918
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	43.87	39.15	40.16	37.09	35.98
Expenditure on Pensions	19.26	16.20	16.72	19.81	18.84
Interest Payments	28.93	26.19	28.53	26.29	24.39
Total	92.06	81.54	85.41	83.19	79.21
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	37.23	32.33	32.60	29.66	29.10
Expenditure on Pensions	16.34	13.38	13.57	15.84	15.24
Interest Payments	24.55	21.62	23.16	21.02	19.73
Total	78.12	67.33	69.33	66.52	64.07
Non-committed RE	13,668	24,633	23,270	28,904	34,718
Percentage of RE	21.88	32.67	30.67	33.48	35.93
Percentage of TE	20.84	31.11	24.63	31.53	32.69
Subsidies	6,982	13,361	10,161	9,748	14,516
Subsidies as percentage of non-committed expenditure	51.08	54.24	43.67	33.72	41.81

Source: Finance Accounts

⁵ Includes Grants-in-aid (Salary): 2017-18 (₹ 3,225 crore); 2018-19 (₹ 3,491 crore); 2019-20 (₹ 3,248 crore); 2020-21 (₹ 3,795 crore) and 2021-22 (₹ 3,899).

Table 2.21 shows that percentage of non-committed expenditure to revenue expenditure increased from 21.88 *per cent* in 2017-18 to 35.93 *per cent* in 2021-22 to which subsidies constituted dominant proportion ranging from 34 *per cent* to 54 *per cent*.

Chart 2.12: Share of committed expenditure in revenue expenditure



Source: Finance Accounts

Salaries and wages

Expenditure on salaries and wages (₹ 28,124 crore) increased by 9.83 *per cent* during 2021-22 over the previous year (₹ 25,607 crore) and constituted 29.10 *per cent* of revenue expenditure.

Interest payment

During 2021-22, interest payments were to the tune of ₹ 19,064 crore (19.73 *per cent* of revenue expenditure). Interest on Market Borrowings (₹ 11,937 crore), Loans from the State Bank of India and other Banks (₹ 2,098 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹ 1,432 crore) continued to be the major components of interest payments.

Pensions

The expenditure on pension and other retirement benefits to State Government pensioners during the year was ₹ 14,730 crore and constituted 15.24 *per cent* of the revenue expenditure. During the year, Superannuation and Retirement Allowances (₹ 8,797 crore) increased by ₹ 765 crore, Family Pensions (₹ 1,905 crore) increased by ₹ 143 crore and Commuted Value of Pensions (₹ 414 crore) increased by ₹ 127 crore, from those in 2020-21.

(i) Undischarged liabilities in National Pension System

The State Government introduced (December 2006) the 'National Pension System' (NPS), in the name of Defined Contribution Pension Scheme (DCPS), applicable to all new entrants joining the State Government Service⁶ on or after 1 January 2004. Under this system, employees contribute 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government (Government's share has been increased to 14 *per cent* with effect from

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

1 April 2019). The employees' contribution is booked in Public Account under Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' and the employer's contribution is transferred to the designated authority i.e. National Securities Depository Limited (NSDL), debiting Major Head '2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme'. The State Government further revised the procedure (February 2021). As per the revised procedure, the State Government's share would be transferred by debiting Major Head '2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme' to Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' in the Public Account instead of transferring directly to NSDL. The employer's share along with employees' share would then be transferred to NSDL from the Public Account. The State Government has the responsibility to deposit both employees' and employer's share with the NSDL for further investment as per the guidelines of NPS.

Though the State Government implemented DCPS with effect from January 2004, it started deducting the contribution from employees largely from April 2008⁷. The arrears of employees' share for the period from January 2004 to March 2008 was also deducted in 36 installments from April 2008 to March 2011. Though the State Government started receiving the contribution from 2008-09, it started transferring the same to the pension fund from 2010-11 onwards.

As per provisions of the scheme, during 2021-22, employees' contribution of ₹ 961.47 crore was booked under Major Head '8342-Other Deposits 117-Defined Contribution Pension Scheme for Government Employees' in Public Account' as per prescribed procedure. Government's share of ₹ 1,325.67 crore towards New Pension Scheme was transferred from Major Head '2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme' to Major Head '8342-Other Deposits, 117-Defined Contribution Pension Scheme' in the Public Account instead of transferring directly to NSDL, as per revised procedure adopted by the State Government.

During 2021-22, against the balance of ₹ 2,439.35 crore lying in the Public Account, the State Government transferred ₹ 2,290.36 to NSDL, leaving a balance of ₹ 148.99 crore as on 31 March 2022, which could not be transferred to the fund managers for want of complete particulars of the employees. Thus, as against the due amount of ₹ 1,346.06 crore, the Government actually contributed ₹ 1,325.67 crore during the current year, thereby resulting in short transfer of ₹ 20.39 crore, which understated the revenue and fiscal deficit to that extent.

Further, the State Government is liable to pay interest on delayed transfer of NPS balances at the corresponding interest rates applicable to the General Provident Fund (GPF) subscribers. Thus, the State Government has created interest liability on the amount not transferred to NSDL; incorrectly used the

⁷ Meagre amount of ₹ 0.59 crore was collected during 2006-08.

funds that belong to its employees and created uncertainty in respect of benefits due to the affected employees.

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

Table 2.22: Details of contribution and investment under DCPS

(₹ in crore)

Years	Receipts				Disbursement (Transferred to Pension Fund)	Short transfer (-)/ Excess transfer (+)
	Employees' share	Government contribution	Interest	Total		
1	2	3	4	5 (2+3+4)	6	7 (6-5)
2008-09	38.76*	33.60	0.00	72.36	0.00	(-)72.36
2009-10	45.38	36.26	0.00	81.64	0.00	(-)81.64
2010-11	54.19	51.90	26.86	132.95	2.33	(-)130.62
2011-12	79.19	85.00	22.45	186.64	26.45	(-)160.19
2012-13	181.48	196.78	24.01	402.27	286.17	(-)116.10
2013-14	242.81	230.00	22.78	495.59	481.53	(-)14.06
2014-15	282.86	290.00	21.35	594.21	804.90	(+)210.69
2015-16	389.39	390.00	18.48	797.87	902.69	(+)104.82
2016-17	436.28	435.81	17.19	889.28	957.69	(+)68.41
2017-18	532.59	520.55	15.55	1,068.69	1,058.51	(-)10.18
2018-19	585.78	584.94	14.70	1,185.42	1,203.28	(+)17.86
2019-20	746.67	707.69	0.00	1,454.36	1,436.41	(-)17.95
2020-21	791.35	1,356.26	0.00	2,147.61	2,196.72	(+)49.11
2021-22	961.47	1,325.67	0.00	2,287.14	2,290.36	(+)3.22
Total	5,368.20	6,244.46	183.37	11,796.03	11,647.04	(-)148.99

Source: Finance Accounts

* Includes amount ₹ 0.59 crore collected/received during the period 2006-08 which was yet to be transferred to Pension Fund as on 1 April 2008.

During the period 2008-22, against total receipts of ₹ 11,796.03 crore (employees' share: ₹ 5,368.20 crore, State Government contribution: ₹ 6,244.46 crore and interest: ₹ 183.37 crore), amount of ₹ 11,647.04 crore was transferred to the pension fund. Thus, there was short transfer of ₹ 148.99 crore, which is a deferred liability of the State Government.

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

2.4.1.3 Subsidies

Table 2.23 depicts the expenditure on subsidies during the period 2017-22. The subsidies during the current year increased by ₹ 4,768 crore (48.91 per cent) from the previous year. The increase was mainly due to increase of ₹ 3,786 crore on account of power subsidy, ₹ 590 crore on account of debt relief to farmers and ₹ 175 crore on account of subsidy scheme for cane price payment to the cane farmers.

Table 2.23: Expenditure on subsidies during 2017-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	6,982	13,361	10,161	9,748	14,516
Power subsidy (₹ in crore)	6,578	9,036	9,394	9,657	13,443
Subsidies as percentage of Revenue Receipts	13.17	21.46	16.50	14.12	18.57
Subsidies as percentage of Revenue Expenditure	11.18	17.72	13.39	11.29	15.02
Subsidies as percentage of Total Expenditure	10.65	16.87	10.76	10.63	13.67
Subsidies as percentage to Revenue Deficit	73.84	101.72	71.13	56.36	78.60
Power subsidy as percentage to total subsidy	94.21	67.63	92.45	99.07	92.61

Source: Finance Accounts

Power subsidy constituted major portion of the total subsidies ranging between 68 per cent and 99 per cent; and the subsidies contributed 56 per cent to 102 per cent to the revenue deficit during 2017-22.

(i) Implicit subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or can be given as concessions. Some implicit subsidies extended during 2021-22 are detailed in **Table 2.24**.

Table 2.24: Details of implicit subsidies during the year 2021-22

(₹ in crore)		
Sr. No.	Scheme	Amount
1.	Reimbursement to Transport Department in lieu of free concessional travel facility to Women above the age of 60 years in Government/ PEPSU Road Transport Corporation (PRTC) buses	246.79
2.	Ashirwad to Scheduled Caste girls/widows/divorcees and daughters of widows at the time of their marriages	89.64
3.	Ashirwad to Backward Classes and Christian girls/widows/ divorcees and daughters of widows of any caste at the time of marriage	44.99
4.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free/concessional facilities to students of colleges and universities in Government/ PEPSU Road Transport Corporation (PRTC) buses	22.79
5.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students	6.26
6.	Reimbursement to PEPSU Road Transport Corporation (PRTC) in lieu of concessional bus passes to the students of medical education (pass holder)	5.50
7.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students of Engineering Colleges/Polytechnics	3.50
8.	Reimbursement to PEPSU Road Transport Corporation (PRTC)/Punjab Roadways in lieu of concessional bus passes to Thalassemia/Cancer patients	1.49
Total		420.96

Source: Detailed Appropriation Accounts

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

Assistance provided by way of grants to the local bodies and other institutions during the period 2017-18 to 2021-22 is presented in **Table 2.25**.

Table 2.25: Financial assistance to Local Bodies and other institutions

(₹ in crore)					
Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Local Bodies					
Municipal Corporations and Municipalities	1,091.64	1,747.28	2,365.48	2,694.56	2,424.13
Panchayati Raj Institutions	230.36	530.18	885.81	3,313.12	1,463.61
Total (A)	1,322.00	2,277.46	3,251.29	6,007.68	3,887.74
(B) Others					
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	2,117.63	2,824.52	3,196.94	3,586.92	3,380.66
Development Authorities	0.00	0.00	1,309.29	1,518.84	1,184.78
Hospitals and Other Charitable Institutions	627.74	967.34	1,211.06	1,348.71	1,371.46
Other Institutions	2,095.85	2,795.04	914.70	2,560.30	2,075.40
Total (B)	4,841.22	6,586.90	6,631.99	9,014.77	8,012.30
Total (A+B)	6,163.22	8,864.36	9,883.28	15,022.45	11,900.04
Revenue Expenditure	62,465	75,404	75,860	86,344	96,636
Assistance as percentage of Revenue Expenditure	9.87	11.76	13.03	17.40	12.31

Source: Finance Accounts

During the current year, financial assistance to the local bodies and other institutions decreased by ₹ 3,122.41 crore (20.78 per cent) over the previous year. The decrease was mainly due to decrease in assistance to Municipal Corporations and Municipalities (₹ 270.43 crore: 10.04 per cent) and Panchayati Raj Institutions (₹ 1,849.51 crore: 55.82 per cent). During the previous year, more assistance to Municipal Corporations and Municipalities and Panchayati Raj Institutions was mainly on account of clearance of backlog of grants recommended by the Fourteenth Finance Commission (14th FC) and payment of grants recommended by the Fifteenth Finance Commission (15th FC). The overall quantum of financial assistance to the local bodies and other institutions as percentage to revenue expenditure decreased to 12.31 per cent during the current year from 17.40 per cent of the previous year.

Major recipients of the financial assistance are shown in **Table 2.26**.

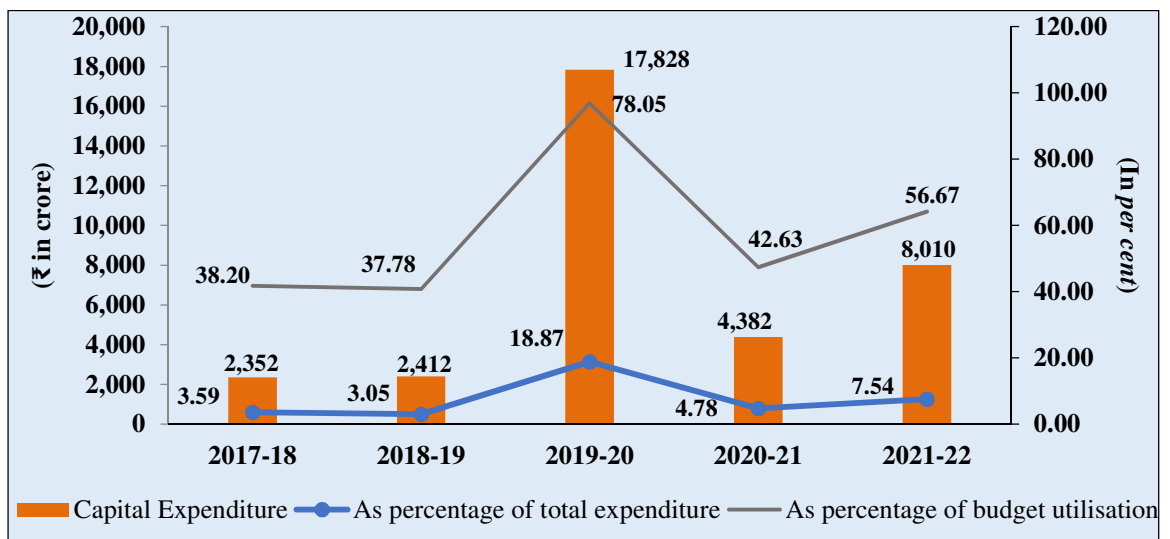
Table 2.26: Major recipients of financial assistance during the year 2021-22

(₹ in crore)		
Recipient	Scheme	Amount
Director, Local Bodies	Punjab Municipal Fund - Assistance to Municipalities/ Municipal Councils /Urban Local Bodies	1,450.00
Gram Panchayat Samities	Grants-in-aid to PRIs	1,207.00
National Health Mission	National Rural Health Mission	946.63
Government Secondary Schools	Information and Communication Technology	646.42
Local Urban Bodies	Grants-in-aid	616.18
Punjab Infrastructure Development Board	Assistance	567.59
Government Secondary Schools	Samagra Shiksha Abhiyaan/ Rashtriya Madhyamik Shiksha Abhiyan	503.15
Government Primary Schools	Samagra Shiksha Abhiyaan	479.55
Punjab Agriculture University, Ludhiana	Assistance	406.31
Non-Government Colleges and Institutes	Assistance	288.01
Gram Panchayat Samities	Mahatma Gandhi National Rural Employment Guarantee Scheme	356.03
Government Primary Schools	Mid-day Meal	341.15
Punjabi University, Patiala	Grants-in-aid	204.66

Source: Finance Accounts

2.4.2 Capital Expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget. It also includes investments made by the State Government in Companies/Corporations. Trend of capital expenditure in the State over the last five years i.e. 2017-22 is given in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State

Source: Finance Accounts and Annual Financial Statements of respective years

Chart 2.13 shows that the capital expenditure fluctuated during the five years' period. It increased by ₹ 5,658 crore (240.56 per cent) from ₹ 2,352 crore (3.59 per cent of total expenditure) in 2017-18 to ₹ 8,010 crore (7.54 per cent of total expenditure) in 2021-22. Besides, the State Government also gave Grants-in-aid of ₹ 4,053 crore⁸ during the period 2017-22 for creation of assets. Utilisation of budget for capital expenditure ranged between 38 per cent and 57 per cent during 2017-22 except for the year 2019-20 when it was 78 per cent due to conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, as discussed in Paragraph 2.4.2.2(v) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020.

2.4.2.1 Major changes in capital expenditure

Major changes in capital expenditure during 2021-22 compared to 2020-21 are depicted in **Table 2.27**.

Table 2.27: Capital expenditure during 2021-22 compared to 2020-21

(₹ in crore)			
Major Head of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
4215-Capital Outlay on Water Supply and Sanitation	584.59	660.96	(+) 76.37
4217-Capital Outlay on Urban Development	1,301.16	1,918.93	(+) 617.77
4515-Capital Outlay on Other Rural Development Programmes	214.37	356.00	(+) 141.63
4701-Capital Outlay on Medium Irrigation	425.45	552.05	(+) 126.60
4705-Capital Outlay on Command Area Development	60.62	10.82	(-) 49.80
4711-Capital Outlay on Flood Control Projects	66.99	107.73	(+) 40.74
4801-Capital Outlay on Power Projects	0.00	40.00	(+) 40.00
5054-Capital Outlay on Roads and Bridges	582.20	1,014.67	(+) 432.47
5452-Capital Outlay on Tourism	130.33	36.70	(-) 93.63
5475-Capital Outlay on Other General Economic Services	186.56	2,311.59	(+) 2,125.03

Source: Finance Accounts

Chart 2.13 shows that the capital expenditure increased by ₹ 3,628 crore (82.79 per cent) from ₹ 4,382 crore in 2020-21 to ₹ 8,010 crore in 2021-22. The increase in overall capital expenditure was mainly due to increase in Capital Outlay on Other General Economic Services: ₹ 2,125 crore; Capital Outlay on Urban Development: ₹ 618 crore; Capital Outlay on Roads and Bridges: ₹ 432 crore; Capital Outlay on Medium Irrigation: ₹ 127 crore; etc., as detailed in **Table 2.27**. Increase of ₹ 2,125 crore in 'Capital Outlay on Other General Economic Services' was mainly due to increase of ₹ 1,390 crore in 'Major Works' and ₹ 679 crore in 'Special Component Plan for Scheduled Castes'.

⁸ 2017-18: ₹ 0.50 crore; 2018-19: ₹ 338.94 crore; 2019-20: ₹ 714.34 crore; 2020-21: ₹ 2,744.17 crore and 2021-22: ₹ 255.24 crore.

2.4.2.2 *Quality of capital expenditure*

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

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

Capital expenditure in the companies, corporations and other bodies which are loss making or where net worth has completely eroded, is not sustainable.

Investments made and loans given to companies (e.g. DISCOMs), corporations (e.g. SC & ST Financial Corporations), and co-operatives (e.g. sugar mills), which are loss making and those where net worth has completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As per the latest finalised accounts, total paid up capital of 33 working State PSUs stood at ₹ 23,516.93 crore at the end of 2021-22, of which the State Government's investment (equity) was ₹ 23,314.29 crore (99.14 *per cent*) in 23 State PSUs.

Eleven State PSUs, in which the State Government held investment of ₹ 22,501.24 crore had aggregated accumulated losses of ₹ 13,465.82 crore (*Appendix 2.3*).

Net worth of eight out of above 11 PSUs with accumulated losses had completely eroded and had become negative. The net worth of these eight PSUs was (-) ₹ 7,093.18 crore against equity investment of ₹ 462.86 crore (GoP investment: ₹ 423.42 crore) in these PSUs as on 31 March 2022. In five out of eight PSUs whose capital had eroded, Government loans outstanding as on 31 March 2022 amounted to ₹ 20,079.11 crore (*Appendix 2.4*).

The long term loans amounting to ₹ 25,907.24 crore extended by the State Government in respect of eight PSUs were outstanding as on 31 March 2022 (*Appendix 2.5*).

Trends of return on investment in companies, corporations, and co-operative banks and societies, difference between cost of Government borrowings and return on investments are depicted in **Table 2.28**.

Table 2.28: Return on investment

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	4,189.27	4,263.25	19,898.08	19,911.84	19,899.69
Return (₹ in crore)*	4.45	4.24	4.24	1.26	6.66
Return (<i>per cent</i>)*	0.11	0.10	0.02	0.01	0.03
Average rate of interest on Government Borrowings (<i>per cent</i>)	7.70	8.36	7.31	6.80	7.08
Difference between interest rate and return (<i>per cent</i>)	7.59	8.26	7.29	6.79	7.05
Difference between cost of Government borrowings and return on investment (₹ in crore)#	317.97	352.14	1,450.57	1,352.01	1,402.93

Source: Finance Accounts

* on historical cost

Investment at the end of the year X Difference between interest rate and return

100

During 2021-22, the return on investment was ₹ 6.66 crore⁹ (0.03 *per cent*) (based on historical cost and not on net present value basis). The return was only between 0.01 *per cent* and 0.11 *per cent* during 2017-22 while the average rate of interest paid by the State Government on its borrowings was between 6.80 *per cent* and 8.36 *per cent* during the same period. Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 4,875.62 crore.

(ii) Reconciliation of Government Investments with Accounts of Companies

The figures of Government investments as equity in State Public Sector Undertakings (PSU) should agree with those appearing in the accounts of the PSUs. Reconciliation of figures is necessary to figure out the differences in accounts of PSUs and Finance Accounts of the State Government. Scrutiny of both the accounts revealed that as per Finance Accounts, Government investment as equity in 18 PSUs was ₹ 19,012.15 crore whereas as per records of PSUs, it was ₹ 23,104.50 crore. There was a difference of ₹ 4,092.35 crore as detailed in **Appendix 2.6**. Reconciliation should be carried out in a time bound manner to figure out the difference.

(iii) Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many institutions/organisations. **Table 2.29** presents the position of outstanding loans and advances as on 31 March 2022 and interest receipts

⁹ Government Companies (₹ 6.49 crore); Joint Stock Companies (₹ 0.16 crore); and Co-operative Banks and Societies (₹ 0.01 crore).

vis-à-vis interest payments by the State Government on its borrowings during the last five years.

Table 2.29: Quantum of loans disbursed and recovered during 2017-22

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	49,482	50,169	50,681	35,394	36,300
Amount advanced during the year	760	1,361	783	956	1,576
Amount recovered during the year	73	849	16,070	50	206
Closing Balance of the loans outstanding	50,169	50,681	35,394	36,300	37,670
Net addition	687	512	(-)15,287	906	1,370
Interest received	1,339	1,341	1,336	25	19
Interest rate on Loans and Advances given by the Government	2.69	2.66	3.10	0.07	0.05
Rate of Interest paid on the outstanding borrowings of the Government	8.12	8.00	7.93	7.44	7.05
Difference between the rate of interest received and interest paid (<i>per cent</i>)	(-)5.43	(-)5.34	(-)4.83	(-)7.37	(-) 7.00

Source: Finance Accounts

During 2021-22, amount of ₹ 1,576 crore was advanced as loans against ₹ 956 crore during the previous year. The loans advanced during the current year included ₹ 601 crore extended to the Punjab State Civil Supplies Corporation (PUNSUP) for procurement and supply of essential commodities and ₹ 438 crore to other procurement agencies against liability of Atta Dal Scheme. Loans amounting to ₹ 1,184.22 crore were outstanding at the beginning of the year against Co-operative Sugar Mills. Further, loans of ₹ 285 crore were given to these sugar mills without recovery of earlier loans.

The total outstanding loans advanced by the State Government increased by ₹ 1,370 crore from ₹ 36,300 crore in 2020-21 to ₹ 37,670 crore in the year 2021-22. Recovery of loans increased by ₹ 156 crore (312 *per cent*) and interest receipts decreased by ₹ 6.00 crore (24 *per cent*) respectively in 2021-22 as compared to 2020-21. The interest received was only 0.05 *per cent* of the outstanding loans and advances during 2021-22.

The outstanding loans (₹ 37,670 crore) at the close of year 2021-22 included the long term loans of ₹ 32,592 crore out of ₹ 33,973 crore advanced by the State Government for –

- one-time settlement of Legacy Cash Credit Accounts for food procurement operations during 2016-17 (₹ 29,920 crore¹⁰), of which ₹ 29,244 crore were outstanding; and

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

- clearing outstanding Cash Credit Limit (CCL) extended afresh to five State Procurement Agencies (SPA) during 2016-22 (₹ 4,053 crore), of which ₹ 3,307 crore¹¹ were outstanding.

Thus, against the total amount of ₹ 33,973 crore advanced for clearing old and fresh CCL to SPAs during 2016-22, recovery of only ₹ 1,422 crore¹² had been effected.

(iv) Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years lead to extra burden in terms of servicing of debt and interest liabilities. Details of age-wise and department-wise incomplete projects, which were to be completed upto 2021-22 are shown in **Table 2.30** and **Table 2.31** respectively.

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2022)
Upto 2012-13	3	2,543.96	1,026.38
2013-14	0	0.00	0.00
2014-15	0	0.00	0.00
2015-16	3	77.42	14.09
2016-17	2	82.15	44.26
2017-18	2	67.64	51.10
2018-19	10	199.54	110.41
2019-20	8	233.59	134.85
2020-21	21	222.34	103.64
2021-22	37	170.50	79.01
Total	86	3,597.14	1,563.74

Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2022)
Public Works	58	890.36	457.41
Irrigation	20	2,644.66	1,067.83
Water Supply and Sanitation	8	62.12	38.50
Total	86	3,597.14	1,563.74

Source: Finance Accounts

The expenditure of ₹ 1,563.74 crore incurred on 86 incomplete projects was yet to yield the intended benefits. Out of 86 incomplete projects, 20 projects on which expenditure of ₹ 1,246.24 crore had been incurred, pertained to the period prior to the year 2019-20.

Delay in completion of projects not only adversely affected the quality of expenditure but also deprived the State of intended benefits and economic growth.

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

¹² ₹ 675 crore (2017-18: ₹ 26 crore, 2018-19: ₹ 61 crore, 2019-20: ₹ 405 crore, 2020-21: ₹ 11 crore; and 2021-22: ₹ 172 crore) against ₹ 29,920 crore; and ₹ 747 crore (2018-22) against ₹ 3,452 crore.

2.4.2.3 Resource availability of the State under Public Private Partnership projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Sector-wise details of PPP Projects are given in **Table 2.32**.

Table 2.32: Sector-wise details of PPP projects as on 31 March 2022

Sl. No.	Sector	Completed			Ongoing			Planned for future	
		No.	Estimated Cost	Revenue generated upto 31 st March 2022	No.	Estimated Cost	Revenue generated upto 31 st March 2022	No.	Estimated Cost
1.	Roads	14	1,027.02	60.00	--	--	--	--	--
2.	Urban Infrastructure	01 ¹³	9.00	1.05	02 ¹⁴	130.00	--	02 ¹⁵	255.00
3.	Agriculture	04 ¹⁶	177.35	6.30	--	--	--	02 ¹⁷	44.00
4.	Local Government	01 ¹⁸	57.78	5.02	--	--	--	--	--
5.	Health and Family Welfare	01 ¹⁹	131.16	136.41	06 ²⁰	383.64	125.34	--	--
6.	Education Development	05	36.76	--	19	85.82	--	--	--
7.	Technical Education and Industrial Training	--	--	--	03 ²¹	213.30	41.25*	--	--
8.	Employment Generation and Skill Development	8 ²²	7.65	--	4 ²³	3.15	0.25	8 ²⁴	15.60
9.	Revenue, rehabilitation and disaster Management	--	--	--	1 ²⁵	40.00	76.00	--	--
Total		34	1,446.72	208.78	35	855.91	242.84	12	314.60

Source: Departmental information

* Includes revenue of ₹ 10.18 crore generated but not received till 31 March 2022.

¹³ Refurbishment, Operation and Maintenance of Urban Haat located at Amritsar.

¹⁴ (i) Construction and Maintenance of exhibition centre at Ludhiana, (ii) Development, refurbishment, operation and maintenance of Heritage Hotel at Amritsar.

¹⁵ (i) Development of Amritsar Commercial Complex-cum-Convention Centre, (ii) Development of International Standard Tourism on Pathankot Dalhousie Road.

¹⁶ (i) Nawanshahar Co-operative Sugar Mill (15 MW) Co-generation Project on BOOT Basis set up by Nawanshahar Power Plant Ltd. (ii) Steel Silos, Sunam (iii) Steel Silos Ahmedgarh (iv) Steel Silos, Malerkotla.

¹⁷ (i) Batala Bio-CNG Project at Co-operative Sugar Mill, Batala; and (ii) Bhogpur Bio-CNG Project at Bhogpur Co-operative Sugar Mill, Bhogpur.

¹⁸ Installation of Street Light ESCO at Ludhiana under Ludhiana Smart City Ltd.

¹⁹ Punjab Institute of Medical Sciences Hospital & Medical College, Garha Road, Jalandhar.

²⁰ (i) Development operation and maintenance of radio diagnostic centre in selected hospitals in Punjab, (ii) Development operation and maintenance of Laboratory diagnostic centre in selected hospitals in Punjab, (iii) Setting up, operation and maintenance of cardiac facilities on PPP Model (iv) Development of green field super-speciality hospital on DBOT basis at Mohali (v) Development of green field super-speciality hospital on DBOT basis at Bathinda (vi) Development of mother and child hospital at Fatehgarh sahib.

²¹ (i) Govt. Polytechnic College Village Chokhra, SBS Nagar, (ii) Govt. Polytechnic College, Anandpur Sahib, Ropar and (iii) 76 Industrial Training Institutes.

²² Multi Skill Development Centre (MSDC) at Hoshiarpur, Amritsar, Jalandhar and Ludhiana, Bathinda. Health Sector Skill Development Centre (HSDC) at Patiala, Amritsar and Faridkot.

²³ Multi Skill Development Centre (MSDC) at Amritsar and Ludhiana. Health Sector Skill Development Centre (HSDC) at Patiala and Amritsar.

²⁴ Multi Skill Development Centre (MSDC) at Hoshiarpur, Amritsar, Jalandhar and Ludhiana, Bathinda. Health Sector Skill Development Centre (HSDC) at Patiala, Amritsar and Faridkot.

²⁵ (i) Computerization & land record management system and provisioning of citizen and back end services through establishment and operations and management of citizen services centres.

2.4.3 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to total expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Fiscal priority²⁶ of the State Government with regard to expenditure on social and economic sectors, etc. is shown in **Table 2.33**.

Table 2.33: Expenditure priority of the State with regard to health, education and capital expenditure

	TE/GSDP	CE/TE	Education*/TE	Health/ TE
General Category States Average (2017-18)	16.13	15.56	15.17	5.09
Punjab (2017-18)	13.92	4.75	14.31	4.19
General Category States Average (2021-22)	15.84	14.41	14.66	6.20
Punjab (2021-22)	18.19	9.02	12.15	3.71

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

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

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

Table 2.33 shows that:

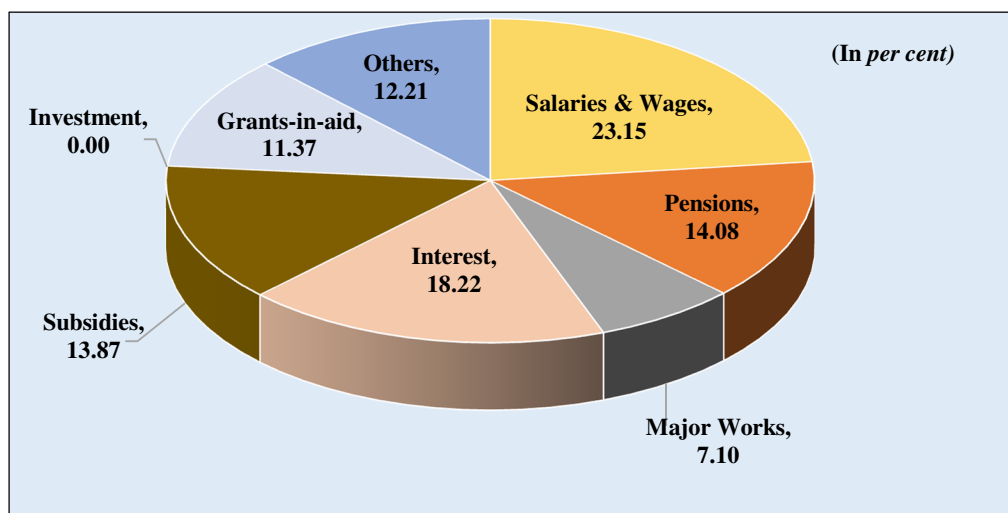
- The State Government's total expenditure as proportion of GSDP, increased from 13.92 *per cent* in 2017-18 to 18.19 *per cent* in 2021-22 whereas for General Category States (GCS) it decreased from 16.13 *per cent* to 15.84 *per cent* during the same period.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure increased from 4.75 *per cent* in 2017-18 to 9.02 *per cent* in 2021-22. This ratio for General Category States decreased from 15.56 *per cent* to 14.41 *per cent* during the same period.
- The ratio of expenditure on education to the total expenditure in Punjab decreased from 14.31 *per cent* in 2017-18 to 12.15 *per cent* in 2021-22 whereas it decreased from 15.17 *per cent* to 14.66 *per cent* in the case of GCS during the same period.
- The ratio of expenditure on health to total expenditure in Punjab decreased from 4.19 *per cent* in 2017-18 to 3.71 *per cent* in 2021-22 whereas it increased from 5.09 *per cent* to 6.20 *per cent* in the case of GCS during the same period.

²⁶ Ratio of expenditure in that category to Total Expenditure (TE).

2.4.4 Object head-wise expenditure

Object head-wise expenditure gives information about the object/purpose of the expenditure. **Chart 2.14** shows object head-wise expenditure.

Chart 2.14: Object head-wise expenditure during 2021-22



Source: Finance Accounts

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

2.5 Public Account

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

2.5.1 Net Public Account balances

The component-wise net balances in Public Account of the State is given in **Table 2.34** and yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

Table 2.34: Component-wise net balances in Public Account

(₹ in crore)

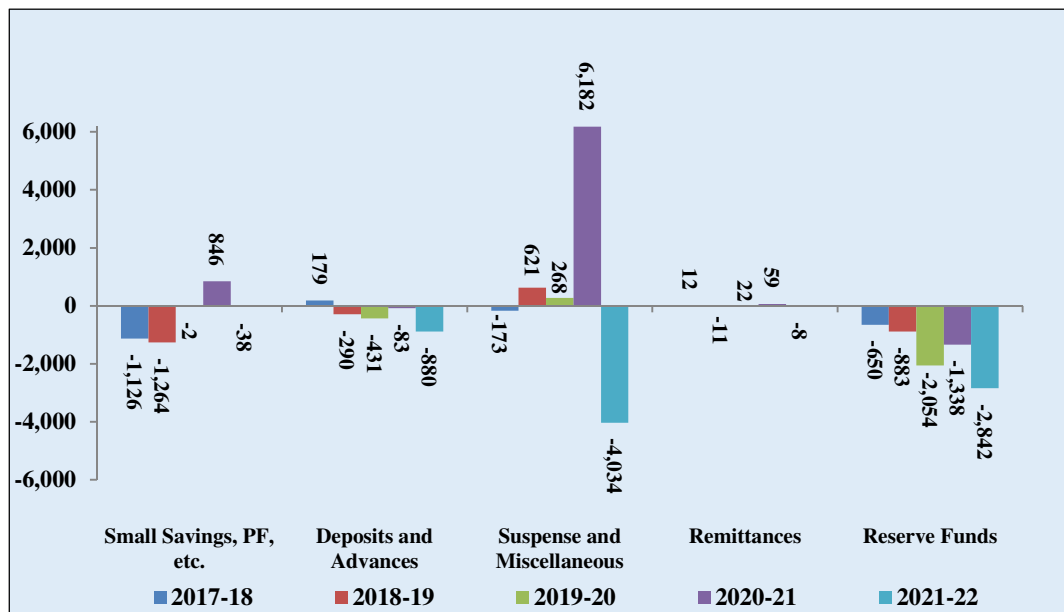
Sector	Sub-Sector	2017-18	2018-19	2019-20	2020-21	2021-22
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)21,729.73	(-)22,993.55	(-)22,995.06	(-)22,149.54	(-)22,187.70
Reserve Funds	(a) Reserve Funds bearing Interest	(-)5,519.49	(-)6,402.59	(-)8,203.96	(-)8,583.58	(-)9,508.56
	(b) Reserve Funds not bearing Interest	(-)0.68	(-)0.68	(-)253.20	(-)1,211.33	(-)3,127.96
Deposits and Advances	(a) Deposits bearing Interest	(-)825.92	(-)808.08	(-)776.16	(-)880.98	(-)1,400.28
	(b) Deposits not bearing Interest	(-)2,273.62	(-)2,581.87	(-)3,045.22	(-)3,023.68	(-)3,384.82
	(c) Advances	0.42	0.42	0.42	0.42	0.42
Suspense and Miscellaneous	(a) Suspense	50.87	(-)38.05	(-)8.47	(-)102.69	129.71
	(b) Other Accounts	562.71	1,272.82	1,511.04	7,787.14	3,521.09
	(c) Accounts with Governments of Foreign Countries	0.66	0.66	0.66	0.66	0.66
	(d) Miscellaneous	0	0	0	0	0.00
Remittances	(a) Money Orders, and other Remittances	0	(-)9.02	2.68	40.85	18.04
	(b) Inter-Governmental Adjustment Account	13.59	11.93	22.59	43.05	57.40
Total		(-)29,721.19	(-)31,548.01	(-)33,744.68	(-)28,079.68	(-)35,882.00

Source: Finance Accounts

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

Chart 2.15: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Account

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were six interest bearing funds and two Reserve Funds not bearing interest as on 31 March 2022. The fund balances lying in these Reserve Funds as on 31 March 2022 are given in **Table 2.35**.

Table 2.35: Detail of Reserve Funds

<i>(₹ in crore)</i>		
Sr. No.	Name of Reserve Fund	Balance as on 31 March 2022
A	Reserve Funds bearing Interest	9,508.56
1.	Depreciation Reserve Fund-Motor Transport	116.70
2.	Depreciation Reserve Fund-Government Presses	28.05
3.	General Reserve Fund-Motor Transport	0.72
4.	Punjab Road Safety Fund	61.01
5.	State Disaster Response Fund	8,194.08
6.	State Compensatory Afforestation Fund	1,108.00
B	Reserve Funds not bearing Interest	3,127.96
1.	Sinking Funds	3,127.26
2.	Other Development and Welfare Fund	0.70
	Grand Total	12,636.52

Source: Finance Accounts

2.5.2.1 Consolidated Sinking Fund

The Government of Punjab constituted (December 2006) a Consolidated Sinking Fund in line with the recommendations of the Twelfth Finance Commission (12th FC) with the objective to redeem its outstanding liabilities commencing from the financial year 2011-12. The Fund is managed by the Reserve Bank of India. The State Government is to contribute every year minimum 0.50 per cent of the outstanding liabilities at the end of the previous financial year. Contribution to this Fund out of borrowings from the Reserve Bank is not permissible.

There was an opening balance of ₹ 1,210.65 crore in the Fund at the beginning of the current year. As on 31 March 2021, the outstanding liabilities of the Government of Punjab were ₹ 2,49,673.12 crore²⁷. Accordingly, the State Government was required to contribute a minimum of ₹ 1,248.37 crore (0.50 per cent) during 2021-22 against which the State Government had made contribution of ₹ 1,820.02 crore to the Fund, which had been invested and an

²⁷ Excluding ₹ 8,359 crore as back-to-back loans from GoI in 2020-21 in lieu of GST Compensation shortfall, which were not to be repaid by the State from its sources.

interest of ₹ 96.59 crore was earned. Resultantly, there was a balance of ₹ 3,127.26 crore at the end of the current year.

Thus, the State Government has not made the minimum contribution of ₹ 6,767.10 crore²⁸ during 2011-22 to the said Fund since its inception.

2.5.2.2 State Disaster Response Fund

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

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

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/State Plan Funds, etc.

As per Finance Accounts, as on 1 April 2021, an amount of ₹ 7,334.00 crore was lying in the SDRF. During the year 2021-22, ₹ 1,521.00 crore (₹ 396 crore as Centre share and ₹ 132 crore as State share for the year 2021-22; ₹ 247.50 crore as Centre share and ₹ 82.50 crore as State share for the year 2020-21; ₹ 52.51 crore towards refund of previous year's unspent balance lying with the Drawing and Disbursing Officers; ₹ 127.57 crore towards excess funds released by State Govt. for COVID-19 as per norms set by NDMA/GoI; and ₹ 482.92 crore towards payment of interest by the State Government) were transferred to the Fund. An amount of ₹ 660.92 crore was spent from the Fund during the current year leaving a balance of ₹ 8,194.08 crore. The entire balance of ₹ 8,194.08 crore was lying uninvested in SDRF as on 31 March 2022, in violation of GoI guidelines *ibid*.

The State Government stated (December 2022) that it acts as custodian and banker to SDRF and interest is credited every year, as mandated by law. It was added that given the lower rate of interest on permissible investment options vis-à-vis payable rate for these reserve funds, the Government was averse to

²⁸ Up to 2015-16: ₹ 3,764.81 crore; 2016-17: ₹ 647.20 crore; 2017-18: ₹ 912.63 crore; 2018-19: ₹ 975.76 crore; 2019-20: ₹ 816.59 crore; 2020-21: ₹ 221.76 crore and 2021-22: (-) ₹ 571.65 crore.

investing in these securities and also that the Government had been crediting interest to the Fund without fail. The State Government was required to invest balances in the SDRF as per the guidelines of the Fund.

Details of expenditure charged to SDRF during 2021-22 are given in **Table 2.36**.

Table 2.36: Details of expenditure charged to SDRF during 2021-22

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones, etc.	101-Gratuitous Relief	205.88
	104-Supply of Fodder	0.26
	106-Repairs and restoration of damaged roads and bridges	0
	111-Ex-gratia payments to bereaved families	83.95
	113-Assistance for repairs/reconstruction of Houses	1.93
	117-Assistance to farmers for purchase of livestock	0.02
	122-Repairs and restoration of damaged irrigation and flood control works	368.88
	Total	660.92
2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	(-)660.92
Expenditure charged to SDRF in violation of SDRF guidelines		455.04

Source: Finance Accounts

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹ 455.04 crore out of ₹ 660.92 crore met from SDRF was in contravention of the guidelines. This led to understatement of revenue expenditure to the extent of ₹ 455.04 crore during 2021-22 with consequent impact on revenue deficit and fiscal deficit of the State.

2.5.2.3 Guarantee Redemption Fund

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

In terms of recommendations of the Twelfth Finance Commission, the State Government constituted 'Guarantee Redemption Fund' (GRF) in December 2007 (revised in January 2014 with effect from the financial year 2013-14) with the objective of meeting its obligations arising out of the guarantees issued on behalf of the State bodies. As per the guidelines, the State Government was required to make an initial contribution of at least one *per cent* of outstanding guarantees at the end of the previous year (2012-13) and

thereafter at least 0.50 *per cent* of outstanding guarantees at the close of previous year to achieve a minimum level of three *per cent* of outstanding guarantees in next five years. However, the State Government had not contributed anything to the Fund.

The State Government further revised (October 2017) the 'Guarantee Redemption Fund Scheme' with effect from the financial year 2017-18. In terms of the Scheme, State Government was required to make a minimum contribution one *per cent* and thereafter at the rate of 0.50 *per cent* of outstanding guarantees at the end of the previous year to achieve a minimum level of three *per cent* in next five years. The Fund shall be gradually increased to a desirable level of five *per cent*. However, no contribution was made by the State Government to the Fund during this period.

During the year, Government did not make any contribution as against ₹ 117.76 crore (0.50 *per cent* of outstanding guarantees of ₹ 23,551.58 crore at the end of previous year) it was required to contribute to the Fund. Besides, guarantee fee of ₹ 38.24 crore²⁹ was also received during the current year which was not transferred to GRF. Non-transfer of guarantee fee to GRF has resulted in understatement of revenue expenditure by ₹ 38.24 crore during 2021-22 with consequent impact on revenue deficit and fiscal deficit of the State.

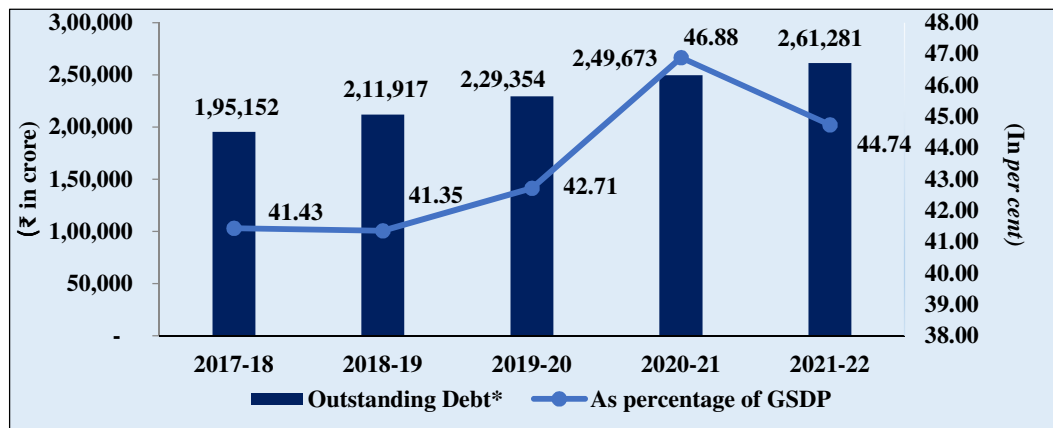
The State Government stated (December 2022) that it was not contributing to GRF as no additional benefit was seen and that the State Government stood committed to honour the guarantees given in respect of its PSUs. The State Government should have contributed to the Fund as per the GRF guidelines.

2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Outstanding debt of the State along with its percentage to GSDP for the years 2017-18 to 2021-22 is depicted in **Chart 2.16**.

²⁹ Power: ₹ 33.20 crore; Co-operatives: ₹ 4.88 crore; and State Finance Companies/Corporations: ₹ 0.16 crore.

Chart 2.16: Outstanding debt and its percentage to GSDP

Source: Finance Accounts

* During the year 2020-21 and 2021-22, it excludes ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore+₹ 12,132 crore) respectively, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The component-wise debt trends of the State for the period of five years beginning from 2017-18 are presented in **Table 2.37**.

Table 2.37: Component-wise debt trends

	(₹ in crore)				
Components of fiscal liability	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Total Debt	1,95,152	2,11,917	2,29,354	2,49,673	2,61,281
Public Debt	1,64,803	1,79,130	1,94,333	2,15,035	2,24,799
<i>Internal Debt</i>	1,60,785	1,74,172	1,89,662	2,10,394	2,20,196
<i>Loans from GoI*</i>	4,018	4,958	4,671	4,641	4,603
Public Account Liabilities	30,349	32,787	35,021	34,638	36,482
<i>Small Savings, Provident Funds, etc.</i>	21,730	22,993	22,995	22,149	22,188
<i>Reserve Funds bearing Interest</i>	5,519	6,403	8,204	8,583	9,508
<i>Reserve Funds not bearing Interest</i>	1	1	1	1	1
<i>Deposits bearing Interest</i>	826	808	776	881	1,400
<i>Deposits not bearing Interest</i>	2,273	2,582	3,045	3,024	3,385
Rate of growth of outstanding total debt (per cent)	6.92	8.59	8.23	8.86	4.65
Gross State Domestic Product (GSDP)	4,71,014	5,12,510	5,37,031	5,32,555	5,84,042
Debt/GSDP (per cent)	41.43	41.35	42.71	46.88	44.74
Total Debt Receipts (including WMA)#	53,363	61,155	65,907	64,248	43,605
Total Debt Repayments (including WMA)	40,737	44,390	48,470	43,928	31,997
Total Debt available	12,626	16,765	17,437	20,320	11,608
Debt Repayments/Debt Receipts (per cent)	76.34	72.59	73.54	68.37	73.38

Source: Finance Accounts

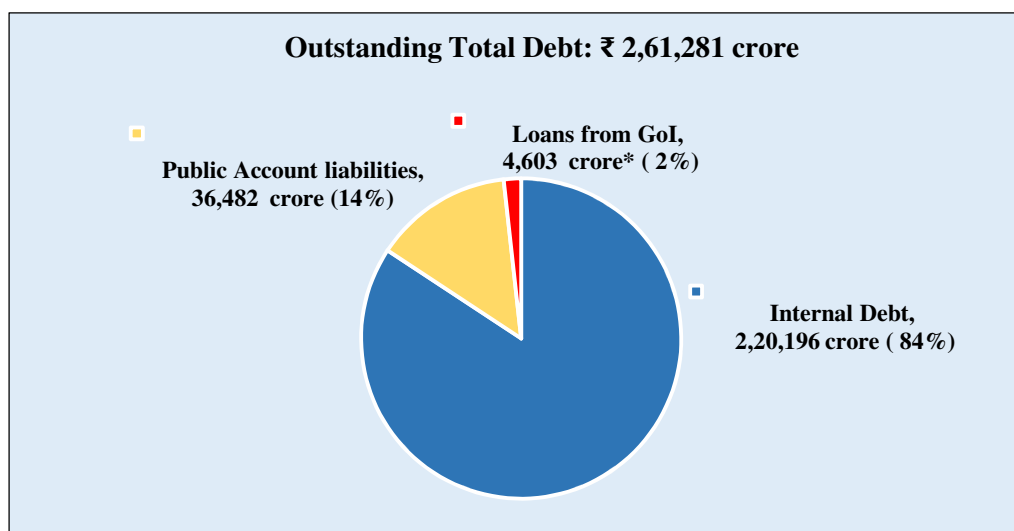
* During the year 2020-21 and 2021-22, it excludes ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore+₹ 12,132 crore) respectively, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

During the year 2020-21 and 2021-22, these have been calculated after excluding ₹ 8,359 crore and ₹ 12,132 crore respectively, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

The total debt of the State Government had been on the rise as it increased by 33.89 per cent from ₹ 1,95,152 crore in 2017-18 to ₹ 2,61,281 crore in 2021-22, which included outstanding long term loans raised by the State Government for (i) one-time settlement of Legacy Cash Credit Accounts for food procurement operations during 2016-17 (₹ 25,106 crore out of ₹ 29,920 crore); and (ii) issuing of Bonds for clearing debts of Punjab State Power Corporation Limited (PSPCL) in compliance with the implementation of Ujwal Discom Assurance Yojana (UDAY) during 2015-17 (₹ 14,642 crore out of ₹ 15,628 crore). Public Account liabilities increased by ₹ 6,133 crore (20.21 per cent) during the period 2017-22. Major increase was under and 'Reserve Funds bearing Interest' (₹ 3,989 crore: 72.27 per cent) and 'Deposits bearing Interest' (₹ 574 crore: 69.49 per cent).

Break-up of outstanding total debt at the end of 2021-22 is shown in **Chart 2.17**.

Chart 2.17: Break-up of outstanding total debt at the end of 2021-22



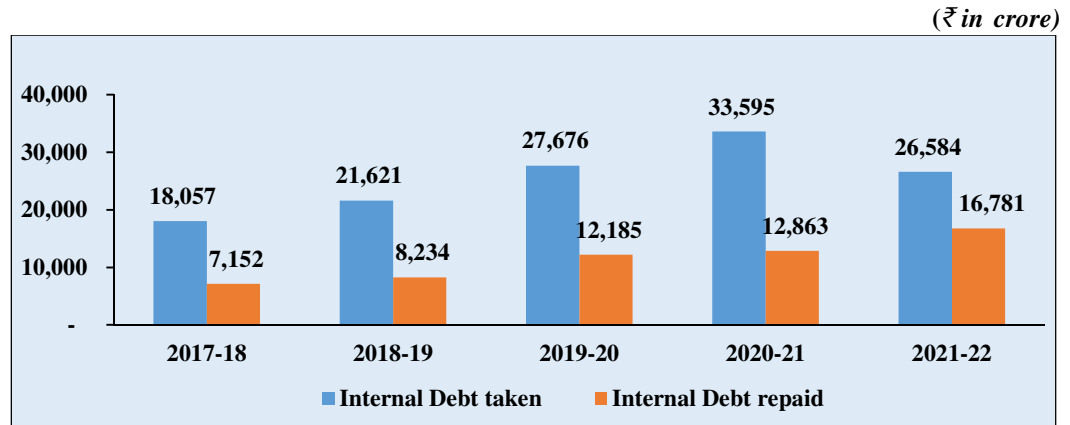
Source: Finance Accounts

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

The State Government stated (December 2022) that the Government had to take over liabilities on account of cash credit limit (CCL) of the State Procurement Agencies (₹ 29,920 crore) and the State Discom under UDAY scheme (₹ 15,628 crore) during the period 2015-17, which lead to an increase in fiscal liabilities of the State.

Chart 2.18 depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years i.e. 2017-22.

Chart 2.18: Internal debt taken vis-a-vis repaid



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 59,411 crore (36.95 per cent) from ₹ 1,60,785 crore in 2017-18 to ₹ 2,20,196 crore in 2021-22 (Table 2.37). An amount of ₹ 16,892 crore was paid towards interest on internal debt during 2021-22.

Table 2.38 depicts financing pattern of the fiscal deficit during 2017-22 and the financing of fiscal deficit during 2021-22 is expressed through a water flow chart (Chart 2.19).

Table 2.38: Components of fiscal deficit and its financing pattern

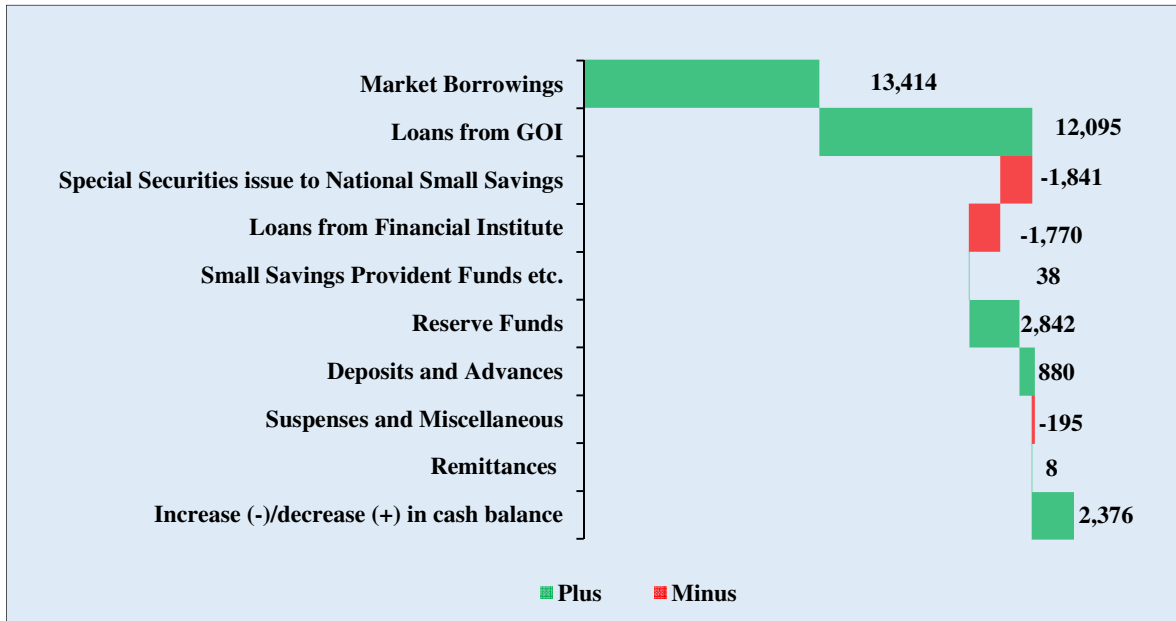
(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit	(-)12,494	(-)16,059	(-)16,826	(-)22,584	(-)27,847
1 Revenue Deficit	(-)9,455	(-)13,135	(-)14,285	(-)17,296	(-)18,468
2 Net Capital expenditure	(-)2,352	(-)2,412	(-)17,828	(-)4,382	(-)8,010
3 Net Loans and Advances	(-)687	(-)512	15,287	(-)906	(-)1,369
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	13,349	17,053	18,470	23,467	13,414
2 Loans from GoI	125	940	(-)288	8,329	12,095
3 Special Securities issued to NSSF	(-)1,742	(-)1,801	(-)1,841	(-)1,838	(-)1,841
4 Loans from Financial Institutions	(-)702	(-)1,865	(-)1,138	(-)898	(-)1,770
5 Small Savings, PF, etc.	1,126	1,264	2	(-)845	38
6 Reserve Funds	650	883	2,054	1,338	2,842
7 Deposits and Advances	(-)180	290	431	83	880
8 Suspense and Miscellaneous	(-)27	120	(-)41	130	(-)195
9 Remittances	(-)12	11	(-)23	(-)59	8
10 Overall Deficit	12,587	16,895	17,626	29,707	25,471
11 Increase(-)/Decrease(+) in cash balance	(-)93	(-)836	(-)800	(-)7,123	(+)2,376
12 Gross Fiscal Deficit	12,494	16,059	16,826	22,584	27,847

Source: Finance Accounts

Chart 2.19: Financing of fiscal deficit during 2021-22

(₹ in crore)



Source: Finance Accounts

The components of receipts and disbursements financing the fiscal deficit during the year 2021-22 are depicted in **Table 2.39**.

Table 2.39: Receipts and Disbursements under various components financing the fiscal deficit during 2021-22

(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	25,814	12,400	13,414
2 Loans from GoI	12,586*	491	12,095
3 Special Securities issued to NSSF	-	1,841	(-)1,841
4 Loans from Financial Institutions	770	2,540	(-)1,770
5 Small Savings, PF, etc.	3,153	3,115	38
6 Reserve Funds	3,503	661	2,842
7 Deposits and Advances	7,906	7,026	880
8 Suspense and Miscellaneous	76,619	76,814	(-)195
9 Remittances	52	44	8
10 Overall Deficit			25,471
11 Increase (-)/Decrease (+) in cash balance	6,872	9,248	(+)2,376
12 Gross Fiscal Deficit			27,847

Source: Finance Accounts

* Includes ₹ 12,132 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Table 2.40** and **Chart 2.20**.

Table 2.40: Maturity Profile of repayment of Public debt of the State

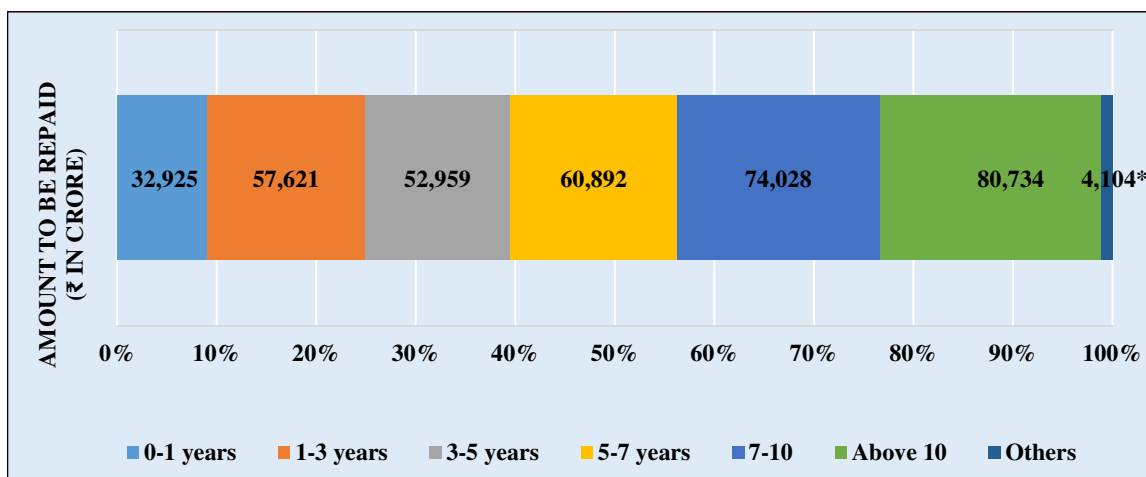
Period of repayment (Years)	Principal Amount	Interest Amount [#]	Public Debt (including interest)	Percentage (w.r.t. total public debt)
	(₹ in crore)			
0 – 1	16,483.29	16,441.80	32,925.09	9.06
1 – 3	28,431.61	29,188.93	57,620.54	15.86
3 – 5	28,066.31	24,893.08	52,959.39	14.58
5 – 7	40,667.20	20,224.78	60,891.97	16.76
7-10	53,633.21	20,395.09	74,028.30	20.38
Above 10	53,413.64	27,320.07	80,733.71	22.23
Others ³⁰	4,103.92*	--	4,103.92	1.13
Total	2,24,799.18	1,38,463.74	3,63,262.92	100.00

Source: Calculated on the basis of Finance Accounts

Approximate interest calculated at average interest rate of 7.45 per cent (average of interest rates for the last five years as given in Table 2.41 at page 65).

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

Table 2.40 indicates that the State Government has to repay 24.92 per cent (₹ 90,545.63 crore) of its public debt (including approximate interest) within the next three years, 14.58 per cent (₹ 52,959.39 crore) between 3-5 years, 16.76 per cent (₹ 60,891.97 crore) between 5-7 years and 20.38 per cent (₹ 74,028.30 crore) between 7-10 years. It signifies that the State has to repay 76.64 per cent of its debt (₹ 2,78,425.29 crore) in the next ten years.

Chart 2.20: Maturity Profile of Public Debt

Source: Finance Accounts

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

³⁰ Includes loans of ₹ 0.32 crore, repayment of which is on the basis of actual recoveries; and ₹ 4,103.60 crore representing loans on back to back basis, recoveries of which are being made by the Central Government itself.

Table 2.41 and **Chart 2.21** show the year-wise repayment schedule during next ten years of the Public Debt outstanding as on 31 March 2022.

Table 2.41: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2031-32

(₹ in crore)

Year	Repayment of		
	Principal	Interest [#]	Total
2022-23	16,483.29	16,441.80	32,925.09
2023-24	16,626.15	15,213.79	31,839.94
2024-25	11,805.46	13,975.14	25,780.60
2025-26	17,425.45	13,095.64	30,521.09
2026-27	10,640.86	11,797.44	22,438.30
2027-28	23,954.58	11,004.70	34,959.28
2028-29	16,712.62	9,220.08	25,932.70
2029-30	15,103.25	7,974.99	23,078.24
2030-31	17,174.46	6,849.80	24,024.26
2031-32	21,355.49	5,570.30	26,925.79
Total	1,67,281.61	1,11,143.68	2,78,425.29

[#] Approximate interest calculated at average interest rate of 7.45 per cent (average of interest rates for the last five years as given in Table 2.41).

Chart 2.21: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2031-32

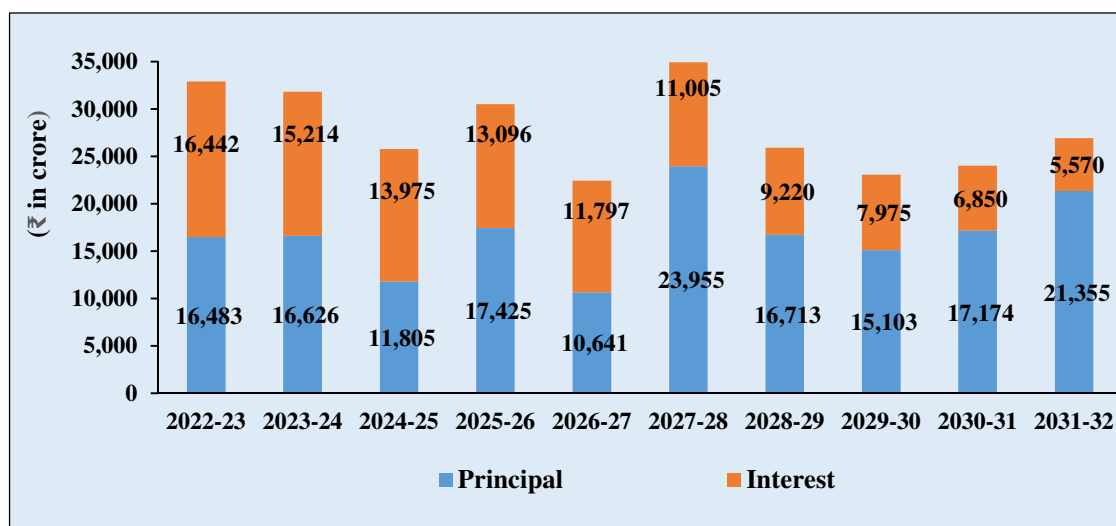


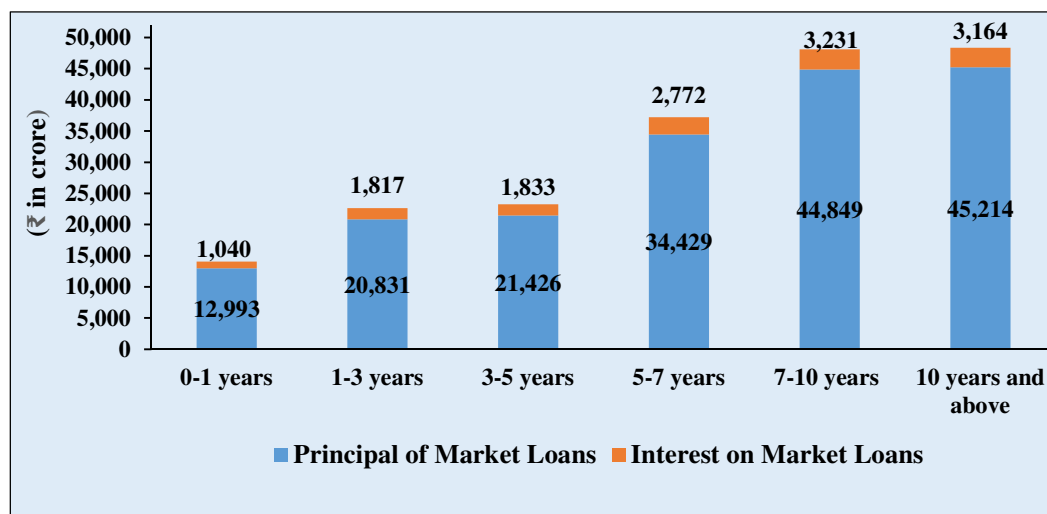
Table 2.41 shows that on an average, the State will have to repay public debt of ₹ 27,843 crore (including approximate interest in respect of debt outstanding at the end of 2021-22) annually till 2031-32. In addition to the debt outstanding at the end of 2021-22, the State would have to resort to further borrowings every year to cover the resource gap, which would result in increase in debt and more funds being utilised for repayment of earlier borrowings. Taking the past trends into account, by the year 2031-32, the projected outstanding debt stock

(principal+interest) would increase to ₹ 5,14,697 crore approximately, as depicted in **Appendix 2.7 (A)**. Resultantly, revenue deficit would increase to ₹ 50,134 crore and ratio of interest payment to revenue deficit would increase to 118 *per cent* approximately (**Appendix 2.7 (B)**).

In addition to above, other factors such as public account liabilities and *force majeure*³¹ events and/or any other unanticipated loss of revenue also have to be reckoned.

Repayment schedule of market loans (including UDAY bonds) along with interest is given in **Chart 2.22**.

Chart 2.22: Repayment schedule of market loans



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

Note: The maturity profile has been evolved for outstanding market loans and UDAY bonds as on 31 March 2022 and interest has been calculated up to the financial year in which the loans are going to retire.

As on 31 March 2022, market loans amounting to ₹ 1,93,598 crore (including UDAY bonds) along with interest were due for repayment. The State will have to repay market loans of ₹ 59,940 crore (31 *per cent*) (₹ 55,250 crore as principal and ₹ 4,690 crore as interest) during the next five years i.e. up to 2026-27. Market loans of ₹ 85,281 crore (44 *per cent*) (₹ 79,278 crore as principal and ₹ 6,003 crore as interest) will have to be repaid in subsequent five years period up to 2031-32. This means that in the next five years (2022-27), on an average, the State will have to make repayment of ₹ 11,988 crore annually of the market loans which will go up to ₹ 17,056 crore in the subsequent five years (2027-32). Remaining ₹ 48,378 crore (25 *per cent*) (₹ 45,214 crore as principal and ₹ 3,164 crore as interest) will be repayable after 2032.

The State Government stated (December 2022) that the State of Punjab had incorporated a Debt Management Unit in the Department of Finance that had been actively looking at the maturity profile of the debt and taking proactive steps to avoid regions of high concentration. The State has been extending the yield curve by issuing long-term securities and that the State Government had

³¹ Like COVID-19 pandemic and its effect on GSDP.

started raising loans for the gap years. It was also added that concentration risk of the state was being monitored actively and was being mitigated while keeping the credit cost in check.

2.7 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 2.42** and **Chart 2.23**.

Table 2.42: Trends in Debt Sustainability Indicators

Debt Sustainability Indicators	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	1,64,802.98	1,79,130.45	1,94,332.64	2,15,034.65	2,24,799.18
Rate of Growth of Outstanding Public Debt	7.17	8.69	8.49	10.65	4.54
GSDP	4,71,014	5,12,510	5,37,031	5,32,555	5,84,042
Rate of Growth of GSDP	10.31	8.81	4.78	(-)0.83	9.67
Public Debt/GSDP	34.99	34.95	36.19	40.38	38.49
Debt maturity profile of repayment of State debt – including default history, if any	7,317.19	8,318.37	12,238.76	12,525.98	17,975.59
Weighted average interest rate on Public Debt (<i>per cent</i>)	7.70	8.36	7.31	6.80	7.08
Interest Payment on Public Debt	13,292.74	14,114.89	15,254.34	16,104.99	16,956.97
Percentage of Interest Payment to Revenue Deficit	140.59	107.46	106.79	93.11	91.82
Percentage of Interest Payment to Revenue Receipts	25.08	22.67	24.77	23.32	21.69
Percentage of Debt Repayment to Debt Receipts	76.02	72.50	72.25	62.59	67.07
Net Debt available to the State [#]	(-)2,263.00	212.00	(-)52.15	4,597.02	(-)7,492.45
Net Debt available as <i>per cent</i> to Debt Receipts	(-)4.92	0.41	(-)0.10	8.31	(-)26.07
Primary deficit (-)/ Primary surplus (+)	2,840	247	741	(-)4,432	(-)8,784
Debt Stabilisation (Quantum spread ^{\$} + Primary Deficit)	7,141.36	1,053.09	(-)4,175.62	(-)20,839.14	(-)2,961.70

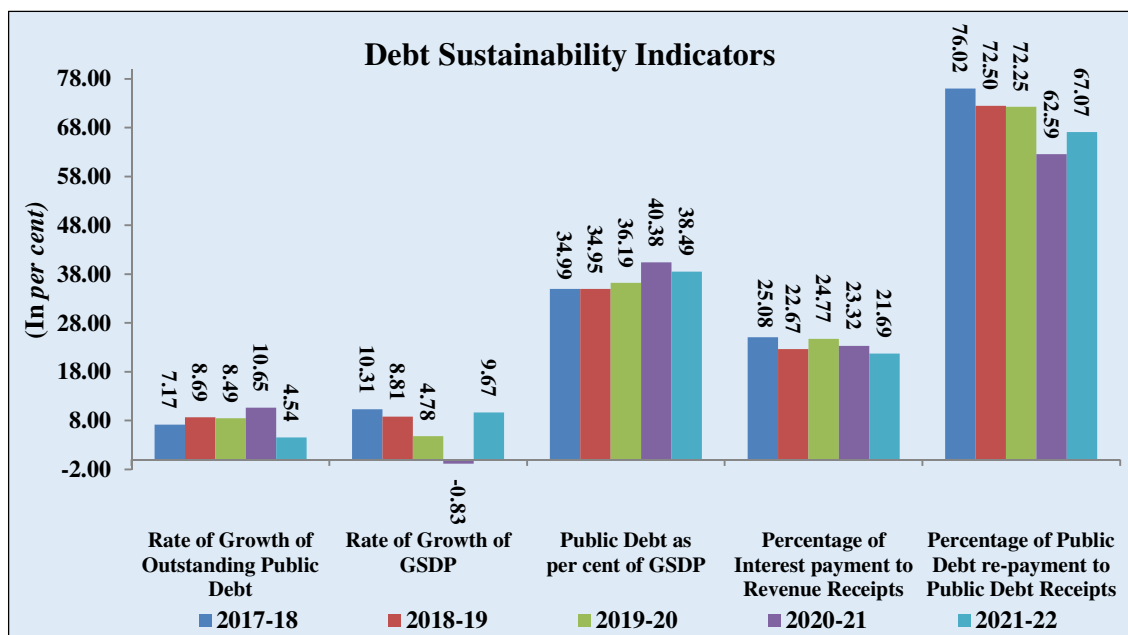
Source Finance Accounts

* Outstanding Public Debt is the sum of outstanding balances under the Heads 6003- 'Internal Debt' and 6004- 'Loans and Advances from the Central Government'. During 2020-21 and 2021-22, it excluded ₹ 8,359 crore and ₹ 20,491.41 crore (₹ 8,359 crore + ₹ 12,132.41 crore) respectively as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

[#] 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.

^{\$} Quantum spread = (Debt * rate spread) where rate spread = (GSDP growth rate – interest rate).

Chart 2.23: Trends of Debt Sustainability Indicators



Source: Finance Accounts

Note: During 2020-21 and 2021-22, Public debt excluded ₹ 8,359 crore and ₹ 20,491 crore (₹ 8,359 crore + ₹ 12,432 crore) respectively as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio rose from 34.99 per cent in 2017-18 to 40.38 per cent in 2020-21 which cannot be considered as leading towards stability. In 2021-22, however, it went down marginally to 38.49 per cent. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. **Table 2.42** shows that this trend had been negative since 2019-20 which indicates that debt-GSDP ratio would eventually be rising.
- Interest payments on Public Debt ranged between 91.82 per cent and 140.59 per cent of the Revenue Deficit during 2017-22, which was substantially high.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 21.69 per cent and 25.08 per cent during the period 2017-22, which was substantially high.
- Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 62.59 per cent and 76.02 per cent during the period

2017-22, which means that most of the public borrowings were used for repayment of earlier borrowings leaving less space to use productively.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 2.43** depicts the utilisation of borrowed funds during 2017-22.

Table 2.43: Utilisation of borrowed funds

		(₹ in crore)				
Sr. No.	Year	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Total borrowings*	47,757	53,925	57,200	55,982	32,617
2.	Repayment of earlier borrowings (Principal) (percentage)	34,970 (73)	37,771 (70)	39,574 (70)	34,634 (62)	19,279 (59)
3.	Net capital expenditure (percentage)	2,352 (5)	2,412 (4)	17,828 (31)	4,382 (8)	8,010 (25)
4.	Net loans and advances (percentage)	687 (1)	512 (1)	(-15,287) (-27)	906 (2)	1,369 (4)
5.	Portion of Revenue expenditure met out of net available borrowings (percentage) (1-2-3-4)	9,748 (21)	13,230 (25)	15,085 (26)	24,419 (28)	3,959 (12)

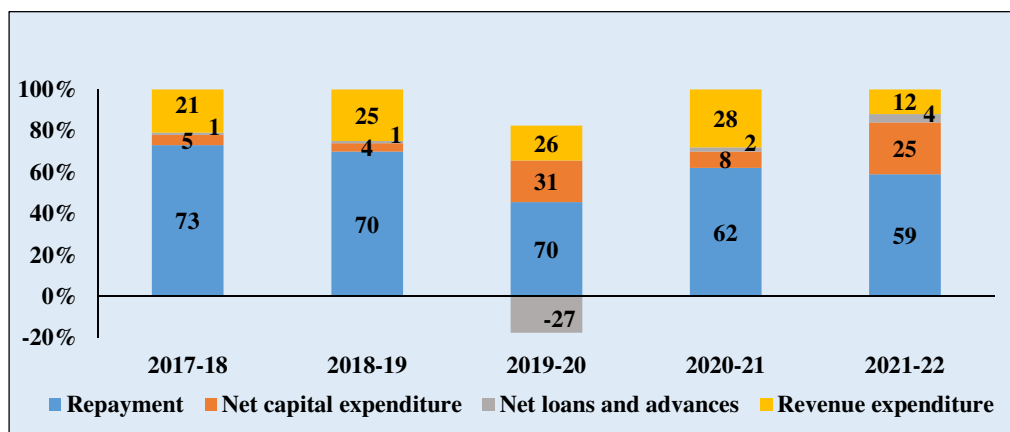
Source: Finance Accounts

* Excluding ₹ 8,359 and ₹ 12,132 crore as back-to-back loans from GoI during 2020-21 and 2021-22 respectively, in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

Table 2.43 shows that during the period 2017-22, the State Government utilised 59-73 per cent of its current borrowings for repayment of earlier borrowings. Revenue expenditure met out of net available borrowings ranged between 12 per cent and 28 per cent. Net capital expenditure ranged between 4 and 8 per cent during the period 2017-21 except for the year 2019-20 when it was 31 per cent. Increase in net capital expenditure during 2019-20 was mainly due to conversion of UDAY loans of ₹ 15,628 crore into equity in PSPCL, as discussed in Paragraph 2.4.2.2(v) of the State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of earlier borrowings instead of capital creation/development activities. However, during 2021-22, the State Government spent ₹ 8,010 crore (25 per cent of the borrowed funds) on capital expenditure which showed notable improvement in utilisation of borrowed funds towards creation of concrete assets.

Trends of utilisation of borrowed funds during the period 2017-22 is depicted in **Chart 2.24**.

Chart 2.24: Trends of utilisation of borrowed funds



Source: Finance Accounts

The State Government stated (December 2022) that efforts were being made to increase spending on capital asset creation, which would have a multiplier effect on the economy; increase both tax and non-tax revenue; cut wasteful expenditure; and increase efficiency in outcomes.

2.7.2 Status of Guarantees – Contingent Liabilities

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

Table 2.44: Guarantees given by the State Government

Guarantees	₹ in crore				
	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling applicable to the outstanding amount of guarantees (i.e. 80 per cent of revenue receipts of previous year)	38,388	42,408	49,815	49,260	55,238
Outstanding amount of guarantees	19,760	23,719	25,352	23,552	20,165

Source: Finance Accounts and Annual Financial Statements

The outstanding guarantees for ₹ 20,165 crore as on 31 March 2022 was in respect of Power (₹ 13,616 crore); Co-operatives (₹ 1,587 crore); State Finance Companies/Corporations (₹ 708 crore); Food and Civil Supplies (₹ 983 crore); and Others (₹ 3,271 crore).

The Government gave guarantees within the limits prescribed in the FRBM Act during 2017-22.

Out of the outstanding guarantees for ₹ 20,165 crore during the current year, the State Government had given guarantees amounting to ₹ 1,609.07³² crore to six PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

2.7.3 Management of Cash Balances

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

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The cash balances in the earmarked reserve funds such as State Disaster Reserve Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, etc. are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of cash balances and their investment during 2020-21 and 2021-22 are given in **Table 2.45**.

Table 2.45: Cash Balances and their investment

(₹ in crore)

	Opening balance as on 1 April 2021	Closing balance as on 31 March 2022
A. General Cash Balances		
Deposits with Reserve Bank of India	194.40	129.76
Investments held in Cash Balance Investment Account	6,710.25	2,237.59
Total (A)	6,904.65	2,367.35
B. Other Cash Balances and Investments		
Cash with departmental officers viz. Forest and Public Works	1,131.59	1,376.09
Permanent advances with departmental officers for contingent expenditure	0.26	0.26
Investment of earmarked funds	1,211.33	3,127.94
Total (B)	2,343.18	4,504.29
Total (A + B)	9,247.83	6,871.64
Interest realised	10.30	35.08

Source: Finance Accounts

³² (i) Punjab State Civil Supplies Corporation Limited: ₹ 549.37 crore; (ii) Punjab State Industrial Development Corporation Limited: ₹ 406.26 crore; (iii) Punjab Agro Foodgrains Corporation Limited: ₹ 322.56 crore; (iv) Punjab Financial Corporation: ₹ 220.45 crore; (v) Punjab State Warehousing Corporation: ₹ 96.90 crore; and (vi) Punjab State Grains Procurement Corporation Limited: ₹ 13.53 crore.

The closing cash balance at the end of the current year (₹ 6,871.64 crore) decreased by ₹ 2,376.19 crore over the previous year (₹ 9,247.83 crore).

The cash balance included investment of ₹ 3,127.94 crore from earmarked funds. During the year 2021-22, the State Government was able to maintain a minimum cash balance of ₹ 1.56 crore for 353 days and had also to maintain the minimum balance by taking ordinary WMA on 12 days. The State had to pay ₹ 0.38 crore as interest on WMA/SDF during the year 2021-22.

Balances in Reserve funds are either held in cash or are required to be invested in various securities stipulated in the respective fund guidelines. Investment of only ₹ 3,127.26 crore (from the Consolidated Sinking Fund) was made upto the end of 2021-22. The general cash balance of ₹ 2,367.35 crore at the close of the year was not even equal to the balance of ₹ 9,508.58 crore held in cash in earmarked reserve funds, which means that reserve funds were used for other than intended purpose.

Details of Cash Balance Investment Account during the last five years; and month-wise movement of cash balance and net cash balance investments at the end of month during the year 2021-22 are depicted in **Table 2.46** and **Chart 2.25** respectively.

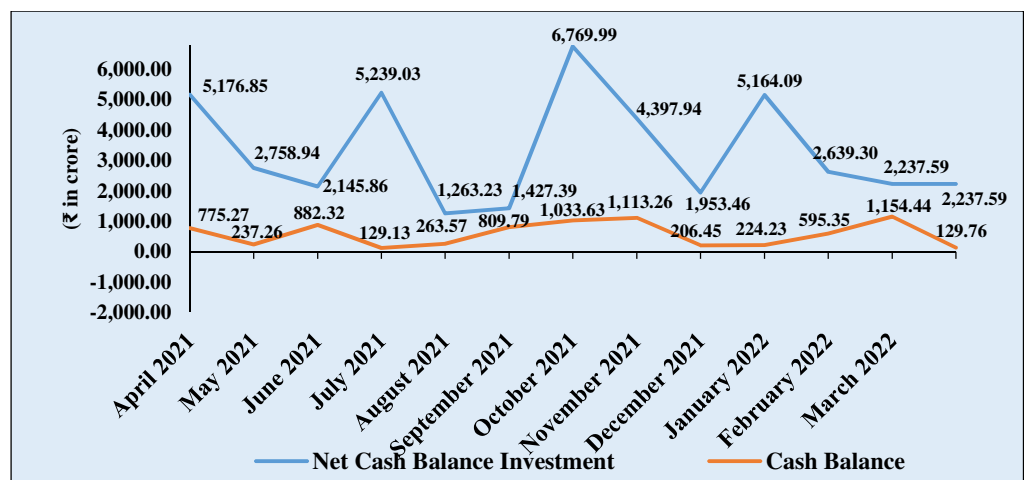
Table 2.46: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2017-18	0.04	0.04	0.00	1.56
2018-19	0.04	468.56	(+) 468.52	4.92
2019-20	468.56	805.39	(+) 336.83	5.60
2020-21	805.39	6,710.25	(+) 5,904.86	10.30
2021-22	6,710.25	2,237.59	(-)4,472.66	35.08

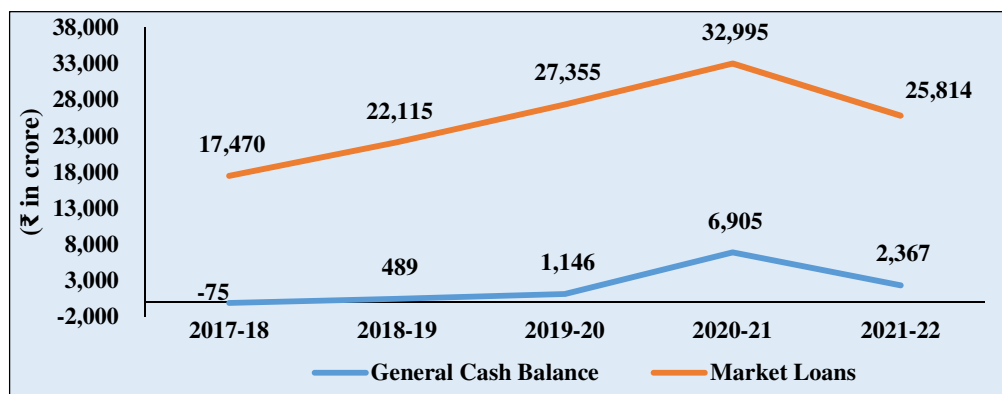
Source: Finance Accounts

Chart 2.25: Month-wise movement of net cash balance investments and cash balance at the end of month during 2021-22



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

Details of market loans vis-à-vis cash balances during the last five years are shown in **Chart 2.26**.

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

Source: Finance Accounts

During the year 2021-22, the State could have avoided market borrowings to the extent of the general cash balance (₹ 2,367 crore). The general cash balance of ₹ 2,367 crore included cash balance investment of ₹ 2,238 crore. An interest of ₹ 35.08 crore (0.76 per cent) was earned on these investments whereas the State Government paid average rate of interest of 7.54 per cent on market borrowings during 2021-22.

2.8 Salient features

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Comparison of key parameters of State Finances during 2021-22 with that of the previous year i.e. 2020-21 is summarised in **Table 2.47**.

Table 2.47: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Increase in Revenue Receipts by 13.21 per cent.	↓ Increase in expenditure on subsidies by 48.91 per cent.
↑ Increase in Capital Expenditure by 82.79 per cent.	↓ Increase in fiscal deficit by 23.30 per cent.
↑ Increase in Revenue Expenditure on Social Services by 16.88 per cent.	

2.9 Conclusions

The State passed FRBM Act, 2003 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit. The State continued to be a revenue deficit State. The revenue deficit was 23 per cent of revenue receipts during 2021-22 against 25 per cent during 2020-21.

The revenue deficit which was to be brought down to zero by 2008-09, increased to ₹ 18,468 crore during 2021-22. It indicates that the State had borrowed funds for meeting current consumption.

Subsidies constituted 11 *per cent* to 18 *per cent* of the revenue expenditure and contributed 56 *per cent* to 102 *per cent* to the revenue deficit during 2017-22. Power subsidy constituted major portion of the total subsidies ranging between 68 *per cent* and 99 *per cent*.

Fiscal deficit of the State was ₹ 27,847 crore during 2021-22 which was 4.77 *per cent* of the GSDP and exceeded the target of ₹ 24,240 crore fixed by the State Government in Medium Term Fiscal Policy. The fiscal deficit was mainly financed through market borrowings and loans from GoI in lieu of GST compensation shortfall.

Out of total borrowings of ₹ 44,749 crore³³ during 2021-22, the State Government incurred capital expenditure of only ₹ 8,010 crore (17.90 *per cent*).

Revenue Receipts increased by ₹ 9,120 crore (13.21 *per cent*) during the current year over the previous year whereas, Revenue Expenditure grew by ₹ 10,292 crore (11.92 *per cent*). Further, State's own revenue registered a positive growth of 23.11 *per cent* over the previous year.

State incurred 64 *per cent* of the total revenue expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 36 *per cent* for priority sector expenditure.

There was a difference of ₹ 4,092 crore in equity investment figures as per State Accounts and as per the accounts of 18 PSUs. The difference was under reconciliation (September 2022).

The State Government earned a meagre 0.03 *per cent* return on its total investment (₹ 19,900 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31 March 2022.

The State Government received ₹ 19 crore (0.05 *per cent*) as interest on outstanding loans during 2021-22 while paid interest at 7.07 *per cent* on outstanding debt.

Loans amounting to ₹ 1,184 crore were outstanding at the beginning of 2021-22 against co-operative sugar mills. Further loans of ₹ 285 crore were given to these sugar mills without recovery of earlier loans.

Total outstanding debt including public debt and public account liabilities were 44.74 *per cent*³⁴ of the GSDP. The total debt grew by 4.65 *per cent* over previous year. During the year, outgo because of interest payments was equal to 20 *per cent* of revenue expenditure and 24 *per cent* of revenue receipts.

³³ Includes ₹ 12,132 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

³⁴ Excluding back-to-back loans of ₹ 20,491 crore received from GoI in lieu of GST Compensation shortfall during 2020-22, which are not to be repaid by the State from its sources.

The State Government had not invested funds of ₹ 8,194 crore available under State Disaster Response Fund, which means that the funds were used for other than intended purpose.

As many as 86 projects scheduled for completion up to 31 March 2022 were incomplete. The expenditure of ₹ 1,564 crore incurred on these incomplete projects was yet to yield the intended benefits.

The State Government had given guarantees amounting to ₹ 1,609.07 crore to six PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

2.10 Recommendations

- (i) The State Government may consider forming a committee to assess the reasons for insufficient return on investment from statutory corporations, Government companies, cooperative banks and societies and to suggest the remedial measures.
- (ii) The State may ensure time bound completion of the incomplete projects.
- (iii) The State Government should mobilise its resources to minimise dependence on borrowings.
- (iv) State Government may place on record the debt servicing capacity of the institutions before providing guarantees/ loans. Future guarantees/ loans may be predicated on furnishing of the audited accounts of the concerned entities to whom guarantees are provided.