

Chapter-II
Finances of the State

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2.1 Major changes in key fiscal aggregates in 2022-23 vis-à-vis 2021-22

Major changes in key fiscal aggregates of the State during the financial year 2022-23, compared to the previous year, are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none">• Revenue receipts of the State increased by 12.09 <i>per cent</i>• Own tax receipts of the State increased by 13.17 <i>per cent</i>• Own Non-tax receipts increased by 30.27 <i>per cent</i>• State's Share of Union Taxes and Duties increased by 12.26 <i>per cent</i>• Grants-in-aid from Government of India increased by 5.82 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">• Revenue expenditure increased by 17.62 <i>per cent</i>• Revenue expenditure on General Services increased by 14.32 <i>per cent</i>• Revenue expenditure on Social Services increased by 13.87 <i>per cent</i>• Revenue expenditure on Economic Services increased by 33.62 <i>per cent</i>• Expenditure on Grants-in-aid and Contributions decreased by 1.20 <i>per cent</i>
Capital Receipts	<ul style="list-style-type: none">• Debt Capital Receipts increased by 74.80 <i>per cent</i>• Non-debt Capital Receipts decreased by 20.77 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">• Capital expenditure decreased by 16.76 <i>per cent</i>• Capital outlay on General Services decreased by 14.92 <i>per cent</i>• Capital outlay on Social Services increased by 38.84 <i>per cent</i>• Capital outlay on Economic Services decreased by 50.34 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">• Recoveries of Loans and Advances decreased by 20.83 <i>per cent</i>• Disbursement of Loans and Advances decreased by 12.32 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">• Public Debt Receipts increased by 74.80 <i>per cent</i>*• Repayment of Public Debt decreased by 6.83 <i>per cent</i>
Public Account	<ul style="list-style-type: none">• Public Account Receipts increased by 12.37 <i>per cent</i>• Disbursement of Public Account increased by 11.36 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none">• Cash balance increased by 31.11 <i>per cent</i>

Source: Finance Accounts

* Excluding ₹ 12,132.41 crore as back-to-back loans from GOI during 2021-22, 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 2021-22 and 2022-23

(₹ in crore)

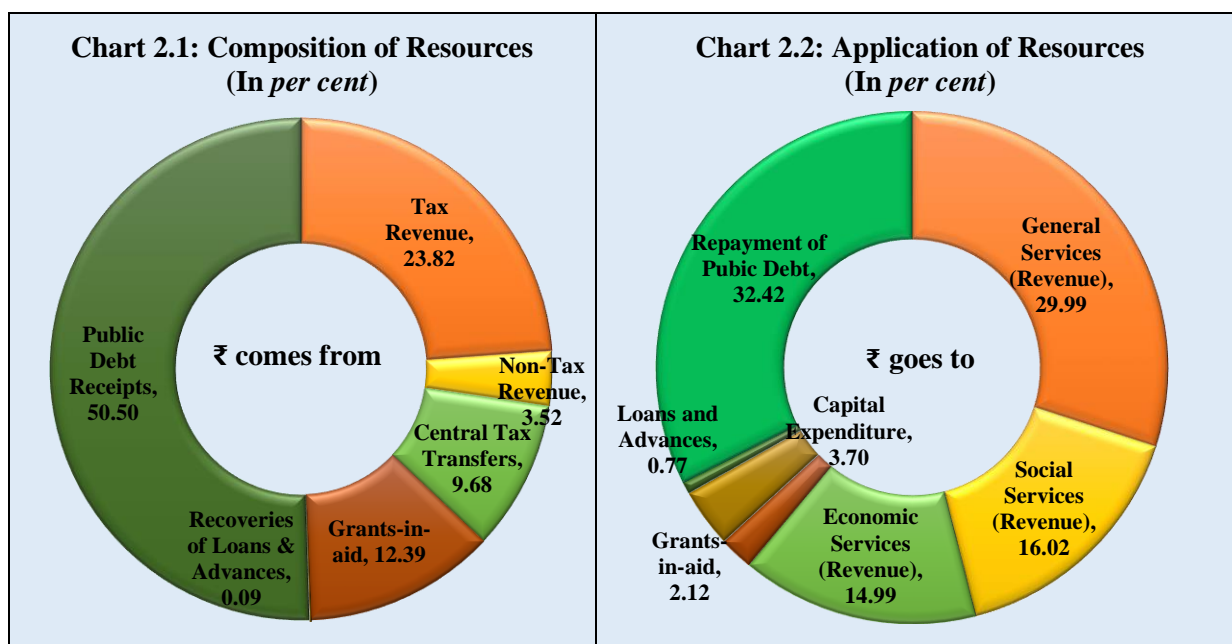
	Particulars	2021-22	2022-23	Increase (+)/ Decrease (-) (per cent)
Sources	Opening Cash Balance	9,248	6,872	(-)2,376 (26)
	Revenue Receipts	78,168	87,616	(+)9,448 (12)
	Recoveries of Loans and Advances	207	164	(-)43 (21)
	Public Debt Receipts (Net)	21,897*	31,168	(+)9,271 (42)
	Public Account Receipts (Net)	3,574	4,899	(+)1,325 (37)
	Total	1,13,094	1,30,719	(+)17,625 (16)
Application	Revenue Expenditure	96,636	1,13,661	(+)17,025 (18)
	Capital Expenditure	8,010	6,667	(-)1,343 (17)
	Disbursement of Loans and Advances	1,576	1,382	(-)194 (12)
	Closing Cash Balance	6,872	9,009	(+)2,137 (31)
	Total	1,13,094	1,30,719	(+)17,625 (16)

Source: Finance Accounts

* Includes ₹ 12,132 crore received during 2021-22 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 the current year as well as the previous year.

Composition and application of resources in the Consolidated Fund of the State during 2022-23 is given in **Chart 2.1** and **Chart 2.2** respectively.



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** (debt and non-debt 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.

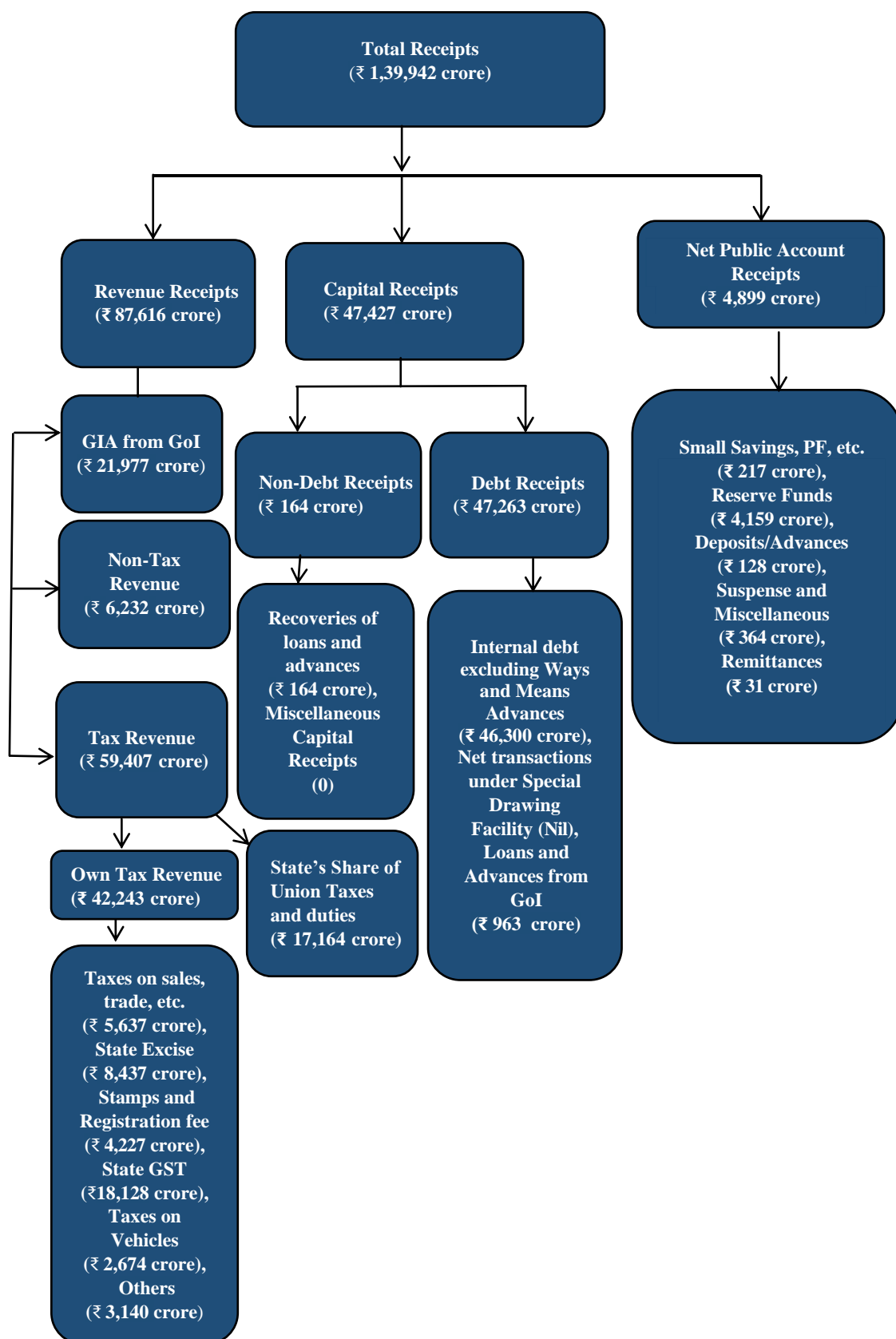
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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 2022-23



Source: Finance Accounts

Out of the total resources of ₹ 1,39,942 crore of the State Government during the year 2022-23, Revenue Receipts (₹ 87,616 crore) constituted 62.61 *per cent* while Capital Receipts (₹ 47,427 crore) and net Public Account Receipts (₹ 4,899 crore) constituted 33.89 *per cent* and 3.50 *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 (2018-2023) 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	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	62,269	61,575	69,048	78,168	87,616
Rate of growth of RR (<i>per cent</i>)	17.47	(-1.11)	12.14	13.21	12.09
Tax Revenue	43,579	40,341	40,691	52,616	59,407
Own Tax Revenue	31,574	29,995	30,053	37,327	42,243
State's share in Union taxes and duties	12,005	10,346	10,638	15,289	17,164
Rate of growth of tax revenue (<i>per cent</i>)	6.19	(-7.43)	0.87	29.31	12.91
Non-Tax Revenue	7,582	6,654	4,152	4,783	6,232
Grants-in-aid from GoI	11,108	14,580	24,205	20,769	21,977
Rate of growth of Grants-in-aid from GoI (<i>per cent</i>)	45.18	31.26	66.01	(-14.20)	5.82
Own Revenue (Own Tax and Non-tax Revenue)	39,156	36,649	34,205	42,110	48,475
Rate of growth of Own Revenue (<i>per cent</i>)	12.71	(-6.40)	(-6.67)	23.11	15.12
GSDP (2011-12 Series)	5,12,510	5,37,031	5,40,853	6,14,227	6,73,107
Rate of growth of GSDP (<i>per cent</i>)	8.81	4.78	0.71	13.57	9.59
RR/GSDP (<i>per cent</i>)	12.15	11.47	12.77	12.73	13.02
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.98	--*	17.06	0.97	1.26
State's Own Revenue Buoyancy w.r.t GSDP	1.44	--*	--*	1.70	1.58
State's tax revenue Buoyancy w.r.t Revenue receipts	0.35	--*	0.07	2.22	1.07

Source: Finance Accounts for Revenue Receipts and Ministry of Statistics and Programme Implementation, GOI for GSDP figures.

* Buoyancy ratio was not calculated as one of the variables was negative.

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

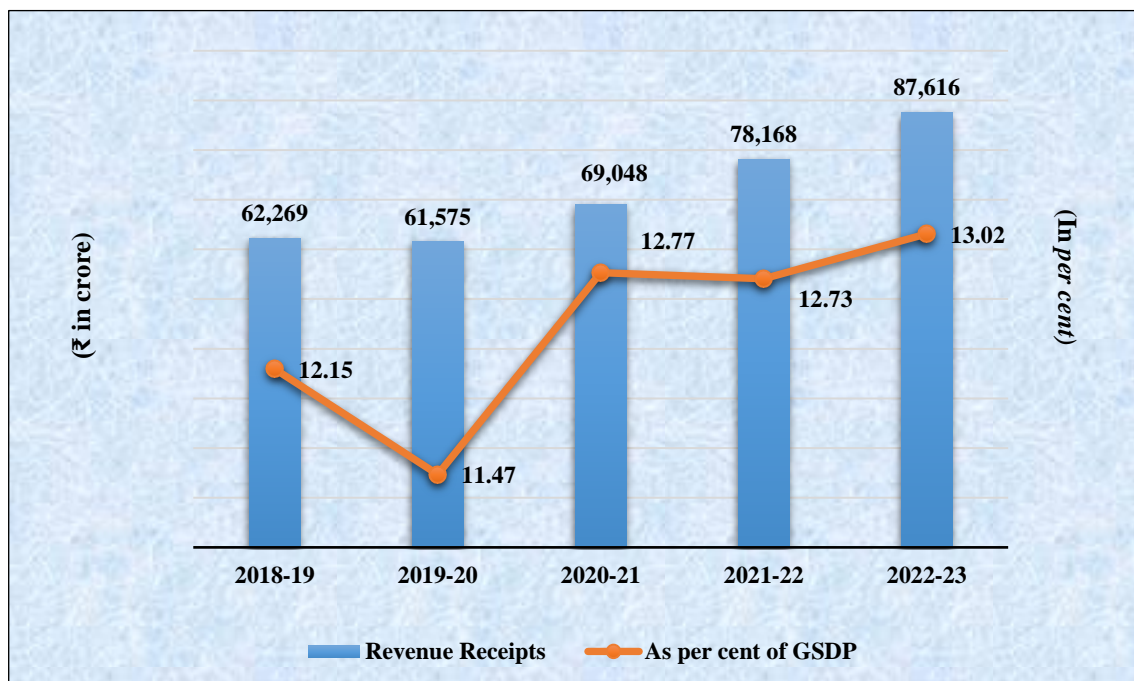
Table 2.3 shows that the revenue receipts increased by 40.71 per cent from ₹ 62,269 crore in 2018-19 to ₹ 87,616 crore in 2022-23. During the period of five years, it increased at an annual average growth rate of 10.76 per cent. Tax revenue and non-tax revenue increased by ₹ 6,791 crore (12.91 per cent) and ₹1,449 crore (30.29 per cent) respectively in 2022-23 as compared to 2021-22.

Grants-in-aid from GoI on the other hand increased by 97.85 per cent during the period 2018-19 to 2022-23. It however, increased by ₹1,208 crore (5.82 per cent) in 2022-23 as compared to 2021-22. The increase in GIA during the current year over the previous year was mainly due to increase in GST Compensation, as discussed in paragraph 2.3.2.3(ii).

The revenue buoyancy with reference to GSDP decreased from 1.98 per cent in 2018-19 to 1.26 per cent in 2022-23. The State's own revenue buoyancy with reference to GSDP, however, increased from 1.44 per cent in 2018-19 to 1.58 per cent in 2022-23. State's tax revenue buoyancy with respect to revenue receipts increased from 0.35 per cent in 2018-19 to 1.07 per cent in 2022-23 though it decreased from previous year (2.22 per cent). 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**.

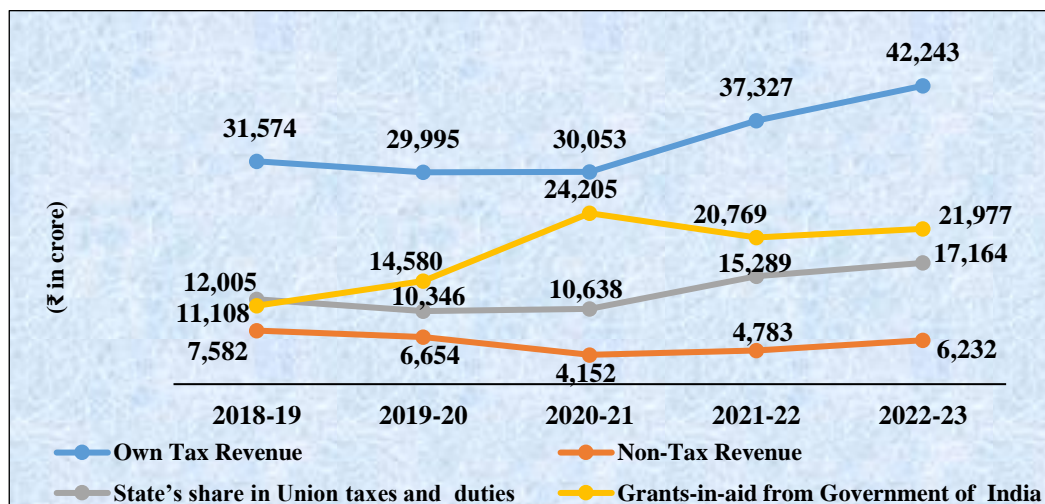
Chart 2.4: Trends of Revenue Receipts



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

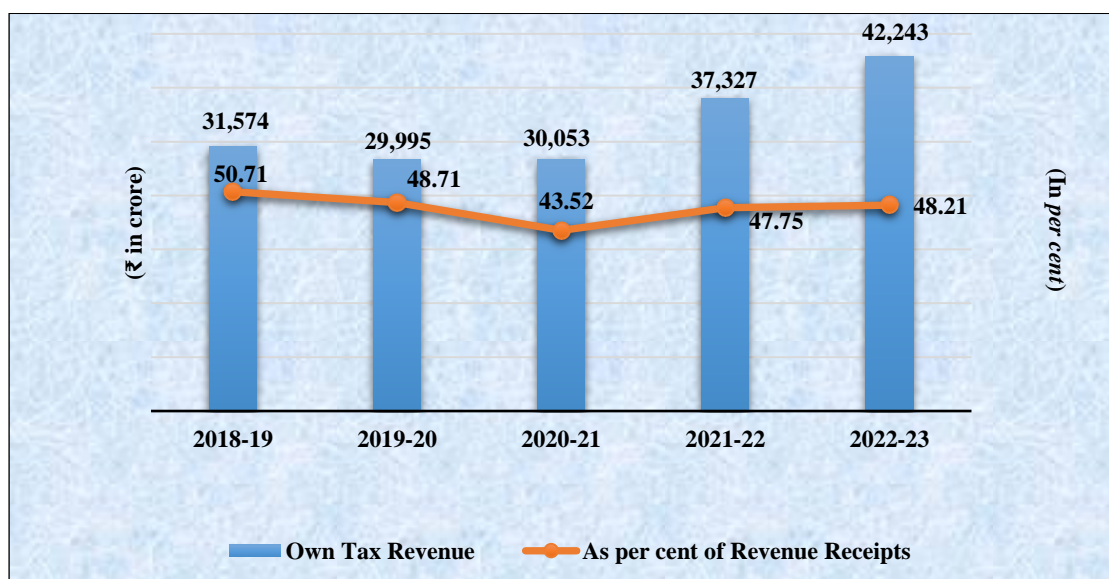
2.3.2.2 State's Own Resources

(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 2018-23 are shown in **Chart 2.6** and **Table 2.4** respectively.

Chart 2.6: Trends of Own Tax Revenue during 2018-23



Source: Finance Accounts

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Taxes on Sales, Trade etc.	6,572	5,223	5,372	6,869	5,637	
SGST	13,273	12,751	11,819	15,542	18,128	
State Excise	5,072	4,865	6,164	6,157	8,437	
Taxes on Vehicles	1,861	1,994	1,472	2,359	2,674	
Stamp Duty and Registration fees	2,298	2,258	2,470	3,308	4,227	
Land Revenue	69	66	68	84	93	
Taxes on Goods and Passengers	0	0	3	0	0	
Other taxes	2,429	2,838	2,685	3,008	3,047	
Total	31,574	29,995	30,053	37,327	42,243	

Source: Finance Accounts

The total own tax revenue increased by ₹ 4,916 crore (13.17 per cent) during the current year over the previous year. The major increase was in receipts under SGST (₹ 2,586 crore), State Excise (₹ 2,280 crore), Stamp duty & Registration fee (₹ 919 crore) and Taxes on Vehicles (₹ 315 crore). The increase was partly set-off by decrease in Taxes on Sales, Trade etc. (₹ 1,232 crore).

(a) State Goods and Services Tax (SGST)

As per the books of RBI, the amount of SGST receipts during 2022-23 was ₹ 7,660.20 crore while as per the Finance Accounts, the amount of SGST receipts was ₹ 6,366.29 crore. The difference of ₹ 1,293.91 crore was due to recovery from State towards the SGST refunds made by Centre to the taxpayers on behalf of the State (₹ 1,283.12 crore) and refunds made by the State Government (₹ 10.79 crore).

(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 State², role-based access to back-end application was provided to the office of the Principal Accountant General (Audit), Punjab in December 2020. However, the access was limited to GSTN premises only and the matter of providing remote access was under consideration. The accounts for the year 2022-23 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.

² State which has opted for development of backend system by GSTN.

(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 2023, the arrears of revenue in respect of principal heads of revenue were ₹ 19,102.55 crore, of which ₹ 5,729.83 crore were outstanding for more than five years, as depicted in **Table 2.5**.

Table 2.5: Arrears of revenue*(₹ in crore)*

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1.	Taxes/VAT on Sales, Trade, etc.	16,499.30	5,534.22
2.	Goods and Services Tax [#]	1,457.53	0.00
3.	Forests and Wildlife*	46.24	27.59
4.	State Excise	NA	NA
5.	Taxes on Vehicles	252.66	61.66
6.	Land Revenue	676.21	0.003
7.	Stamps and Registration Fee	170.61	106.36
Total		19,102.55	5,729.83

Source: Departmental Information

NA=Not available, as the requisite information was not provided by the Department.

[#] The position of arrears of revenue as on 31-03-2023 has been prepared by the Department after compilation of information received from the districts, as the information available on GST Portal is not comprehensive.

* Figures are provisional as the calculations of royalty have not been finalised by the Department.

Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Taxation in respect of Sales Tax/VAT is depicted in **Table 2.6**.

Table 2.6: Arrears of assessment

Sr. No.	Head of Revenue	Cases pending at the beginning of 2022-23	New cases due for assessment during 2022-23	Total cases due for assessment	Cases disposed of during 2022-23	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, etc.	32,624*	19,624	52,248	19,064	33,184	36.49

Source: Departmental information

* Opening balance differs by 4,498 cases from the closing balance of 2021-22 due to revised figures received from the department.

During the period 2018-23, the number of pending cases at the end of the respective years were 94,069 (2018-19); 72,667 (2019-20); 44,577 (2020-21) 32,624 (2021-22) as against 33,184 cases at the end of 2022-23. Disposal of cases during this period ranged between 23.24 per cent and 64.73 per cent.

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

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 Department, cases finalised, demand for additional taxes raised are given in **Table 2.7**. Details of refund cases during the year 2022-23, as reported by the departments concerned, are depicted in **Table 2.8**.

Table 2.7: Evasion of tax detected

Sr. No.	Head of revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	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 2023
					No. of cases	Amount of demand (₹ in crore)	
1.	Goods and Services Tax	44	184	228	131	18.01	97

Source: Departmental information

Table 2.8: 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	1,039	201.27	506*	63.65*	209	26.82	4	0.02
2.	Claims received during the year	10,172	2,089.34	1,555	747.31	1	0.30	2	0.01
3.	Refunds made during the year	8,447	1,378.42	1,387	894.25	1	0	6	0.03
4.	Refunds rejected during the year	1,047	221.81	404	126.84	0	0	0	0
5.	Balance outstanding at the end of year	1,717	690.38	270	184.41	209	27.12	0	0

Source: Departmental information

* Differs from closing balance of 2021-22 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 the State's non-tax revenue during 2018-23 are shown in **Table 2.9**.

Table 2.9: Components of State's Non-tax Revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Interest Receipts	1,455.26	2,105.51	144.38	181.08	242.76	
Dividends and Profits	4.24	4.24	1.26	6.66	3.11	
Other non-tax receipts	6,122.79	4,544.33	4,006.49	4,596.03	5,986.07	
a) Major and Medium Irrigation	24.22	92.49	91.92	108.14	134.08	
b) Road Transport	208.99	176.35	110.17	99.77	69.34	
c) Urban Development	65.31	44.53	49.78	92.52	134.12	
d) Education, Sports, Art and Culture	56.75	196.22	137.70	155.19	326.94	
e) Non-ferrous mining	36.13	90.88	120.56	136.53	248.80	
f) Pensions and Other Retirement Benefits	26.03	121.88	209.90	148.35	159.42	
g) Miscellaneous General Services	4,851.58	2,743.87	2,208.41	2,375.91	2,827.63	
h) Other or Miscellaneous	853.78	1,078.11	1,078.05	1,479.62	2,085.74	
Total	7,582.29	6,654.08	4,152.13	4,783.77	6,231.94	

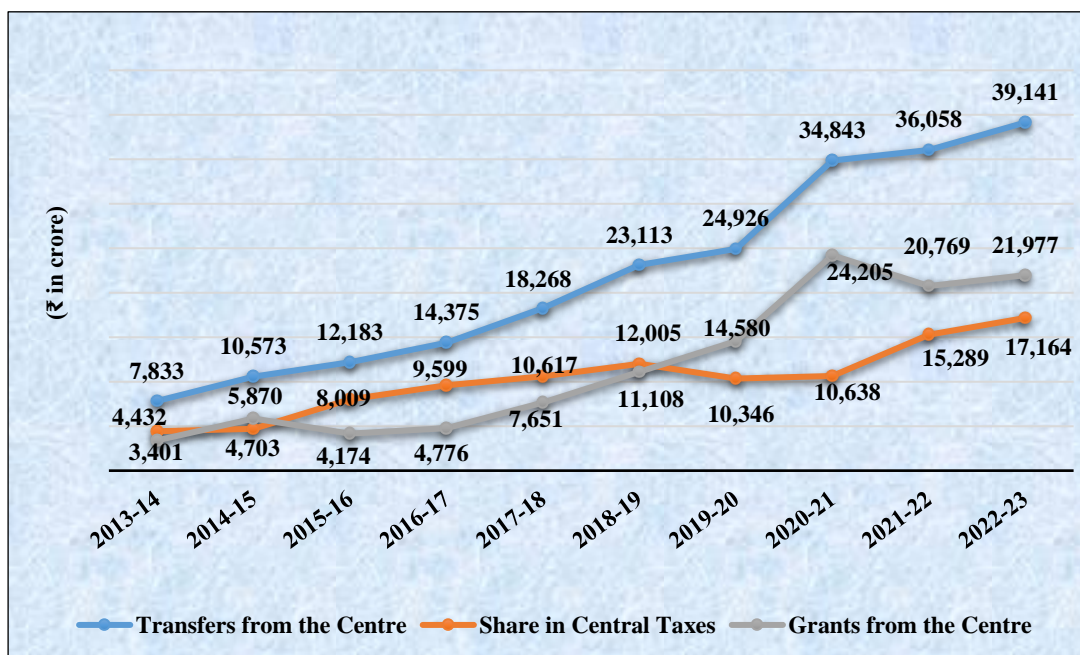
Source: Finance Accounts

During the year 2022-23, there was increase of ₹ 1,448.17 crore (30.27 per cent) in total non-tax revenue over the previous year which was mainly due to increase of ₹ 61.68 crore in interest receipts and ₹ 1,390.04 crore in other non-tax receipts. The increase in other non-tax receipts was mainly under Other or Miscellaneous (₹ 606.12 crore), Miscellaneous General Services (₹ 451.72 crore), Education, Sports, Art and Culture (₹ 171.75 crore) and Non-ferrous Mining (₹ 112.27 crore). However, receipts of road transport decreased by ₹ 30.43 crore which was mainly due to decrease in the fleet of Punjab Roadways as no new buses were added to its fleet since 1995 and due to free/concessional travel.

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 14th Finance Commission and 15th Finance Commission during the period from 2015-16 to 2022-23 is tabulated in **Table 2.10**.

**Table 2.10: State's share in Union taxes and duties:
Actual devolution *vis-à-vis* Finance Commission projections**

Year	Finance Commission projections	Projections as per Finance Commission	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2015-16		9,146	8,009	(-)1,137
2016-17	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)	10,554	9,600	(-)954
2017-18		12,194	10,617	(-)1,577
2018-19		14,108	12,005	(-)2,103
2019-20		16,340	10,346	(-)5,994
2020-21	1.788 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 th FC)	15,291	10,638	(-)4,653
2021-22	1.807 per cent of the net proceeds of the taxes (divisible pool) (as per recommendations of 15 th FC)	11,901	15,289	(+)3,388
2022-23		13,239	17,164	(+)3,925

Source: Reports of the 14th FC, 15th FC, and Finance Accounts

The State Government's share in Union taxes and duties increased by ₹ 1,875 crore (12.26 per cent) during 2022-23 over the previous year.

During the first three years (2020-2023) of the period of 15th Finance Commission (2020-2026), State's share in Union taxes and duties amounting to ₹ 43,091 crore was 85.20 per cent of the total share during period of Fourteenth Finance Commission (2015-2020).

Trends in components of Central tax transfers are shown in **Table 2.11**.

Table 2.11: Central Tax transfers

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	2,964.16	2,935.85	3,179.01	4,580.49	4,848.76
Integrated Goods and Services Tax (IGST)	236.60	--*	--#	--	--
Corporation Tax	4,176.53	3,527.47	3,197.28	4,161.71	5,757.06
Taxes on Income other than Corporation Tax	3,075.85	2,764.01	3,276.09	4,714.62	5,616.52
Customs	851.31	655.78	576.80	1,091.09	674.54
Union Excise Duties	565.74	455.97	359.30	557.39	211.69
Service Tax	109.29	--	42.87	166.80	26.84
Other Taxes ³	25.66	6.77	7.03	16.69	28.24
Total	12,005.14	10,345.85	10,638.38	15,288.79	17,163.65
Percentage of increase/decrease over previous year	13.08	(-)13.82	2.83	43.71	12.26
Percentage of total Central tax transfers to Revenue Receipts	19.28	16.80	15.41	19.56	19.59

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

Trends of Grants-in-aid (GIA) from GoI and its components are shown in **Table 2.12**.

Table 2.12: Grants-in-aid from Government of India

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Plan Schemes	(-)74.21	(-)68.84	(-)0.48	(-)4.03	(-)47.34
Grants for Centrally Sponsored Schemes	3,091.70	2,864.31	2,880.41	3,678.16	3,776.79
Finance Commission Grants [#]	719.54	2,710.13	11,481.23	12,435.61	10,258.45
Other transfers/Grants to States/Union Territories with Legislature	7,370.34	9,074.43	9,843.85	4,659.15	7,988.94
Total	11,107.37	14,580.03	24,205.01	20,768.89	21,976.84
Percentage of increase/decrease over the previous year	45.18	31.26	66.01	(-)14.20	5.82
Percentage of GIA to Revenue Receipts	17.84	23.68	35.06	26.57	25.08

Source: Finance Accounts

During 2020-21, 2021-22 and 2022-23, it includes post-devolution Revenue Deficit Grant of ₹ 7,658.90 crore, ₹ 10,080.99 crore and ₹ 8,274 crore respectively, as recommended by 15th FC.

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

Table 2.12 shows that the GIA from GoI increased at an annual average rate of 26.81 *per cent* during the period 2018-19 to 2022-23. Other transfers to State during 2022-23 include GST Compensation of ₹ 7,868.93 crore. The increase in GIA during the current year of ₹ 1,207.95 crore (5.82 *per cent*) over the previous year was mainly due to increase in Other transfers/Grants to States/Union Territories with Legislature by ₹ 3,329.79 crore (71.47 *per cent*) which was attributed to increase in GST Compensation by ₹ 3,426.59 crore (77.13 *per cent*) partially offset by decrease of ₹ 86.51 crore (44.74 *per cent*) in Grants for Central Road Fund in 2022-23 as compared to the previous year. The increase of ₹ 3,329.79 crore in Other transfers/Grants to States/Union Territories with Legislature was partially compensated by decrease of ₹ 2,177.16 crore (17.51 *per cent*) in Finance Commission Grants mainly due to decrease in Post Devolution Revenue Deficit Grant by ₹ 1,807 crore (17.92 *per cent*) and in Grants for Health Sector ₹ 399.66 crore (100 *per cent*). Further, the contribution of GIA towards revenue receipts increased from 17.84 *per cent* in 2018-19 to 25.08 *per cent* in 2022-23.

(a) Grants for Centrally Sponsored Schemes

Out of the grants of ₹ 3,777 crore for Centrally Sponsored Schemes during 2022-23, major amounts received were for:

- National Education Mission - Samagra Shiksha Abhiyan (erstwhile Sarva Shiksha Abhiyan) (₹ 605 crore-19.53 *per cent* increase 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 (₹ 441 crore-19.19 *per cent* increase over previous year);
 - 500 Cities (₹ 255 crore- 60.74 *per cent* decrease over previous year);
- Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 390 crore-45.33 *per cent* increase over previous year);
- National Health Mission (NHM) - National Urban Health Mission (₹ 328 crore-3,547.77 *per cent* increase over previous year);
- Pradhan Mantri Gram Sadak Yojana (₹ 231 crore- 236.86 *per cent* increase over previous year);
- Pradhan Mantri Krishi Sinchai Yojana- Accelerated Irrigation Benefit Programme (₹ 213 crore- 34.90 *per cent* decrease over previous year);
- National Programme of Mid Day Meal in Schools (₹ 187 crore- 2.26 *per cent* decrease over previous year);
- Swachh Bharat Mission (SBM)- Urban (₹ 184 crore-1,745.66 *per cent* increase over previous year);

- Pradhan Mantri Awas Yojana (PMAY) - Urban (₹ 124 crore-562.10 *per cent* increase over previous year); and
- Umbrella Scheme for Development of Minorities- Pradhan Mantri Jan Vikas Karyakaram (₹ 105 crore-100 *per cent* increase over previous year).

(b) Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No.1(13)/PFMS/FCD/2020 dated 23 March 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IAs) to the Single Nodal Account of the Single Nodal Agency.

As per reports available on PFMS portal, the State Government received ₹ 3,552.82 crore being Central share during 2022-23. The State Government transferred ₹ 4,559.39 crore being Central share and corresponding State share of ₹ 3,154.91 crore to the SNAs.

However, the State Government intimated that ₹ 8,083.83 crore were transferred to the SNAs during 2022-23, out of which, ₹ 4,158.32 crore were transferred through AC Bills, ₹ 2,956.16 crore through GIA bills, ₹ 921.39 crore through Fully Vouched Contingent Bills, ₹ 47.71 crore through Payment against works and ₹ 0.25 crore through Arrears Bills. Detailed vouchers and supporting documents of actual expenditure were not received by the office of the Accountant General (A&E) Punjab from the SNAs. As per data available on PFMS Portal, ₹ 3,993.38 crore⁴ was lying unspent in the bank accounts of SNAs as on 31 March 2023.

(c) Fifteenth Finance Commission Grants

The 15th Finance Commission (15th FC) grants were provided to the States for local bodies, State Disaster Response Fund (SDRF), post devolution revenue deficit and health sector. Details of grants provided by GoI are given in **Table 2.13**.

⁴ The unspent balance as on 31 March 2023 updated to ₹ 3,951.32 crore on PFMS portal (22 November 2023).

Table 2.13: Recommended amount, actual release and transfers of Grants-in-aid*(₹ in crore)*

Transfers		Recommendation of 15 th FC for 2022-23	Actual release by GoI for 2022-23	Release by State Government	
				Total (%age of release by GoI)	
(i) Grants to Panchayati Raj Institutions (PRIs)		1,062.00	743.40	531.00 (71)	
(a) Tied Grants		637.20	318.60	318.60 (100)	
(b) Untied Grants		424.80	424.80	212.40 (50)	
(ii) Grants to Urban Local Bodies (ULBs)		523.00	418.25	226.75 (54)	
(a) One million plus cities (for ambient air quality)		47.00	35.25*	35.25 (100)	
(b) One million plus cities (for SWM and sanitation)		93.00	--	--	
(c) Non-million plus cities (un-tied grants for local needs)		153.20	153.20	76.60 (50)	
(d) Non-million plus cities (tied grants for drinking water, rain water harvesting, SWM and Sanitation)		229.80	229.80	114.90 (50)	
(iii) Grants for Health Sector		401.00	--	--	
Total for Local Bodies		1,986.00	1,161.65	757.75 (65)	
SDRMF	SDRF	Centre share	416.00	416.00	208.00 (50)
		State share	138.40	--	69.33
	Total for SDRF		554.40	416.00	277.33
	SDMF	Centre share	104.00	--	--
		State share	34.60	--	--
	Total for SDMF		138.60	--	--
Post Devolution Revenue Deficit Grant		8,274	8,274	--	

Source: 15th FC Report and departmental information

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

* ₹ 35.25 crore were released by GoI against recommended amount of ₹ 47 crore, based on the performance assessment and recommendation from the Ministry of Environment, GoI.

- As against the amount of ₹ 1,062 crore recommended by the 15th FC in respect of PRIs, GoI released ₹ 743.40 crore⁵ during 2022-23. Out of this sum, GoP released ₹ 531 crore during the same period and the remaining ₹ 212.40 crore during 2023-24.
- In respect of ULBs, against the recommended amount of ₹ 523.00 crore, GoI released ₹ 418.25 crore during 2022-23 and the remaining sum of ₹ 93 crore during 2023-24. Out of ₹ 418.25 crore released by the GoI, the State Government released an amount of ₹ 226.75 crore during 2022-23 and the remaining ₹ 191.50 crore was released in 2023-24. Besides, an amount of ₹ 201 crore released by GoI during 2021-22, was also released by the State during 2022-23.

⁵ Differs by ₹ 307.80 crore from that appearing in Statement No.14 of the Finance Accounts, which pertained to the year 2021-22 but released by GoI in 2022-23.

- In respect of Grants for Health Sector, GoI did not release funds against ₹ 401 crore recommended by 15th FC for the year 2022-23.
- In respect of State Disaster Risk Management Fund (SDRMF), 15th Finance Commission recommended that State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) would receive funds in the ratio of 80:20 of the total funds received under SDRMF. The details of the funds received during the year are as under:
 - In respect of SDRF, 15th FC recommended Centre and State share in the ratio of 75:25. Accordingly, GoI released ₹ 416 crore during the year 2022-23 for SDRF. GoP released ₹ 277.33 crore (GoI share: ₹ 208 crore and State share: ₹ 69.33 crore) during the same year.
 - In respect of SDMF, 15th FC recommended Centre and State share in the ratio of 75:25. GoI did not release funds against ₹ 104 crore recommended by 15th FC for the year 2022-23. However, during the year 2022-23, GoP received ₹ 99 crore as Central share pertaining to the year 2021-22. Accordingly, GoP released ₹ 132 crore (GoI share: ₹ 99 crore and State share: ₹ 33 crore) for the year 2021-22. Further, the State Government also transferred Central share of ₹ 99 crore and matching contribution of State share of ₹ 33 crore to the Fund pertaining to the year 2020-21, which was earlier transferred to SDRF.

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 2018-19 to 2022-23 are shown in **Table 2.14**.

Table 2.14: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	23,788	43,891	34,077	27,244	47,427
Miscellaneous Capital Receipts	0	0	0	0	0 [^]
Recovery of Loans and Advances	849	16,070	50	207	164
Public Debt Receipts	22,939	27,821	34,027	27,037	47,263
<i>Internal Debt*</i>	21,621	27,676	33,595	26,584	46,300
<i>Growth rate (per cent)</i>	19.74	28.01	21.39	(-)20.87	74.16
<i>Loans and advances from GoI[#]</i>	1,318	145	432	453	963
<i>Growth rate (per cent)</i>	186.52	(-)89.00	197.93	4.86	112.58
Rate of growth of debt Capital Receipts (<i>per cent</i>)	23.88	21.28	22.31	(-)20.54	74.81
Rate of growth of Non-debt Capital Receipts (<i>per cent</i>)	1,063.01	1,792.82	(-)99.69	314.00	(-)20.77
Rate of growth of GSDP (<i>per cent</i>)	8.81	4.78	0.71	13.57	9.59
Rate of growth of Capital Receipts (<i>per cent</i>)	27.96	84.51	(-)22.36	(-)20.05	74.08

Source: Finance Accounts

* Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility, which was Nil during 2022-23.

[#] 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.

[^] ₹ 0.21 crore

During the current year, the public debt receipts increased substantially by ₹ 20,226 crore (74.81 per cent) over the previous year mainly due to increase of ₹ 19,716 crore (74.16 per cent) in Internal debt receipts.

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 2022-23 *vis-à-vis* assessment made by Fifteenth Finance Commission (15th FC) and Budget Estimates are given in **Table 2.15**.

Table 2.15: Tax and non-tax revenue *vis-à-vis* projections during 2022-23

(₹ in crore)

Resources	15 th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				15 th FC projections	Budget estimates
Own Tax revenue	39,424	45,588	42,243	7.15	(-)7.34
Non-tax revenue	5,357	6,302	6,232	16.33	(-)1.11

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 7.15 per cent but fell short of budget estimates by 7.34 per cent

mainly due to shortfall by ₹ 2,422 crore (11.79 per cent) in SGST collection of ₹ 18,128 crore against budget estimates of ₹ 20,550 crore. Non-tax revenue was higher by 16.33 per cent than the projections made by 15th FC but was lower by 1.11 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 the 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 day-to-day running of the organisation, including establishment and administrative expenses are 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 are classified as capital expenditure.

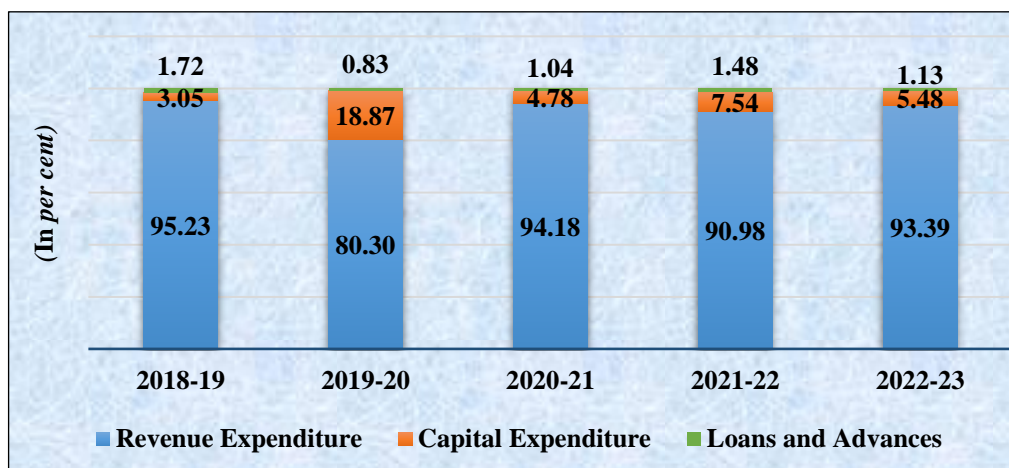
Loans and Advances: There are loans and advances made by the Government to Public Sector Undertakings (PSUs) and other parties.

Trends of overall expenditure and its components are shown in **Table 2.16** and **Chart 2.8**.

Table 2.16: Total expenditure and its composition

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	79,177	94,471	91,682	1,06,222	1,21,710
Revenue Expenditure (RE)	75,404	75,860	86,344	96,636	1,13,661
Capital Expenditure (CE)	2,412	17,828	4,382	8,010	6,667
Loans and Advances	1,361	783	956	1,576	1,382
As a percentage of GSDP					
TE/GSDP	15.45	17.59	16.95	17.29	18.08
RE/GSDP	14.71	14.13	15.96	15.73	16.89
CE/GSDP	0.47	3.32	0.81	1.30	0.99

Source: Finance Accounts

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

Source: Finance Accounts

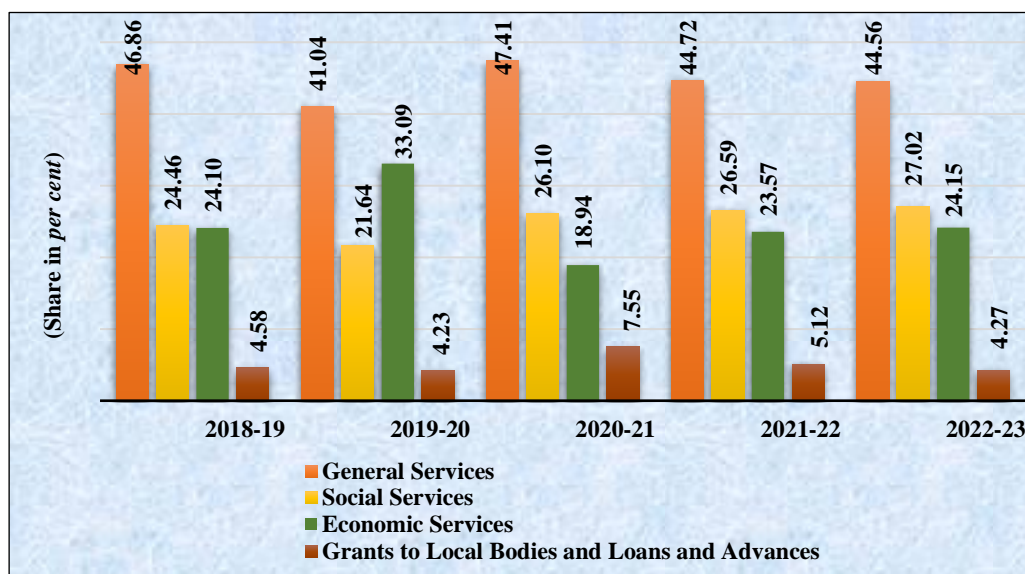
Table 2.16 shows that the total expenditure increased by ₹ 42,533 crore (53.72 per cent) from ₹ 79,177 crore in 2018-19 to ₹ 1,21,710 crore in 2022-23, which ranged between 15.45 per cent and 18.08 per cent of GSDP during the period of five years. **Chart 2.8** shows that revenue expenditure constituted the dominant proportion (80 to 95 per cent) during 2018-2023 of the total expenditure. Capital expenditure, on the other hand, constituted a meagre three to 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.

Relative share of various sectors of expenditure during 2018-2023 is depicted in **Table 2.17** and **Chart 2.9**.

Table 2.17: Relative share of various sectors of expenditure

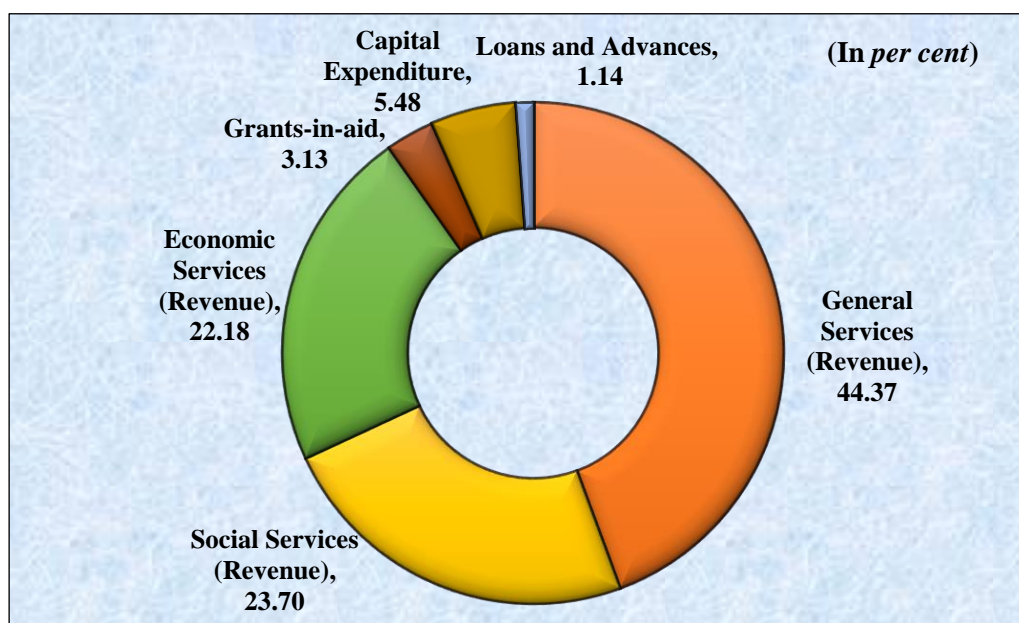
Parameters	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	37,100	38,769	43,464	47,504	54,228
Social Services	19,367	20,449	23,926	28,245	32,890
Economic Services	19,084	31,260	17,365	25,039	29,398
Others (Grants to Local Bodies and Loans and Advances)	3,626	3,993	6,927	5,434	5,194

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 total expenditure fluctuated during 2018-2023. The share of Social Services and Economic Services in total expenditure increased from 24.46 per cent and 24.10 per cent in 2018-19 to 27.02 per cent and 24.15 per cent in 2022-23 respectively, while that of General Services and Grants to Local Bodies and Loans and Advances decreased from 46.86 per cent and 4.58 per cent to 44.56 per cent and 4.27 per cent respectively during the same period. **Chart 2.10** shows composition of expenditure by function.

Chart 2.10: Composition of expenditure by function during 2022-23

Source: Finance Accounts

2.4.1 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations. 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 2.18** and sectoral distribution of revenue expenditure is shown in **Chart 2.11**.

Table 2.18: Revenue Expenditure – Basic Parameters

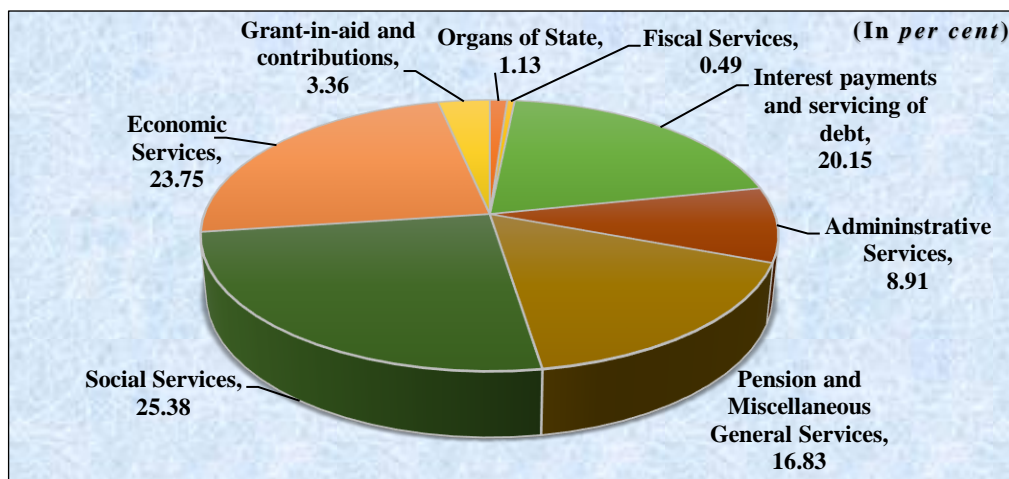
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	79,177	94,471	91,682	1,06,222	1,21,710
Revenue Expenditure (RE)	75,404	75,860	86,344	96,636	1,13,661
Rate of growth of RE (per cent)	20.71	0.60	13.82	11.92	17.62
Revenue Expenditure as percentage of TE	95.23	80.30	94.18	90.98	93.39
RE/GSDP (per cent)	14.71	14.13	15.96	15.73	16.89
Revenue Receipts	62,269	61,575	69,048	78,168	87,616
Rate of growth of RR (per cent)	17.47	(-).11	12.14	13.21	12.09
RE as percentage of RR	121.09	123.20	125.05	123.63	129.73
Rate of growth of GSDP (per cent)	8.81	4.78	0.71	13.57	9.59
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	2.35	0.13	19.46	0.88	1.84
Revenue Receipts (ratio)	1.19	--*	1.14	0.90	1.46

Source: Finance Accounts

* Buoyancy ratio was not calculated as the growth of revenue receipts was negative.

Revenue expenditure increased by ₹ 38,257 crore (50.74 per cent) from ₹ 75,404 crore in 2018-19 to ₹ 1,13,661 crore in 2022-23. It increased at an annual average growth rate of 13 per cent, whereas as a percentage of GSDP, it increased from 14.71 per cent to 16.89 per cent during the same period. Buoyancy of revenue expenditure with reference to revenue receipts also increased in 2022-23, which was a concern.

Chart 2.11: Sector-wise distribution of revenue expenditure during 2022-23



Source: Finance Accounts

2.4.1.1 Major changes in revenue expenditure

Revenue expenditure increased substantially by ₹ 17,025 crore (17.62 per cent) from ₹ 96,636 crore in 2021-22 to ₹ 1,13,661 crore in 2022-23. 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 2.19**.

Table 2.19: Significant variations in revenue expenditure during 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2801-Power	4,382.98	8,225.89	3,842.91
2071-Pensions and Other Retirement Benefits	14,729.94	18,214.25	3,484.31
2202-General Education	12,339.27	14,037.36	1,698.09
2235-Social Security and Welfare	5,487.65	7,071.10	1,583.44
2401-Crop Husbandry	8,568.18	10,032.83	1,464.65
2048-Appropriation for Reduction or Avoidance of Debt	1,820.02	3,000.00	1,179.98
2055-Police	7,021.71	7,894.71	873.00
2425-Co-operation	230.66	1,075.16	844.50
2049-Interest Payments	19,063.50	19,905.13	841.63
2852-Industries	2,381.85	3,036.43	654.58
2245-Relief on account of Natural Calamities	1,427.76	461.43	(-)966.33

Source: Finance Accounts

Table 2.19 shows:

- increase of ₹ 3,843 crore (87.68 per cent) in 'Power' was mainly due to increase of 'Assistance to Electricity Boards' by ₹ 2,503 crore and by ₹ 1,340 crore on account of Special Component Plan for Scheduled Castes on account of subsidy under rural electrification of Punjab State Electricity Board;
- increase of ₹ 3,484 crore (23.65 per cent) under 'Pensions and Other Retirement Benefits', which was mainly due to increase of ₹ 1,848 crore in 'Superannuation and Retirement Allowances', ₹ 422 crore in 'Family Pensions', ₹ 374 crore in 'Government Contribution for Defined Contribution Pension Scheme', ₹ 331 crore in 'Gratuities', ₹ 299 crore in 'Commutated Value of Pensions' and ₹ 167 crore in 'Leave Encashment Benefits';
- increase of ₹ 1,698 crore (13.76 per cent) in 'General Education' was primarily due to increase of ₹ 900 crore in 'Secondary Education' and ₹ 835 crore in 'Elementary Education' partially offset by decrease of ₹ 49 crore in 'University and Higher Education';
- increase of ₹ 1,583 crore (28.85 per cent) under 'Social Security and Welfare' was mainly due to increase of ₹ 568 crore in 'Pensions under Social Security Schemes' which was due to revision of rates of pension to

old age persons/ widows and destitute/ handicapped persons, ₹ 544 crore in 'Special Component plan for Scheduled Castes', ₹ 272 crore in 'Other Programmes' and ₹ 150 crore in 'Child Welfare';

- increase of ₹ 1,465 crore (17.09 *per cent*) in 'Crop Husbandry' was mainly due to increase of ₹ 1,855 crore in 'Agricultural Farms' for power subsidy to farmers and ₹ 319 crore in 'Special Component Plan for Scheduled Castes', partially set-off by decrease of ₹ 687 crore in 'Other Expenditure';
- increase of ₹ 1,180 crore (64.83 *per cent*) in 'Appropriation for Reduction or Avoidance of Debt' was due to increase of ₹ 1,180 crore in contribution to Consolidated Sinking Fund;
- increase of ₹ 873 crore (12.43 *per cent*) in 'Police' was primarily due to increase of ₹ 458 crore in 'District Police', ₹ 189 crore in 'Special Police' and ₹ 79 crore in 'Wireless and Computers';
- increase of ₹ 845 crore (366 *per cent*) in 'Co-operation' was primarily due to increase of ₹ 738 crore in 'Assistance to other co-operatives'⁶, ₹ 36 crore in 'Audit of Co-operatives', ₹ 36 crore in 'Assistance to Co-operatives' due to payment of remunerative milk procurement prices to dairy farmers and ₹ 25 crore in 'Assistance to Credit Co-operatives';
- increase of ₹ 842 crore (4.41 *per cent*) in 'Interest Payments' was primarily due to increase of ₹ 1,234 crore in 'Interest on Market Loans', ₹ 131 crore in 'Interest on General and Other Reserve Funds' partially offset by decrease of ₹ 446 crore in 'Interest on Other Internal Debts' and ₹ 179 crore in 'Interest on Special Securities issued to National Small Savings Fund of Central Government by State Government';
- increase of ₹ 655 crore (27.48 *per cent*) in 'Industries' was primarily due to increase of ₹ 528 crore in 'Other Expenditure' which was attributed to increase in expenditure on power subsidy to industry and ₹ 123 crore in 'Special Component Plan for Scheduled Castes; and
- decrease of ₹ 966 crore (67.68 *per cent*) in 'Relief on account of Natural Calamities' was primarily due to decrease of ₹ 708 crore in 'Transfer to Reserve Funds and Deposit Accounts- State Disaster Response Fund', ₹ 390 crore in 'Other Expenditure', ₹ 368 crore in 'Repairs and restoration of damaged irrigation and flood control works' and ₹ 166 crore in 'Gratuitous Relief' partially offset by increase of ₹ 600 crore in 'Deduct-Amount met from State Disaster Response Fund'.

⁶ Mainly due to assistance to Punjab State Co-operative Agricultural Development Bank for repayment of loan to NABARD and payment of Pension and Pension arrears to its retirees and assistance to SUGARFED for payment to cane growers.

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.

Apart from the above, there are certain items of *inflexible expenditure* which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, etc. For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies – statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds – Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF), etc.
- (iii) Recoupment of Contingency Fund – Amount recouped within the year.
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received – Amount of State share to be transferred to SNAs/spent by the State.
- (vi) Payment of interest on the balances of interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment.

Upward trend on committed expenditure leaves the Government with less flexibility for the development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.20** and share of committed expenditure in revenue expenditure is shown in **Chart 2.12**.

Table 2.20: Components of Committed and Inflexible Expenditure*(₹ in crore)*

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages ⁷	24,376	24,729	25,607	28,124	32,171
Expenditure on Pensions	10,089	10,294	13,680	14,730	18,214
Interest Payments	16,306	17,567	18,153	19,064	19,905
Total	50,771	52,590	57,440	61,918	70,290
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	39.15	40.16	37.09	35.98	36.72
Expenditure on Pensions	16.20	16.72	19.81	18.84	20.79
Interest Payments	26.19	28.53	26.29	24.39	22.72
Total	81.54	85.41	83.19	79.21	80.23
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	32.33	32.60	29.66	29.10	28.30
Expenditure on Pensions	13.38	13.57	15.84	15.24	16.03
Interest Payments	21.62	23.16	21.02	19.73	17.51
Total	67.33	69.33	66.52	64.07	61.84
Non-committed RE	24,633	23,270	28,904	34,718	43,371
Percentage of RE	32.67	30.67	33.48	35.93	38.16
Percentage of TE	31.11	24.63	31.53	32.69	35.63
Components of Inflexible Expenditure					
Statutory devolution to local bodies	2,265	3,210	5,971	3,859	3,812
Contribution to Reserve Funds (including interest)	924	2,251	2,046	3,503	4,487
Recoupment of Contingency Fund	0	0	0	0	0
Cess transferred /required to be transferred to reserve fund /other body	NA	290	185	156	152
Share contribution of CSS against the Central Fund received*	NA	NA	NA	2,121	3,155
Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment.	264	277	563	82	128
Total of Inflexible Expenditure	3,453	6,028	8,765	9,721	11,734
Inflexible Expenditure as a percentage of Revenue Expenditure (RE)	4.58	7.95	10.15	10.06	10.32
Subsidies	13,361	10,161	9,748	14,516	20,607
Subsidies as percentage of non-committed revenue expenditure	54.24	43.67	33.72	41.81	47.51

Source: Finance Accounts

* Obtained from SNA module of PFMS portal which started functioning from the year 2021-22.

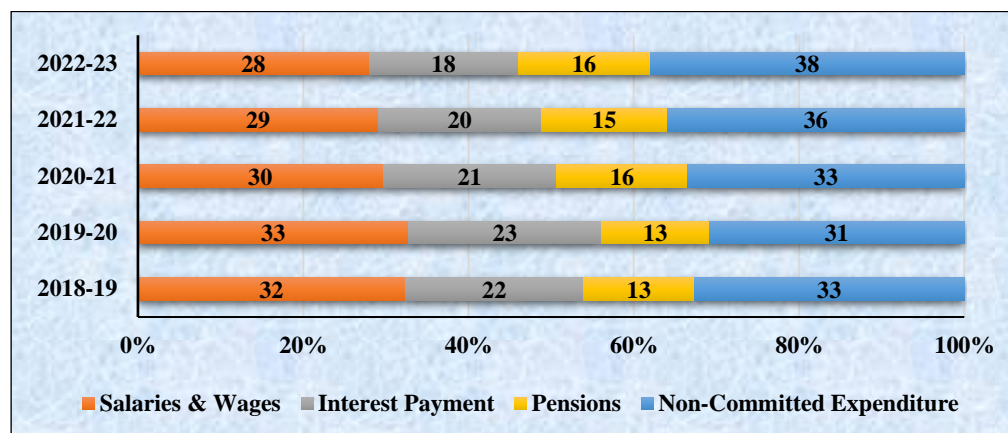
Table 2.20 shows that percentage of other than committed expenditure to revenue expenditure increased from 32.67 per cent in 2018-19 to 38.16 per cent in 2022-23 in which subsidies constituted dominant proportion ranging from 34 per cent to 54 per cent during the period 2018-2023.

Table 2.20 shows that the total of components of inflexible expenditure which include among others, Statutory devolution to local bodies and contribution to Reserve Funds, showed a continued increase during the period 2018-19 to

⁷ Includes Grants-in-aid (Salary): 2018-19 (₹ 3,491 crore); 2019-20 (₹ 3,248 crore); 2020-21 (₹ 3,795 crore); 2021-22 (₹ 3,899 crore); and 2022-23 (₹ 3,997 crore).

2022-23. As a percentage of revenue expenditure, the inflexible expenditure ranged between 4.58 *per cent* and 10.32 *per cent* during the period 2018-2023.

Chart 2.12: Share of committed expenditure in revenue expenditure



Source: Finance Accounts

Salaries and wages

Expenditure on salaries and wages (₹ 32,171 crore) increased by 14.39 *per cent* during 2022-23 over the previous year (₹ 28,124 crore) and constituted 28.30 *per cent* of revenue expenditure.

Interest payment

During 2022-23, interest payments were to the tune of ₹ 19,905 crore (17.51 *per cent* of revenue expenditure). Interest on Market Borrowings (₹ 13,171 crore), Loans from the State Bank of India and other Banks (₹ 1,787 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹ 1,253 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 ₹ 18,214 crore and constituted 16.03 *per cent* of the revenue expenditure. During the year, Superannuation and Retirement Allowances (₹ 10,645 crore) increased by ₹ 1,848 crore, Family Pensions (₹ 2,327 crore) increased by ₹ 422 crore and Commuted Value of Pensions (₹ 713 crore) increased by ₹ 299 crore, from those in 2021-22. Further, the State Government had notified (November 2022) reversion to the Old Pension Scheme (OPS), wherein it was mentioned that the detailed scheme and Standard Operating Procedures pursuant to the notification would be issued in due course. Thus, reversion of OPS would further increase the committed expenditure of the State.

The State Government, while admitting to the fact of committed liabilities being on the higher side, stated (November 2023) that the impact of Sixth Pay Commission on salaries/pensions was felt in 2022-23.

(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 State Government service⁸ on or after 1 January 2004. Under this system, employees contribute 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government (Government’s share has been increased to 14 *per cent* with effect from 1 April 2019). The employees’ contribution is booked in Public Account under Major Head ‘8342-Other Deposits, 117-Defined Contribution Pension Scheme’ and the employer’s contribution is transferred to the designated authority i.e. National Securities Depository Limited (NSDL), debiting Major Head ‘2071-Pension and Other Retirement Benefits, 01-Civil, 117-Defined Contributory Pension Scheme’. The State Government further revised the procedure in 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 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 2008⁹. 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 2022-23, employees’ contribution of ₹ 1,199.49 crore was booked under Major Head ‘8342-Other Deposits 117-Defined Contribution Pension Scheme for Government Employees’ in Public Account’ as per the prescribed procedure. Government’s share of ₹ 1,699.93 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 as per revised procedure adopted by the State Government.

During 2022-23, against the balance of ₹ 3,048.42 crore lying in the Public Account, the State Government transferred ₹ 2,925.92 crore to NSDL, leaving a balance of ₹ 122.50 crore as on 31 March 2023, which could not be transferred to the fund managers for want of complete particulars of the employees.

⁸ For categories mentioned in Rule 1.2 of Punjab Civil Service Rules, Volume-I, Part-I.

⁹ Meagre amount of ₹ 0.59 crore was collected during 2006-2008.

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; used the 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 2.21**.

Table 2.21: 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
2022-23	1,199.49	1,699.93	0.00	2,899.42	2,925.91	(+)26.49
Total	6,567.69	7,944.39	183.37	14,695.45	14,572.95	(-)122.50

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 2008-23, against total receipts of ₹ 14,695.45 crore (employees' share: ₹ 6,567.69 crore, State Government contribution: ₹ 7,944.39 crore and interest: ₹ 183.37 crore), substantial amount of ₹ 14,572.95 crore (99 per cent) was transferred to the pension fund leaving a balance of ₹ 122.50 crore only as on 31 March 2023. It was noticed that during the last three years, the State Government contributed/transferred additional funds to minimise the shortfall.

The short contribution/transfer of funds of ₹ 122.50 crore to NSDL is a deferred liability of the State Government, which 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 2.22 depicts the expenditure on subsidies during the period 2018-23. Subsidies during the current year increased by ₹ 6,091 crore (41.96 per cent)

over the previous year. The increase was mainly due to increase of ₹ 6,757 crore (50.26 per cent) on account of power subsidy, partially set-off by decrease of ₹ 590 crore on account of debt relief to farmers, ₹ 100 crore on account of pilot project of Solarisation in Bathinda and ₹ 51 crore on account of subsidy scheme for cane price payment to cane farmers.

Table 2.22: Expenditure on subsidies during 2018-23

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	13,361	10,161	9,748	14,516	20,607
Power subsidy (₹ in crore)	9,036	9,394	9,657	13,443	20,200
Subsidies as percentage of Revenue Receipts	21.46	16.50	14.12	18.57	23.52
Subsidies as percentage of Revenue Expenditure	17.72	13.39	11.29	15.02	18.13
Subsidies as percentage of Total Expenditure	16.87	10.76	10.63	13.67	16.93
Subsidies as percentage to Revenue Deficit	101.72	71.13	56.36	78.60	79.12
Power subsidy as percentage to total subsidy	67.63	92.45	99.07	92.61	98.02

Source: Finance Accounts

Power subsidy constituted the major portion of the total subsidies ranging between 68 per cent and 99 per cent; and the subsidies contributed between 56 per cent and 102 per cent of the revenue deficit during 2018-2023.

(i) *Implicit subsidies*

Implicit subsidies arise when the Government provides social and economic goods/services at a price less 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 2022-23 are detailed in **Table 2.23**.

Table 2.23: Details of implicit subsidies during the year 2022-23

			(₹ 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		494.99
2.	Ashirwad to Scheduled Caste girls/widows/divorcees and daughters of widows at the time of their marriages		149.14
3.	Ashirwad to Backward Classes and Christian girls/widows/ divorcees and daughters of widows of any caste at the time of marriage		79.97
4.	Free travel facility from the rank of Constable to Inspector in Government/ PEPSU Road Transport Corporation (PRTC) Buses		30.96
5.	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		24.04
6.	Reimbursement to PEPSU Road Transport Corporation (PRTC) in lieu of concessional bus passes to the students of medical education (pass holder)		11.70
7.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students of Engineering Colleges/Polytechnics		10.53
8.	Reimbursement to Transport Department/ PEPSU Road Transport Corporation (PRTC) in lieu of free concessional travel facility to students		9.86
Total			811.19

Source: Detailed Appropriation Accounts

During the current year payment under the scheme “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” has increased by ₹ 248.20 crore (100.57 per cent) over the previous year. Reasons for the huge increase were called for from the State Government; their reply was awaited (December 2023).

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

Assistance provided by way of grants to local bodies and other institutions during the period 2018-2023 is presented in **Table 2.24**.

Table 2.24: Financial assistance to Local Bodies and other institutions

(₹ in crore)						
Institutions	2018-19	2019-20	2020-21	2021-22	2022-23	
(A) Local Bodies						
Municipal Corporations and Municipalities	1,747.28	2,365.48	2,694.56	2,424.13	2,345.70	
Panchayati Raj Institutions	530.18	885.81	3,313.12	1,463.61	1,529.97	
Total (A)	2,277.46	3,251.29	6,007.68	3,887.74	3,875.67	
(B) Others						
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	2,824.52	3,196.94	3,586.92	3,380.66	3,312.94	
Development Authorities	0.00	1,309.29	1,518.84	1,184.78	1,115.63	
Hospitals and Other Charitable Institutions	967.34	1,211.06	1,348.71	1,371.46	1,074.35	
Other Institutions	2,795.04	914.70	2,560.30	2,075.40	3,461.59	
Total (B)	6,586.90	6,631.99	9,014.77	8,012.30	8,964.51	
Total (A+B)	8,864.36	9,883.28	15,022.45	11,900.04	12,840.18	
GIA on Salary	3,490.95	3,247.85	3,795.42	3,898.89	3,996.92	
GIA for non-salary	5,034.47	5,921.09	8,482.86	7,745.91	8,033.32	
GIA for creation of Capital assets	338.94	714.34	2,744.17	255.24	809.95	
GIA given in kind	<i>Information not provided by the State government</i>					0
Revenue Expenditure	75,404	75,860	86,344	96,636	1,13,661	
Assistance as percentage of Revenue Expenditure	11.76	13.03	17.40	12.31	11.30	

Source: Finance Accounts

During the current year, financial assistance to local bodies and other institutions increased by ₹ 940.14 crore (7.90 per cent) over the previous year. The increase was mainly due to increase in assistance to Other Institutions (₹ 1,386.19 crore: 66.79 per cent) partially set-off by decrease in Municipal Corporations and Municipalities (₹ 78.43 crore: 3.24 per cent), Hospitals and Other Charitable Institutions (₹ 297.11 crore: 21.66 per cent) and Development Authorities (₹ 69.15 crore: 5.84 per cent). The overall quantum of financial assistance to local bodies and other institutions as percentage of revenue expenditure decreased to 11.30 per cent during the current year from 12.31 per cent of the previous year.

The financial assistance for salary, non-salary and creation of capital assets had shown an increasing trend during the last five years (except for the year 2019-20 for salary, 2021-22 for non-Salary and 2021-22 and 2022-23 for creation of capital assets). Share of financial assistance on salary, non-salary and for creation of capital assets contributed an average of 32.28 per cent, 60.17 per cent and 7.55 per cent respectively.

Major recipients of financial assistance are shown in **Table 2.25**.

Table 2.25: Major recipients of financial assistance during the year 2022-23

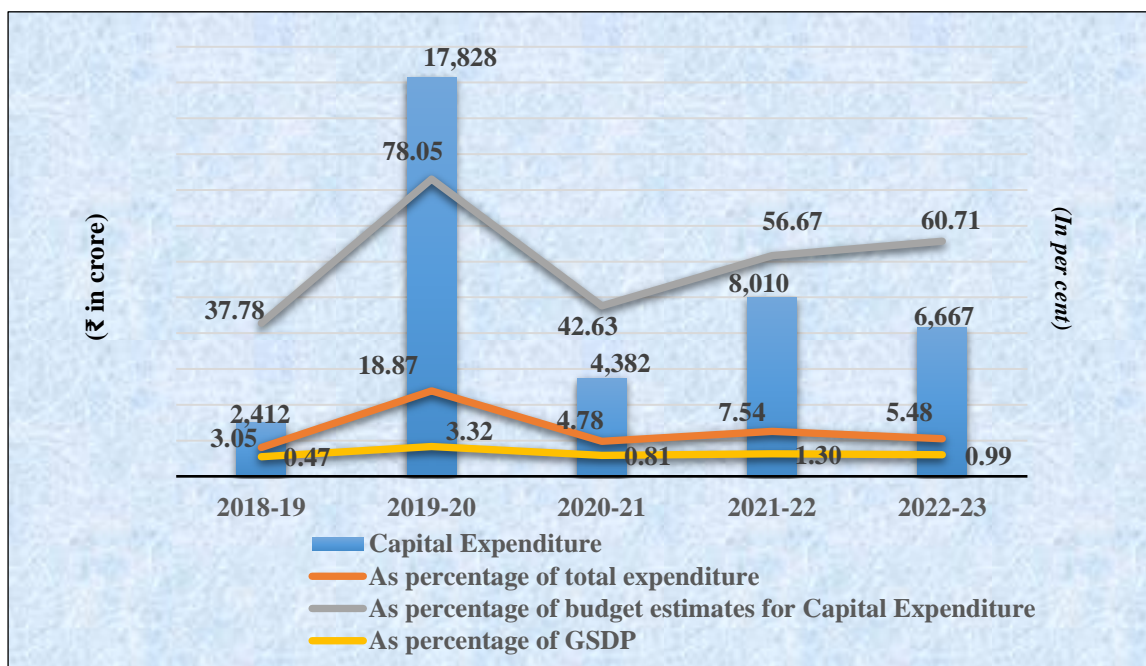
(₹ in crore)		
Recipient	Scheme	Amount
Director, Local Bodies	Punjab Municipal Fund - Assistance to Municipalities/ Municipal Councils /Urban Local Bodies	1,500.00
Gram Panchayat Samitis	Grants-in-aid to PRIs	1,194.70
Punjab Infrastructure Development Board	Assistance	808.19
Government Secondary Schools	Information and Communication Technology	538.44
Government Secondary Schools	Samagra Shiksha Abhiyaan/ Rashtriya Madhyamik Shiksha Abhiyan	536.57
Gram Panchayat Samities	Mahatma Gandhi National Rural Employment Guarantee Scheme	535.26
Government Primary Schools	Samagra Shiksha Abhiyaan including Education Guarantee Scheme - National Programme for education of girls of elementary level and Kasturba Gandhi Balika Vidyalaya	526.07
National Health Mission	National Rural Health Mission	480.04
Government Primary Schools	Mid-day Meal	479.57
Local Urban Bodies	Grants-in-aid	448.00
Punjab Agriculture University, Ludhiana	Assistance	403.93
Punjab Health System Corporation	Assistance	364.56
Non-Government Colleges and Institutes	Assistance	221.69
Punjabi University, Patiala	Grants-in-aid	200.00

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. Trends of capital expenditure in the State over the last five years i.e. 2018-2023 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 capital expenditure fluctuated during the five years' period. It increased by ₹ 4,255 crore (176.41 per cent) from ₹ 2,412 crore (3.05 per cent of total expenditure) in 2018-19 to ₹ 6,667 crore (5.48 per cent of total expenditure) in 2022-23. Besides, the State Government also gave Grants-in-aid of ₹ 4,863 crore¹⁰ during the period 2018-23 for creation of assets. Utilisation of budget for capital expenditure ranged between 38 per cent and 61 per cent during 2018-2023 except in 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. During this period, capital expenditure ranged between 0.47 per cent and 1.30 per cent of GSDP except for the year 2019-20 when it was 3.32 per cent due to conversion of UDAY loans.

2.4.2.1 Major changes in capital expenditure

Major changes in capital expenditure during 2022-23 compared to 2021-22 are depicted in **Table 2.26**.

¹⁰ 2018-19: ₹ 338.94 crore; 2019-20: ₹ 714.34 crore; 2020-21: ₹ 2,744.17 crore; 2021-22: ₹ 255.24 crore; and 2022-23: ₹ 809.95 crore.

Table 2.26: Capital expenditure during 2022-23 compared to 2021-22

Major Head of Accounts	(₹ in crore)		
	2021-22	2022-23	Increase (+)/ Decrease (-)
5475-Capital Outlay on Other General Economic Services	2,311.59	143.25	(-)2,168.34
5054-Capital Outlay on Roads and Bridges	1,014.67	659.29	(-)355.38
4210-Capital Outlay on Medical and Public Health	82.86	654.60	571.74
4217-Capital Outlay on Urban Development	1,918.93	2,270.02	351.09
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	35.77	193.55	157.78
4425-Capital Outlay on Co-operation	--	135.00	135.00

Source: Finance Accounts

Chart 2.13 shows that capital expenditure decreased by ₹ 1,343 crore (16.77 per cent) from ₹ 8,010 crore in 2021-22 to ₹ 6,667 crore in 2022-23. The decrease in overall capital expenditure was mainly due to decrease in Capital Outlay on Other General Economic Services (₹ 2,168 crore) primarily on account of decrease in State Level Initiative (Punjab Nirman Programme) (₹ 1,361 crore); and in Capital Outlay on Roads and Bridges (₹ 355 crore) mainly on account of decrease in Construction of Rural Roads and Bridges Project under State Highways (₹ 392 crore). The decrease was partially off-set by increase in Capital Outlay on Medical and Public Health: ₹ 572 crore, Capital Outlay on Urban Development: ₹ 351 crore, Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities: ₹ 158 crore and Capital Outlay on Co-operation: ₹ 135 crore, as detailed in **Table 2.26**.

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 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

the 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.

Total paid up capital of 33 working State PSUs stood at ₹ 23,469.02 crore at the end of 2022-23, of which the State Government's investment (equity) was ₹ 23,316.35 crore (99.35 per cent) in 24 State PSUs.

Twelve State PSUs in which the State Government held investment of ₹ 22,503.28 crore had aggregated accumulated losses of ₹ 18,113.60 crore (*Appendix 2.3*).

Net worth of nine out of the above 12 PSUs with accumulated losses had completely eroded and had become negative. The net worth of these nine PSUs was (-) ₹ 6,943.57 crore against equity investment of ₹ 462.86 crore (GoP investment: ₹ 423.41 crore) in these PSUs as on 31 March 2023. In five out of nine PSUs whose capital had eroded, Government loans outstanding as on 31 March 2023 amounted to ₹ 20,779.50 crore (*Appendix 2.4*).

The long term loans amounting to ₹ 26,603.90 crore extended by the State Government in respect of nine PSUs were outstanding as on 31 March 2023 (*Appendix 2.5*).

Trends of return on investment in companies, corporations, and co-operative banks and societies, difference between cost of Government borrowings and return on investments are depicted in **Table 2.27**.

Table 2.27: Return on investment

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	4,263.25	19,898.08	19,911.84	19,899.69	20,038.52
Return (₹ in crore) ^{\$}	4.24	4.24	1.26	6.66	3.11
Return (per cent) ^{\$}	0.10	0.02	0.01	0.03	0.02
Average rate of interest on Government Borrowings (per cent)	8.01	7.96	7.58	7.46	7.17
Difference between return and interest rate (per cent)	(-)7.91	(-)7.94	(-)7.57	(-)7.43	(-)7.15
Difference between cost of Government borrowings and return on investment (₹ in crore) [#]	(-)337.22	(-)1,579.65	(-)1,508.06	(-)1,477.86	(-)1,432.75

Source: Finance Accounts

^{\$} on historical cost

[#] (Investment at the end of the year * Difference between interest rate and return)/100.

During 2022-23, the return on investment was ₹ 3.11 crore¹¹ (0.02 per cent) (based on historical cost and not on net present value basis). The return was only between 0.01 per cent and 0.10 per cent during 2018-2023 while the average rate of interest paid by the State Government on its borrowings was between 7.17 per cent and 8.00 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 ₹ 6,335.54 crore. The State Government stated (November 2023) that many of these organisations were established with social welfare in mind. However, efforts were being made to improve the financial position of these entities by their respective managements.

(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 16 PSUs was ₹ 19,014.14 crore whereas as per records of PSUs, it was ₹ 23,106.49 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 resolve the difference. The State Government stated (December 2023) that Punjab Government had a dedicated Directorate namely the Directorate of Disinvestment and Public Enterprises (DPED) to deal with matters of PSUs, which was looking into this issue.

(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 2.28** presents the position of outstanding loans and advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

¹¹ Government Companies (₹ 2.62 crore); Joint Stock Companies (₹ 0.48 crore); and Co-operative Banks and Societies (₹ 0.01 crore).

Table 2.28: Quantum of loans disbursed and recovered during 2018-23*(₹ in crore)*

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Opening balance of loans outstanding	50,169	50,681	35,394	36,301	37,670
Amount advanced during the year	1,361	783	956	1,576	1,382
Amount recovered during the year	849	16,070	50	207	164
Closing balance of the loans outstanding	50,681	35,394	36,300	37,670	38,888
Net addition	512	(-15,287)	906	1,369	1,218
Interest received	1,341	1,336	25	19	15
Interest received <i>vis-à-vis</i> loans outstanding (<i>per cent</i>)	2.66	3.10	0.07	0.05	0.04
Average rate of interest paid on the outstanding borrowings of the Government	8.00	7.96	7.58	7.46	7.17
Difference between the rate of interest received and interest paid (<i>per cent</i>)	(-)5.34	(-)4.86	(-)7.51	(-) 7.41	(-) 7.13

Source: Finance Accounts

During 2022-23, an amount of ₹ 1,382 crore was advanced as loans against ₹ 1,576 crore given during the previous year. The loans advanced during the current year included ₹ 500 crore extended to the Punjab State Civil Supplies Corporation (PUNSUP) for procurement and supply of essential commodities and ₹ 376 crore to other procurement agencies against liability of Atta Dal Scheme. Loans amounting to ₹ 2,296 crore were outstanding at the beginning of the year against Co-operative Sugar Mills. It was noticed that despite recovery of only ₹ 21 crore of earlier loans, subsequent loans of ₹ 425 crore were given to these sugar mills.

The total outstanding loans advanced by the State Government increased by ₹ 1,218 crore from ₹ 37,670 crore in 2021-22 to ₹ 38,888 crore in the year 2022-23. Recovery of loans decreased by ₹ 42 crore (20 *per cent*) and interest receipts decreased by ₹ 4.00 crore (21 *per cent*) in 2022-23 as compared to 2021-22. The interest received was only 0.04 *per cent* of the outstanding loans and advances during 2022-23.

The outstanding loans (₹ 38,888 crore) at the close of the year 2022-23 included long-term loans of ₹ 33,040 crore out of ₹ 34,474 crore advanced by the State Government for –

- one-time settlement of Legacy Cash Credit Accounts for food procurement operations during 2016-17 (₹ 29,920 crore¹²), of which ₹ 29,233 crore were outstanding; and
- clearing outstanding Cash Credit Limit (CCL) extended afresh to five State Procurement Agencies (SPA) during 2016-2023 (₹ 4,554 crore), of which ₹ 3,807 crore¹³ were outstanding.

¹² 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.

¹³ Besides, ₹ 41 crore pertaining to the period prior 2010-11 was also outstanding from PUNSUP.

Thus, against the total amount of ₹ 34,474 crore advanced for clearing old and fresh CCL to SPAs during 2016-2023, recovery of only ₹ 1,434 crore¹⁴ had been effected.

The State Government stated (November 2023) that they provided loans to SPSEs to support and carry out activities of commercial nature keeping in view the welfare of the people as the SPSEs occupy an important place in the State economy. It was assured that the Government would maximise efforts to recover the pending loans.

(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 2022-23 are shown in **Table 2.29** and **Table 2.30** respectively.

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)
Upto 2012-13	3	2,543.96	1,169.70
2013-14	0	0.00	0.00
2014-15	0	0.00	0.00
2015-16	2	51.15	0.00
2016-17	3	50.66	34.90
2017-18	0	0.00	0.00
2018-19	4	30.03	19.29
2019-20	4	150.06	109.60
2020-21	12	199.00	144.77
2021-22	24	268.26	84.13
2022-23	17	97.55	62.48
Total	69	3,390.67	1,624.87

Source: Finance Accounts

Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)
Public Works	39	615.97	328.92
Irrigation	20	2,704.83	1,246.01
Water Supply and Sanitation	10	69.87	49.94
Total	69	3,390.67	1,624.87

The expenditure of ₹ 1,625 crore incurred on 69 incomplete projects was yet to yield the intended benefits. Out of 69 incomplete projects, 16 projects on which expenditure of ₹ 1,333.49 crore had been incurred, pertained to the period prior to the year 2020-21.

Punjab being a deficit State, funds spent on these projects were borrowed at a very high cost. Delay in completion of projects not only adversely affected the

¹⁴ ₹ 687 crore (2017-18: ₹ 26 crore, 2018-19: ₹ 61 crore, 2019-20: ₹ 405 crore, 2020-21: ₹ 11 crore, 2021-22: ₹ 172 crore and 2022-23: ₹ 12 crore) against ₹ 29,920 crore; and ₹ 747 crore (2018-2023) against ₹ 4,554 crore.

quality of expenditure but also deprived the State of intended benefits and economic growth.

The State Government stated (November 2023) that the matter would be taken up with line departments during the finalisation of revised estimates for the year 2023-24 and as per the status of these projects, budget for the year 2024-25 would be opted/disbursed.

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 2.31**.

Table 2.31: Sector-wise details of PPP projects as on 31 March 2023

(₹ in crore)

Sl. No.	Sector	Completed			Ongoing			Planned for future	
		No.	Estimated Cost	Revenue generated upto 31 March 2023	No.	Estimated Cost	Revenue generated upto 31 March 2023	No.	Estimated Cost
1.	Roads	14	1,046.17	110.12	--	--	--	--	--
2.	Health and Family Welfare	--	--	--	3 ¹⁵	240.64	153.59	--	--
3.	Technical Education and Industrial Training	--	--	--	2 ¹⁶	23.50	0.45	--	--
4.	Revenue, rehabilitation and disaster management	--	--	--	1 ¹⁷	51.75	57.92		
Total		14	1,046.17	110.12	06	315.89	211.96		

Source: Departmental information

2.4.3 Expenditure priorities

Enhancing human development levels requires the State to step up its 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 priority¹⁸ of the State Government

¹⁵ (i) Development of Green Field Super Specialty Hospital on DBOT at Mohali; (ii) Development of Green Field Super Specialty Hospital on DBOT at Bathinda and (iii) Development of Mother and Child Hospital Fatehgarh Sahib.

¹⁶ (i) Government Polytechnic College, Chokhra, PO Rohon, Distt. Shaheed Bhagat Singh Nagar and (ii) Government College, Anandpur Shaib, Distt. Ropar.

¹⁷ Computerization of Land Records Management System and provisioning of Citizen and Backend Services through establishment and operation and Management of citizen services Centres.

¹⁸ Ratio of expenditure in that category to Total Expenditure (TE).

with regard to expenditure on social and economic sectors, etc. is shown in **Table 2.32**.

Table 2.32: Expenditure priority of the State with regard to health, education and capital expenditure

	(In per cent)			
	TE/GSDP	CE/TE	Education*/TE	Health/ TE
General Category States Average (2018-19)	16.38	15.58	14.76	5.07
Punjab (2018-19)	15.45	4.77	12.99	4.10
General Category States Average (2022-23)	15.79	15.22	14.85	5.68
Punjab (2022-23)	18.08	6.61	12.04	3.93

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)

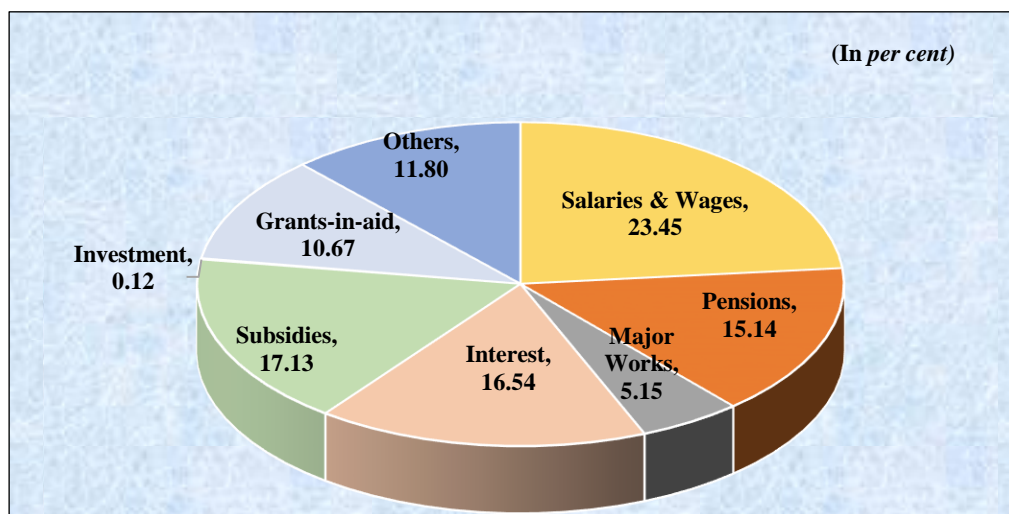
*Expenditure on education includes expenditure on sports, art and culture.

Table 2.32 shows that:

- The State Government's total expenditure as proportion of GSDP, increased from 15.45 *per cent* in 2018-19 to 18.08 *per cent* in 2022-23 whereas for General Category States (GCS), it decreased from 16.38 *per cent* to 15.79 *per cent* during the same period.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. Though the ratio of capital expenditure to total expenditure increased from 4.77 *per cent* in 2018-19 to 6.61 *per cent* in 2022-23, it was far below the ratio for GCS. This ratio for GCS decreased from 15.58 *per cent* to 15.22 *per cent* during the same period.
- The ratio of expenditure on education to total expenditure in Punjab decreased from 12.99 *per cent* in 2018-19 to 12.04 *per cent* in 2022-23 whereas it increased from 14.76 *per cent* to 14.85 *per cent* in case of GCS during the same period.
- The ratio of expenditure on health to total expenditure in Punjab decreased from 4.10 *per cent* in 2018-19 to 3.93 *per cent* in 2022-23 whereas it increased from 5.07 *per cent* to 5.68 *per cent* in case of GCS during the same period.

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 2022-23

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

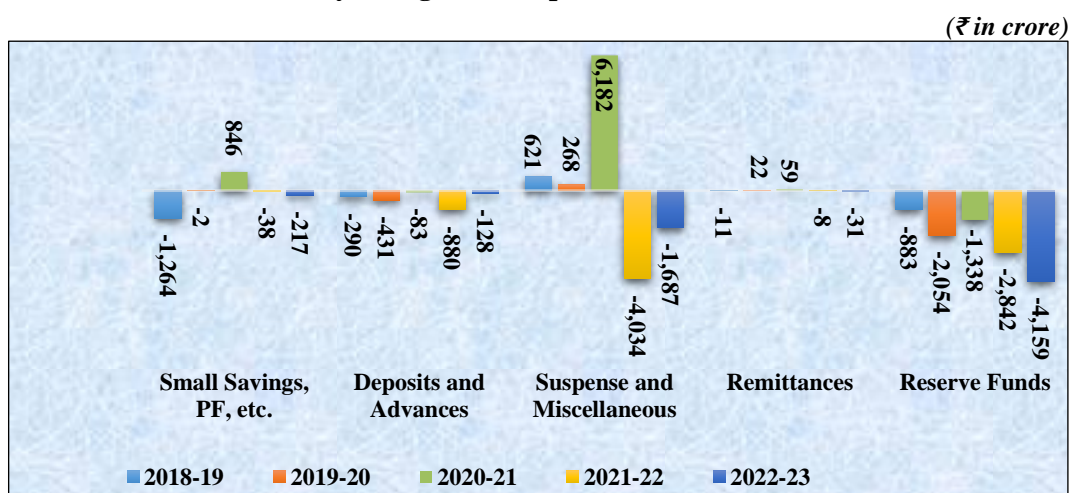
The component-wise net balances in Public Account of the State are given in **Table 2.33** and yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

Table 2.33: Component-wise net balances in Public Account

		(₹ in crore)				
Sector	Sub-Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)22,993.55	(-)22,995.06	(-)22,149.54	(-)22,187.70	(-)22,404.33
Reserve Funds	(a) Reserve Funds bearing Interest	(-)6,402.59	(-)8,203.96	(-)8,583.58	(-)9,508.56	(-)10,443.38
	(b) Reserve Funds not bearing Interest	(-)0.68	(-)253.20	(-)1,211.33	(-)3,127.96	(-)6,352.33
Deposits and Advances	(a) Deposits bearing Interest	(-)808.08	(-)776.16	(-)880.98	(-)1,400.28	(-)1,379.35
	(b) Deposits not bearing Interest	(-)2,581.87	(-)3,045.22	(-)3,023.68	(-)3,384.82	(-)3,533.92
	(c) Advances	0.42	0.42	0.42	0.42	0.42
Suspense and Miscellaneous	(a) Suspense	(-)38.05	(-)8.47	(-)102.69	129.71	(-)232.45
	(b) Other Accounts	1,272.82	1,511.04	7,787.14	3,521.09	2,196.36
	(c) Accounts with Governments of Foreign Countries	0.66	0.66	0.66	0.66	0.66
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
Remittances	(a) Money Orders, and other Remittances	(-)9.02	2.68	40.85	18.04	8.40
	(b) Inter-Governmental Adjustment Account	11.93	22.59	43.05	57.40	35.85
Total		(-)31,548.01	(-)33,744.68	(-)28,079.68	(-)35,882.00	(-)42,104.07

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

Source: Finance Accounts

Public account liabilities increased by ₹ 6,222 crore mainly due to increase of ₹ 3,224 crore in reserve funds not bearing interest. This included contribution of ₹ 3,000 crore to Consolidated Sinking Fund during the current year, which

had been invested in Government of India securities, as discussed in **Paragraph 2.5.2.1**.

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 seven interest bearing funds and two reserve funds not bearing interest as on 31 March 2023. The balances lying in these reserve funds as on 31 March 2023 are given in **Table 2.34**.

Table 2.34: Details of Reserve Funds

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2023
A	Reserve Funds bearing Interest	10,443.38
1.	Depreciation Reserve Fund-Motor Transport	117.03
2.	Depreciation Reserve Fund-Government Presses	30.09
3.	General Reserve Fund-Motor Transport	15.31
4.	Punjab Road Safety Fund	61.01
5.	State Disaster Response Fund	9,041.74
6.	State Compensatory Afforestation Fund	899.30
7.	State Disaster Mitigation Fund	278.90
B	Reserve Funds not bearing Interest	6,352.33
1.	Sinking Funds	6,351.61
2.	Other Development and Welfare Fund	0.72
	Grand Total	16,795.71

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 ₹ 3,127.26 crore in the Fund at the beginning of the current year. As on 31 March 2022, the outstanding liabilities of the

Government of Punjab were ₹ 2,61,281.23 crore¹⁹. Accordingly, the State Government was required to contribute a minimum of ₹ 1,306.41 crore (0.50 per cent) during 2022-23 against which the State Government had made contribution of ₹ 3,000 crore to the Fund, which had been invested and an interest of ₹ 224.35 crore was earned. Resultantly, there was a balance of ₹ 6,351.61 crore at the end of the current year.

Though the State Government contributed more than the required share during 2021-22 and 2022-23, there was still a short contribution of ₹ 5,073.51 crore²⁰ during 2011-2023 to the said Fund in line with the recommendations *ibid* to meet the objective of redeeming its outstanding liabilities.

The State Government stated (December 2023) that they were actively investing in the Consolidated Sinking Fund since the financial year 2020-21 and till date an amount of ₹ 7,738 crore had been invested in the Fund.

2.5.2.2 State Disaster Risk Management Fund

The Fifteenth Finance Commission (15th FC) recommended creation of a State Disaster Risk Management Fund (SDRMF) at State level, which would include State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF). The total State allocation for SDRMF would be divided into SDRF and SDMF, which together address the full cycle of disaster management needs – response and relief, recovery and reconstruction, preparedness and capacity-building and mitigation. SDRF would receive 80 per cent of the total SDRMF, while SDMF would get 20 per cent of the allocation.

(i) 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-General and other Reserve Funds. Expenditure during the year is incurred by operating Major Head 2245-Relief on account of Natural Calamities.

The State Governments are required to pay interest to 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 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.

¹⁹ Excluding ₹ 20,491.41 crore as back-to-back loans from GoI in 2020-22 in lieu of GST Compensation shortfall, which were not to be repaid by the State from its sources.

²⁰ 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; 2021-22: (-) ₹ 571.65 crore; and 2022-23: (-) ₹ 1,693.59 crore.

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 2022, an amount of ₹ 8,194.07 crore was lying in SDRF. During the year 2022-23, ₹ 908.85 crore (₹ 208 crore as Central share and ₹ 69.33 crore as State share for the year 2022-23; ₹ 125.95 crore towards refund of previous year's unspent balance lying with the Drawing and Disbursing Officers and ₹ 637.57 crore towards payment of interest by the State Government less ₹ 132 crore transferred to State Disaster Mitigation Fund (SDMF)) were transferred to the Fund. An amount of ₹ 61.18 crore was spent from the Fund during the current year leaving a balance of ₹ 9,041.74 crore. The entire balance of ₹ 9,041.74 crore was lying uninvested in SDRF as on 31 March 2023, in violation of GoI guidelines *ibid*. The State Government did not transfer ₹ 277.07 crore (₹ 208 crore as Central share and ₹ 69.07 crore as State share for the year 2022-23) to the Fund and as such, the revenue expenditure was understated to that extent.

The State Government stated (November 2023) that the matter regarding investment of funds of SDRF was under consideration.

Details of expenditure charged to SDRF during 2022-23 are given in **Table 2.35**.

Table 2.35: Details of expenditure charged to SDRF during 2022-23

(₹ 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	39.73
	104-Supply of Fodder	0.00
	111-Ex-gratia payments to bereaved families	15.66
	113-Assistance for repairs/ reconstruction of Houses	5.31
	117-Assistance to farmers for purchase of livestock	0.04
	122-Repairs and restoration of damaged irrigation and flood control works	0.44
	Total	61.18
2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	(-)61.18
Expenditure charged to SDRF in violation of SDRF guidelines		21.45

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 ₹ 21.45 crore out of ₹ 61.18 crore met from SDRF (other than minor head 101-

Gratuitous Relief) was in contravention of the guidelines. This led to understatement of revenue expenditure to the extent of ₹ 21.45 crore during 2022-23 with consequent impact on revenue deficit and fiscal deficit of the State.

(ii) State Disaster Mitigation Fund

In accordance with Section 48(1)(c) of the Disaster Management Act, 2005, the State Government constituted (March 2023) under Major Head 8121-130-State Disaster Mitigation Fund (SDMF). This Fund is exclusively for the purpose of mitigation project in respect of disasters covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The Central and the State Governments are required to contribute to the fund in the proportion of 75:25.

During the year 2022-23, the State Government received ₹ 99 crore as Central share pertaining to the year 2021-22. Accordingly, during the current year, the State Government transferred ₹ 132 crore (GoI share: ₹ 99 crore and State share: ₹ 33 crore) for the year 2021-22 to the Fund. Further, the State Government also transferred ₹ 132 crore (GoI share: ₹ 99 crore and State share: ₹ 33 crore) pertaining to the year 2020-21, to the Fund, which was earlier transferred to SDRF under Major Head 8121-122-State Disaster Response Fund. The interest amounting to ₹ 14.90 crore has also been credited to the Fund.

2.5.2.3 Guarantee Redemption Fund

The State Government constitutes 'Guarantee Redemption Fund' for meeting 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 the previous year to achieve a minimum level of three *per cent* of outstanding

guarantees in the 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, the State Government was required to make a minimum contribution of 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*.

During the year 2022-23, the Government did not make any contribution as against ₹ 100.82 crore (0.50 *per cent* of outstanding guarantees of ₹ 20,164.54 crore at the end of the previous year) it was required to contribute to the Fund. Besides, guarantee fee of ₹ 61.40 crore²¹ was also received during the current year which was not transferred to GRF. Non contribution to the fund and non-transfer of guarantee fee to GRF has resulted in understatement of revenue expenditure by ₹ 162.22 crore during 2022-23 with consequent impact on revenue deficit and fiscal deficit of the State.

The State Government stated (December 2023) that investment in Consolidated Sinking Fund was more beneficial than GRF. However, the reply was not in line with the provisions *ibid*.

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 ₹ 6,351.61 crore (from the Consolidated Sinking Fund) was made upto the end of 2022-23. The general cash balance of ₹ 1,278.57 crore at the close of the year (Table 2.46) was not even equal to the balance of ₹ 10,443.38 crore shown in cash in earmarked reserve funds, which means that reserve funds were being used for other than intended purpose.

2.6 Funds outside Consolidated Fund/Public Account of the State and dedicated Funds

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

²¹ Power: ₹ 61.18 crore and Food and Supplies: ₹ 0.22 crore.

The Department of Finance, GoP directed (February 2018) that no State levies (taxes, duties, fees, user charges etc.) and receipts shall be retained by any Administrative Department or any other agencies under it. These shall be deposited in the Consolidated Fund of the State under the relevant head of account. Any retention or diversion of such funds shall be only with a specific authorisation from the Finance Department, which shall be obtained afresh by 31 March 2018.

The State Government imposed various cesses for meeting expenditure for specific purposes. Audit collected information/data of some cesses being levied by the Departments concerned which are discussed below:

2.6.1 Cultural Cess

The State Government imposed (April 2013) cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges, irrigation works, etc. and on buildings costing more than ₹ 50 crore (revised to ₹ 15 crore with effect from December 2013) under the Punjab Ancient, Historical Monuments, Archeological Sites and Cultural Heritage Maintenance Board Act, 2013. The proceeds of the cess were to be credited by the concerned agencies directly into the Consolidated Fund of the State.

It was, however, noticed that an amount of ₹ 4.72 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies²² as on 31 March 2023. This was in addition to the total amount deposited (₹ 27.55 crore) under Major Head 0202-Education, Sports, Art and Culture, 04-Art and Culture, 800-Other Receipts during the year 2022-23.

2.6.2 Cancer and Drug Addiction Treatment Fund

The State Government notified (April 2013) the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 under which Cancer and Drug Addiction Treatment Fund was constituted. The contribution to the Fund would be made as specified under Section 6 of the Act and will be credited to the Consolidated Fund of the State. The fund would be administered by a Board²³ constituted under the Act and it could be utilised for specific purposes as mentioned under Section 5 of the Act.

It was, however, noticed that an amount of ₹ 3.05 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies²⁴ as on 31 March 2023. This was in addition to the total amount

²² (i) Public Works Department: ₹ 4.25 crore; and (ii) Secretary Punjab Mandi Board: ₹ 0.47 crore.

²³ Punjab State Cancer and Drug Addiction Treatment Infrastructure Board.

²⁴ (i) PWD: ₹ 1.44 crore; (ii) Registrar Cooperative Societies Sugarfed: ₹ 0.01 crore; (iii) Punjab Small Industries and Export Corporation Limited: ₹ 0.37 crore; (iv) PUDA: ₹ 0.03 crore; (v) PDA Patiala: ₹ 1.17 crore; and (vi) JDA Estate officer: ₹ 0.03 crore.

deposited (₹ 84.06 crore) under Major Head 0210-Medical and Public Health, 80-General, 800-Other Receipts during the year 2022-23.

2.6.3 Education Cess

Government of Punjab, Punjab Urban Planning and Development Authority (PUDA) issued (March 2008) instructions that Education Cess at the rate of five *per cent* of the total money collected from bidders be imposed on all properties auctioned by six development authorities²⁵ after 1 April 2007 and be deposited into Government Account.

It was, however, noticed that an amount of ₹ 1.32 crore which was required to be deposited in the Consolidated Fund of the State was lying with the Jalandhar Development Authority (JDA) (₹ 1.27 crore) and Greater Ludhiana Area Development Authority (₹ 0.05 crore) as on 31 March 2023.

2.6.4 Receipts Collected by Punjab State Power Corporation Limited

The Punjab State Power Corporation Limited (PSPCL) was collecting Dedicated Social Security Fund (DSSF), Electricity Duty (ED), and Infrastructure Development Funds (IDF) under the provisions of notifications issued in January 2005, March 2011 and November 2015 respectively. As per these notifications, the said receipts collected by PSPCL were required to be deposited into the Consolidated Fund of the State.

It was observed that as on 31 March 2023, an amount ₹ 706.58 crore²⁶ was lying with PSPCL which was not deposited into the Consolidated Fund of the State as required under the provisions of notifications *ibid*.

2.6.5 Building and Other Construction Workers Welfare Cess (Labour Cess)

The State Government instructed (November 2008) all the heads of the Department/Boards/Autonomous Bodies/Local Authorities to collect cess at the rate of one *per cent* of cost of all construction and also from individuals who got approved building plan for own residence having cost of ₹ 10 lakh or more, as notified (September 1996) by the Central Government, and deposit it with the Punjab Building and Other Construction Workers' Welfare Board. The cess so collected was required to be spent for the social security schemes and welfare measures adopted by the Board for the benefit of the building and other construction workers in the State.

²⁵ (i) Greater Mohali Area Development Authority; (ii) Greater Ludhiana Area Development Authority; (iii) Jalandhar Development Authority; (iv) Amritsar Development Authority; (v) Bathinda Development Authority; and (vi) PUDA, Patiala.

²⁶ (i) Electricity Duty: ₹ 358.73 crore; (ii) Dedicated Social Security Fund (DSSF): ₹ 144.01 crore; and (iii) Infrastructure Development Funds (IDF): ₹ 203.84 crore.

However, it was noticed that labour cess amounting to ₹ 7.05 crore, though collected by the collecting agencies²⁷, was not transferred to the concerned Board as on 31 March 2023, in violation of the instructions *ibid*, which would ultimately hamper the implementation of social security schemes and welfare measures for the benefit of the building and other construction workers in the State.

Further, it was also noticed that there was un-transferred amount of Labour Cess from Major Head 0230-Labour and Employment of ₹ 28.13 crore as on 31 March 2022. During the year 2022-23, the Government collected ₹ 10.53 crore as Labour Cess under Major Head 0230-Labour and Employment but did not transfer any amount to Building and other Construction Workers Welfare Board. Thus, the un-transferred amount from Major Head 0230-Labour and Employment was ₹ 38.66 crore as on 31 March 2023.

2.6.6 Royalty

As per Rule 23 of Punjab Minor Mineral Rules, 2013 the holder of the mining lease shall pay royalty in respect of any mineral removed by him from the lease area. Further, as per notification (June 2013), the royalty will be deposited into the Consolidated Fund of the State.

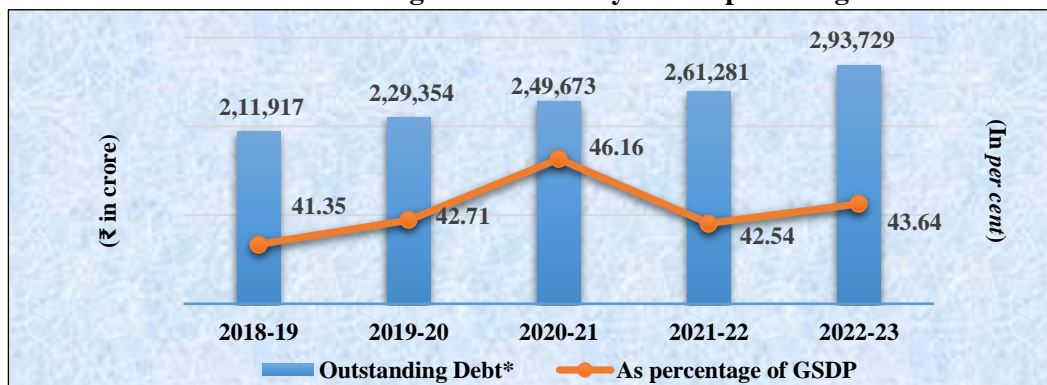
The Water Resources Department (WRD) collects royalty for mining activities. It was, however, noticed that out of ₹ 191.85 crore (inclusive of interest earned amounting to ₹ 0.23 crore) collected as royalty, an amount of ₹ 171.36 crore was deposited in the Consolidated Fund of the State and ₹ 0.06 crore was transferred to the designated authority/body during the year 2022-23, thereby leaving a balance of ₹ 20.43 crore lying with WRD as on 31 March 2023.

2.7 Public Liability Management

Management of Public Liability is the process of establishing and executing a strategy for managing the Government's liabilities 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 liability of the State along with its percentage to GSDP for the years 2018-19 to 2022-23 is depicted in **Chart 2.16**.

²⁷ (i) Public Works Department: ₹ 2.59 crore; (ii) Water Supply and Sanitation Department: ₹ 0.57 crore; (iii) Secretary, Punjab Mandi Board: ₹ 0.04 crore; (iv) Punjab State Transmission Corporation Limited: ₹ 0.46 crore; (v) Department of Soil and Water Conservation: ₹ 0.41 crore; (vi) Greater Ludhiana Area Development Authority: ₹ 0.59 crore; (vii) Jalandhar Development Authority: ₹ 0.17 crore; (viii) Amritsar Development Authority: ₹ 0.19 crore; (ix) Bathinda Development Authority: ₹ 0.06 crore; (x) PUDA: ₹ 0.21 crore; and (xi) PDA Patiala: ₹ 1.76 crore.

Chart 2.16: Outstanding Public Liability and its percentage to GSDP

Source: Finance Accounts

* During the years 2020-21 and 2021-23, 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.

2.7.1 Liability profile: Components

Total liabilities of the State Government typically constitute 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 liability trends of the State for the period of five years beginning from 2018-19 are presented in **Table 2.36**.

Table 2.36: Component-wise outstanding liability trends

(₹ in crore)					
Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total liability	2,11,917	2,29,354	2,49,673	2,61,281	2,93,729
Public Debt	1,79,130	1,94,333	2,15,035	2,24,799	2,55,968
<i>Internal Debt</i>	1,74,172	1,89,662	2,10,394	2,20,196	2,50,972
<i>Loans from GoI*</i>	4,958	4,671	4,641	4,603	4,996
Public Account Liabilities	32,787	35,021	34,638	36,482	37,761
<i>Small Savings, Provident Funds, etc.</i>	22,993	22,995	22,149	22,188	22,404
<i>Reserve Funds bearing interest</i>	6,403	8,204	8,583	9,508	10,443
<i>Reserve Funds not bearing interest</i>	1	1	1	1	1
<i>Deposits bearing interest</i>	808	776	881	1,400	1,379
<i>Deposits not bearing interest</i>	2,582	3,045	3,024	3,385	3,534
Rate of growth of outstanding total liability (<i>per cent</i>)	8.59	8.23	8.86	4.65	12.42
Gross State Domestic Product (GSDP)	5,12,510	5,37,031	5,40,853	6,14,227	6,73,107
Liability/GSDP (<i>per cent</i>)	41.35	42.71	46.16	42.54	43.64
Borrowings and Other Liabilities					
(As per Statement 6 of Finance Accounts)					
Total Receipts (including WMA) [#]	61,155	65,907	64,248	43,605	1,04,434 [^]
Total Repayments (including WMA)	44,390	48,470	43,928	31,997	71,986 [^]
Net funds available	16,765	17,437	20,320	11,608	32,448
Repayments/Receipts (<i>per cent</i>)	72.59	73.54	68.37	73.38	68.93

Source: Finance Accounts

* During the years 2020-21 and 2021-23, 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 years 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.

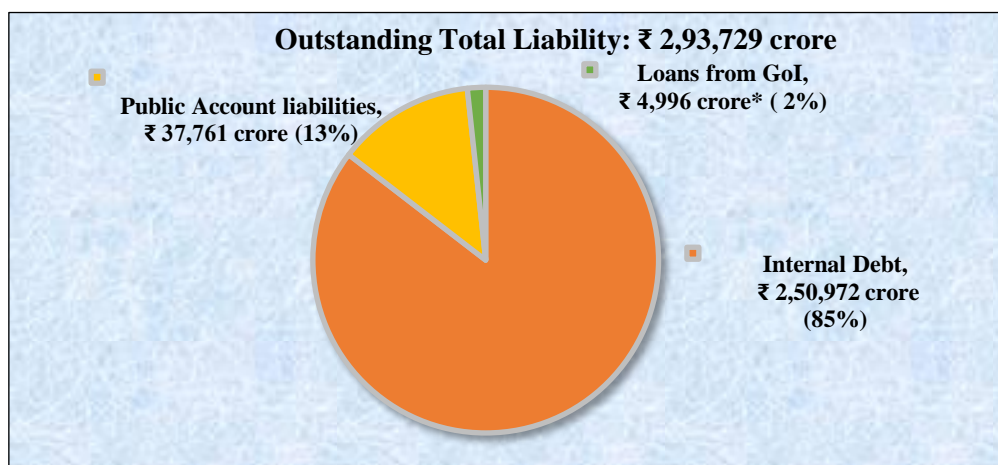
[^] No Ways and Means advances were taken in 2022-23.

The total liabilities of the State Government had been on the rise as it increased by 38.61 per cent from ₹ 2,11,917 crore in 2018-19 to ₹ 2,93,729 crore in 2022-23, 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 (₹ 23,653 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 (₹ 12,503 crore out of ₹ 15,628 crore).

Public Debt increased by ₹ 76,838 crore (42.90 per cent) during the period 2018-2023 wherein Internal debt increased by ₹ 76,800 crore (44.09 per cent) and Loans from GoI increased by only ₹ 38 crore (0.77 per cent). Public Account liabilities increased by ₹ 4,974 crore (15.17 per cent) during the period 2018-2023. Major increase was under 'Reserve Funds bearing Interest' (₹ 4,040 crore: 63.10 per cent) and 'Deposits not bearing Interest' (₹ 952 crore: 36.87 per cent).

Break-up of outstanding total liabilities at the end of 2022-23 is shown in **Chart 2.17**.

Chart 2.17: Break-up of outstanding total liabilities at the end of 2022-23

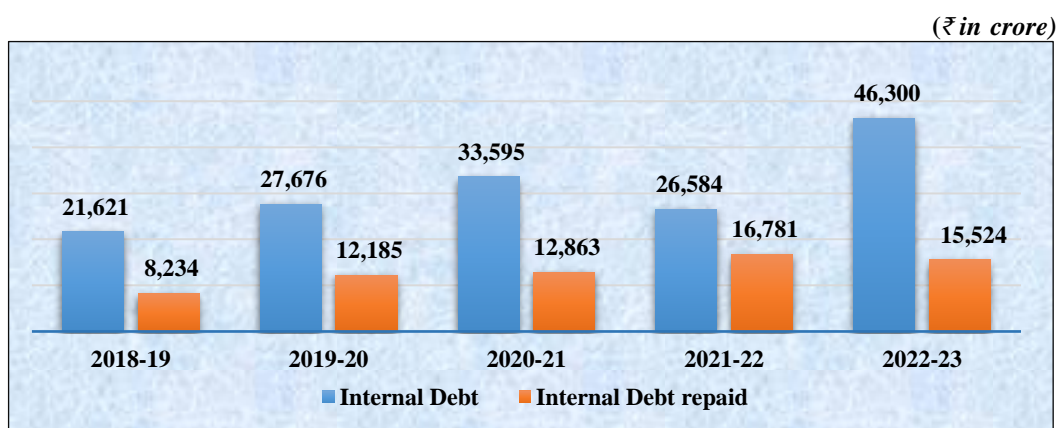


Source: Finance Accounts

* Excludes back-to-back loans of ₹ 20,491 crore received from GoI in lieu of GST Compensation shortfall during 2020-2022, which are not to be repaid by the State from its sources.

Chart 2.18 depicts the quantum of internal debt taken vis-à-vis repaid during the period of five years i.e. 2018-23.

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



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 76,800 crore (44.09 per cent) from ₹ 1,74,172 crore in 2018-19 to ₹ 2,50,972 crore in 2022-23 (Table 2.36). An amount of ₹ 17,499 crore was paid towards interest on internal debt during 2022-23.

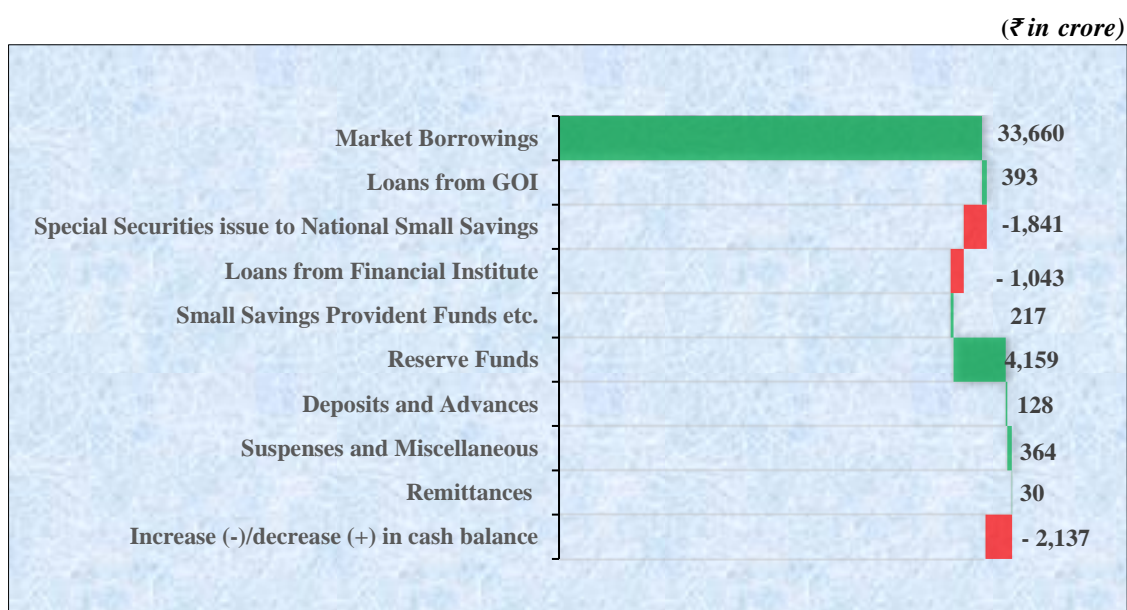
Table 2.37 depicts financing pattern of the fiscal deficit during 2018-23 and the financing of fiscal deficit during 2022-23 is expressed through a water flow chart (Chart 2.19).

Table 2.37: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit	(-)16,059	(-)16,826	(-)22,584	(-)27,847	(-)33,930
1 Revenue Deficit	(-)13,135	(-)14,285	(-)17,296	(-)18,468	(-)26,045
2 Net Capital expenditure	(-)2,412	(-)17,828	(-)4,382	(-)8,010	(-)6,667
3 Net Loans and Advances	(-)512	15,287	(-)906	(-)1,369	(-)1,218
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	17,053	18,470	23,467	13,414	33,660
2 Loans from GoI	940	(-)288	8,329	12,095	393
3 Special Securities issued to NSSF	(-)1,801	(-)1,841	(-)1,838	(-)1,841	(-)1,841
4 Loans from Financial Institutions	(-)1,865	(-)1,138	(-)898	(-)1,770	(-)1,043
5 Small Savings, PF, etc.	1,264	2	(-)845	38	217
6 Reserve Funds	883	2,054	1,338	2,842	4,159
7 Deposits and Advances	290	431	83	880	128
8 Suspense and Miscellaneous	120	(-)41	130	(-)195	364
9 Remittances	11	(-)23	(-)59	8	30
10 Overall Deficit	16,895	17,626	29,707	25,471	36,067
11 Increase (-)/Decrease (+) in cash balance	(-)836	(-)800	(-)7,123	(+)2,376	(-)2,137
12 Gross Fiscal Deficit	16,059	16,826	22,584	27,847	33,930

Source: Finance Accounts

Chart 2.19: Financing of fiscal deficit during 2022-23

Source: Finance Accounts

The components of receipts and disbursements financing the fiscal deficit during the year 2022-23 are depicted in **Table 2.38**.

Table 2.38: Receipts and Disbursements under various components financing the fiscal deficit during 2022-23

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	45,500	11,840	33,660
2	Loans from GoI	963	570	393
3	Special Securities issued to NSSF	--	1,841	(-)1,841
4	Loans from Financial Institutions	800	1,843	(-)1,043
5	Small Savings, PF, etc.	3,350	3,133	217
6	Reserve Funds	4,487	328	4,159
7	Deposits and Advances	7,053	6,925	128
8	Suspense and Miscellaneous	87,562	87,198	364
9	Remittances	66	36	30
10	Overall Deficit			36,067
11	Increase (-)/Decrease (+) in cash balance	9,009	6,872	(-)2,137
12	Gross Fiscal Deficit			33,930

Source: Finance Accounts

2.7.2 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 2.39** and **Chart 2.20**.

Table 2.39: Maturity Profile of repayment of Public debt of the State

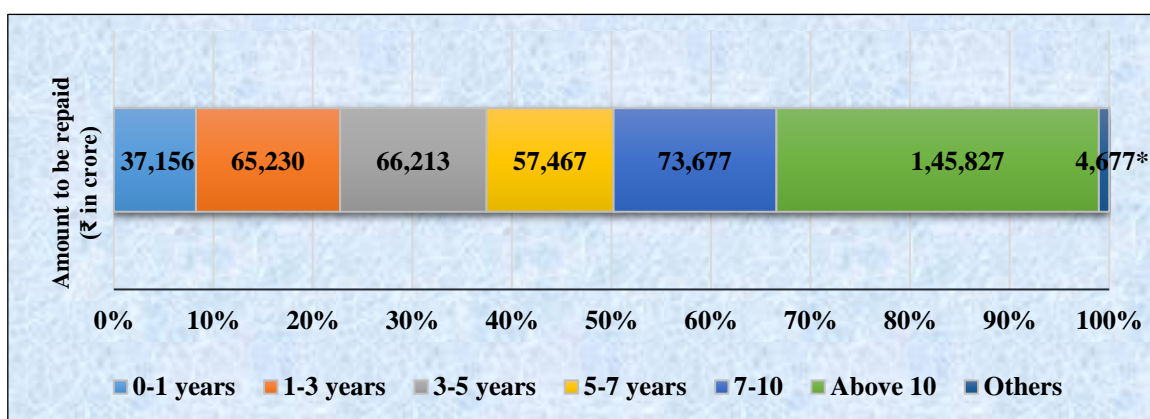
Period of repayment (Years)	Principal Amount	Interest Amount [#]	Public Debt (including interest)	Percentage (w.r.t. total public debt)
	(₹ in crore)			
0 – 1	17,404.88	19,751.41	37,156.29	8.25
1 – 3	29,390.91	35,838.87	65,229.78	14.49
3 – 5	34,915.44	31,297.58	66,213.02	14.71
5 – 7	32,135.87	25,331.63	57,467.50	12.76
7-10	45,646.07	28,030.72	73,676.79	16.36
Above 10	91,797.06	54,029.44	1,45,826.50	32.39
Others ²⁸	4,677.42*	--	4,677.42	1.04
Total	2,55,967.65	1,94,279.65	4,50,247.30	100.00

Source: Calculated on the basis of Finance Accounts

Approximate interest calculated at average interest rate of 7.86 per cent (average of interest rates for the last five years as given in Table 2.41).

* 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 2.39 indicates that the State Government has to repay 22.74 per cent (₹ 1,02,386.07 crore) of its public debt (including approximate interest) within the next three years, 14.71 per cent (₹ 66,213.02 crore) between 3-5 years, 12.76 per cent (₹ 57,467.50 crore) between 5-7 years and 16.36 per cent (₹ 73,676.79 crore) between 7-10 years. It signifies that the State has to repay 66.57 per cent of its debt (₹ 2,99,743.38 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.

Table 2.40 and **Chart 2.21** show the year-wise repayment schedule during the next ten years of the Public Debt outstanding as on 31 March 2023.

²⁸ Includes loans of ₹ 0.32 crore, repayment of which is on the basis of actual recoveries; and ₹ 4,677.10 crore representing loans on back-to-back basis, recoveries of which are being made by the Central Government itself.

Table 2.40: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2032-33

(₹ in crore)

Year	Repayment of		
	Principal	Interest [#]	Total
2023-24	17,404.88	19,751.41	37,156.29
2024-25	11,805.46	18,383.39	30,188.85
2025-26	17,585.45	17,455.48	35,040.93
2026-27	10,800.86	16,073.26	26,874.12
2027-28	24,114.58	15,224.31	39,338.89
2028-29	16,872.62	13,328.91	30,201.53
2029-30	15,263.25	12,002.72	27,265.97
2030-31	17,174.46	10,803.03	27,977.49
2031-32	21,355.49	9,453.12	30,808.61
2032-33	7,116.12	7,774.58	14,890.70
Total	1,59,493.17	1,40,250.21	2,99,743.38

Approximate interest calculated at average interest rate of 7.86 per cent (average of interest rates for the last five years as given in Table 2.41).

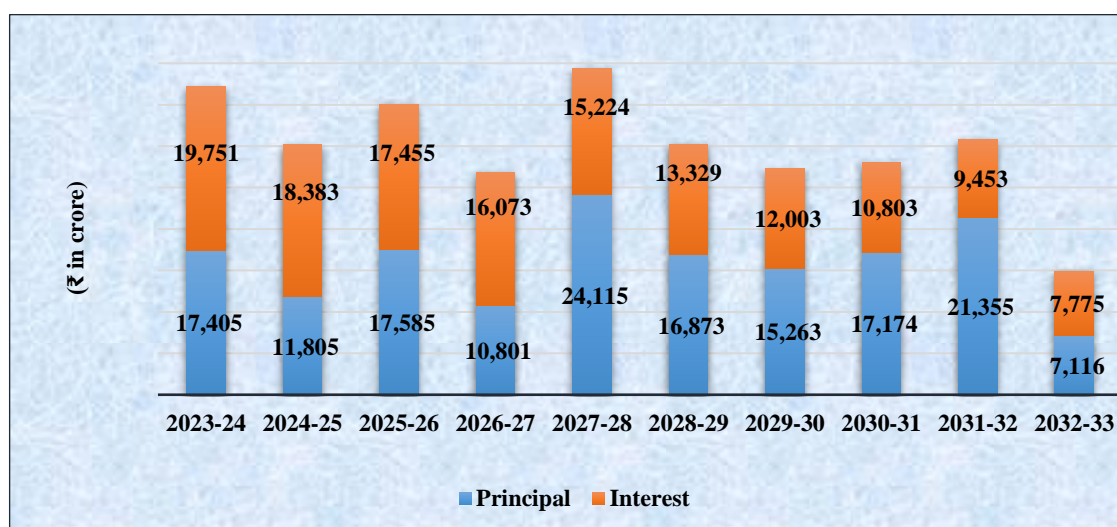
Chart 2.21: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2032-33

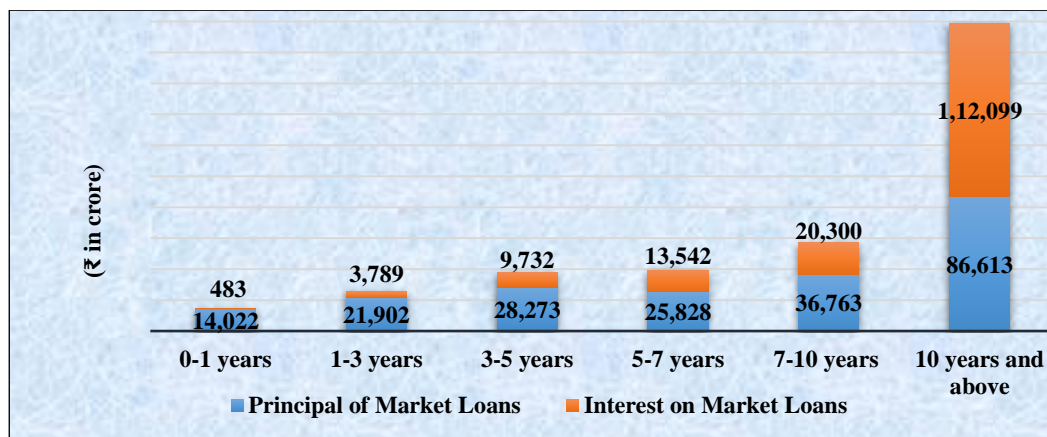
Table 2.40 shows that on an average, the State will have to repay public debt of ₹ 29,974 crore (including approximate interest in respect of debt outstanding at the end of 2022-23) annually till 2032-33. In addition to the debt outstanding at the end of 2022-23, the State would have to resort to further 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 2032-33, the projected outstanding debt stock (principal+interest) would increase to ₹ 23,43,203 crore approximately, as depicted in **Appendix 2.7(A)**. Resultantly, revenue deficit would increase to

₹ 59,141 crore and ratio of interest payment to revenue deficit would increase to 100 per cent approximately (**Appendix 2.7(B)**).

In addition to above, other factors such as public account liabilities and *force majeure*²⁹ 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 2023 and interest has been calculated up to the financial year in which the loans are going to retire.

As on 31 March 2023, market loans amounting to ₹ 3,73,346 crore (including UDAY bonds) along with interest were due for repayment. The State will have to repay market loans of ₹ 78,201 crore (21 per cent) (₹ 64,197 crore as principal and ₹ 14,004 crore as interest) during the next five years i.e. up to 2027-28. Market loans of ₹ 96,433 crore (26 per cent) (₹ 62,591 crore as principal and ₹ 33,842 crore as interest) will have to be repaid in subsequent five years period up to 2032-33. This means that in the next five years (2023-28), on an average, the State will have to make repayment of ₹ 15,640 crore annually of the market loans which will go up to ₹ 19,287 crore in the subsequent five years (2028-33). The remaining ₹ 1,98,712 crore (53 per cent) (₹ 86,613 crore as principal and ₹ 1,12,099 crore as interest) will be repayable after 2033.

The State Government stated (December 2023) that a Debt Management Unit incorporated in the Department of Finance had been actively looking at the maturity profile of the debt and taking proactive steps to avoid regions of high concentration. The State had been extending the yield curve by issuing long-term securities. It was added that concentration risk of the State was being monitored actively and was being mitigated while keeping the credit cost in check.

²⁹ Like COVID-19 pandemic and its effect on GSDP.

2.8 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters, Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

(A) Debt sustainability refers to the ability of the State to service its debt obligation now and in the future. Analysis of variations in debt sustainability indicators is given in **Table 2.41** and **Chart 2.23**.

Table 2.41: Trends in Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (As on 31 March of the year)	1,79,130.45	1,94,332.64	2,15,034.65	2,24,799.18	2,55,967.65
Rate of growth of Outstanding Public Debt	8.69	8.49	10.65	4.54	13.87
GSDP	5,12,510	5,37,031	5,40,853	6,14,227	6,73,107
Rate of growth of GSDP	8.81	4.78	0.71	13.57	9.59
Public Debt/GSDP	34.95	36.19	39.76	36.60	38.03
Debt maturity profile of repayment of State debt – including default history, if any	8,318.37	12,238.76	12,525.98	17,975.59	16,483.29
Average interest rate on Public Debt (per cent)**	8.21	8.17	7.87	7.71	7.33
Interest payment on Public Debt	14,114.89	15,254.34	16,104.99	16,956.97	17,631.68
Revenue deficit/surplus without interest payment	979.89	969.34	(-)1,191.01	(-)1,511.03	(-)8,413.35
Percentage of interest payment to Revenue Deficit	107.46	106.79	93.11	91.82	67.70
Percentage of interest payment to Revenue Receipts	22.67	24.77	23.32	21.69	20.12
Percentage of Debt Repayment to Debt Receipts	72.50	72.25	62.59	67.07	65.19
Net Debt available to the State#	212.00	(-)52.15	4,597.02	(-)7,492.45	13,536.80
Net Debt available as per cent to Debt Receipts	0.41	(-)0.10	8.31	(-)26.07	15.12
Primary deficit (-)/ Primary surplus (+)	247	741	(-)4,432	(-)8,784	(-)14,025
Debt Stabilisation (Quantum spread\$ + Primary Deficit)	1,321.78	(-)5,846.88	(-)19,828.48	(-)4,389.23	(-)8,240.13

Source Finance Accounts

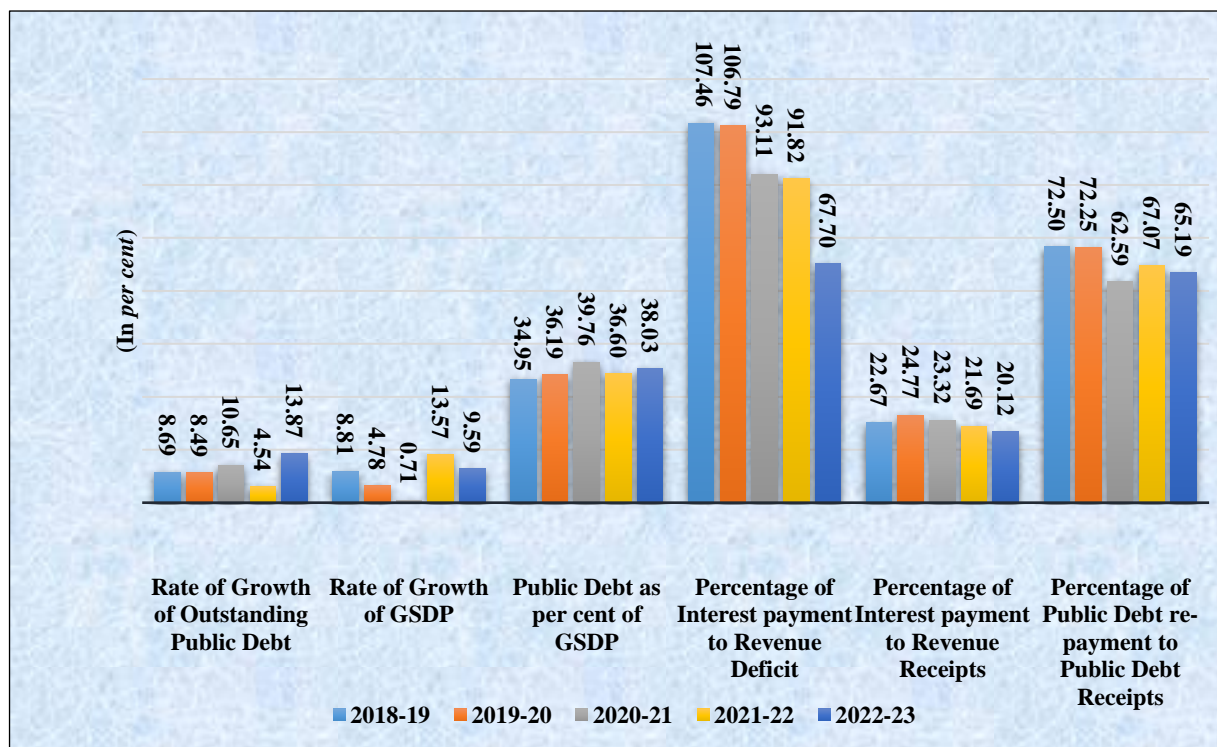
* Outstanding Public Debt is the sum of outstanding balances under the Heads 6003- 'Internal Debt' and 6004- 'Loans and Advances from the Central Government'. During the years 2020-21 and 2021-2023, it excluded ₹ 8,359 crore and ₹ 20,491.41 crore (₹ 8,359 crore + ₹ 12,132.41 crore) respectively as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

** Interest paid/(OB of Public Debt+CB of Public Debt/2) (in per cent).

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*(GSDP growth rate –average interest rate)/100).

Chart 2.23: Trends of Debt Sustainability Indicators



Source: Finance Accounts

Note: During 2020-21 and 2021-2023, 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 34.95 per cent in 2018-19 to 38.03 per cent in 2022-23 which cannot be considered as leading towards stability. In 2021-22, however, it went down marginally to 36.60 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 2.41** 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 67.70 per cent and 107.46 per cent of the revenue deficit during 2018-2023, which was substantially high.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 20.12 per cent and 24.77 per cent during the period 2018-2023, 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 72.50 per cent during the period 2018-2023, which means that most of the public borrowings were used for repayment of earlier borrowings leaving less space for productive use.
- Maturity profile captures redemption pressure on the State's debt; higher maturity means lower redemption pressure in near future. As detailed in **Paragraph 2.7.2**, the State Government has to repay 67 per cent (₹ 2,99,743 crore) of its outstanding debt of ₹ 4,50,247 crore (including approximate interest in respect of the debt outstanding as on 31 March 2023) in the next ten years, thereby reflecting greater redemption pressure in near future.

(B) An analysis on debt sustainability was carried out based on a study by E.D Domar³⁰ [Domar, 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

PB	PB (Primary Balance) <0	PB (Primary Balance) >=0
g-r		
If g-r>0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records PS then debt/GSDP ratio shall decrease and debt tends towards stable level therefore sustainable.
If g-r<0 (slow economic growth)	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records PS. Then debt is no longer sustainable provided that it is not decreased in the medium or long run.

g: Real economic growth rate; r: Real interest rate

PB: Primary Balance, PB<0: Primary Deficit, PB>0: Primary Surplus

³⁰ Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

The results of applying the above parameters in the case of Punjab, are shown in **Table 2.42**.

Table 2.42: Debt sustainability analysis based on Domar Model

Year	Real Growth (g)	Average Rate of Interest	Inflation rate*	Real Interest (r)	Domar gap (g-r)	Primary Deficit (-)/ Surplus (+) (₹ in crore) (s)	Remarks
2018-19	5.76	8.21	3.77	4.44	1.32	247.00	g-r>0, s>0 Public debt tends towards stable level and becomes sustainable.
2019-20	4.10	8.17	5.01	3.16	0.94	741.00	
2020-21	(-)1.46	7.87	4.60	3.27	(-)4.73	(-) 4,432	g-r<0, s<0 Public debt tends to increase without limitation and becomes unsustainable.
2021-22	6.51	7.71	4.83	2.88	3.63	(-) 8,784	g-r>0, s<0 Public debt is sustainable provided that the PD registered is stable and consistent with debt/GSDP.
2022-23	6.40	7.33	6.08	1.25	5.15	(-) 14,025	

Note: Real Growth rate calculated for GSDP at constant prices.

Real Interest rate is the nominal interest rate adjusted for inflation (Source for inflation: Ministry of Statistics and Program Implementation)

* Average CPI for ten months has been taken due to unavailability of CPI data for the months of April and May 2020.

In the initial two years of the subject period i.e. 2018-19 to 2019-20, the State had primary surplus and the Domar gap (expressed as $g-r>0$) also remained positive, which supported the debt sustainability as per Domar model. However, during the year 2020-21, the primary surplus turned into deficit and the Domar gap also remained negative, showing that debt would increase without limitation and become unsustainable. Further, during the years 2021-22 and 2022-23 though the Domar gap was positive³¹ and its value also increased from the preceding years, the primary deficit was not stable which kept on increasing sharply till 2022-23. Therefore, the trends of strong economic growth (expressed as $g-r>0$) by only observing the Domar gap in 2021-22 and 2022-23 cannot be generalised. Further, substantial proportion of public debt receipts was being used for repayment for borrowings along with interest, which ranged between 62.59 per cent and 72.50 per cent during the period 2018-2023, thereby implying that economic growth is not robust enough to service the debt. Thus, it becomes evident that depending solely on economic growth (expressed as $g-r>0$ from 2021-2023) would not suffice to cover the debt obligations of the State.

(C) Details of achievements *vis-à-vis* targets set in the FCR are shown in **Table 2.43**:

³¹ The main reason for the Domar gap turning positive was increase in GSDP, which in turn was attributed to significant economic recovery post-COVID-19 pandemic.

Table 2.43: Achievements vis-à-vis targets set in the FCR

Fiscal Parameters		Achievement vis-à-vis targets set in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue deficit (-) / Surplus (+) to GSDP (in per cent)	T	(-)2.42	(-)2.02	(-)1.20	(-)1.42	(-)1.99
	A	(-)2.56	(-)2.66	(-)3.20	(-)3.01	(-)3.87
Fiscal deficit (-) / Surplus (+) to GSDP (in per cent)	T [^]	(-)3.81	(-)3.40	(-)2.92	(-)3.99	(-)3.78
	A	(-)3.13	(-)3.13	(-)4.18	(-)4.53	(-)5.04
Ratio of total outstanding liability to GSDP (in per cent)	T	40.96	39.74	38.53	45.05	45.23
	A*	41.35	42.71	46.16	42.54	43.64
Guarantees in terms of percentage of revenue receipts of previous year	T	80	80	80	80	80
	A	44.74	40.71	38.25	29.20	25.85

Source: Annual Financial Statements for the years 2018-19 to 2022-23

T: Target; A: Achievement

* During the years 2020-21 and 2021-22, it excludes back-to-back loans of ₹ 8,359 and ₹ 20,491.41 crore (₹ 8,359 crore + ₹ 12,132.41 crore) respectively, in lieu of GST Compensation shortfall received from GoI which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

[^] Taken from the Annual Financial Statement without considering the FRBM amendments during the respective years as given in Table 1.4 (a).

During the period 2018-2023, the ratios of revenue deficit-GSDP increased from 2.56 to 3.87, fiscal deficit-GSDP from 3.13 to 5.04 and outstanding liability-GSDP from 41.35 to 43.64. The Government was unable to meet the targets of RD-GSDP in any of the years during 2018-19 to 2022-23. It was also not able to contain FD-GSDP during the period 2020-2023. Ratio of total outstanding liability to GSDP could not be contained within the targets during the period 2018-2021 but remained within the targets during 2021-22 and 2022-23. However, the guarantees given by the State Government were within the limits prescribed in the FRBM Act during 2018-2023.

Further, there has been a decrease in the committed expenditure as a percentage of the revenue receipts from 82 per cent in 2018-19 to 80 per cent in 2022-23. However, it has been consistently around 80 per cent, thereby showing the limited availability of revenue resources for other purposes including debt servicing.

The State Government had also notified reversion to the Old Pension Scheme (OPS) vide Notification dated 18 November 2022, wherein it was mentioned that the detailed scheme and Standard Operating Procedures pursuant to the notification would be issued in due course. The imminent financial burden on account of implementation of OPS also needs to be reckoned while assessing debt sustainability of the State.

In addition to the public borrowings shown in **Table 2.41**, the State Government also resorted to off-budget borrowings amounting to ₹ 3,243.48 crore as on 31 March 2023, where principal/interest were to be serviced through the State

budget and/or by assignment of state revenues. So, the actual public liability of the State Government amounts to ₹ 2,59,211.13 crore.

Breaching the levels of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable especially when the State Government is yet to contribute to mandatory reserve funds like Guarantee Redemption fund, payment of implicit subsidies, etc.

Fiscal sustainability risk:

- i) As per various fiscal and debt parameters depicted in **Table 2.43** above, debt stabilisation trend is increasing.
- ii) As per the Domar model analysis, the growth of rate of interest is generally lower than the rate of growth of GSDP. This indicates that the GSDP rate and the interest rate would converge in the medium term.
- iii) As per the macro fiscal parameters, such as ceiling on public debt, revenue and fiscal deficit and ceiling on guarantees given by the State Government in a particular year and as on 31 March of that year, the government's fiscal sustainability is a concern as indicated by the rising ratios of revenue deficit-GSDP, fiscal deficit-GSDP, and outstanding liability-GSDP. During the period 2018-2021, the outstanding liability-GSDP ratio did not remain within targets. However, it was contained within the targets during 2021-22 and 2022-23. The government failed to meet the targets for revenue deficit-GSDP in all the years during that period. Fiscal deficit-GSDP ratio could also not be maintained during 2020-2023. However, the guarantees provided by the government were within prescribed limits. These trends highlight the need for the government to address fiscal imbalances and work towards sustainable financial management.

On the basis of the above, it is inferred that the State fiscal sustainability has risks in the short to medium term unless remedial measures are taken to rationalise expenditure, explore further sources of income, expand the revenue base, and invest in revenue generating assets.

2.8.1 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 2.44** depicts the utilisation of borrowed funds during 2018-2023.

Table 2.44: Utilisation of borrowed funds(*₹ in crore*)

Sr. No.	Year	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Total borrowings*	53,925	57,200	55,982	32,617	94,443
2.	Repayment of borrowings (Principal) (percentage)	37,771 (70)	39,574 (70)	34,634 (62)	19,279 (59)	58,376 (62)
3.	Net capital expenditure (percentage)	2,412 (4)	17,828 (31)	4,382 (8)	8,010 (25)	6,667 (7)
4.	Net loans and advances (percentage)	512 (1)	(-)15,287 (-27)	906 (2)	1,369 (4)	1,218 (1)
5.	Portion of Revenue expenditure met out of net available borrowings (percentage) (1-2-3-4)	13,230 (25)	15,085 (26)	16,060 (28)	3,959 (12)	28,182 (30)
6.	Total budget of the State	1,34,356	1,62,060	1,61,329	1,79,405	1,92,656
7.	Expenditure against total budget	1,17,455	1,34,882	1,27,409	1,26,570	1,80,224
8.	Repayment of borrowings (Principal) to total expenditure (per cent)	32.16	29.34	27.18	15.23	32.39

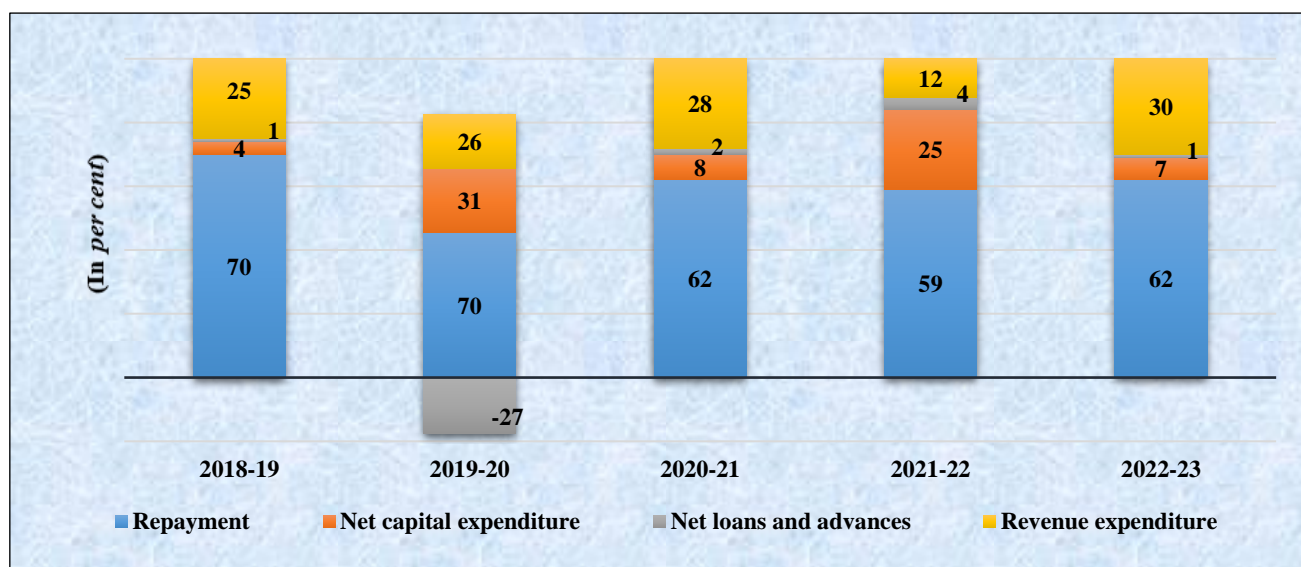
Source: Finance Accounts

* Includes Public Debt receipts and net of Public Accounts receipts. These exclude ₹ 8,359 and ₹ 12,132 crore as back-to-back loans from Gol 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 2.44 shows that the repayment of borrowings (principal) to total expenditure of the State ranged between 15 per cent and 32 per cent of the total expenditure during the period 2018-2023. During this period, the State Government utilised 59-70 per cent of its current borrowings for repayment of borrowings (principal). Revenue expenditure met out of net available borrowings ranged between 12 per cent and 30 per cent. Net capital expenditure ranged between 4 per cent and 31 per cent during the period 2018-2023. Higher net capital expenditure (31 per cent) 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 borrowings instead of capital creation/development activities. Though 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, the expenditure decreased to 7 per cent during 2022-23.

Trends of utilisation of borrowed funds during the period 2018-23 is depicted in **Chart 2.24**.

Chart 2.24: Trends of utilisation of borrowed funds



Source: Finance Accounts

As per the 15th Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and enable all borrowings to be used for capital expenditure. In 2022-23, which is the second year of the Fifteenth Finance Commission period, the State Government has not been able to reduce the revenue deficit but has borrowed to meet its revenue deficit.

2.8.2 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 the 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 are given in **Table 2.45**.

Table 2.45: Guarantees given by the State Government

Guarantees	₹ in crore				
	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees (i.e. 80 <i>per cent</i> of revenue receipts of previous year)	42,408	49,815	49,260	55,238	62,534
Outstanding amount of guarantees	23,719	25,352	23,552	20,165	20,208

Source: Finance Accounts and Annual Financial Statements

The outstanding guarantees for ₹ 20,208 crore as on 31 March 2023 were in respect of Power (₹ 14,759 crore); Co-operatives (₹ 960 crore); State Finance

Companies/Corporations (₹ 349 crore); Food and Civil Supplies (₹ 961 crore); and Others (₹ 3,179 crore).

The Government gave guarantees within the limits prescribed in the FRBM Act during 2018-2023.

Out of the outstanding guarantees for ₹ 20,208 crore as on 31 March 2023, the State Government had given guarantees amounting to ₹ 1,227.17 crore³² to five PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

In 2022-23, the Government provided guarantees against borrowings of ₹ 3,507 crore. During 2022-23, the State Government paid only ₹ 0.97 crore out of discharge of guarantee invoked of ₹ 12.97 crore in respect of Punjab State Industrial Development Corporation Limited (PSIDC). Hence, revenue and fiscal deficits were understated to the tune of ₹ 12 crore.

2.8.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India (RBI), 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 Response 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 2021-22 and 2022-23 are given in **Table 2.46**.

³² (i) Punjab State Civil Supplies Corporation Limited: ₹ 538.86 crore; (ii) Punjab Agro Foodgrains Corporation Limited: ₹ 324.95 crore; (iii) Punjab State Industrial Development Corporation Limited: ₹ 201.05 crore; (iv) Punjab State Warehousing Corporation: ₹ 97.40 crore and (v) Punjab Financial Corporation: ₹ 64.91 crore.

Table 2.46: Cash Balances and their investment

(₹ in crore)

	Opening balance as on 1 April 2022	Closing balance as on 31 March 2023
A. General Cash Balances		
Deposits with Reserve Bank of India	129.76	365.90
Investments held in Cash Balance Investment Account	2,237.59	912.67
Total (A)	2,367.35	1,278.57
B. Other Cash Balances and Investments		
Cash with departmental officers viz. Forest and Public Works	1,376.09	1,378.34
Permanent advances with departmental officers for contingent expenditure	0.26	0.26
Investment of earmarked funds	3,127.94	6,352.29
Total (B)	4,504.29	7,730.89
Total (A + B)	6,871.64	9,009.46
Interest realised	35.08	2.69

Source: Finance Accounts

The closing cash balance at the end of the current year (₹ 9,009.46 crore) increased by ₹ 2,137.82 crore over the previous year (₹ 6,871.64 crore).

The cash balance included investment of ₹ 6,352.29 crore from earmarked funds. During the year 2022-23, the State Government was able to maintain a minimum cash balance of ₹ 1.56 crore for 144 days and had to maintain the minimum balance by availing SDF on 221 days. The State had to pay ₹ 27.37 crore as interest on SDF during the year 2022-23.

The general cash balance of ₹ 1,278.57 crore at the close of the year was not even equal to the balance of ₹ 10,443.38 crore shown 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 2022-23 are depicted in **Table 2.47** and **Chart 2.25** respectively.

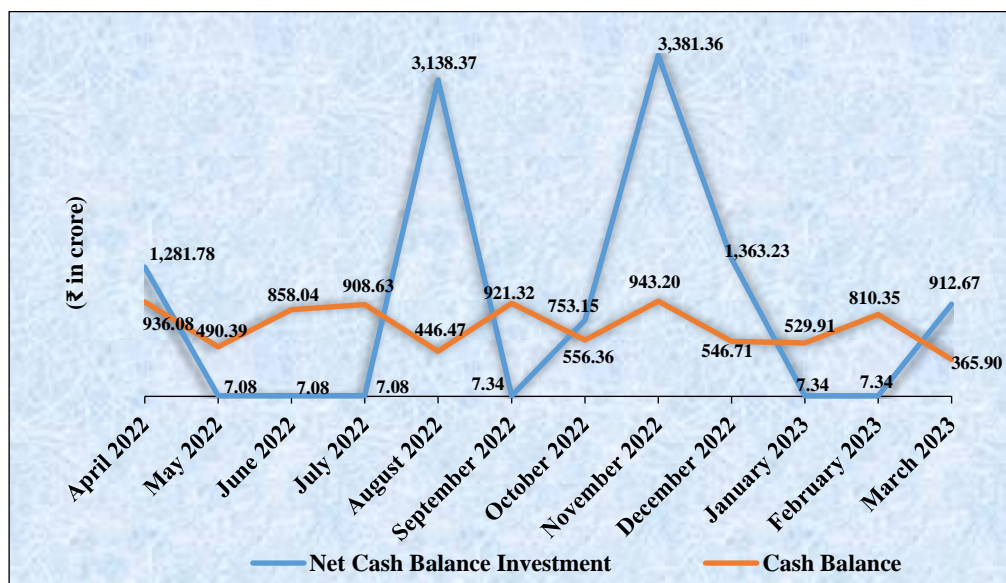
Table 2.47: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
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
2022-23	2,237.59	912.67	(-)1,324.92	2.69

Source: Finance Accounts

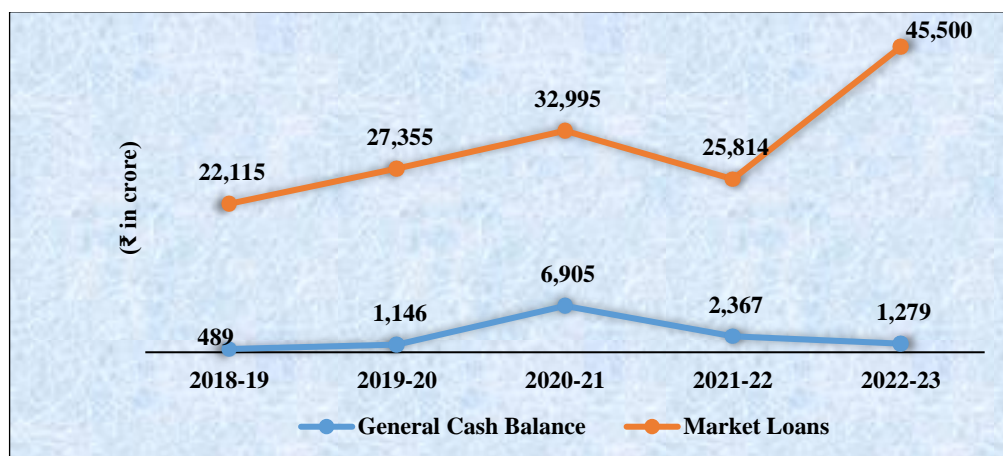
Chart 2.25: Month-wise movement of net cash balance investments and cash balance at the end of month during 2022-23



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 2022-23, the State could have avoided market borrowings to the extent of the general cash balance (₹ 1,279 crore). The general cash balance of ₹ 1,279 crore included cash balance investment of ₹ 913 crore. Interest of ₹ 2.69 crore (0.15 *per cent*) was earned on these investments whereas the State Government paid average rate of interest of 7.20 *per cent* on market borrowings during 2022-23.

2.9 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 2022-23 with that of

the previous year i.e. 2021-22 is summarised in **Table 2.48**.

Table 2.48: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Increase in revenue receipts by 12.09 <i>per cent</i> .	↑ Increase in expenditure on subsidies by 41.96 <i>per cent</i> .
↑ Increase in Own non-tax revenue by 30.27 <i>per cent</i>	↓ Increase in fiscal deficit by 21.84 <i>per cent</i> .
↑ Increase in revenue expenditure on Social Services by 13.87 <i>per cent</i> .	↓ Decrease in capital expenditure by 16.76 <i>per cent</i> .

2.10 Conclusion

The State passed the 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 ₹ 26,045 crore during 2022-23 against ₹ 18,468 crore during 2021-22.

Revenue deficit which was to be brought down to zero by 2008-09, increased to ₹ 26,045 crore during 2022-23, which 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 2018-2023. Power subsidy constituted the major portion of total subsidies ranging between 68 *per cent* and 99 *per cent*.

Fiscal deficit of the State was ₹ 33,930 crore during 2022-23 which was 5.04 *per cent* of the GSDP and exceeded the target of ₹ 23,835 crore fixed by the State Government in Medium Term Fiscal Policy. The fiscal deficit was mainly financed through market borrowings.

Out of total borrowings of ₹ 94,443 crore during 2022-23, the State Government incurred capital expenditure of only ₹ 6,667 crore (7 *per cent*).

Revenue receipts increased by ₹ 9,448 crore (12.09 *per cent*) during the current year over the previous year whereas revenue expenditure grew by ₹ 17,025 crore (17.62 *per cent*). Further, the State's own revenue registered a positive growth of 15.12 *per cent* over the previous year.

The State incurred 62 *per cent* of the total revenue expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 38 *per cent* for priority sector expenditure.

There was a difference of ₹ 4,092 crore in equity investment figures as per State Finance Accounts and as per the accounts of 16 PSUs. The difference was under reconciliation (September 2023).

The State Government earned a meagre 0.02 *per cent* return on its total investment (₹ 20,039 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31 March 2023.

The State Government received ₹ 15 crore (0.04 *per cent*) as interest on outstanding loans during 2022-23 while it paid interest at 7.17 *per cent* on outstanding debt.

Loans amounting to ₹ 2,296 crore were outstanding at the beginning of 2022-23 against co-operative sugar mills. Despite recovery of only ₹ 21 crore of earlier loans, subsequent loans of ₹ 425 crore were given to these sugar mills.

Total outstanding liabilities including public debt and public account liabilities were 43.64 *per cent*³³ of GSDP. The total liability grew by 12.42 *per cent* over the previous year. During the year, outgo because of interest payments was equal to 18 *per cent* of revenue expenditure and 23 *per cent* of revenue receipts.

The State Government had not invested funds of ₹ 9,041.74 crore available under State Disaster Response Fund, which means that the funds were used for other than intended purpose.

As many as 69 projects scheduled for completion up to 31 March 2023 were incomplete. The expenditure of ₹ 1,625 crore incurred on these incomplete projects was yet to yield the intended benefits.

The State Government had given guarantees amounting to ₹ 1,227.17 crore to five PSUs whose net worth had become negative. This means that the actual liability lies with the State Government to repay their loans.

2.11 Recommendations

In light of the audit observations, the State Government may:

- (i) *assess the reasons for insufficient return on investment from statutory corporations, Government companies, cooperative banks and societies and take remedial measures;*
- (ii) *ensure time bound completion of incomplete projects;*
- (iii) *mobilise its resources to minimise dependence on borrowings; and*
- (iv) *assess the debt servicing capacity of the institutions before providing guarantees/ loans.*

³³ 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.