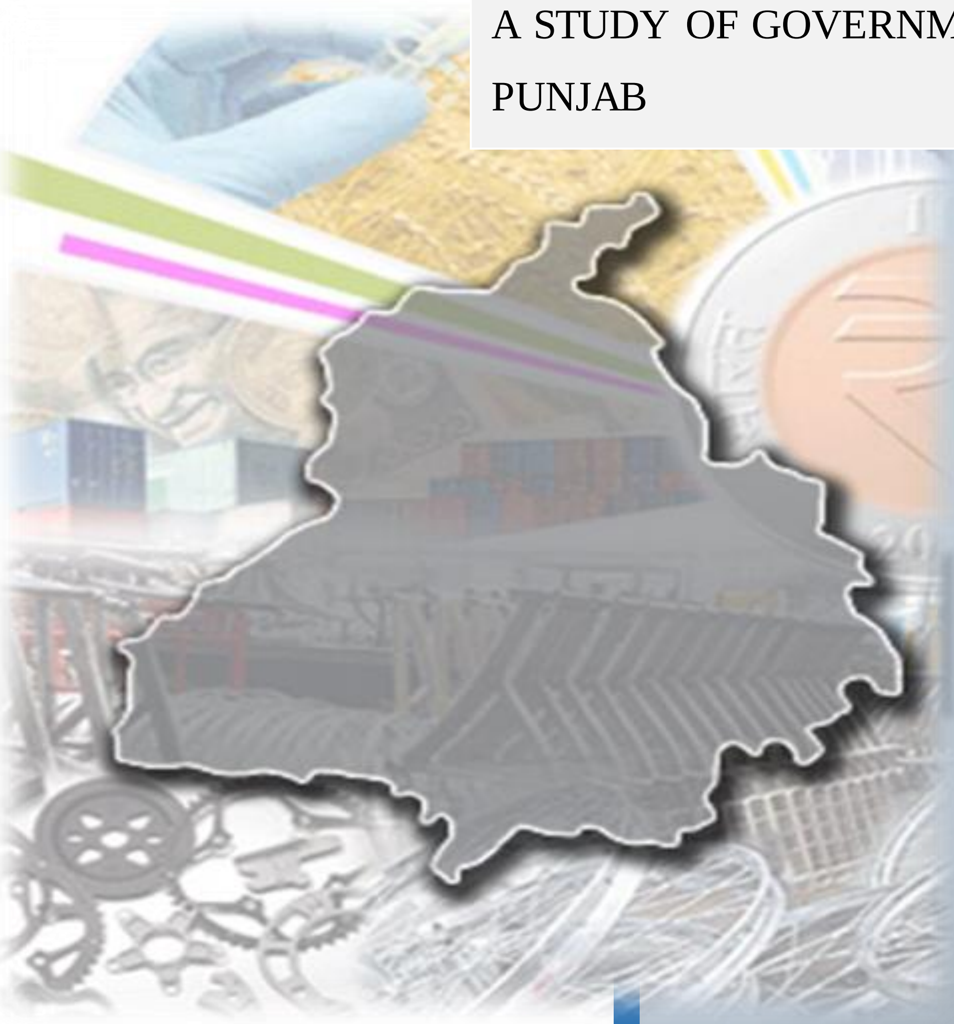
Bharti Institute of Public Policy

Evaluation of State Finances

A STUDY OF GOVERNMENT OF PUNJAB



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ABBREVIATIONS

AT&C	Aggregate Technical and Commercial
Bn	Billion
CAG	Comptroller and Auditor General
CAPEX	Capital Expenditure
CR	Capital Receipts
DISCOMs	Distribution Companies
ESIC	Employee State Insurance Corporation
FFC	Fourteenth Finance Commission
FRBM	Fiscal Responsibility Budget Management
GFD	Gross Fiscal Deficit
GIC	General Insurance Corporation
GPs	Gram Panchayats
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
IMF	International Monetary Fund
INR	Indian Rupee
IPPE	Intensive Participatory Planning Exercise
K	Thousand
LIC	Life Insurance Corporation
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MM	Million
MTFP	Medium Term Fiscal Policy
NABARD	National Bank for Agriculture and Rural Development
NCDC	National Cooperative Development Corporation
NDCE	Non-Departmental Commercial Enterprise
NEC	North Eastern council
NRLM	National Rural Livelihoods Mission
NSSF	National Small Savings Fund
OBC	Other Backward Class
PAN	Permanent Account Number

PD	Primary Deficit
PRIs	Panchayati Raj Institutions
PSPCL	Punjab State Power Corporation Limited
PSUs	Public Sector Undertakings
RBI	Reserve Bank of India
RD	Revenue Deficit
RR	Revenue Receipts
SBI	State Bank of India
SC	Scheduled Caste
SDL's	State Development Loans
SFC	State Finance Commission
ST	Scheduled Tribe
TCE	Total Capital Expenditure
UDAY	Ujjwal DISCOM Assurance Yojana
ULB's	Urban Local Bodies
WMA	Ways and Means Advances

MAP OF THE STATE

[1]

[1] Source: www.punjab.gov.in/districts

EXECUTIVE SUMMARY

The document attempts to explore and deliver a broad overview of the fiscal scenario vis-à-vis Government of Punjab over a period 2006-07 to 2017-18. Here, major parameters of the State Government budget including receipts and expenditures of revenue and capital accounts have been studied and described with necessary analysis.

The major findings of the report are as under:

The total revenue receipts of government of Punjab, in general, exhibits a decent growth trend in the past ten years, with growth rate in past three years (2013-14 to 2015-16) being 9.52%, 11.17% and 6.41% respectively. The State's own tax revenue has been steadily growing at a slow pace with Rs 277.47 Bn in 2016-17 and Rs 304.23 in 2017-18. Though, in the same period the grants received from the Centre has seen significant growth due increase in devolution by as per 14th FC recommendations.

In addition, widening gap has been observed between the tax and non-tax revenue of the State. Though, this trend is expected to change significantly post GST introduction.

Based on comparative analysis of Government of Punjab's budget estimates of revenue receipts vis-à-vis the actuals, it can be inferred that there has been an over estimation of revenue receipts post 2010-11. This aspect of the budget process can be reviewed for inflecting prudent budgetary practices of close estimation.

On the expenditure front, Government of Punjab's 'Committed expenditure' that largely comprises of Salaries and Wages, Pensionary Charges, Subsidies and Interest Payments account for more than 90% of the revenue receipts. This explains government's constrained scope for other productive and welfare expenditure.

In capital expenditure, discharge of Internal Debt has undergone an exponential rise in Capital expenditure from Rs. 11.4 Bn in 2006-07 to Rs. 455.39 Bn in 2017-18, which exhibits high debt liability of the State.

In the year 2015-16, under the heads 'Loans and Advances by state government' and 'Suspense & Miscellaneous' an unusual event of disbursement by the state has been observed. Apart from this a new trend of heightened increase in 'Loans and Advances by the state government' has been noticed.

Further, in the last twelve years an upward trend of Development Expenditure over Non-Development Expenditure has been observed.

With Tax to GSDP ratio fluctuating between 7.2 to 6.39 and never crossing double digit mark; the tax collection in the State is a potential area to revisit. On the other hand, the debt growth rate of government of Punjab for the past eleven years has been dramatically high rather it shows a double-digit growth (9.4%, 10.28%, 10.16%, 10.33%, 10.81%, 11.37%, 10.86%, 10.93%, 18.19%, 49.89% from 2007-08 to 2016-17) which violates the norms of fiscal prudence

Both fiscal deficits and revenue deficits over a period of ten years (2006-07 to 2016-17) show an increasing trend in terms of absolute value. In the year 2016-17, a sharp rise in fiscal deficit from Rs. 173.6 Bn to Rs. 470.71 Bn.; marks a significant rise in growth rate of Fiscal Deficit relative to GSDP from 4.43 to 11 that violated the FRBM benchmarks set for the State.

In the Public-Sector Enterprises of the State, as on 31 March 2017, there were 51 PSUs in Punjab, out of which the working PSUs incurred an overall loss of Rs. 8,852.26 Crores. PSUs receive monetary support from the state government in the form of loans, equity, grants/subsidies, interest waive off and loans written off. One of the mentionable government support to the PSUs is that the government of Punjab sanctioned loans of amount Rs. 9859.92 crores and Rs. 5,768.54 crores to Punjab State Power Corporation Limited, under UDAY scheme during 2015-16 and 2016-17.

The government is spending lot of money to subsidise power (96% of total subsidy, out which 71% is power subsidy to farmers); therefore, the amount of money left with the government of Punjab for other expenditures has been decreasing over the years.

The state of Punjab is also in deep financial trouble due to the Cash Credit Limit accounts of State Procurement Agencies. Punjab is also unable to curb the issue of stubble burning.

Punjab has launched various ambitious schemes for the health sector, to generate employment and for skill development of the youth.

Considering the various parameters of fiscal prudence and the State government’s fiscal performance, an in-depth analysis of the Government of Punjab is hence recommended to secure vital changes in the State treasure systems, more so in the post GST era.

ABOUT ISB

Indian School of Business is an internationally top-ranked, research-driven, independent management institution that grooms future leaders for India and the world.

Research being at the core of ISB, has always ignited per se a strong drive to utilise the knowledge and expertise of its human resource to engage with business, government and society, and to contribute to the welfare and development of the community at the local, national, and global levels.

It strives to produce not only the young leaders through its academic programmes but also offer high-quality research to various stakeholders through multiple engagements and knowledge sharing.

ABOUT BHARTI INSTITUTE OF PUBLIC POLICY

The Bharti Institute of Public Policy is an integral part of the ISB's Mohali campus. Functioning as an independent think-tank, the institute engages with policy makers by providing them with critical, evidence-based analyses of public policy rooted in data. The institute has partnered with the world-renowned Fletcher School of Law and Diplomacy at Tufts University, USA.

The institute works on policy challenges across diverse domains, the main ones being Agriculture and Food, Environment, Education, Financial Policy, Governance and Digital identity. The common foundation across the institute's domain specific research is the rigour brought to the analysis by the emphasis on using the best possible evidence available. This relentless focus on data and evidence has helped the institute secure a $2 million+ grant from the Bill and Melinda Gates Foundation to develop and build a portal providing various types of spatial and temporal data and associated visualisations to improve the quality of data-journalism in India. Other agencies with whom the institute has partnered and continues to work with include various state governments, and multilateral agencies like the World Bank, UNDP and UNICEF.

In terms of education, the Advanced Management Programme in Public Policy (AMP-PP), is a flagship programme developed by Bharti Institute of Public Policy at ISB. The institute is also responsible for offering the public policy specialisation in ISB's Post Graduate Programme (PGP). This specialisation comprises a carefully curated set of courses that impart necessary skills in the fast-changing world of policy to B-school graduates, as well as exposing them to the practices and challenges of the policy world.

TERMS OF REFERENCE

The Second party to the Contract will conduct the above study in accordance with the proposal submitted by it to the First Party and would broadly cover the following: -

1. The study should provide an analysis of the State Finances over a period of 10 years starting from 1st April 2006. Specifically, the study should include (and may not be restricted to) the following:

i. Estimation of revenue capacities of State and Measures to improve the tax-GDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.

ii. Analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.,

iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure there under. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.

iv. Analysis of Deficits - Fiscal and Revenue.

v. The level of Debt: GSDP ratio and the use of debt (i.e. whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, Central government debt (including those from bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc) and borrowings from agencies such as NABARD, UC etc.

vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.

vii. Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.

viii. Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.

ix. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.

x. Analysis of contingent liabilities of the State.

xi. Subsidies given by the States (Other than Central subsidies), its targeting and evaluation.

xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th Finance Commission.

xiii. Determination of a sustainable debt roadmap for 2020-25, taking into account impact of introduction of GST and other tax/non-tax trend forecasts.

The evaluation study is expected to critically analyse the overall States' finances over the ten-year period with reference to above and the ToR of the the Finance Commission. Suggestions for improved financial performance may also be given.

1. PROFILE OF THE STATE

1.1 INTRODUCTION

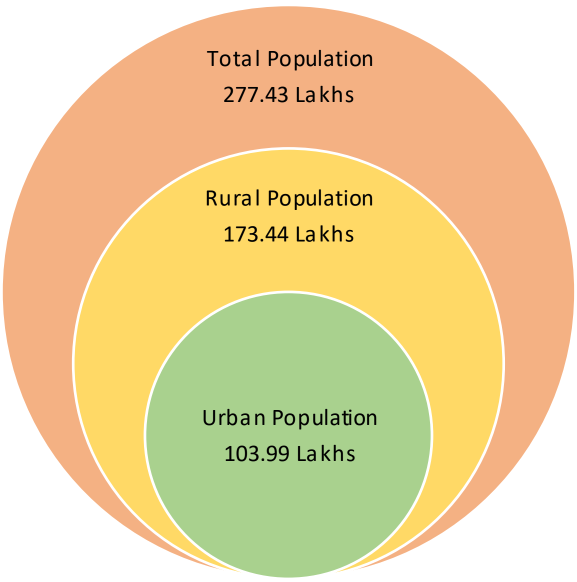
Punjab is located in the north-west of India and it extends from the latitudes 29.30° North to 32.32° North and longitudes 73.55° East to 76.50° East.

Punjab shares international border with Pakistan in the west and is bordered by Jammu and Kashmir in the north, on the northeast by Himachal Pradesh and on the south by Haryana and Rajasthan.

The Punjab State is divided into three regions: Majha, Doaba and Malwa.

Punjab has sub-tropical climate and has a total area of 50362 square kilometres. According to 2011 Census of India, the total Population of Punjab is 2,77,43,338. Some two-fifths of Punjab's population is engaged in the agricultural sector, which contributes significantly in the state's gross product.

Punjab is among India's most widely irrigated states. Punjab has been an active participant in green revolution and contributes significantly to the central pool of wheat and rice.



GROSS STATE DOMESTIC PRODUCT (constant prices)- Rs. 34848663 Lakhs

PER CAPITA INCOME (constant prices)- Rs.103726

LITERACY RATE- 75.84%

SEX RATIO- 895

LIFE EXPECTANCY- 72.1 Years [2]

Punjab also has several manufacturing industries with large pool of workers producing wool and other textiles, hosiery, leather goods, chemicals, processed foods and beverages, metal products and machine tools, scientific instruments; and furniture.

Punjab has well-developed infrastructure including road, rail and air networks.

1.2 KEY STATISTICS OF THE STATE

Table 1. Basic Statistics

Parameter	Numerical Value
1. Total Area(in sq. km)	50362
1a. Rural Area(in sq. km)	48265
1b. Urban Area(in sq. km)	2097
2. Total Population(in lakhs)	277.43
2a. Rural Population(in lakhs)	173.44
2b. Urban Population(in lakhs)	103.99
3. Density(per sq. km)	551
4. Literacy Rate(in %)	75.8
5. Females per '000 males	895

Source: Statistical Abstract of Punjab, 2017

[2] Source: Handbook of statistics on Indian States, 2018, RBI.

Figure 1. Total Population (in Millions)

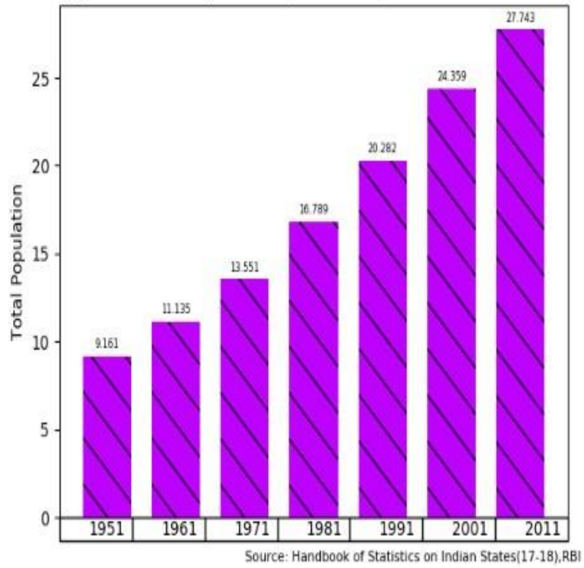


Figure 2. Population in Rural and Urban Areas (in Millions)

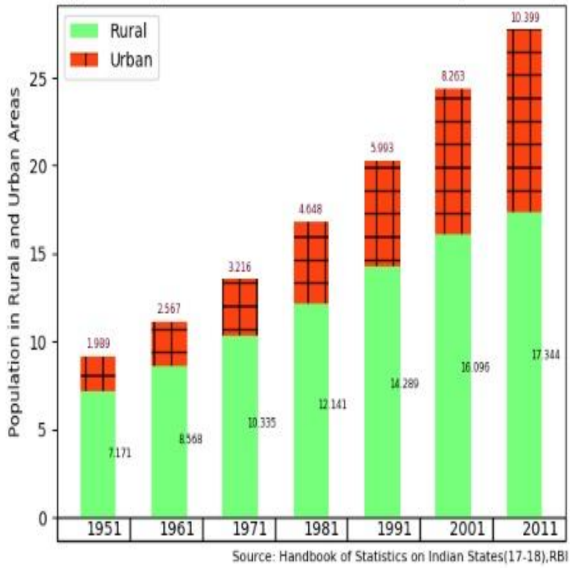


Figure 3. Density of Population(per sq. km.)

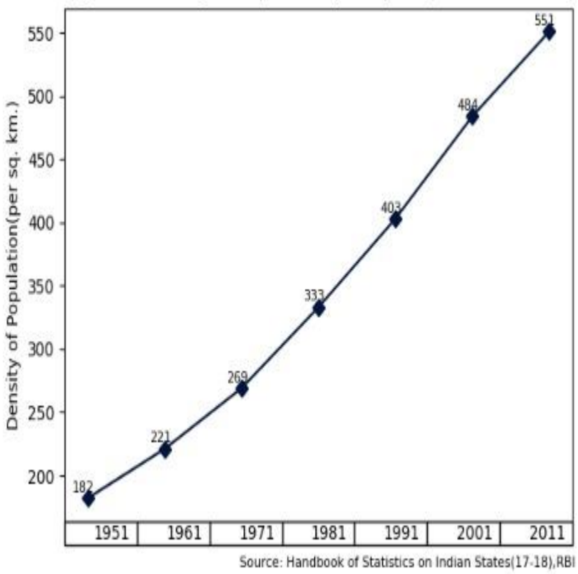
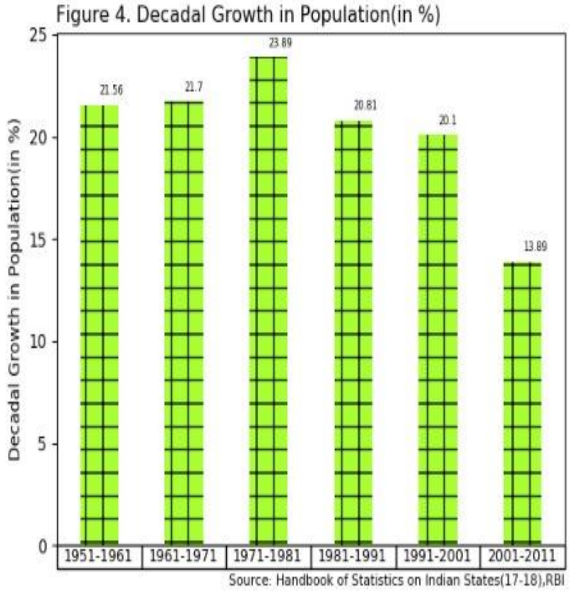


Figure 4. Decadal Growth in Population(in %)



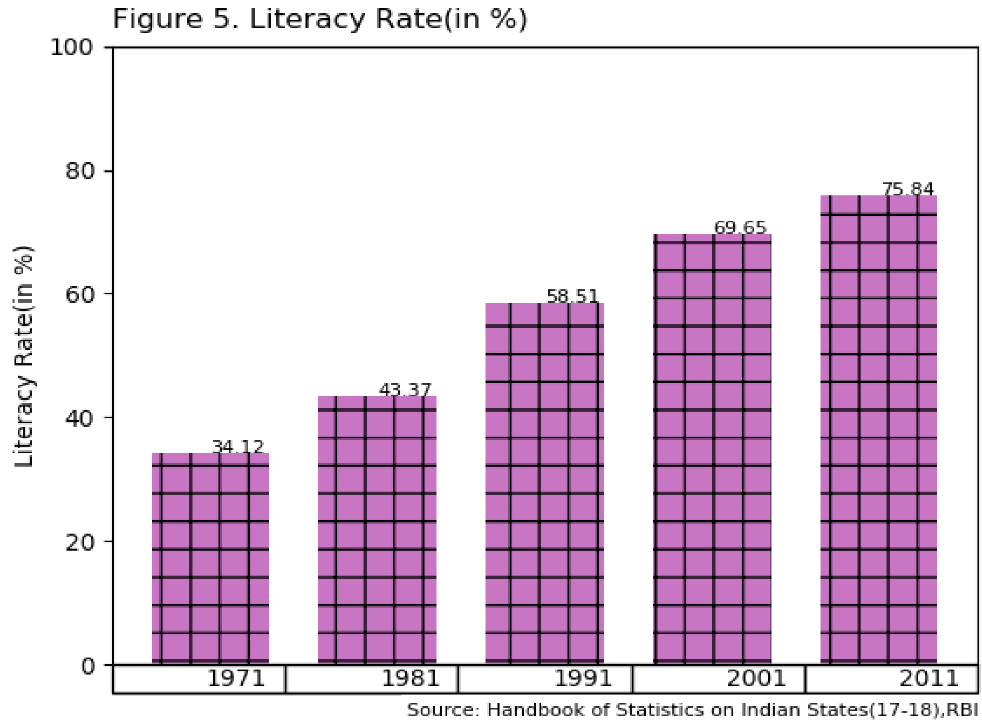


Figure 5. Literacy Rate(in %)
100
80
60
40
20
0
Literacy Rate(in %)
34.12
43.37
58.51
69.65
75.84
1971
1981
1991
2001
2011
Source: Handbook of Statistics on Indian States(17-18),RBI

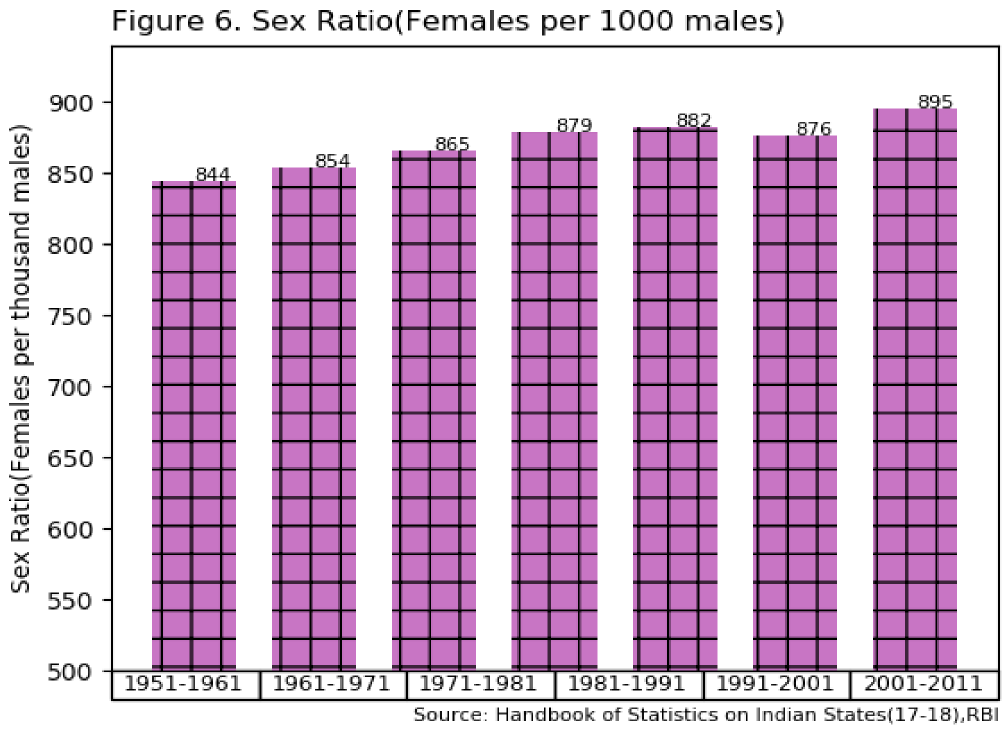


Figure 6. Sex Ratio(Females per 1000 males)
900
850
800
750
700
650
600
550
500
Sex Ratio(Females per thousand males)
844
854
865
879
882
876
895
1951-1961
1961-1971
1971-1981
1981-1991
1991-2001
2001-2011
Source: Handbook of Statistics on Indian States(17-18),RBI

Figure 7. Gross and Net State Domestic Product(in MM INR)

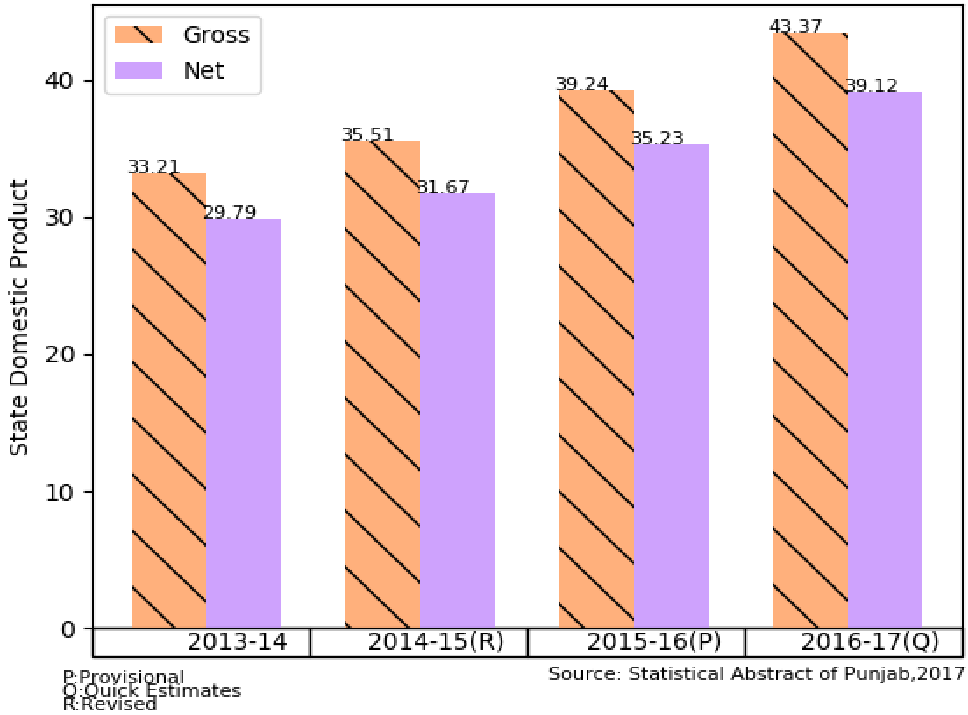


Figure 8. Gross State Value Added by Sectors at Current Prices(in MM INR)

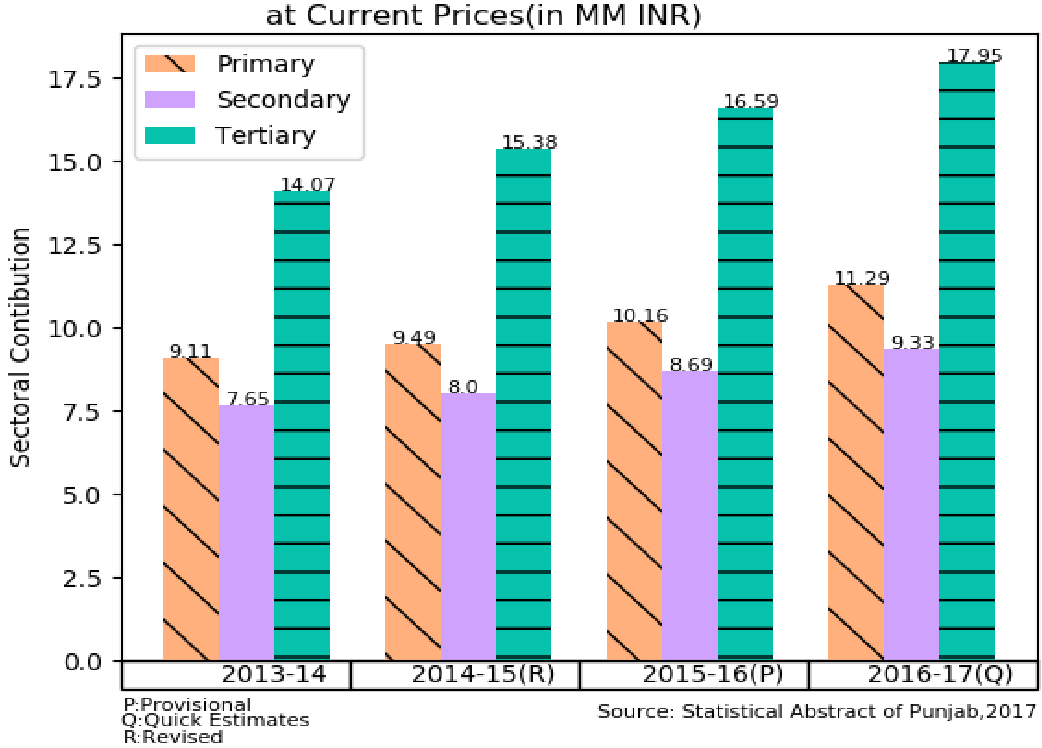
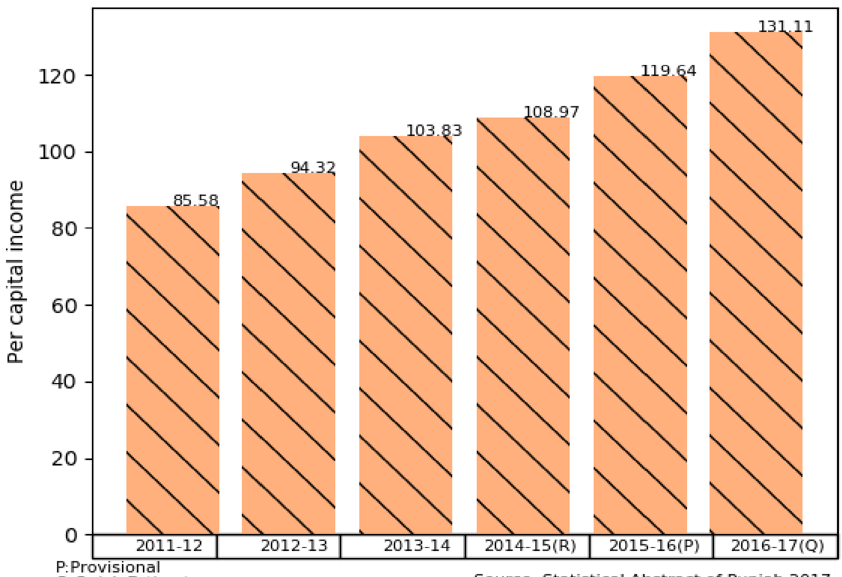


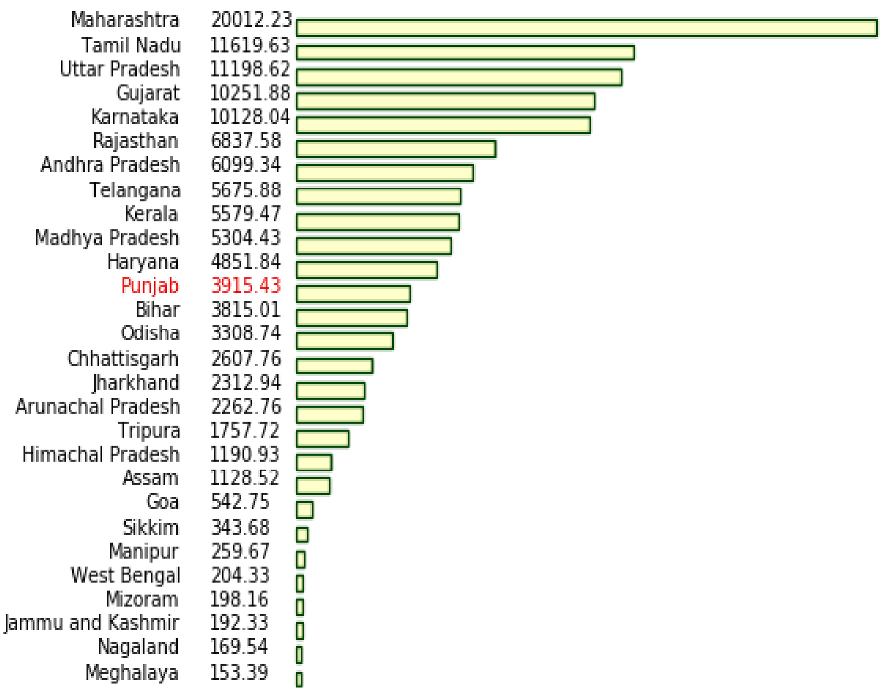
Figure 9. Per capita income as per current prices(in K INR)



P:Provisional
Q:Quick Estimates
R:Revised

Source: Statistical Abstract of Punjab,2017

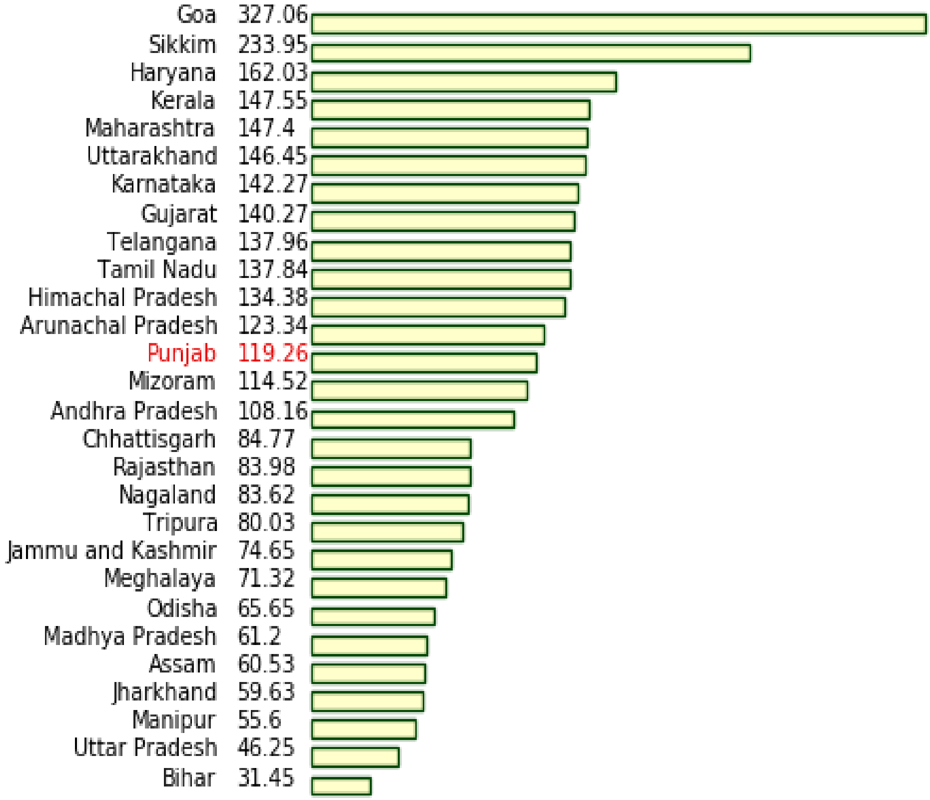
Figure 10. Gross State Domestic Product for 2015-16 (in Bn INR), at current prices (base year 2011-12)



Data for West Bengal not available

Source: Handbook of Statistics on Indian States(17-18),RBI

Figure 11. Per Capita Net State Domestic Product for 2015-16 (in K INR) at Factor Cost (current prices) (base year 2011-12)



Data for West Bengal not available Source: Handbook of Statistics on Indian States(17-18),RBI

2. FISCAL OUTLINE OF THE STATE

2.1 REVENUE RECEIPTS

All those government receipts which neither create liabilities nor reduce assets are treated as revenue receipts. Such receipts include: taxes, interest and dividends, cess and other receipts for services by the government. These government receipts are meant for government expenditure. Two major constituents of revenue receipts are: Tax Revenue and Non-Tax Revenue.

The total revenue receipts of government of Punjab, in general, exhibits a decent growth trend (Table 2). In the past ten years (2006-07 to 2015-16), the average growth rate of revenue receipts of the state stands at 10.9%. However, the year 2011-12, as an exception, experienced a downward trend that can be attributed to the decrease in total Non-tax revenue including State's own Non-tax revenue, Table 2 corroborates the fact with negative growth rate of revenue receipts -4.96% in the year 2011-2012. However, the State made a recovery in the year 2013 with a growth rate of 22.14%. The growth rate from 2013-14 to 2015-16 being 9.52%, 11.17%, 6.41% respectively, again exhibits a declining trend.

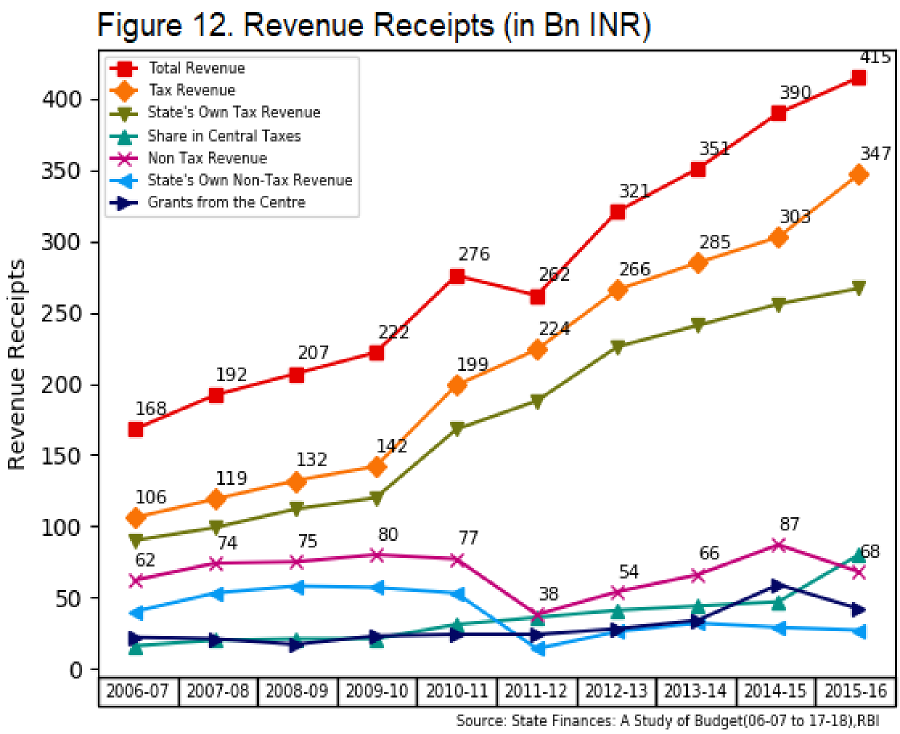
The State's own tax revenue has been steadily growing with notable increase between 2014-15 and 2015-16. In the same period the grants received from the Centre has suffered a noticeable decline (Table 2 & Figure 12).

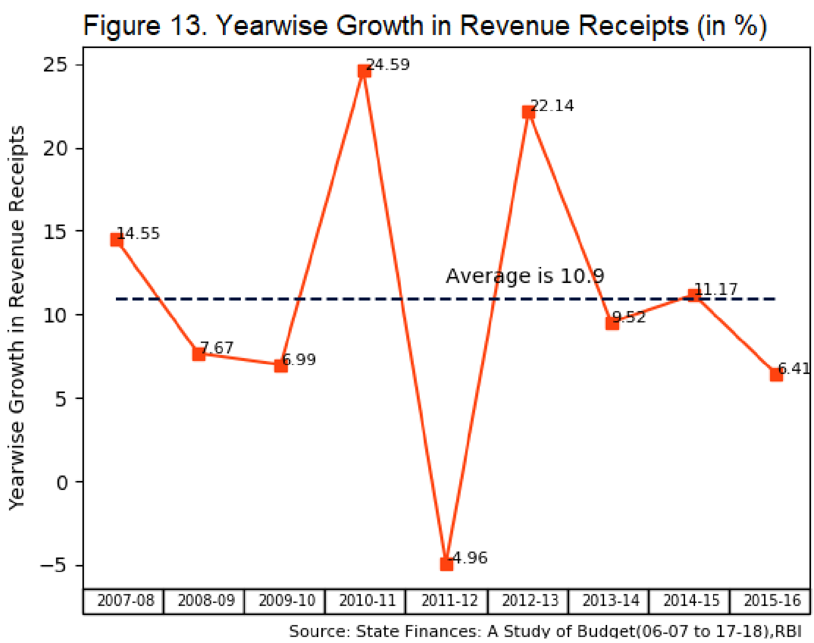
Table 2. Revenue Receipts(in Bn INR)

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Total Revenue	167.95	192.38	207.13	221.57	276.08	262.36	320.51	351.04	390.23	415.23
2.Tax Revenue	105.83	118.74	132.34	141.84	198.79	223.95	266.46	285.11	302.73	346.99
3.State's Own Tax Revenue	90.17	98.99	111.5	120.39	168.28	188.41	225.88	240.79	255.7	266.9
4.Share in Central Taxes	15.66	19.75	20.84	21.44	30.51	35.54	40.59	44.31	47.03	80.09
5.Non Tax Revenue	62.12	73.63	74.79	79.73	77.29	38.4	54.05	65.93	87.5	68.24
6.State's Own Non-Tax Revenue	39.73	52.54	57.84	56.53	53.3	14.0	26.29	31.91	28.8	26.5
7.Grants from the Centre	22.4	21.09	16.95	23.2	23.99	24.41	27.76	34.01	58.7	41.74

Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

On comparing the Tax and Non-Tax Revenue, it is observed that there is a sizeable gap between the two and the gap has been widening over the years, as evident from the Tax and Non-Tax Revenue gap at Rs. 278.75 Bn for the year 2015-16.



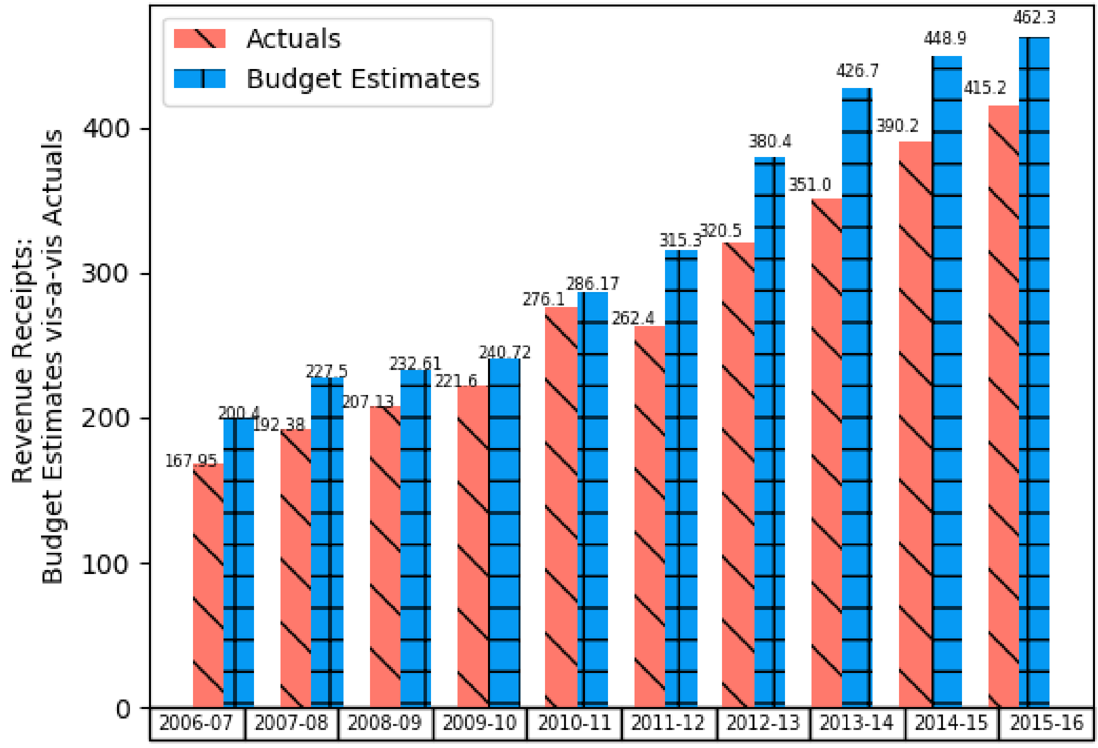


The Revenue Receipts has been growing at an average growth rate of 10.9% over the years (2007-2016), though yearly growth rates show steep highs and lows (Figure 13).

2.1.1 Budget Estimates Vis-à-vis Actuals

The budget prudence practice envisages the estimation of revenue receipts to be close to actuals. Based on a comparative analysis of government of Punjab's budget estimates of revenue receipts vis-à-vis the actuals, it can be inferred that there has been an over estimation of revenue receipts, more so, post 2010-11(Figure 14). As can be observed from the continuous trend of negative gap between the Actuals and the Estimates for the last five years (2010-2016) being: -16.78%, -15.75%, -17.74%, 13.08% & -10.19% (Table 3). Although the gap has decreased in the last two years (2014-15 & 2015-16), however it is still above -10% (Figure 15). The widening gap between the two financial parameters adversely impacts the fiscal planning of the state.

Figure 14: Revenue Receipts:
Budget Estimates vis-a-vis Actuals (in Bn INR)



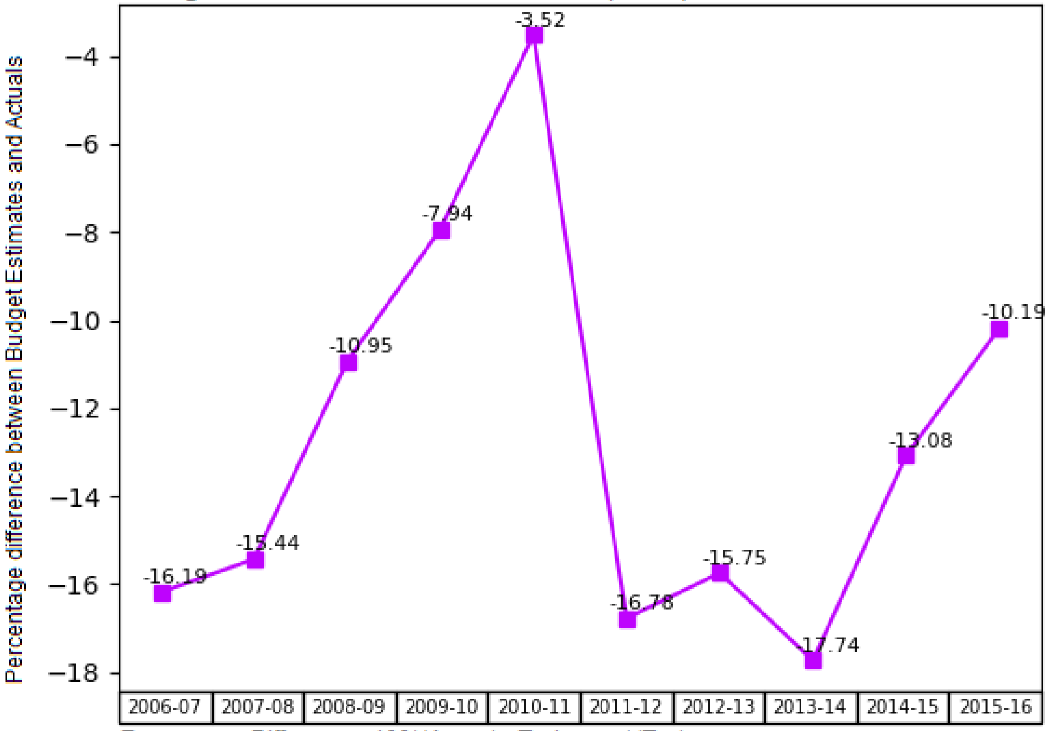
Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

Table 3. Revenue Receipts: Budget Estimates vis-a-vis Actuals

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Actuals(A) (in Bn INR)	167.95	192.38	207.13	221.6	276.1	262.4	320.5	351.0	390.2	415.2
2.Budget Estimates(B) (in Bn INR)	200.4	227.5	232.61	240.72	286.17	315.3	380.4	426.7	448.9	462.3
3.Difference: (A-B)(in Bn INR)	-32.45	-35.12	-25.48	-19.12	-10.07	-52.9	-59.9	-75.7	-58.7	-47.1
4.Percentage Difference: 100*(A-B)/B(in %)	-16.19	-15.44	-10.95	-7.94	-3.52	-16.78	-15.75	-17.74	-13.08	-10.19

Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

Figure 15. Percentage difference between Budget Estimates and Actuals (in %)



Percentage Difference=100*(Actuals-Estimates)/Estimates

Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

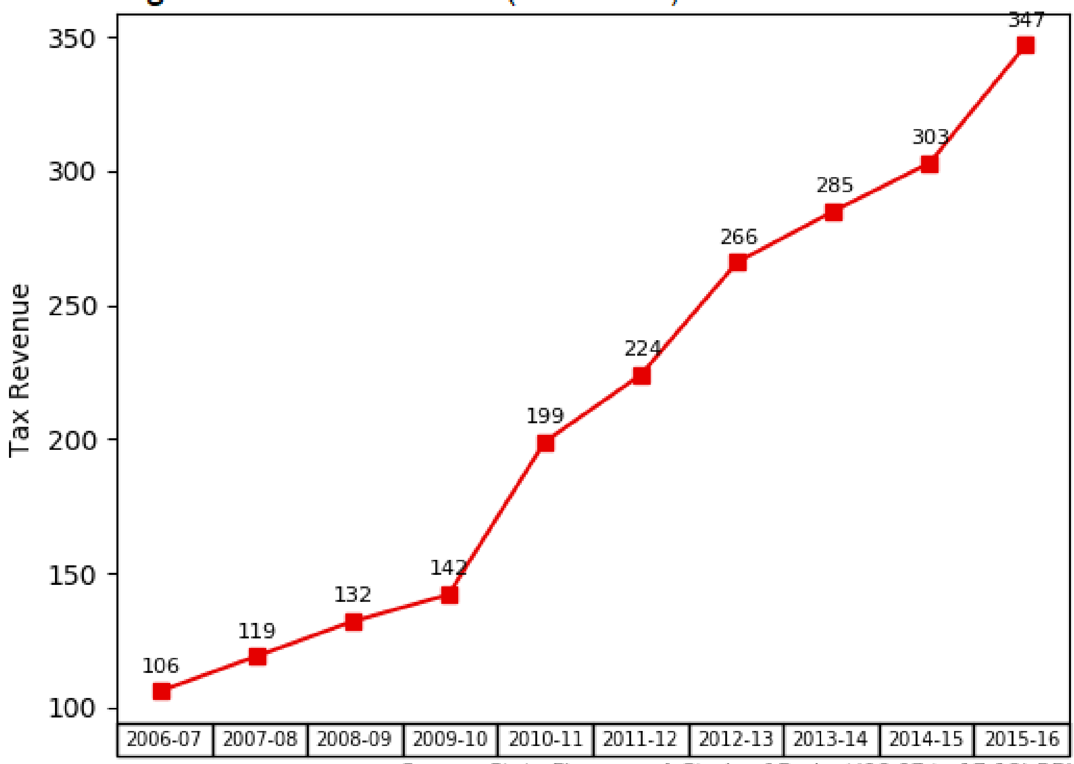
2.1.2 Tax Revenue

Tax revenue is the primary source of income for the state and this income generated through taxation is used on state expenditure.

Figure 16 shows income earned by government through taxation over a period of ten years i.e., 2006-2016. Table 2 depicts that tax revenue of the government of Punjab has more than doubled over the period of 2006 to 2016.

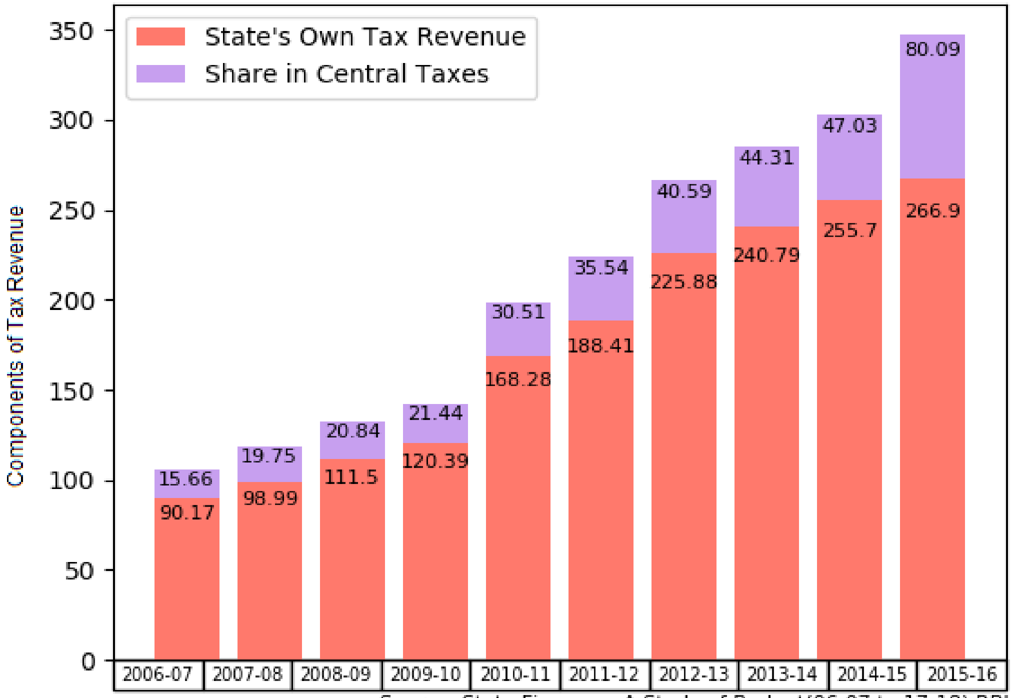
On comparing State's Own Tax Revenue with Share in Central Taxes (Figure 17), it is observed that state has been able to receive high proportion of own taxes as compared to central taxes till 2015- 2016. It is also observed that States Own Taxes has increased at a higher growth rate post 2010-2011.

Figure 16. Tax Revenue(in Bn INR)



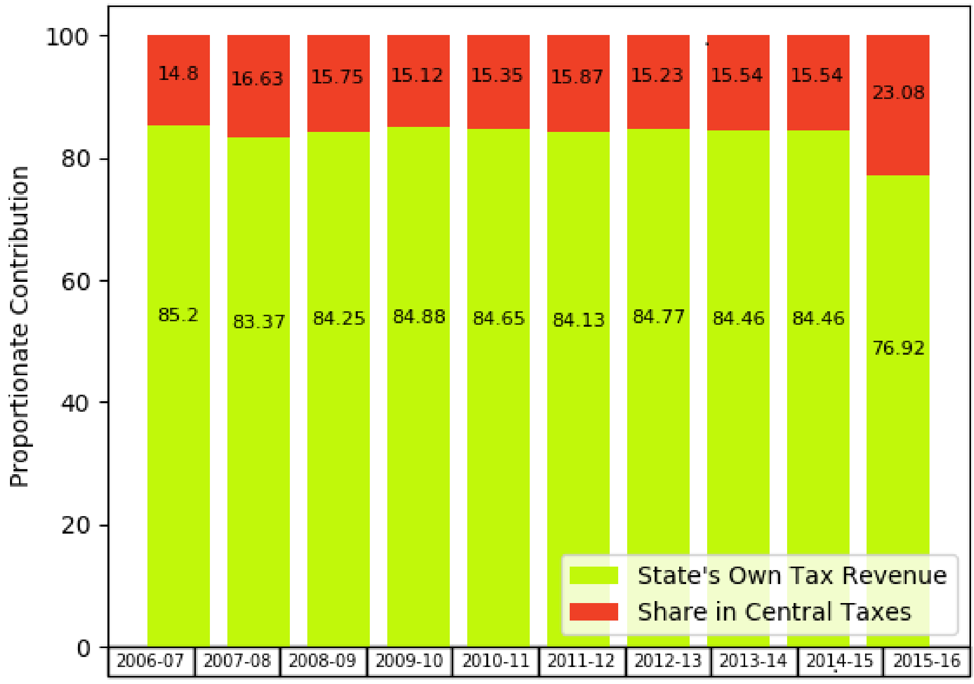
Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

Figure 17. Components of Tax Revenue (in Bn INR)



Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

Figure 18. Proportionate contribution of Components of Tax Revenue (in %)

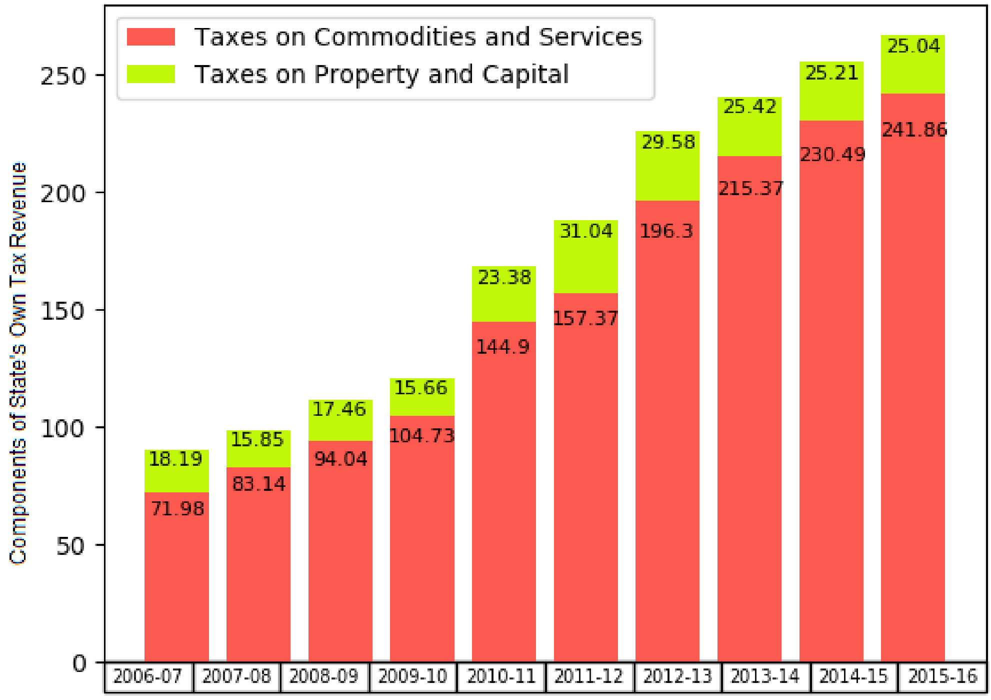


Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

Figure 18 portrays proportionate contribution of 'State's Own Tax Revenue' and 'Share in Central Taxes' in Tax Revenue. It can be clearly seen that the contribution of Share in Central Taxes increased in year 2015-16 which was consequent to the increase in devolution share to 42% by 14th Finance Commission.

On a detailed note on components of Revenue receipts, under the subhead State's Own Tax Revenue it has been observed that there is a large share of taxes on commodities and services received by the government of Punjab (Figure 19).

Figure 19. Components of State's Own Tax Revenue (in Bn INR)



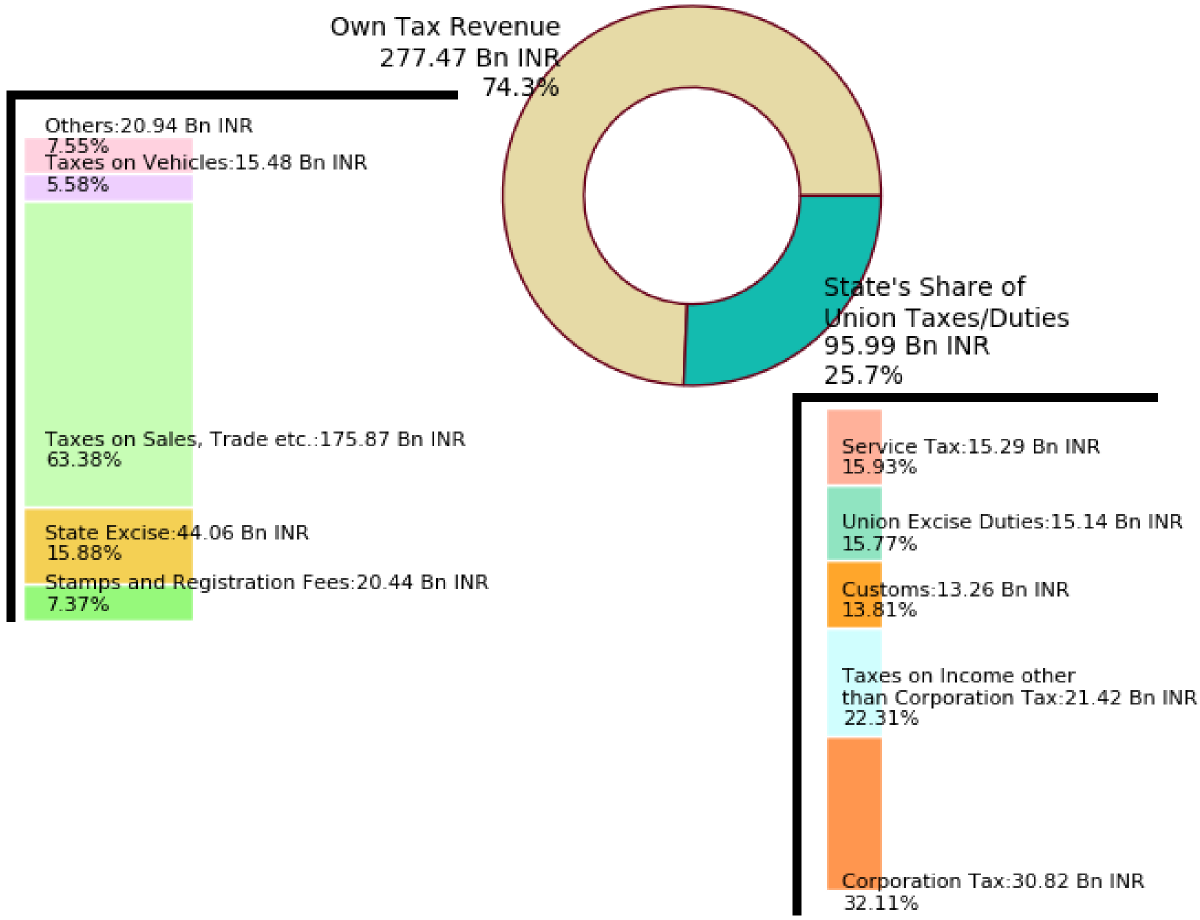
Source: State Finances: A Study of Budget(06-07 to 17-18),RBI

The figures 20 and 21 depict the tax revenue collections of the state for the year 2016-17 and 2017-18. For both the said years, Own Tax Revenue has greater collections when compared with State's Share of Union taxes/Duties. Furthermore, for the year 2016-17; Taxes on Sales, Trade etc accounted for highest share in Own tax Revenue with 63.38% while in the year 2017-18 the share of taxes on Sales, trade reached at 36.68% of Own tax Revenue Collections along with the then introduced GST acquiring 25.97% of Own Tax Revenue Receipts.

With respect to State's share of Union Taxes/Duties; highest share is accounted for Corporation tax with 32.11% in the year 2016-17 with miniscule decline in the year 2017-18 at 30.64%.

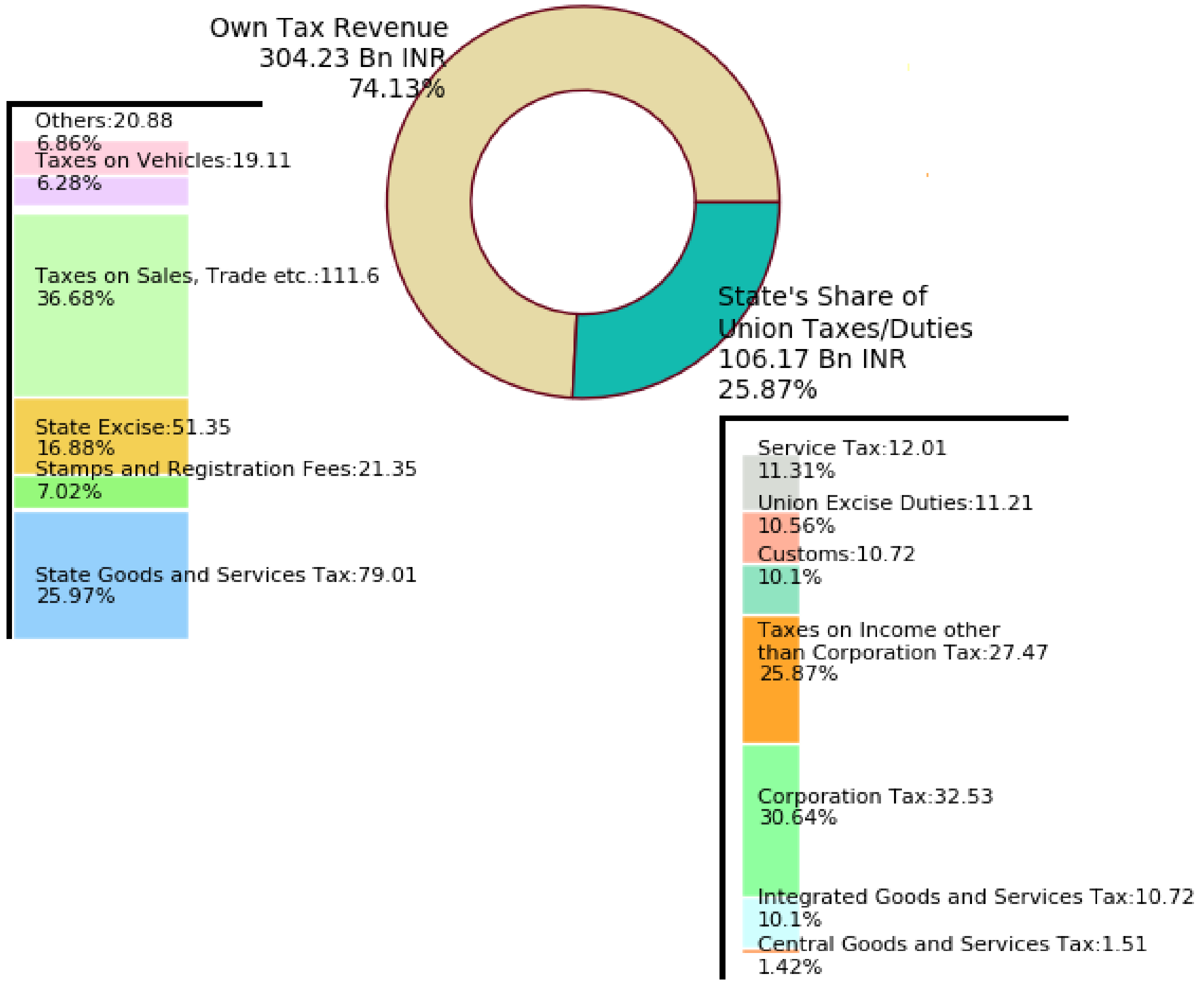
Additionally, a newly added component in the composition of State's share of Union taxes/Duties is that of Integrated Goods and Services Tax and Central Goods and Services tax holding a share of 10.1% and 1.42% respectively.

Figure 20. Composition of Tax Revenue for 2016-17



Source: State Finance Accounts, 2018, CAG

Figure 21. Composition of Tax Revenue for 2017-18 (in Bn INR)

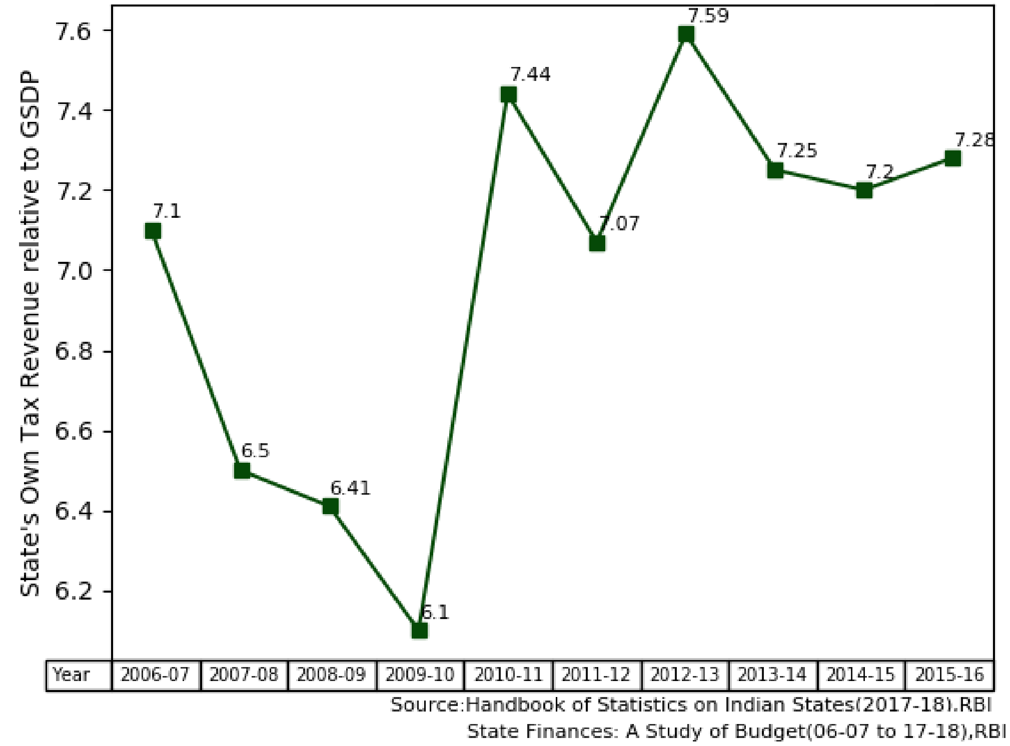


Source: State Finance Accounts, 2018, CAG

Figure 22 details the State's Own Tax Revenue relative to Gross State Domestic Product, which is a measure of revenue capacity of the state. Higher the proportion of State's Own Tax Revenue greater the government's discretion in spending on development purposes. On the other hand, lower proportion of State's Own Tax Revenue limits the government's capacity to spend and increases dependence on the Centre.

State's Own Tax Revenue relative to Gross State Domestic Product has remained confined within the range 6% to 8% and never touched double digit mark for the years 2006-2016. The scenario may possibly change post GST as it might affect the state's ability to levy new taxes or change current taxes.

Figure 22. State's Own Tax Revenue relative to GSDP (in %)



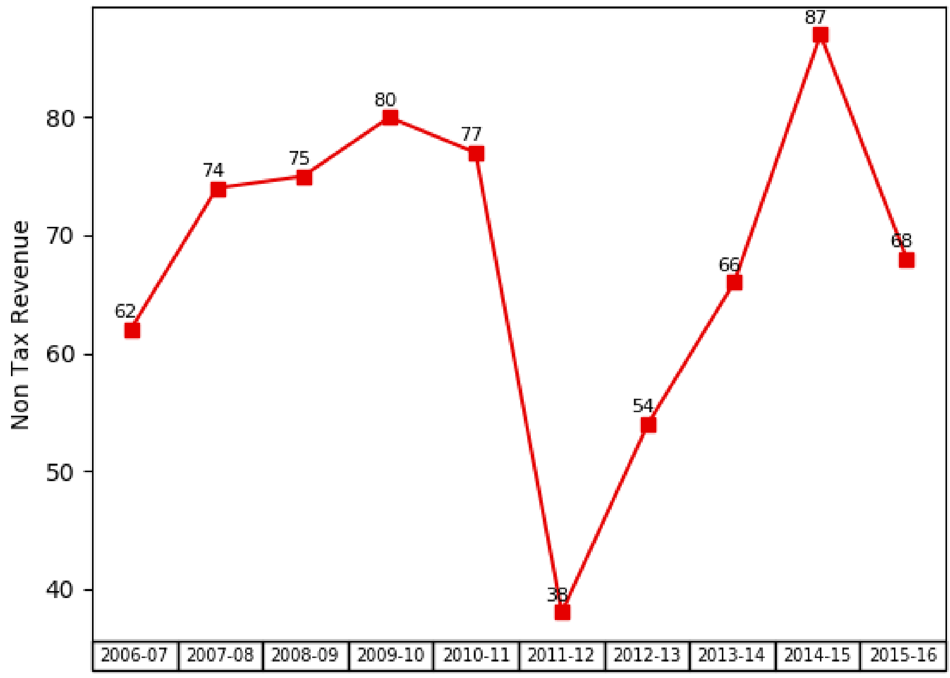
2.1.3 Non-Tax Revenue

Non-Tax Revenue refers to income of the government generated from sources other than taxation. Non-Tax Revenue comprises of two major contributions-(a) State's Own Non-Tax Revenue &, (b) Grants from the Centre.

Such receipts include: charges earned for various social and economic services provided by the government like: medical, police and defence, social and community services, power and railways; interest receipts, dividends and profits of departmental and non- departmental enterprises. Grants from the Centre include monetary aid received from Centre for various state plan schemes and Central schemes; and Non-Plan Grants.

Figure 23 shows two major falls in the Non-Tax revenue at Rs. 38 Billion in 2011-12 and Rs.68 Billion in 2015-16. Table 2 depicts that the contribution of Non-Tax revenue to total revenue receipts has substantially decreased, from 36.98% in 2006-07 to 16.43% in 2015-16. This raises concern regarding revenue raising capacity of the government.

Figure 23. Non-Tax Revenue (in Bn INR)



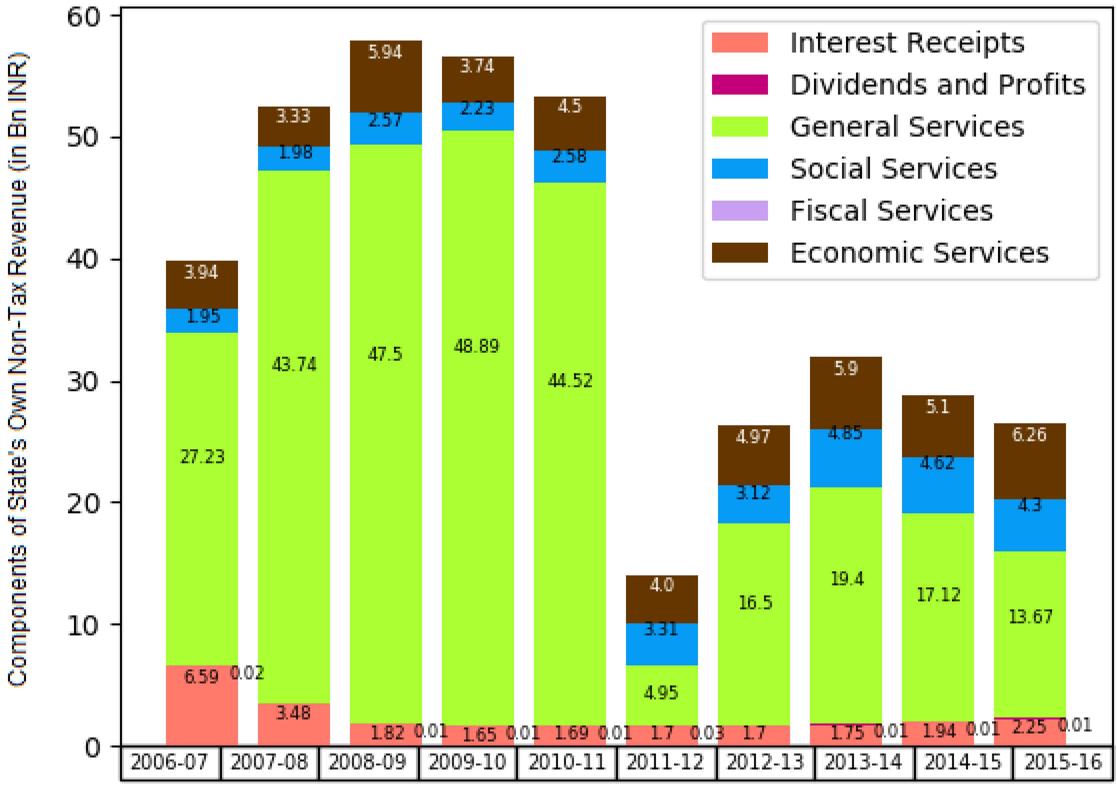
Source: State Finances : A Study of Budgets (2006-07 to 2017-18), RBI

2.1.3.1 State's Own Non-Tax Revenue

State's Own Non-Tax Revenue directly indicates the revenue raising capacity of the State government from sources other than taxes. This revenue along with State's Own Tax Revenue amplifies the state government exchequer.

Figure 24 shows the contribution of components of State's Own Non-Tax Revenue over the period of 2006-2016. Figure (24) reveals a notable decline in State's Own Non-Tax Revenue over the years; with sharp reduction in contribution received from General Services head, at the same time, contributions from Economic Services and Social Services has been steadily increasing. The contribution of investment returns under the heads of Interest Receipts and Dividends & Profits has been miniscule over the period with no new additions, which is a consequence of heavy Committed Expenditure leaving government with no extra funds to invest further.

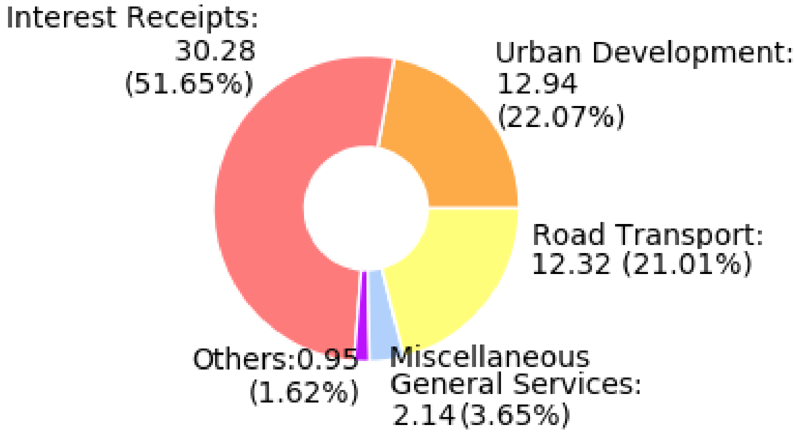
Figure 24. Components of State's Own Non-Tax Revenue (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

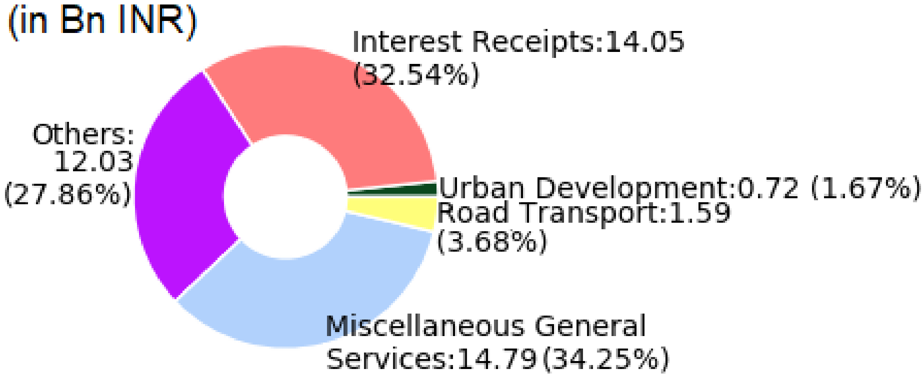
The figures 25 and 26 depict Composition of Non-Tax Revenue for the year 2016-17 and 2017-18. It could be observed that while in the year 2016-17, the highest share of Non-tax revenue was grabbed by Interest Receipts at 51.65% whereas in the year 2017-18 Miscellaneous General Services held the top most position with 34.25%. Moreover, substantial reduction of Non-Tax Revenue receipts has been observed with respect to Urban Development and road Transport reaching at 1.67% and 3.68% in the year 2017-18 from the previous year share of 22.07% and 21.01% respectively.

Figure 25. Composition of Non-Tax Revenue for 2016-17(in Bn INR)



Source: State Finance Accounts, 2018, CAG

Figure 26. Composition of Non-Tax Revenue for 2017-18 (in Bn INR)



Source: State Finance Accounts, 2018, CAG

2.1.3.1.1 Dividends & Profits

Profits pertain to Departmental enterprises often referred to as Department Commercial Undertakings, are enterprises (not maintained as legal corporation) owned, controlled and run directly by public authorities. Government activities like irrigation, forest, railways, transport, communication, milk-supply, printing presses, mints, currency and coinage, security presses, ordnance factories and electricity are considered as commercial enterprises[3].

Dividends pertain to Non-Departmental Commercial enterprises (NDCE) which includes government companies with at least 51% of the paid-up capital held by Central Government or State Government or partly by both or, partly one or more State Governments and subsidiaries of government companies. Based on type of activity, NDCEs can be categorised into: Financial Enterprises (National Banks, financial corporations, LIC, GIC, ESIC) and Non-Financial Enterprises (undertakings related to agriculture, forestry, fishing, mining, manufacturing, electricity and gas, road, air and water transport, storage and warehousing, hotels and restaurants etc.)[4]

Figure 27 shows contribution of Dividends and Profits over the years 2006-2016. It can be understood that the share of dividends and profits have been quite low with Rs. 0.33 Crores in 2012-13 to maximum at Rs. 3.1 crores in the year 2011-12.

Profits and Dividends have a diminutive share in State's Own Non-Tax Revenue, with just 0.05% contribution in the year 2015-16. In many cases no dividend is received due to losses, non-availability of surpluses or reinvestment.

It reflects that money being invested by the government of Punjab in Departmental enterprises and Non-Departmental Commercial enterprises is not generating enough return and profits.

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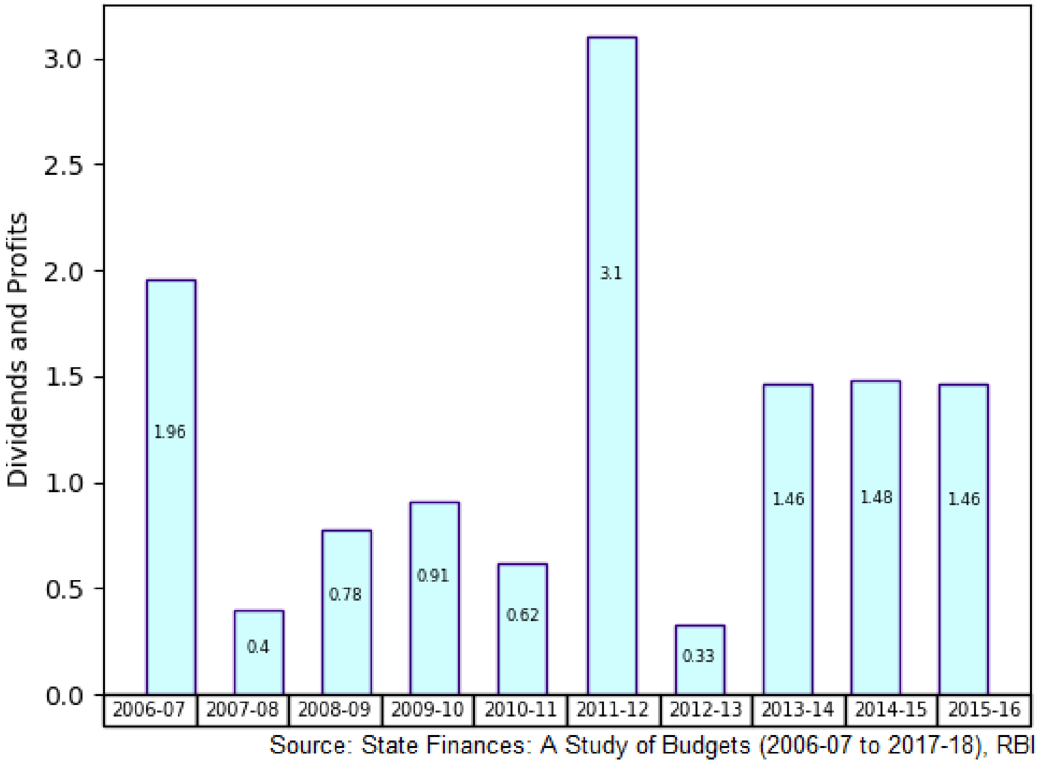
[3] Source: Ministry of Statistics and Programme Implementation, National Account Statistics: Sources & Methods, 2007, Chapter 27.

[4] Source: Ministry of Statistics and Programme Implementation, National Account Statistics: Sources & Methods, 2007, Chapter 27.

Figure 27. Dividends and Profits (in crores INR)



2.1.3.1.2 User Charges

User charges are fees that people are required to pay for using public services provided by the government. Government provides a variety of services; user charges is a measure not only covering the cost but also generate revenue and promote economic efficiency. Although, considering public welfare, many services are provided without any charges or at subsidised rates.

In case of certain merit goods, the government does not consider cost recovery as the primary objective as investment in certain core development areas are necessary considering overall economic development.

Since the government of Punjab provides many services like: power, education, health, water-supply and sanitation, major and medium irrigation, minor irrigation, roads and bridges etc. at subsidised charges, it does not add much to the revenue of the state.

2.1.3.1.3 Suggestions to enhance State's Own Non-Tax Revenue

The government should minimise the fluctuations in the revenue generated through Non-Tax Revenue sources.

The government should adopt measures to increase the share of economic services and social services in State's Own Non-Tax Revenue and should also keep a check that whether investment in these services is efficiently leading to economic development of society.

Considering miniscule contribution of profits and dividends, government should opt for disinvestment or winding up of loss-making enterprises. Government can also formulate sound Turnaround Policy for financial recovery of poor performing units.

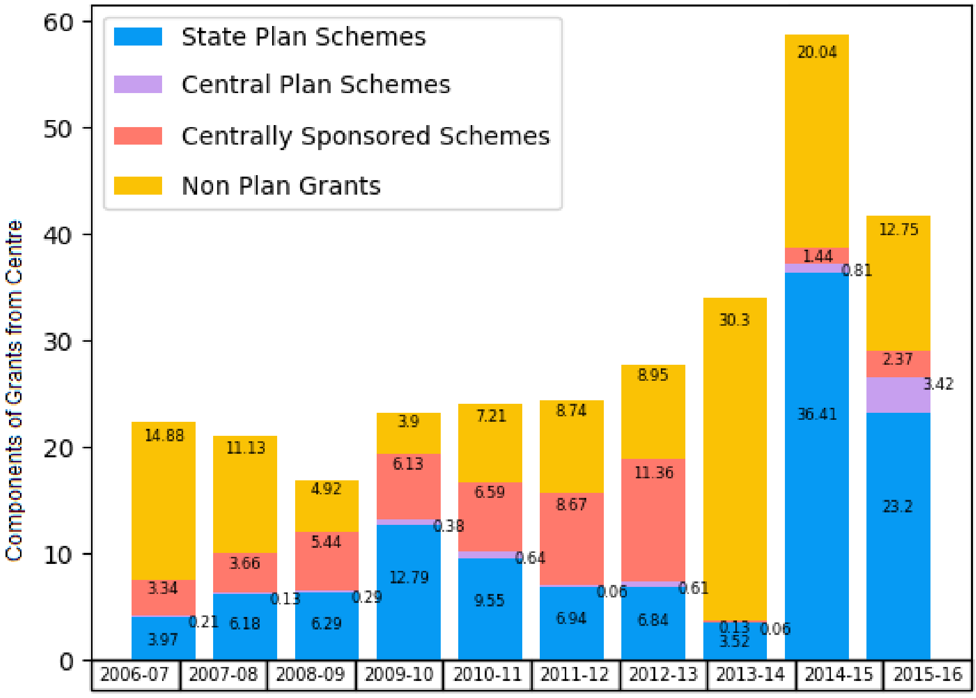
The methodology of determination of user charges can be changed considering economic status of different groups and depending on increase in the frequency of usage, charges can be increased every year by certain percentage. The government should also consider the recovery rates and overuse (overconsumption) of services (due to minimal charges).

2.1.3.2 Grants from Centre

Grants from Centre is the amount of money received from Central Government meant for special purposes like:
State Plan Schemes, Central Plan Schemes, Centrally Sponsored Schemes and Non-Plan Grants (Statutory Grants, Grants for relief on account of natural calamities etc.)

Grants from Centre is the second major component of Non-Tax Revenue. (Figure 28) exhibits major changes post 2013-14, wherein grants from centrally sponsored schemes have diminished. Much of this development can be attributed to the Punjab government's inability to provide matching contributions of grants, especially towards the centrally sponsored schemes.
At the same time, contributions have noticeably increased under the heads Non-Plan Grants and State Plan Schemes.

Figure 28. Components of Grants from Centre(in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

In the year 2016-17, Grants-in- Aid received from Government of India were Rs 47.76 Billion, whereas it received a substantially larger amount of Rs 76.51 Billion in 2017-18.

2.1.4 REVENUE & OWN-TAX BUOYANCY RATIOS

Buoyancy ratio indicates the elasticity or degree of responsiveness of fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

Table 4. Buoyancy Ratios

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Revenue Buoyancy w.r.t GSDP	1.9	0.82	1.63	0.62	1.68
2. State's Own Tax Buoyancy w.r.t GSDP	1.7	0.57	0.9	0.42	0.43
3. Revenue Buoyancy w.r.t State's Own Taxes	1.12	1.44	1.8	1.46	3.93

Source: Report of Comptroller & Auditor General of India on State Finances for the year 2016-17

As mentioned in Table 4, the revenue buoyancy with reference to GSDP kept on fluctuating during 2012-17 as it came down from 1.90 in 2012-13 to 1.68 in 2016-17. The sudden spike in revenue buoyancy in 2016-17 vis-à-vis the previous year was primarily due to sharp increase in non-tax revenue of the State and enhanced devolution of Central funds. Though the share of union taxes and duties increased during 2015-16 over the previous year (2014-15), yet its effect was not seen in the buoyancy due to considerable decrease in the grants-in-aid and non-tax revenue during the same period. The State's own tax buoyancy with reference to GSDP remained low and came down from 1.70 in 2012-13 to 0.43 in 2016-17.

2.2 REVENUE EXPENDITURE

Revenue expenditure could be understood as all expenditure that goes towards operation and maintenance, committed salary expenditure and does not create any asset.

In this section, an attempt has been made to analyse various trends in the components of revenue expenditure and the revenue gap in the State's financial statement.

Table 5 and Figure 29 shows various components of revenue expenditure, whereas Figure 30 shows year wise growth rate of revenue expenditure depicting that revenue expenditure has been growing at 11.91% on average, over the past years.

Government of Punjab's Committed expenditure largely comprises of Salaries and Wages, Pensionary Charges, Subsidies and Interest Payments that account for more than 90% of the revenue receipts.

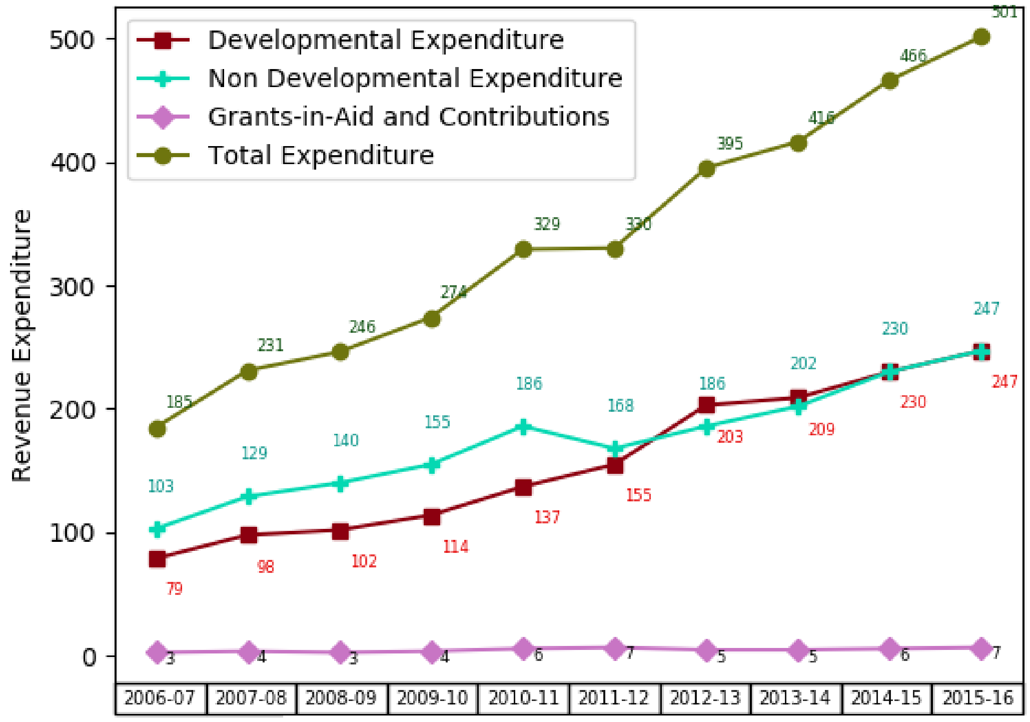
This indicates the limitation of the government to manoeuvre its revenue finances for other productive and welfare areas.

Table 5. Revenue Expenditure (in Bn INR)

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Developmental Expenditure	78.77	98.12	102.27	114.36	136.6	155.11	203.42	209.19	229.66	246.54
2.Non Developmental Expenditure	103.39	128.92	140.32	155.25	185.98	167.88	185.72	201.92	230.43	247.13
3.Grants-in-Aid and Contributions	3.29	3.57	3.1	4.47	6.4	7.47	5.44	5.3	6.04	7.06
4.Total Expenditure	185.44	230.61	245.69	274.08	328.97	330.45	394.58	416.41	466.13	500.73

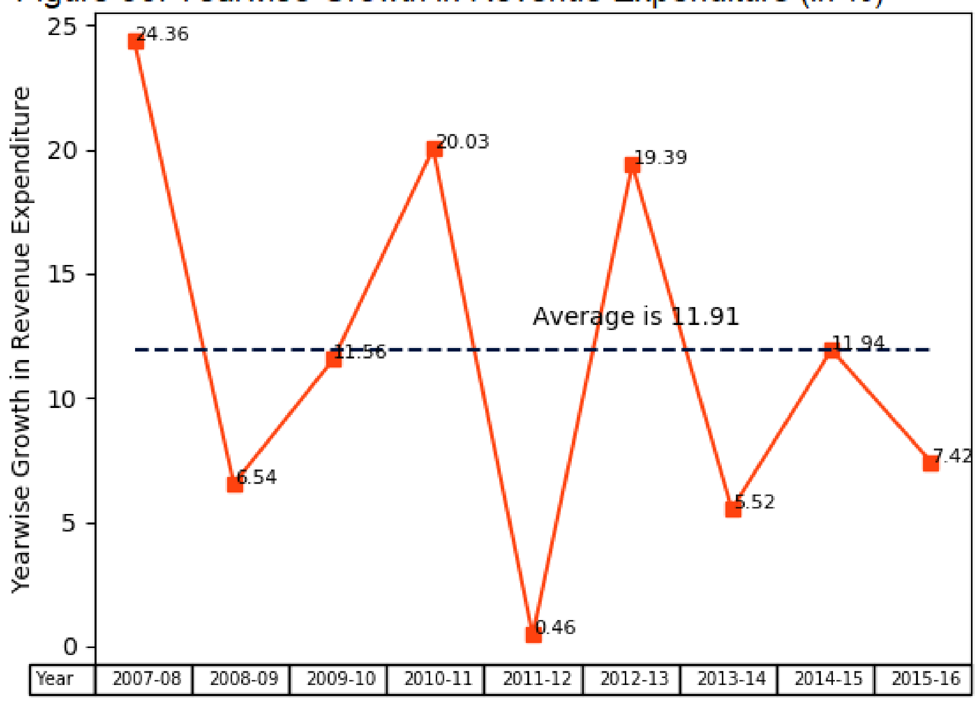
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 29. Revenue Expenditure and its Components (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 30. Yearwise Growth in Revenue Expenditure (in %)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

In the Figure 31 and Figure 32, two major components of revenue expenditure can be observed i.e. Development Expenditure and Non-Development Expenditure.

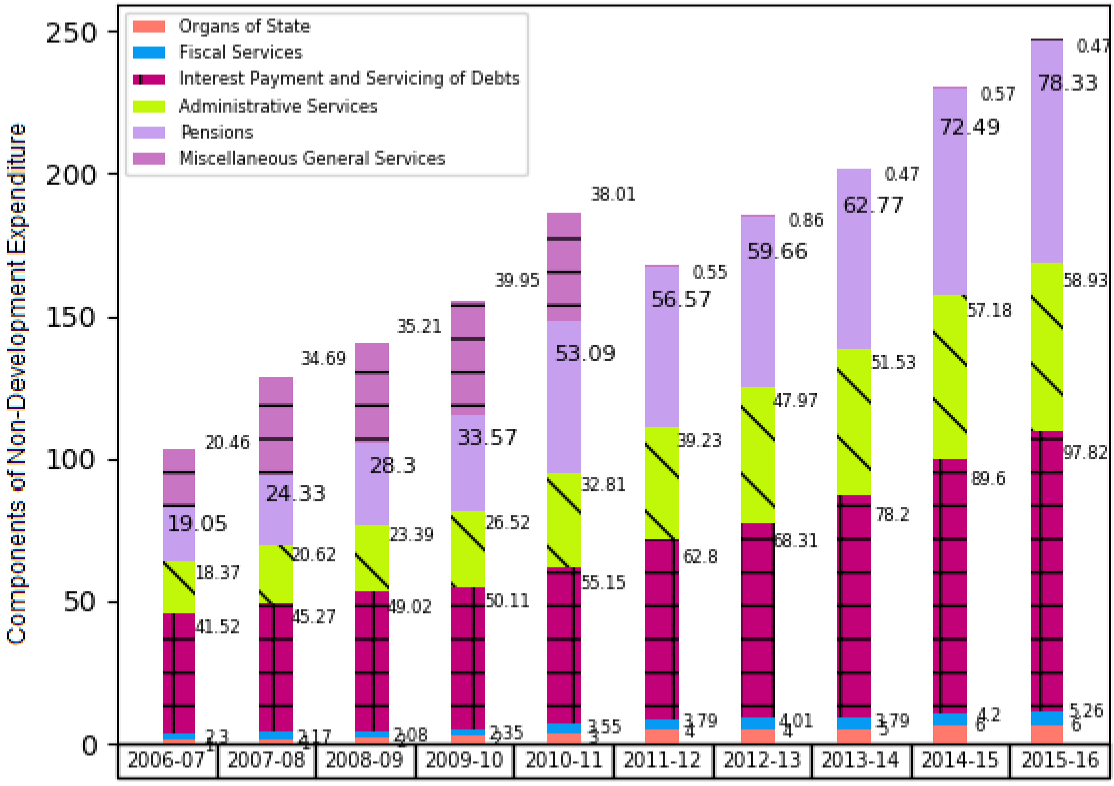
In the past ten years, the overall increase in revenue expenditure has grown to 170%. With revenue expenditures in 2006-07 being Rs. 185.44 billion and in 2015-16 being Rs. 500.73 Billion.

Growth in Development Expenditure being 212.98% with Development Expenditure in 2006-07 being Rs. 78.77 Billion and in 2015-16 being Rs. 246.54 Billion.

Non-Development Expenditure, at the same time, grew by 140%; with Non-Development Expenditure in 2006-07 at Rs. 103.39 Billion and in 2015-16 being Rs. 247.13 Billion.

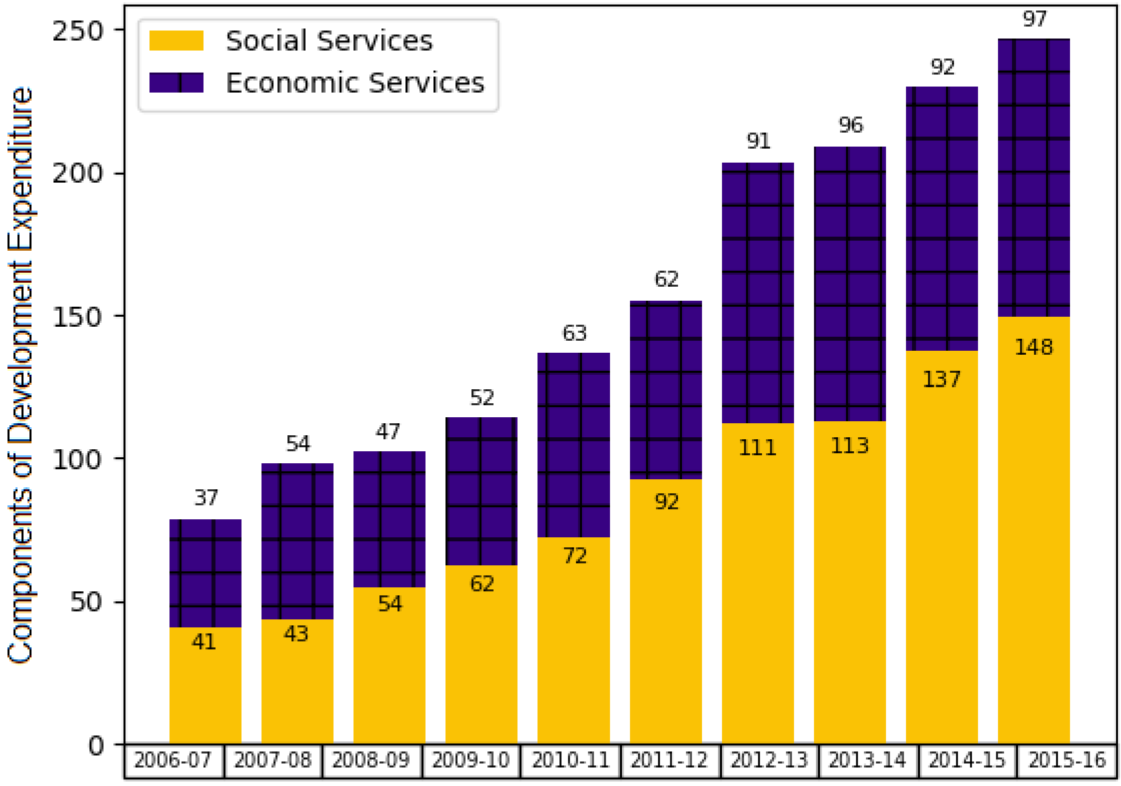
Growth in Grants-in -Aid & Contributions over the decade being 114.6%; with Grants-in Aid & Contribution in 2006-07 being Rs. 3.29 Billion and in 2015-16 being Rs. 7.06 Billion.

Figure 31. Components of Non-Development Expenditure (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

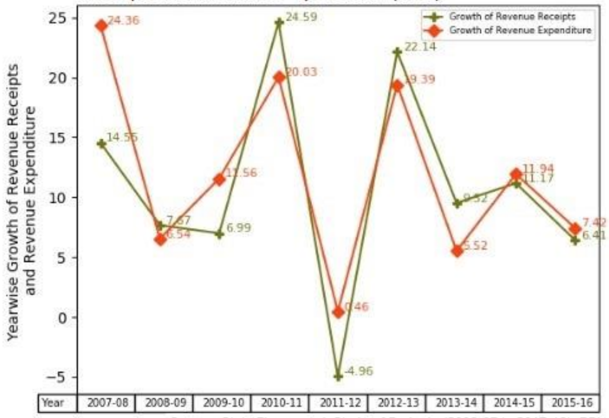
Figure 32. Components of Development Expenditure (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

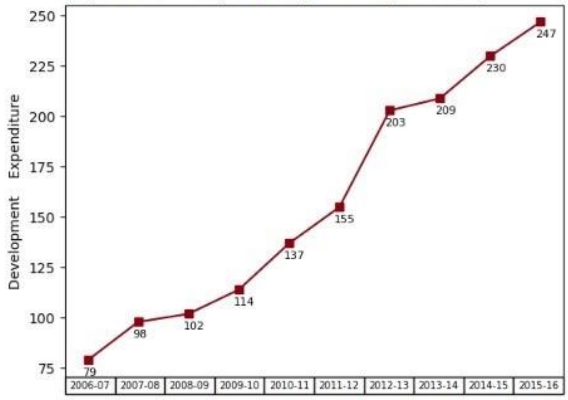
As explained in above paragraph a large amount of Non-Development Expenditure can be attributed to the Salaries, Pensions, Interest Payments etc. Of the total Revenue Expenditure, Salaries and wages alone comprises of 37.5%. In the Non-Development Expenditure, Pensions and interest payments alone comprise 72% of the total. This explains a low expenditure on key revenue developmental expenditure areas under the revenue head. Out of Total Revenue Expenditure, the share of Health Expenditure being 4.8%, 0.7% Water Supply and Sanitation, 0.14% Urban Development, 17% Education, Sports, Art & Culture.

Figure 33. Yearwise Growth of Revenue Receipts and Revenue Expenditure (in %)



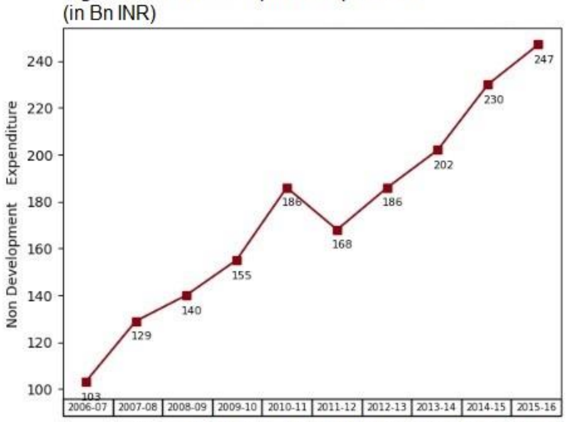
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 34. Development Expenditure (in Bn INR)



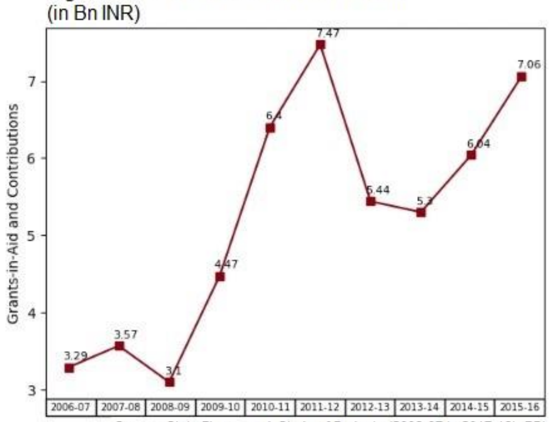
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 35. Non-Development Expenditure (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

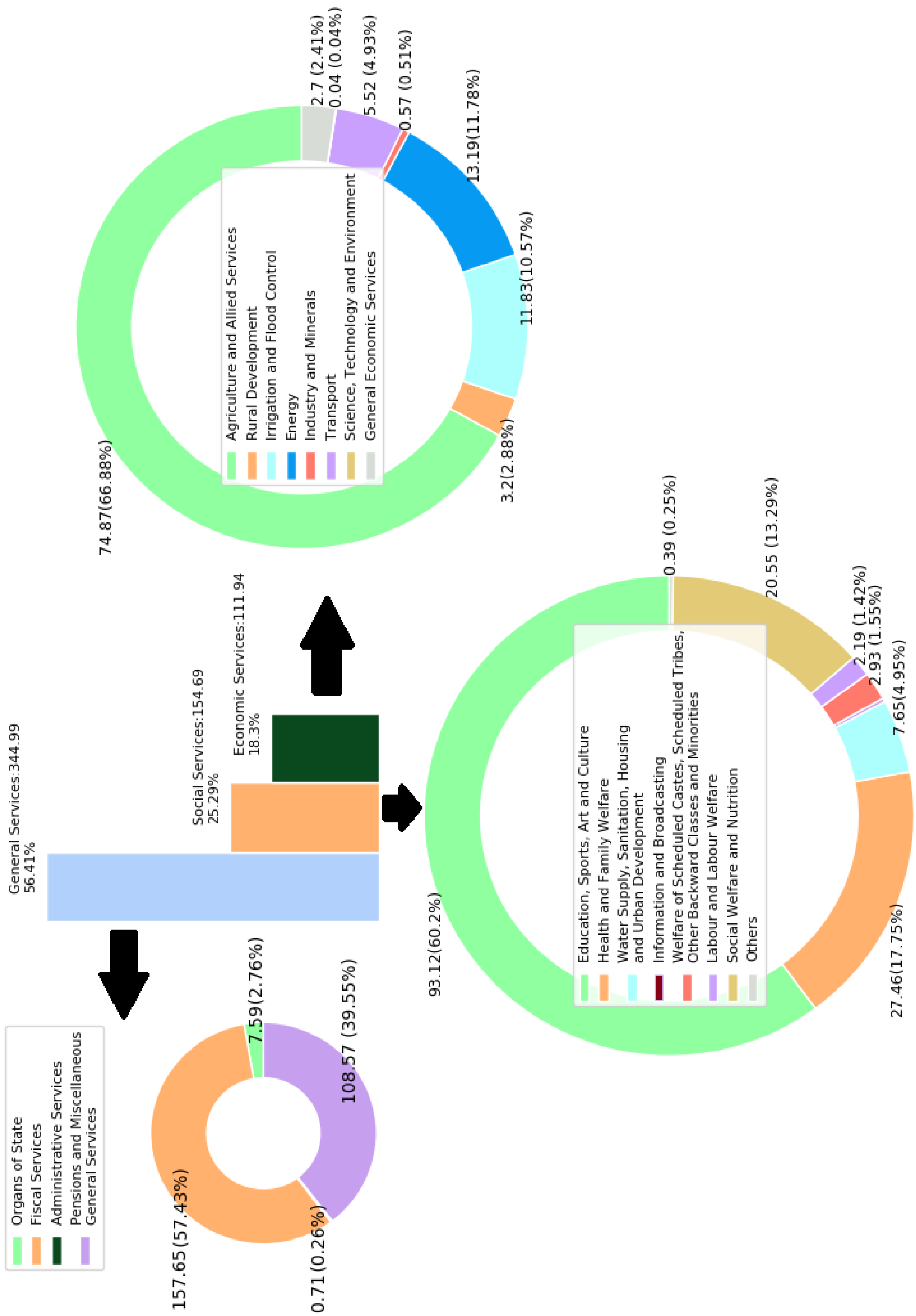
Figure 36. Grants-in-Aid and Contribution (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

The figure 37 depicts the Revenue Expenditure of Punjab for the year 2017-18. The revenue expenditure is split towards three categories viz: General Services, Social Services and Economic Services. Out of the three services, highest expenditure is expended towards General Services accounting for 56.41% of the total Revenue Expenditure followed by Social services-25.29% and Economic Services-18.3%. Further, amongst the General Services; highest expenditure goes towards Fiscal Services accounting for 57.43% of Total General Services followed by Pensions and Miscellaneous General Services. For Social Services, the maximum amount is expended towards 'Education, Sports, Art and Culture' followed by 'Health and Family Welfare'. Lastly, amongst Economic Services, 'Agriculture and Allied Services' grabbed the highest share of disbursements reaching at 74.87% of Total Economic Services.

Figure 37. Major Components of Revenue Expenditure for 2017-18 (in Bn INR)



Source: State Finance Accounts, 2018, CAG

2.2.1 Budget Estimates Vis-À-Vis Actuals

The budget of a State government provides description of projections and estimations of revenue and expenditure over an ensuing fiscal year.

A comparison of budget estimates of the Revenue Expenditure of Punjab with respect to the actual expenditure over the period of last ten years reflects that estimation in the budget process has not been very close.

Table 6 below shows the budget estimates of revenue expenditure vis-à-vis actuals. It can be inferred that Punjab government has been successful in spending less than the planned estimates (Figure 38) and trying hard to adhere to the FRBM norms of fiscal prudence.

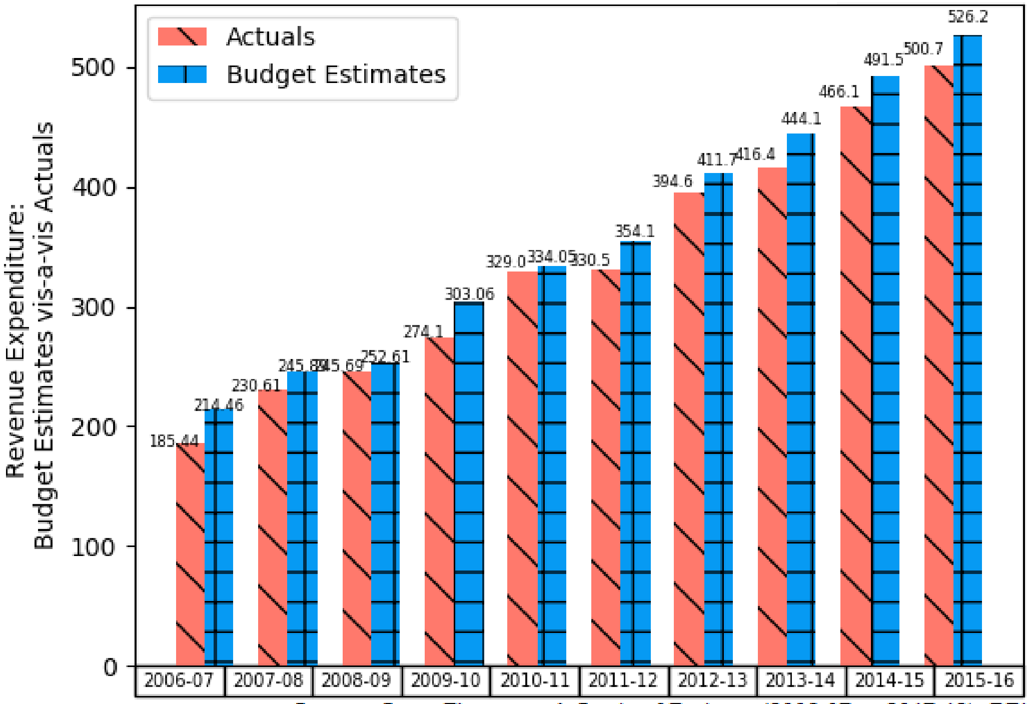
However, the percentage difference between Budget Estimates and Actuals is declining as shown in Figure 39, From 13.53% in 2006-2007 to 4.85% in 2015-2016.

Table 6. Revenue Expenditure: Budget Estimates vis-a-vis Actuals

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1. Actuals(A) (in Bn INR)	185.44	230.61	245.69	274.1	329.0	330.5	394.6	416.4	466.1	500.7
2. Budget Estimates(B) (in Bn INR)	214.46	245.89	252.61	303.06	334.05	354.1	411.7	444.1	491.5	526.2
3. Difference: (A-B)(in Bn INR)	-29.02	-15.28	-6.92	-28.96	-5.05	-23.6	-17.1	-27.7	-25.4	-25.5
4. Percentage Difference: 100*(A-B)/B(in %)	-13.53	-6.21	-2.74	-9.56	-1.51	-6.66	-4.15	-6.24	-5.17	-4.85

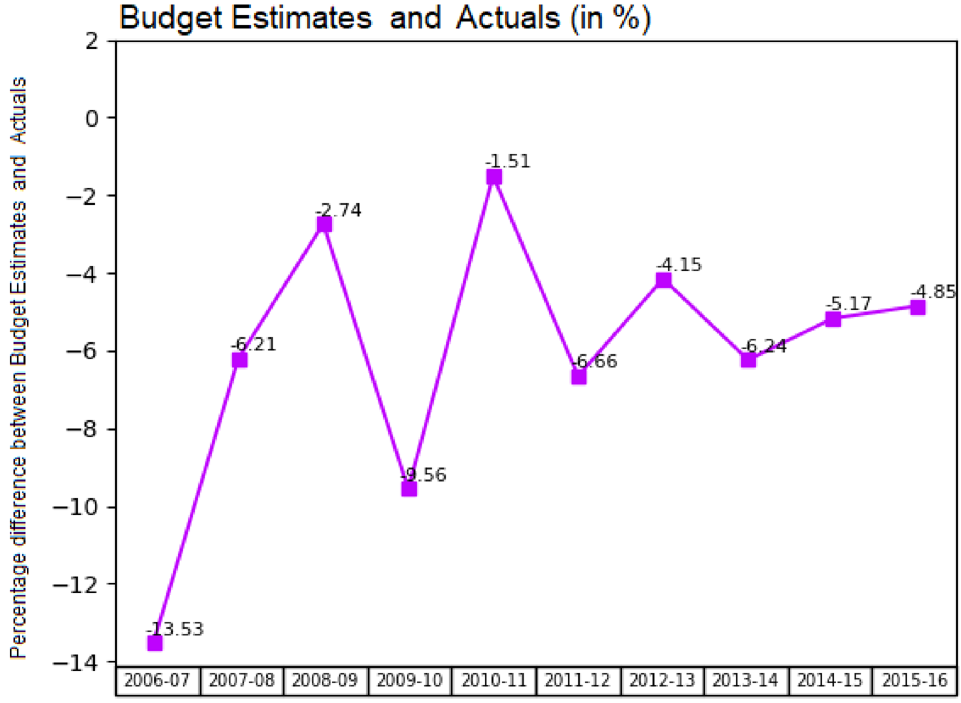
Source: State Finances : A Study of Budgets (2006-07 to 2017-18), RBI

Figure 38. Revenue Expenditure:
Budget Estimates vis-a-vis Actuals (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 39. Percentage difference between
Budget Estimates and Actuals (in %)



Percentage Difference=100* (Actuals-Estimates)/Estimates
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

2.3 CAPITAL RECEIPTS

Capital Receipts are those receipts of the government which either: (a) reduce assets of the government (e.g. sale of share, disinvestment); or (b) create liabilities (e.g. government borrowings).

Table 7 and Figures 40 ,41 and 42, show the components of capital receipts over the years. It can be observed that major component is 'Suspense and Miscellaneous' with an amount of Rs. 1888.75 Billion in 2015-2016. 'Suspense and Miscellaneous' includes suspense (used when account for a particular transaction at the time when transaction was recorded, could not be found), cash balance investment accounts, deposits with RBI, and others.

The table also reveals that internal debt (which includes market loans, loans from LIC, loans from banks, loans from NABARD, loans from NCDC, WMA from RBI, NSSF securities and others) has ballooned in the last ten years; from Rs. 42.54 Bn in 2006-07 to Rs. 381.63 Bn in 2015-16.

Third major constituent is 'Deposits and Advances' with an amount of Rs. 56.94 Billion in 2015-2016. 'Deposits and Advances' includes civil deposits, deposits of local funds, civil advances and others.

'Loans and Advances from Centre' refers to monetary help received from centre for state plan schemes, central plan schemes, centrally sponsored schemes, non-plan aid in case of calamities, WMA from centre and loans for special schemes. 'Loans and Advances from Centre'amounts to Rs. 2.65 Billion in the year 2015-16, which is quite less compared to other components.

It can be clearly infered from Table 7 that the government of Punjab raises more funds via internal debt than the funds it receives from centre.

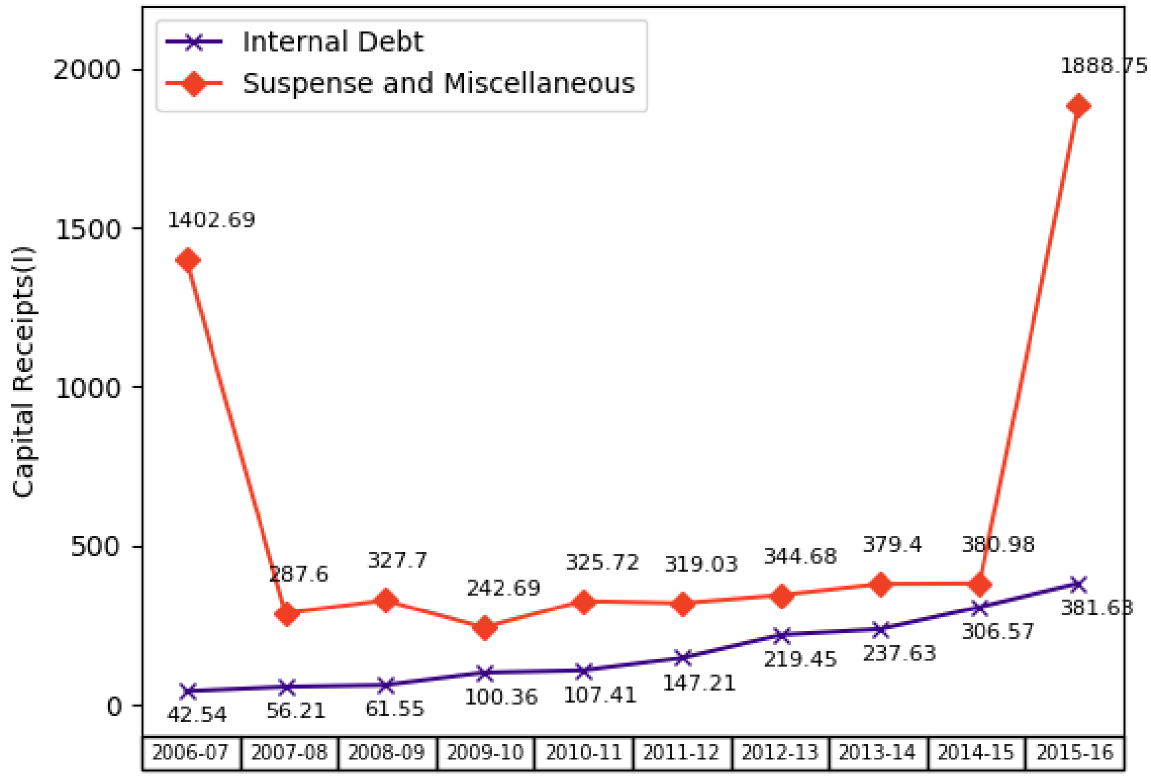
Another observation is that the 'Recovery of Loans and Advances' is low, amounting just Rs. 2.18 Billion in 2015-16.

Table 7. Components of Capital Receipts (in Bn INR)

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Internal Debt	42.54	56.21	61.55	100.36	107.41	147.21	219.45	237.63	306.57	381.63
2.Loans and Advances from Centre	0.21	4.3	2.78	0.71	1.93	1.5	2.22	3.78	5.67	2.65
3.Recovery of Loans and Advances	3.95	14.46	0.79	12.77	5.98	0.94	1.74	1.12	1.37	2.18
4.Small Savings Provident Funds	15.12	18.75	20.54	21.97	25.33	31.06	32.06	33.41	36.83	34.41
5.Reserve Funds	3.19	5.07	5.1	2.44	2.0	4.76	6.46	5.77	6.69	5.9
6.Deposits and Advances	20.86	27.74	40.02	27.95	38.76	42.82	38.82	38.6	44.49	56.94
7.Suspense and Miscellaneous	1402.69	287.6	327.7	242.69	325.72	319.03	344.68	379.4	380.98	1888.75
8.Remittances	12.67	19.23	16.73	16.83	15.96	13.76	15.05	-0.39	0.91	1.04

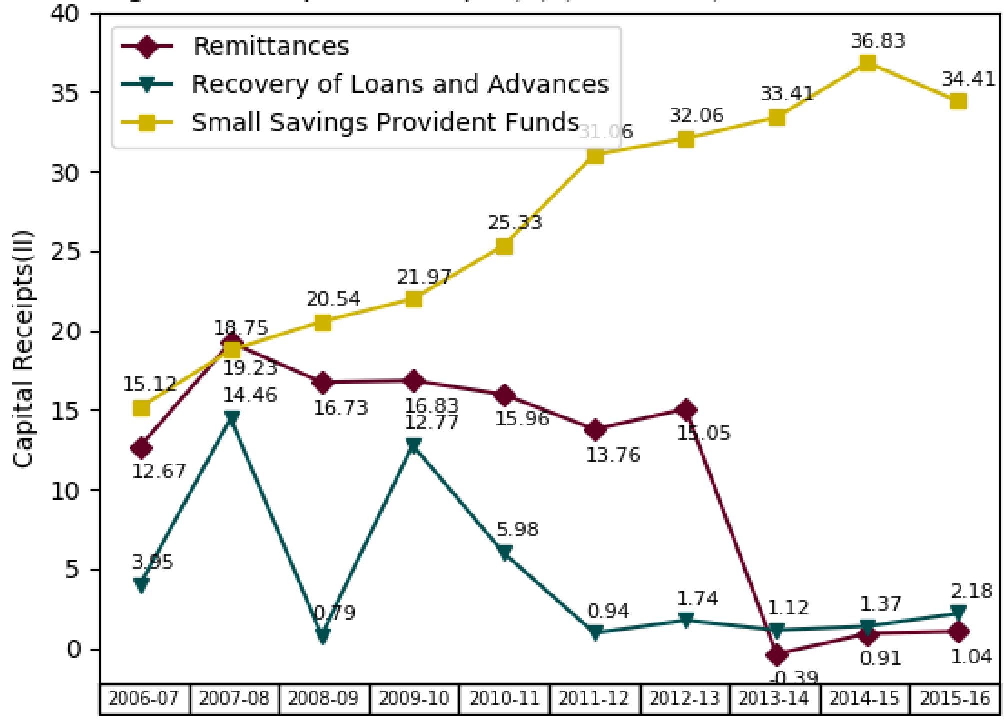
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 40. Capital Receipts (I) (in Bn INR)



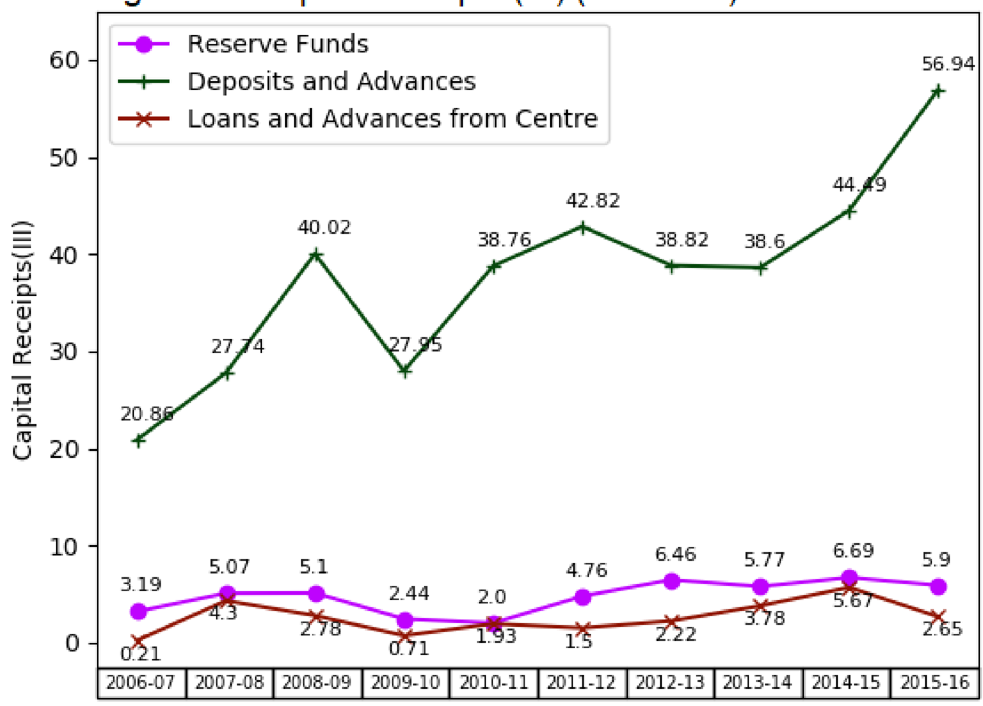
Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 41. Capital Receipts(II) (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 42. Capital Receipts (III) (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

The table 8 depicts the Capital Receipts of Punjab for the year 2016-17 and 2017-18. There are three primary components of Capital Receipts viz: Miscellaneous Capital Receipts, Recovery of Loans and Advances and Public Debt Receipts. Out of the three, the largest amount is received via Public Debt Receipts. Public Debt Receipts are further bifurcated into: Internal Debt & Loans from government of India; internal debt having the substantially higher share.

Table 8. Capital Receipts for the years 2016-18 (in Bn INR)

Year	2016-17	2017-18
1. Miscellaneous Capital Receipts	0	0
2. Recovery of Loans and Advances	1.81	0.73
3. Public Debt Receipts	836.27	459.99
Total(1+2+3)	838.08	460.72

Source: State Finance Accounts, 2018, CAG

Also, the Finance Accounts of Punjab for the year 2017-18 reveal that Internal Debt has considerably reduced to around half in the year 2017-18 (8.29 Billion) from the previous year (4.55 Billion). Furthermore, recovery of Loans and Advances come through three services viz: General, Social and Economic & Loans to Government Servants. It is observed that receipts from Economic Services have drastically reduced from 1.34 Billion in 2016-17 to 0.33 Billion in 2017-18.

2.3.1 Internal Debt

Internal debt composes of market loans, loans from LIC, loans from banks, loans from NABARD, loans from NCDC, ways and means advances from RBI, NSSF securities and others.

Table 9 exhibits the amount (in Rs. Bn) of items mentioned above for the period from 2006-07 to 2015-16 and it can be understood that 'Ways and Means Advances from RBI' has been a major constituent with an amount of Rs. 182.21 Bn in 2015-16 and Market Loans have been second major constituent with an amount of Rs. 108 Bn in 2015-16.

Table 9. Components of Internal Debt (in Bn INR)

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Market Loans	9.81	41.21	61.55	49.85	49.28	82.0	97.0	90.0	89.5	108.0
2.Loans from LIC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.Loans from Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.Loans from NABARD	2.83	3.83	0.0	4.5	3.85	5.1	1.9	4.95	3.94	5.63
5.Loans from NCDC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6.WMA from RBI	0.0	3.88	0.0	30.25	39.81	60.11	114.93	134.68	192.68	182.21
7.NSSF Securities	29.9	7.29	0.0	15.76	14.47	0.0	5.61	8.0	20.45	29.81
8.Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	55.97

Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

In the year 2016-2017, Internal Debt soared to Rs 829.72 Billion from Rs 381.62 Billion in 2015-16. Although, it slipped back to Rs 455.39 Billion in 2017-18 (State Finance Accounts).

2.3.2 Remittances

Remittances can be classified into:

Inward remittances: It represents household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies.

Outward remittances: It refer to the process of sending money in foreign locations from the home country. In India, outward remittances are made mainly through banks and are regulated. This helps state governments in maintaining surplus in remittances.

Remittances is important source of external finance and can help in financing the growth of receiving states.

Figure 41 depicts remittances of government of Punjab from 2006-07 to 2015-16. It shows an unusual low in 2013-14 amounting at Rs. -0.39 Bn (Outward remittances being more than Inward Remittances) in 2013 and high increase in the year 2007-08 at Rs. 19.23 Bn.

However, in the past few years remittances have remained low. **In the year 2016-17, it declined to Rs 0.7 Billion from Rs 1.04 Billion in 2015-16 and then increased slightly to Rs 1.09 Billion in the year 2017-18.**

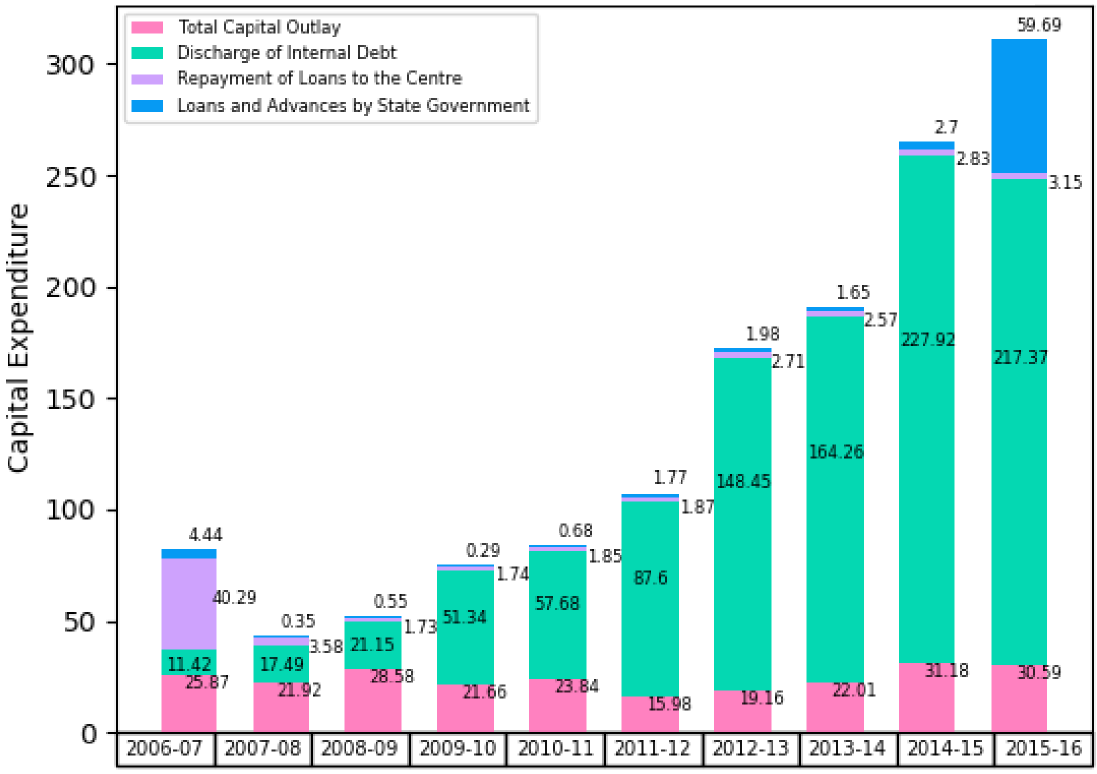
2.4 CAPITAL EXPENDITURE

Capital Expenditure is incurred for acquisition and creation of capital assets.

The Table 10 depicts general trend of CAPEX (Capital Expenditure) from 2006-07 to 2015-16.

The key components of capital expenditure being analysed are Total Capital Outlay, Discharge of internal debt, Repayment of Loans to the Centre, Loans and Advances by the State government, Interstate Settlement, Contingency Funds, Small Savings and State Provident Funds, Reserve Funds, Deposits and Advances, Suspense and Miscellaneous, Appropriation to Contingency Fund and Remittances. Total capital outlay comprises of: Development Expenditure (Social services and Economic Services) and Non- Development Expenditure (General Services).

Figure 43. Components of Capital Expenditure(in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Table 10. Total Capital Disbursements

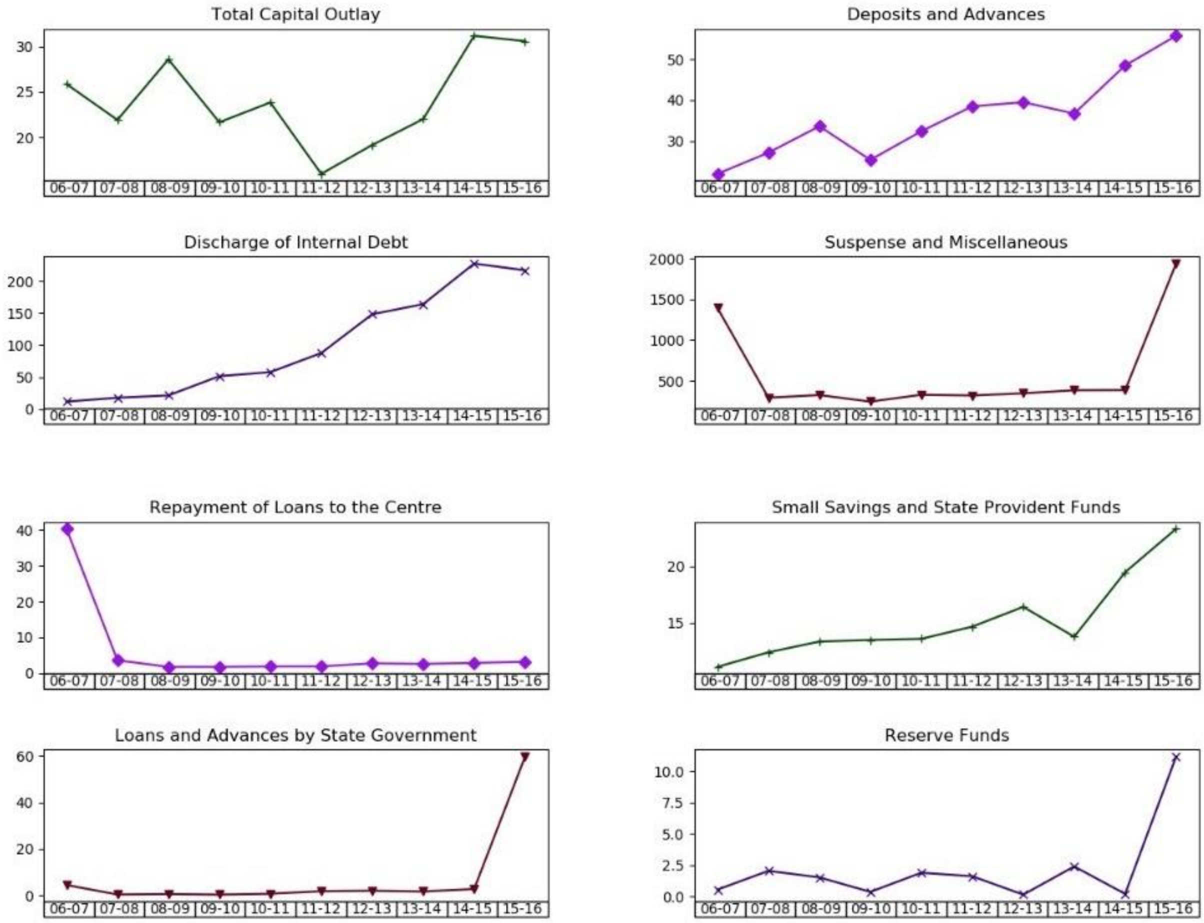
Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Total Capital Outlay(in Bn INR)	25.87	21.92	28.58	21.66	23.84	15.98	19.16	22.01	31.18	30.59
2.Discharge of Internal Debt(in Bn INR)	11.42	17.49	21.15	51.34	57.68	87.6	148.45	164.26	227.92	217.37
3.Repayment of Loans to the Centre(in Bn INR)	40.29	3.58	1.73	1.74	1.85	1.87	2.71	2.57	2.83	3.15
4.Loans and Advances by State Government(in Bn INR)	4.44	0.35	0.55	0.29	0.68	1.77	1.98	1.65	2.7	59.69
5.Inter State Settlement(in Bn INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6.Contingency Funds(in Bn INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7.Small Savings and State Provident Funds(in Bn INR)	11.1	12.39	13.34	13.48	13.58	14.66	16.41	13.77	19.48	23.32
8.Reserve Funds(in Bn INR)	0.53	2.03	1.51	0.35	1.88	1.6	0.13	2.38	0.19	11.16
9.Deposits and Advances(in Bn INR)	21.88	27.08	33.57	25.31	32.34	38.46	39.48	36.69	48.51	55.79
10.Suspense and Miscellaneous(in Bn INR)	1391.63	290.62	323.13	242.33	326.39	317.73	344.51	381.81	383.87	1937.94
11.Appropriation to Contingency Fund(in Bn INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12.Remittances(in Bn INR)	12.82	19.11	16.84	16.44	16.15	13.65	15.11	0.71	0.87	1.02

Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Under this head, the capital disbursement in terms of amount of money, has been more or less constant with a marginal increase in 2014-15 and 2015-16, however in terms of percentage contribution to total capital expenditure, this head has suffered a serious decline (Figure 43, 44). Considering critical subcomponents under this head including Education, Medical and Public Health, Water Supply and sanitation, welfare of SC/ST and OBC, irrigation, industry and minerals, transport, science and technology and environment, the decreasing trend is a matter of concern vis-à-vis the overall progress of state.

Discharge of Internal Debt which is a kind of debt servicing has undergone an exponential rise in Capital expenditure from Rs. 11.4 Bn in 2006-07 to Rs. 217.37 Bn in 2015-16, which is 20-fold increase and exhibits high debt liability of the state (Figure 44).

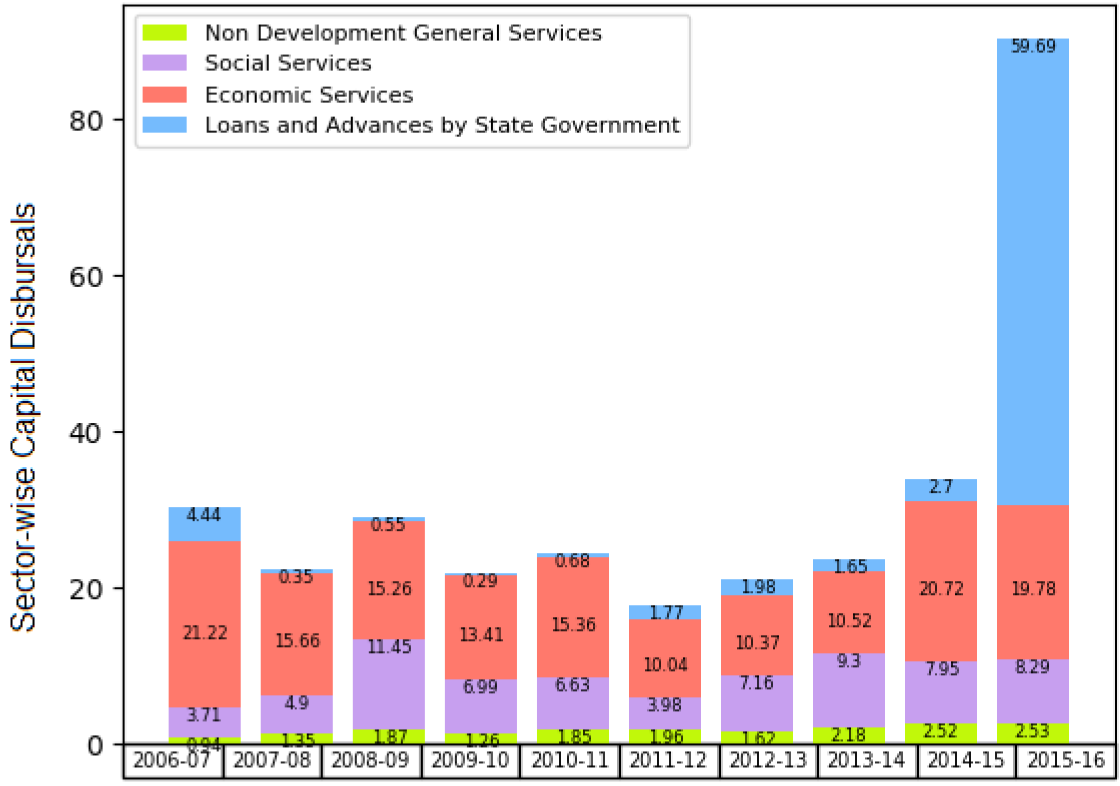
Figure 44. Components of Capital Expenditure (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

In the 2015-16, Under the heads 'Loans and Advances by state government' and 'Suspense & Miscellaneous'; a sharp upward spike has been observed, that shows an unusual event of disbursement in the state. Figure (45) further reveals new trend of heightened increase in 'Loans and Advances by the state government' as a constituent of capital expenditure.

Figure 45. Sector-wise Capital Disbursals (in Bn INR)

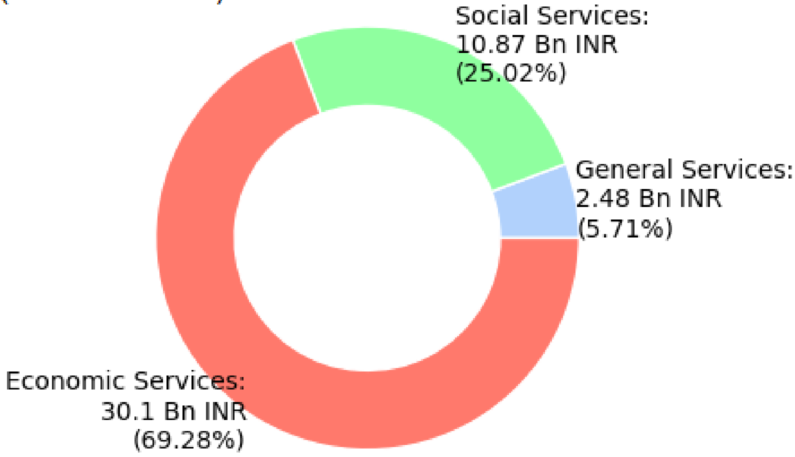


Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

On the other hand, under the head Remittances, there has been a steady decline since 2006-07 (Rs. 12.82 Bn) with Rs. 1.02 Bn in the year 2015-16 (Table 10).

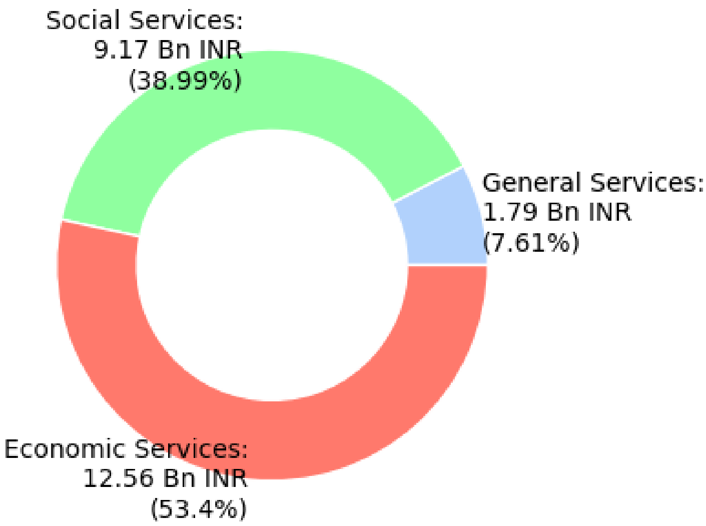
The above figures 46 and 47 depict Capital Expenditure of Punjab for the year 2016-17 and 2017-18. The expenditure is primarily incurred on three services viz: General services, Social and Economic Services. It could be observed that the Punjab Government has reduced its expenses towards economic services from 69.28% in the year 2016-17 to 53.4% in the year 2017-18; while expenditure towards Social Services has been raised from 25.02% in 2016-17 to 38.99% in 2017-18; and for General Services goes up to 7.61% in 2017-18 from 5.71% in 2016-17. Such reallocation of expenditure depicts social development priority of the state.

Figure 46. Capital Expenditure (2016-17)
(43.46 Bn INR)



Source: State Finance Accounts, 2018, CAG

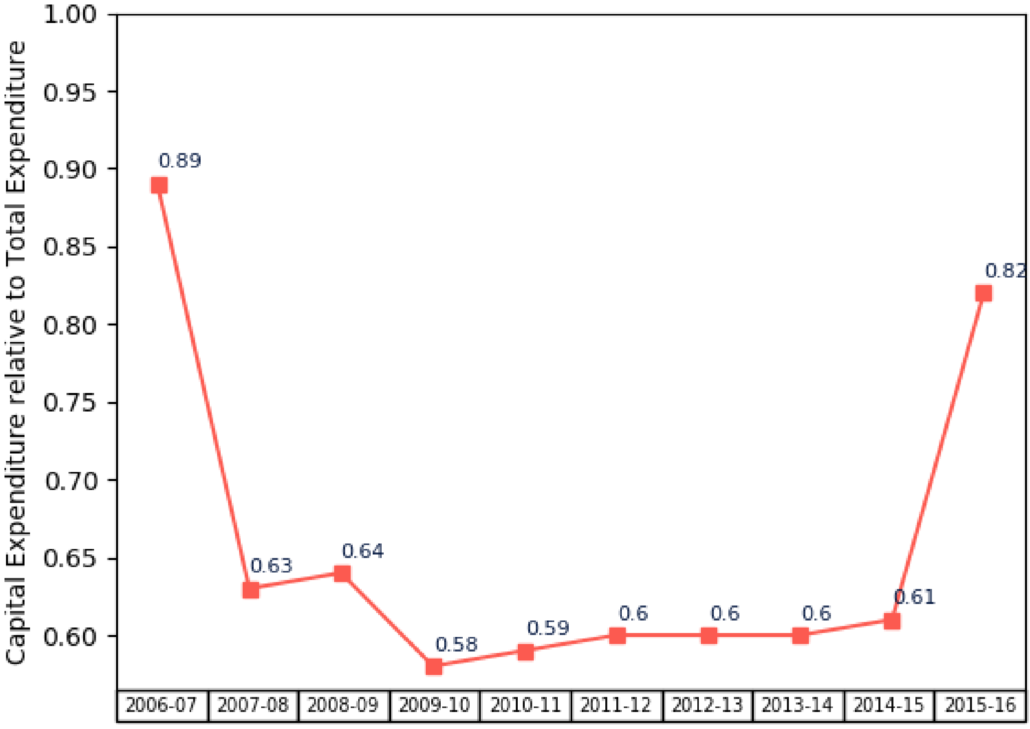
Figure 47. Capital Expenditure (2017-18)
(23.52 Bn INR)



Source: State Finance Accounts, 2018, CAG

On analysing the ratio of Capital Expenditure to Total Expenditure (Figure 48), which has been more or less steady since 2007-08 to 2014-15; a noticeable rise can be observed between 2014-15 and 2015-16.

Figure 48. Capital Expenditure relative to Total Expenditure



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

2.5 DEVELOPMENT VS. NON-DEVELOPMENT EXPENDITURE

Development and Non-Development Expenditure elucidated in this chapter comprise expenditure on Revenue and Capital Accounts and Loans and Advances extended by state of Punjab for development and non-development purposes.

The table 11 depicts the overall Development Expenditure incurred by the state over the time period ranging from 2012-13 to 2016-17. It could be observed that Development revenue expenditure holding highest proportion of Development expenditure of 48.93% in the year 2012-13 has substantially reduced to 25.63% in 2016-17. On the contrary, development Loans and Advances have secured the highest proportion of 40.91% in the year 2016-17 from 0.35% in the year 2012-13. This significant shift on prioritising development expenditure via expending on Loans and Advances rather that revenue expenditure showcases the long-term planning of the state. On the whole, the proportion of Development Expenditure in Total Expenditure has considerably advanced from 53.5% in the year 2012-13 to 70.6% in 2016-17 which signifies Governments' strong preference towards development goals of the state.

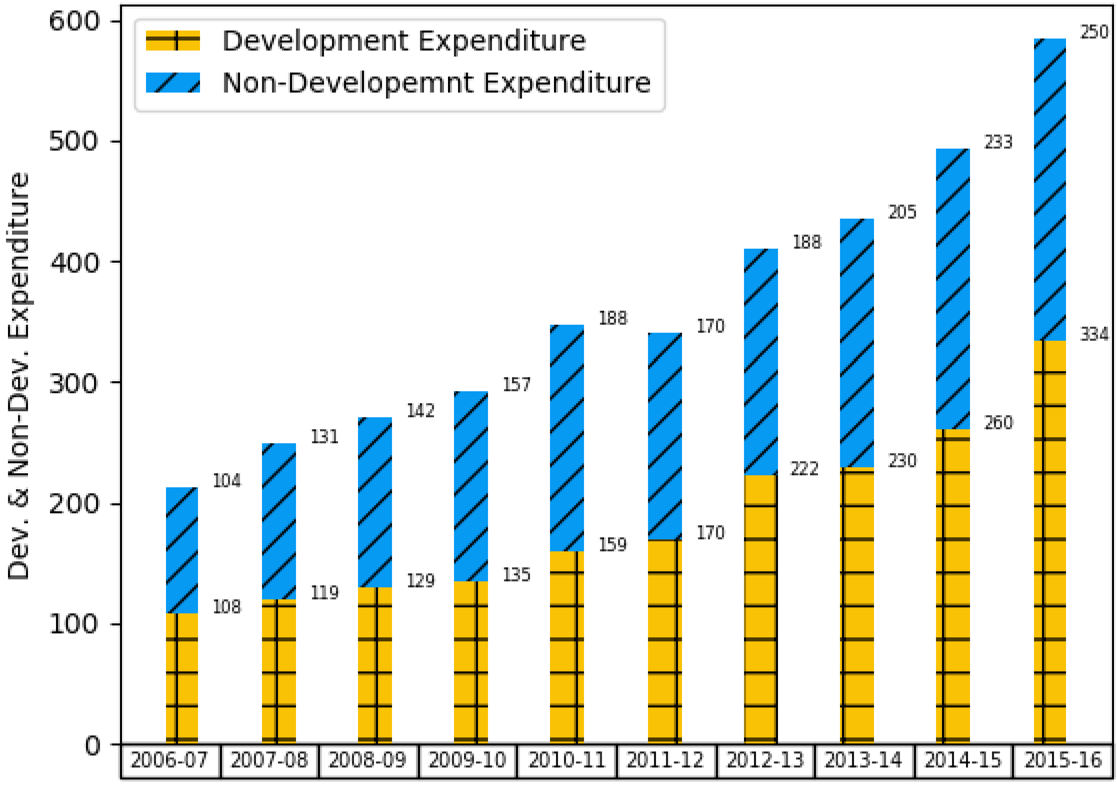
Table 11. Development Expenditure : Some Calculations

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Development Revenue Expenditure(A) (in Bn INR)	203.42	209.19	229.67	246.54	258.9
2. Development Capital Expenditure(B) (in Bn INR)	17.54	19.82	28.66	28.06	40.97
3. Development Loans and Advances(C) (in Bn INR)	1.45	1.16	1.86	59.28	413.23
4. Development Revenue Exenditure to Total Expenditure(in %)	48.93	47.54	45.93	41.71	25.63
5. Development Capital Expenditure to Total Expenditure(in %)	4.22	4.5	5.73	4.75	4.06
6. Development Loans and Advances to Total Expenditure(in %)	0.35	0.26	0.37	10.03	40.91
7. Total Development Expenditure(A+B+C) (in %)	222.41	230.17	260.19	333.88	713.1
8. Total Development Expenditure to Total Expenditure(in %)	53.5	52.3	52.04	56.49	70.6

Source: State Finance Accounts, 2018, CAG

Figure 49 shows the amount of funds spent by the means of Development and Non-Development Expenditure from year 2006-07 to 2015-16. We can infer that over these years, the proportion of development expenditure has increased in comparison to non-development expenditure; although there is not any sizeable gap between money spent on development and non-development purposes by the government of Punjab. The rise in Non-Development expenditure could possibly be due to increasing burden of committed liabilities of the state.

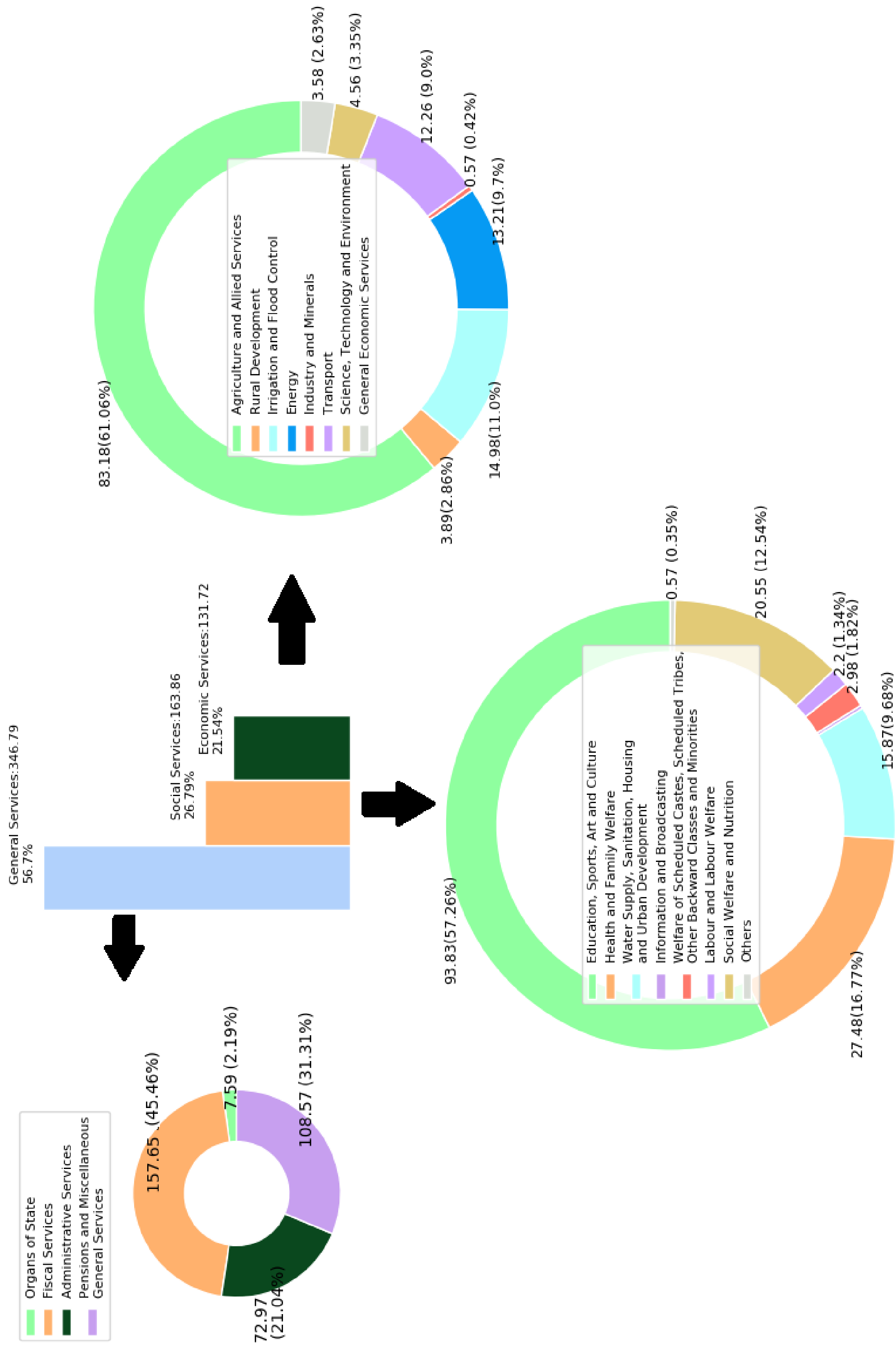
Figure 49. Development and Non-Development Expenditure (in Bn INR)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

The figure 50 reveals Overall Expenditure of Punjab Government for the year 2017-18. It could be observed that for the said financial year the highest amount is expended towards General Services amounting to 56.7% of total expenditure followed by Social Services-26.79% and economic Services-21.54%. Amongst the General Services; highest amount is expended towards Fiscal services- 45.46% of Total General services Expenditure.; while for Social Services highest expenditure goes towards Education, Sports, Art and Culture-57.26% of total Social Services Expenditure; and for Economic Services the highest expenditure is incurred on Agriculture and Allied Services-61.06% of Total Economic Services Expenditure.

Figure 50. Total Expenditure on Major Services (Revenue and Capital Accounts) (2017-18)



Source: State Finance Accounts, 2018, CAG

2.6 COMMITTED EXPENDITURE: GROWTH AND TRENDS

[5]**Committed expenditure** is defined by the Comptroller and Auditor General as the expenditure on interest payments, salaries and wages, pensions and subsidies.

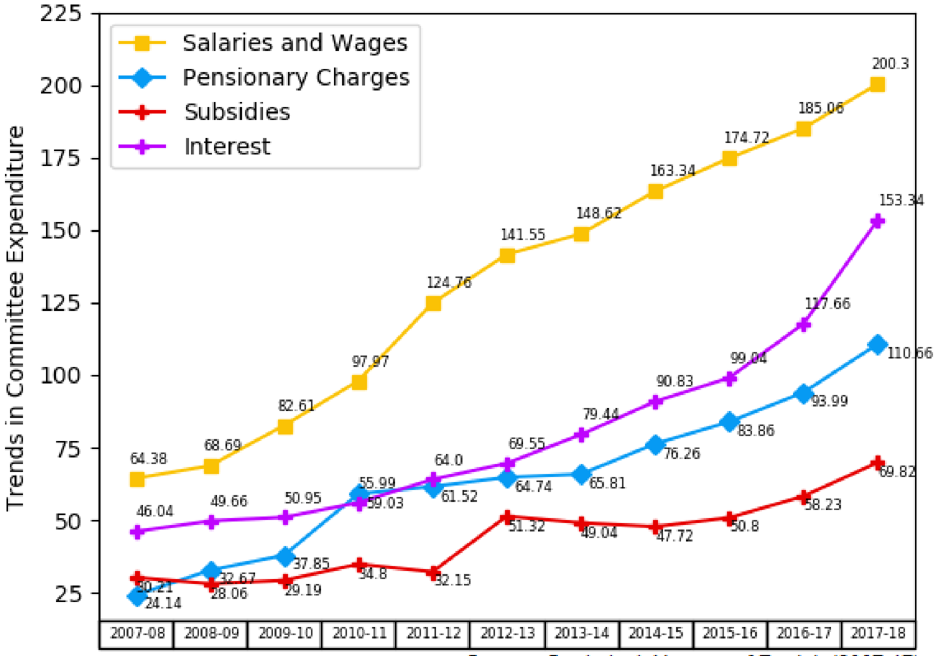
This type of expenditure is a priority inescapable liability of the state. From the table 12, it can be inferred that salaries and wages component has the largest share in committed expenditure with high growth rate than other component.

Table 12. Composition of Committed Expenditure (in Bn INR)

Years	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.Salaries and Wages	64.38	68.69	82.61	97.97	124.76	141.55	148.62	163.34	174.72	185.06	200.3
2.Pensionary Charges	24.14	32.67	37.85	59.03	61.52	64.74	65.81	76.26	83.86	93.99	110.66
3.Subsidies	30.21	28.06	29.19	34.8	32.15	51.32	49.04	47.72	50.8	58.23	69.82
4.Interest	46.04	49.66	50.95	55.99	64.0	69.55	79.44	90.83	99.04	117.66	153.34
Total	164.77	179.08	200.6	247.79	282.43	327.16	342.91	378.15	408.42	454.94	534.12

Source: Statistical Abstract of Punjab, 2007-17
State Finance Accounts, 2018, CAG

Figure 51. Trends in Committed Expenditure (in Bn INR)



Source: Statistical Abstract of Punjab (2007-17)
State Finance Accounts, 2018, CAG

Table 13, the ratio of total committed expenditure to revenue receipts explains the burden of the committed liabilities on the state. The ratio pegged at more than 1 in the last eight years

[5] https://data.gov.in/keywords/committed-expenditure

(1.12, 1.02, 1.25, 1.07, 1.08, 1.05, 1.1, 1 from 2010-11 to 2017-18) explains the limitation of government in developing a healthy financial capacity, committed liabilities surpassing the revenue generated by the state.

Table 13. Committed Expenditure relative to Receipts

Years	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.Capital Receipts (CR) (in Bn INR)	1501.24	433.35	475.2	425.72	523.09	561.08	660.48	699.32	783.51	2373.51	460.72
2.Revenue Receipts (RR) (in Bn INR)	167.95	192.38	207.13	221.57	276.08	262.36	320.51	351.04	390.23	415.23	530.09
3.Total Committed Expenditure (TCE)(in Bn INR)	164.77	179.08	200.6	247.79	282.43	327.16	342.91	378.15	408.42	454.94	534.12
4.Ratio TCE/(CR+RR)	9.87	28.62	29.4	38.28	35.34	39.73	34.96	36.0	34.8	16.31	53.91
5.Ratio TCE/RR	98.11	93.09	96.85	111.83	102.3	124.7	106.99	107.72	104.66	109.56	100.76

CR: Capital Receipts
RR: Revenue Receipts
TCE: Total Committed Expenditure

Source: Statistical Abstract of Punjab (2007-17)
State Finance Accounts, 2018, CAG

Committed expenditure as a percentage of Revenue Expenditure stands at 85.5% in 2017-2018, it can be understood clearly that burden of Committed Expenditure limits the capacity of the government of Punjab to spend on other purposes.

2.7 TAX-GSDP RATIO

Tax-GSDP ratio is an indicator of income generating capacity of the Government as taxes are one of the major sources of Government revenue.

High Tax-GSDP ratio is the reflection of richness of Government treasury and strong fiscal position of State government. On the contrary, low Tax-GSDP ratio incapacitates Government's ability to spend on socio-economic development programmes, defence, salary and pensions etc.

The government should be able to raise enough revenue through taxation, to finance its expenditure.

Table 14 and figure 52 reflecting the **Tax to Gross State Domestic Product ratio of the state further corroborates the poor fiscal health of the State with tax as a percentage of GSDP (8.33%, 7.8%, 7.6%, 7.18%, 8.79%, 8.4%, 8.95%, 8.58%, 8.53%, 8.86%, 6.48%, 6.39% from 2006-07 to 2017-18) never crossing the double-digit mark.**

Table 14. Tax Revenue relative to GSDP

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.Tax Revenue(in Bn INR)	105.83	118.74	132.34	141.84	198.79	223.95	266.46	285.11	302.73	346.99
2.GSDP(in Bn INR)	1271.23	1522.45	1740.39	1975.0	2262.04	2666.28	2977.34	3321.47	3549.08	3915.43
3.Tax-to-GSDP Ratio(in %)	8.33	7.8	7.6	7.18	8.79	8.4	8.95	8.58	8.53	8.86

Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

Figure 52. Tax Revenue relative to GSDP (in %)

Source: Handbook of Statistics on Indian States (2017-18), RBI
Study Finances: A Study of Budgets (2006-07 to 2017-18), RBI

2.7.1 Measures to improve Tax-GSDP Ratio and Revenue Productivity of the Tax system

Prior to GST, the government could easily refine tax structure, but, post-GST, the system might possibly alter the government's ability to levy new taxes or restructure the same.

However, the government of Punjab can still increase tax revenue by improving tax administration.

Several measures have been taken by the government to augment tax revenue like:

Project Saksham and Project Insight: Project Saksham is new indirect tax network of the Central Board of Excise and Customs and will help in implementation of Good and Services Tax whereas Project Insight is an initiative by Income Tax Department which monitors high value transactions and detects tax evaders using technology. Such projects will not only help in tax administration but also widening of tax base.

Use of digital technology like Aadhaar-Pan linkage, Project Insight, e-way Bills, PAN based transactions, online filing of tax etc will also improve the tax administrative efficiency.

Punjab Government has imposed a new tax, **'Punjab Development Tax'** at the rate of Rs. 200 per month on all income tax payers in the state who are engaged in different professions., trades, callings and employments. Government is hoping to collect Rs. 150 crores annually through this tax.

Punjab Social Security Bill, 2018, which was passed in March, makes provision for levying social security surcharges of upto Rs. 2 on petrol and diesel, 1% on registration of motor vehicles, 10% on transport vehicles, 5% on electricity bills and 10% on excise duty. The revenue generated via this bill will be used for providing social services.

The Punjab Government has also proposed an amendment in Indian Stamp Act, 1899, which will enable **increase in stamp duty rates.** This hike in stamp duty rates will boost revenue receipts of the state.

Furthermore, the Government of Punjab is planning to introduce various such resource mobilisation measures and reforms to minimise the gap between revenue receipts and revenue expenditure.

2.8 DEFICIT INDICATORS OF THE STATE

Three key fiscal parameters–revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed, and the resources raised applied are important pointers to its fiscal health.

Fiscal Deficit occurs when total expenditure exceeds the revenue generated, excluding money from borrowings. Whereas, Gross Fiscal Deficit includes money from borrowings.

The excess of revenue expenditure over revenue receipts is defined as a Revenue Deficit while an excess of revenue receipts over revenue expenditure is defined as a Revenue Surplus. Both the deficits are usually financed by way of borrowings by the state.

Primary Deficit is gross fiscal deficit less interest payments.

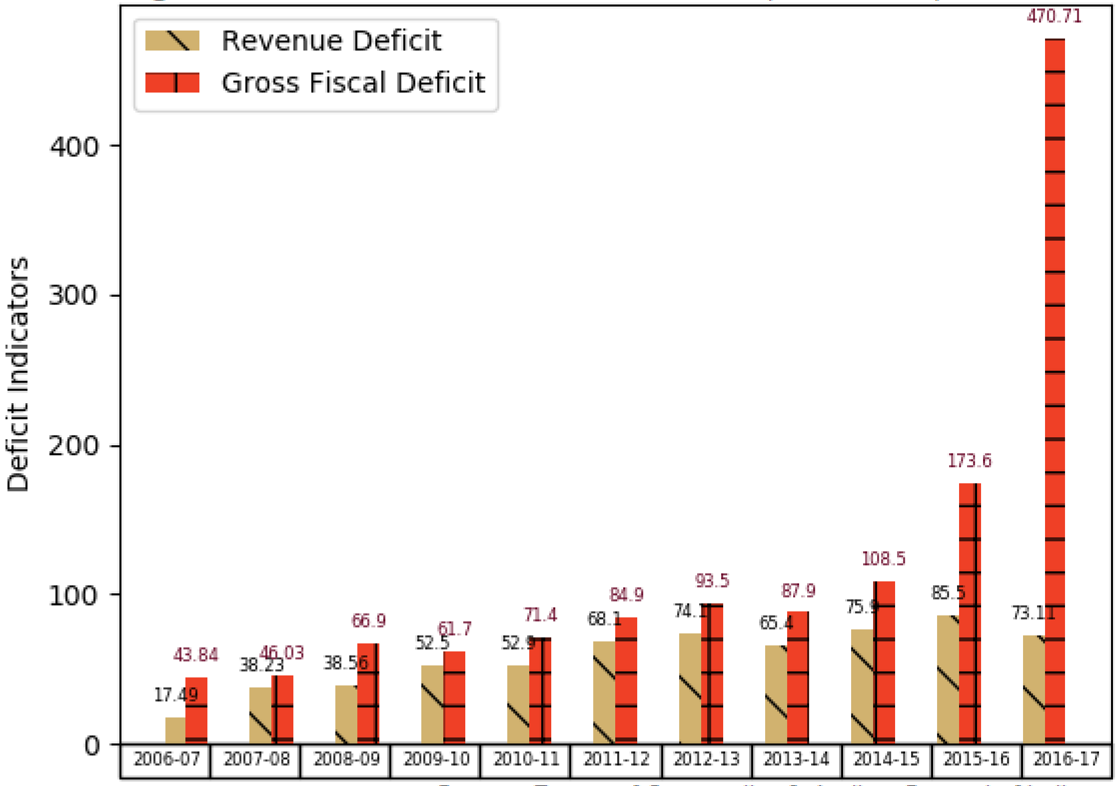
Figure 53 shows trends in fiscal deficits and revenue deficits over a period 2006-07 to 2016-17). Both the deficits show an increasing trend in terms of absolute value of money.

The revenue deficit, which indicates the excess of revenue expenditure over the revenue receipts, increased to Rs 85.5 Billion (2.18 per cent of GSDP) in 2015-16 from Rs 74.1 Billion (2.49 per cent of GSDP) in 2012-13. This came down to Rs 73.11 Billion (1.71 per cent of GSDP) during the year 2016-17.

The fiscal deficit, which represents the total borrowings of the State i.e. its total resource gap, increased significantly by 171 per cent during the year 2016-17 over the previous year. Fiscal deficit increased to Rs 470.71 Billion (11.00 per cent of GSDP) during the year 2016-17 against Rs 173.6 Billion (4.43 per cent of GSDP) in 2015-16.

The primary deficit, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts, rose to Rs. 354.29 Billion (8.28 per cent of GSDP) in 2016-17 against Rs 25.15 Billion (0.84 per cent of GSDP) in 2012-13.

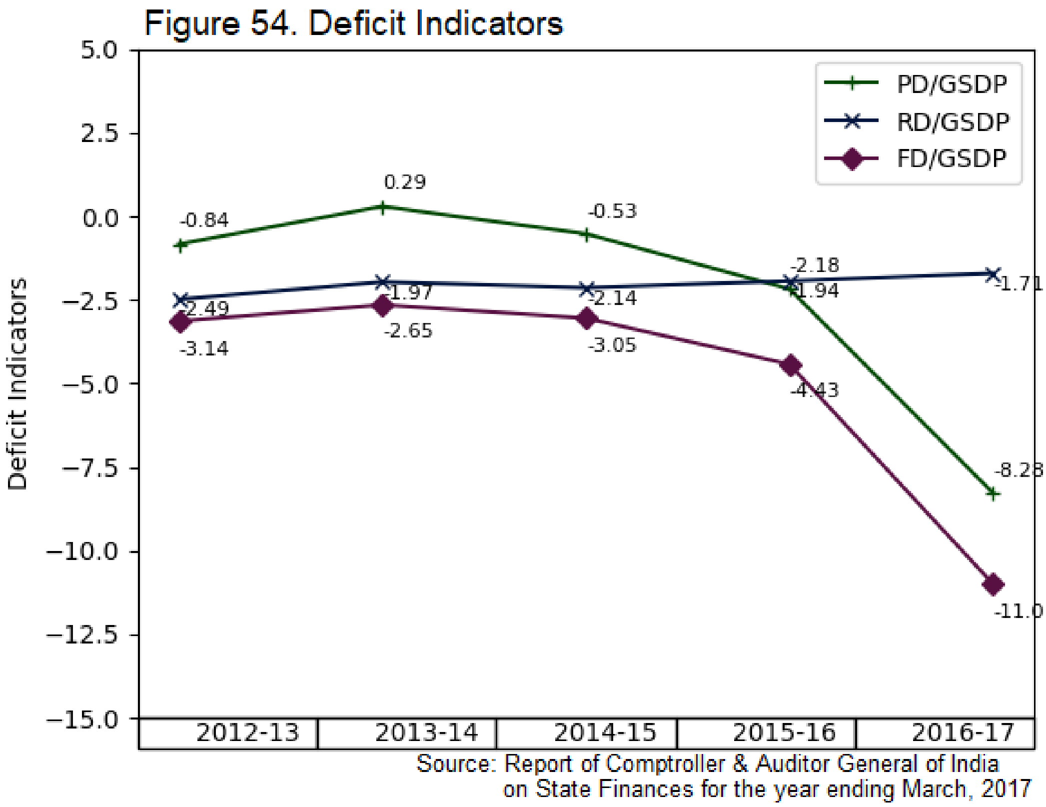
Figure 53. Trends in Deficit Indicators (in Bn INR)



Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

Figure 54 shows the comparison of growth rates of revenue deficit, fiscal deficit and primary deficit against State's Gross Domestic Product (GSDP).

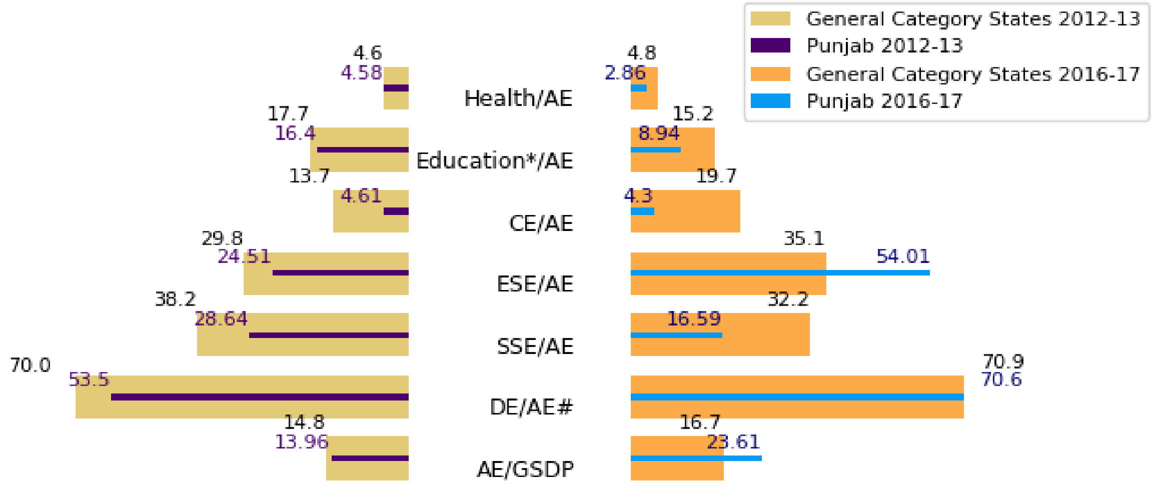
In the year 2016-17, a sharp rise in fiscal deficit from Rs. 108.5 Bn to Rs. 470.71 Bn.; marks a rise in growth rate of Fiscal Deficit relative to GSDP from 3.05% to 11%. Similarly, Primary Deficit relative to GSDP spiked to 8.28% whereas Revenue Deficit remained more or less stable at 1.71% relative to GSDP.



Deficit indicator profile reveals the fiscal stability of the state. **Figures above clearly depict a gloomy picture of the fiscal condition of the state. Much of this can be attributed to huge borrowings of the to finance the daily functions of the government and to provide services to its people.**

2.9 COMPARATIVE ANALYSIS OF PUNJAB AND GENERAL CATEGORY STATES VIS-À-VIS FISCAL PARAMETERS

Figure 55. Comparison of Public Expenditure



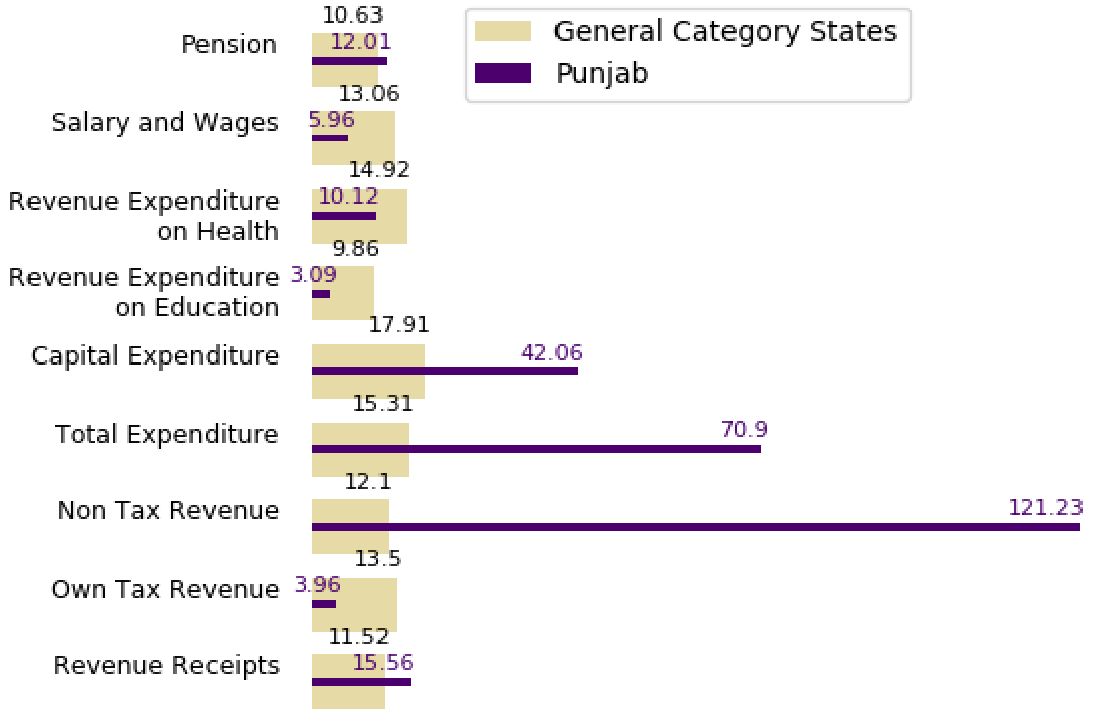
AE: Aggregate Expenditure
SSE: Social Sector Expenditure
ESE: Economic Sector Expenditure
DE: Development Expenditure
CE: Capital Expenditure
*: Expenditure on Education includes expenditures on Sports, Art and Culture
#: Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

The above figure 55 depicts the comparison of fiscal priorities' assignments of Punjab and General Category states for the year 2012-13 and 2016-17. To begin with, it could be observed that the Punjab's priority towards Health as a proportion of Aggregate Expenditure has fallen from 4.58% in the year 2012-13 to 2.86% in the year 2016-17 in contrast to increment witnessed in General Category states; where the health expenditure went up to 4.8% of Aggregate expenditure from 4.6% in 2012-13. Further, the priority towards education expenditure underwent a fall for both General Category States and Punjab; more so for Punjab which arrived at 8.94% in the year 2016-17 from 16.4% in 2012-13. Besides, committed expenditure as a proportion of Aggregate Expenditure too observed a slight reduction from 4.61% in the year 2012-13 to 4.3% in 2016-17 in contrary to considerable rise being observed for General Category states which stood at 19.7% in 2016-17 against 13.7% in the year 2012-13. Nevertheless, the ratio of Economic Sector Expenditure of General Category States to aggregate expenditure increased from 29.80% in 2012-13 to 35.10% in 2016-17, and exponential hike in Punjab from 24.51% in 2012-13 to 54.01% in 2016-17. With respect to Social Sector Expenditure, Punjab decreased the priority to 16.59% in 2016-17 as compared to

28.64% in the year 2012-13. General Category states displayed similar picture as their social sector expenditure to aggregate expenditure decreased from 38.20% in 2012-13 to 32.20% in 2016-17. Moving ahead with development expenditure; Punjab heavily raised the said priority out of its Aggregate expenditure by jumping from 53.50% in 2012-13 to 70.60% in 2016-17, whereas General Category States exhibited minimal growth moving to 70.9% in the year 2016-17 from 70.0% in 2012-13. On the whole, the Aggregate Expenditure as a proportion of GSDP went up for both Punjab and General Category States; with greater visible growth observed for Punjab; moving from 13.96% in the year 2012-13 to 23.61% in the year 2016-17; whereas for General Category states a decent growth from 14.8% in the year 2012-13 to 16.7% in 2016-17.

Figure 56. Comparison of CAGR of Punjab with General Category States (in %)



CAGR: Compounded Annual Growth Rate

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

The figure 56 exhibits the Comparison of Compounded Annual Growth Rate (CAGR) of various Financial Parameters for Punjab and General Category State as determined for the year 2015-16 to 2016-17. It could be clearly inferred that Pension, Capital Expenditure, Total Expenditure, Non-Tax Revenue and Revenue Receipts have witnessed higher CAGR for Punjab than General Category States while the opposite holds true for remaining parameters viz Salary & Wages, Revenue Expenditure on Health, Revenue Expenditure on Education and

Own Tax Revenue. The difference could be attributed to difference in priority assignments, revenue generation avenues and fiscal management practices of respective states.

3. DEBT & LIABILITY PROFILE OF THE STATE

3.1 PUBLIC DEBT AND OTHER FISCAL LIABILITIES:

Fiscal liabilities comprise Public Debt and Other Liabilities.

The Public Debt consists of market loans, loans from banks/financial institutions, and loans and advances from the government of India. The other liabilities include deposits under small savings scheme, provident funds and other deposits. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. The trends in outstanding fiscal liabilities, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts of the State and State's own resources as also the buoyancy of fiscal liabilities with respect to these parameters during the period 2012-13 to 2016-17 are presented in Table 15.

Table 15. Fiscal Liabilities of the State

Parameter	2012-13	2013-14	2014-15	2015-16	2016-17
1. Fiscal Liabilities (in Bn INR)	922.82	1022.34	1123.66	1288.35	1825.26
2. Growth of Liabilities (in %)	11.05	10.78	9.91	14.66	41.67
3. Public Debt (in Bn INR)	712.11	786.69	868.18	1025.89	1537.73
4. Internal Debt (in Bn INR)	680.01	753.38	832.03	990.23	1498.8
5. Loans and Advances from Government of India (in Bn INR)	32.1	33.31	36.15	35.66	38.93
6. Public Accounts Liabilities (in Bn INR)	210.71	235.65	255.48	262.46	287.53
7. Fiscal Liabilities to GSDP (in %)	30.99	30.78	31.66	32.9	42.66
8. Fiscal Liabilities to Revenue Receipts (in %)	287.92	291.23	287.95	310.27	380.38
9. Fiscal Liabilities to Own Resources (in %)	365.95	374.88	394.96	439.1	543.07
10. Buoyancy of Fiscal Liabilities to GSDP	0.95	0.93	1.45	1.42	4.49
11. Buoyancy of Fiscal Liabilities to Revenue Receipts	0.5	1.13	0.89	2.29	2.68
12. Buoyancy of Fiscal Liabilities to Own Resources	0.45	1.32	2.29	4.68	2.86

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

There was an increase of 41.67 per cent in fiscal liabilities during the year 2016-17 over the previous year, which is attributed mainly to increase of Rs 511.8 Billion (95.33 per cent) under Public debt and Rs 25.07 Billion (4.67 per cent) under public account liabilities. Public debt increased on account of raising of long-term loans of Rs 299.19 Billion by the State Government for one-time settlement of Legacy Cash Credit Account for food procurement operations, Market loans (Rs 121.43 Billion) and Rs 100.31 Billion to Punjab State Power Corporation Limited for clearing their debts in compliance to implementation of UDAY. Other liabilities increased due to increase of Rs 12.32 Billion in Small Savings, Provident Funds, etc., Rs 11.67 Billion in Reserve Fund bearing interest and Rs 1.42 Billion in Deposits not bearing interest.

Internal Debt which includes State Development Loans (SDLs), Power Bonds, Compensation and Other Bonds, National Small Savings Fund (NSSF), Ways and Means Advances from RBI, Loans from LIC, Loans from GIC, Loans from NABARD, Loans from SBI and other banks, Loans from National Cooperative Development Corporation (NCDC), and Loans from other institutions; has been a major constituent amounting Rs. 680.01 Bn in 2012-13 and Rs. 1498.8 Bn in 2016-17.

3.2 DEBT-GSDP RATIO

The Debt to GSDP Ratio is the ratio between states debt (a cumulative amount) and its Gross State Domestic Product measured in years.

A low value of Debt to GSDP Ratio indicates that the state economy is vibrant to pay back debts without incurring further debt.

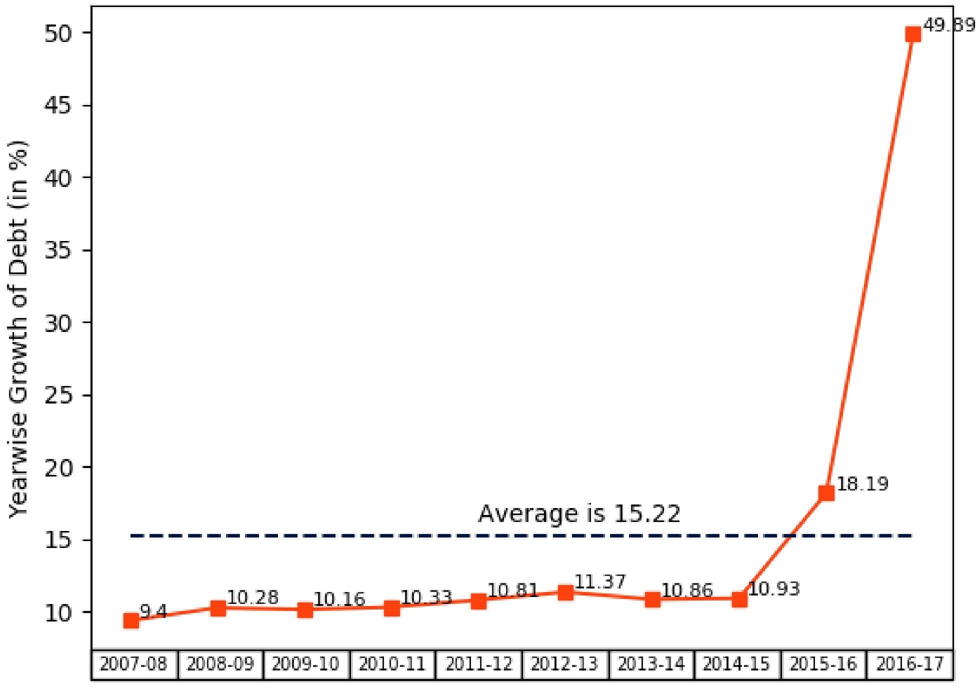
Table 15 depicts fiscal liabilities to GSDP ratio (%) from 2012 to 2017. Fiscal liabilities relative to GSDP have increased substantially from 30.99% in 2012-13 to 42.66% in 2016-17.

3.3 DEBT GROWTH RATE

From the figure 57, it can be observed that debt growth rate of government of Punjab for the past years has been quite high rather a double-digit growth (9.4%, 10.28%, 10.16%, 10.33%, 10.81%, 11.37%, 10.86%, 10.93%, 18.19% from 2007-08 to 2015-16) which violates the norms of fiscal prudence.

A steep upward spike in the year 2016-17 (49.89%), indicates that increasing debt GSDP ratio may increase the possibility of the state falling into a debt trap.

Figure 57. Yearwise Growth of Debt(in %)



Source: State Finances: A Study of Budgets (2006-07 to 2017-18), RBI

3.4 MANAGEMENT OF DEBT

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, pursue its cost and risk objectives, keep the public debt at sustainable levels and to meet any other public debt management goals the government may set through enactment or any other annual budget announcements.

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

During the period from 2012-13 to 2016-17, total Public debt increased from Rs 712.1 Billion to Rs 1537.7 Billion (115.94 per cent). During the year 2016-17, public debt increased by Rs 511.8 Billion (49.89 per cent) over the previous year. This increase was due to increase in internal debt by Rs 508.5 Billion (51.36 per cent) and Rs 3.27 Billion (9.17 per cent) in Loans from Central Government. The increase in Internal debt, was due to raising of long-term loans of Rs 299.19 Billion by the State Government for one-time settlement of Legacy Cash Credit

Account for food procurement operations, Market loans (Rs 121.43 Billion) and Rs 100.3 Bn to PSPCL for clearing their debts in compliance to implementation of UDAY.

The share of market borrowings in total Public debt was between 60 to 67 per cent during 2012-16 which came down to 52 per cent during 2016-17, but at the same time share of loans from financial institutions in total public debt increased from eight per cent in 2015-16 to 31 per cent in 2016-17.

Table 16. Debt (in Bn INR)

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Internal Debt	680.01	753.38	832.03	990.23	1498.8
2. Market Loans	430.63	503.18	580.03	672.02	793.46
3. Ways and Means Advances from RBI	1.58	5.93	0	0	2.68
4. Loans from Financial Institutions	30.61	30.47	28.95	79.37*	481.87
5. Special Securities issued to NSSF	217.19	213.8	223.05	238.84	220.79
6. Loans from Government of India	32.1	33.31	36.15	35.66	38.93
7. Total Public Debt	712.11	786.69	868.18	1025.89	1537.73
8. Other Liabilities	210.71	235.65	255.48	262.46	287.53
9. Total Debt	922.82	1022.34	1123.66	1288.35	1825.26

*: decreased by INR 606 Bn owing to proforma adjustment on account of loans already repaid by PUNGRAIN to the State Bank of India in 2003-04 and 2004-05

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

3.5 MATURITY PROFILE OF DEBT

Table 17 indicates that the State Government has to repay 18.26 per cent (Rs 280.2 Billion) of its debt within the next three years, 19.47 per cent (Rs 298.8 Billion) between 3-5 years and 19.53 per cent (Rs 299.7 Billion) between 5-7 years. It signifies that the State has to repay 57.26 per cent of its debt (Rs 878.80 Billion) in the next seven years. Thus, the State is heading towards a serious debt repayment position.

Table 17. Maturity profile of repayment of State debt as on 31st March, 2017

Period of Repayment(Years)-y	y<1	1<y<3	3<y<5	5<y<7	y>7	Others#
1. Amount (in Bn INR)	73.17	207.02	298.83	299.77	631.37	24.88
2. Amount to Public Debt (in %)	4.77	13.49	19.47	19.53	41.13	1.62

#: Excludes 2.68 Bn INR on account of ways and means advances remained unpaid during the curent year

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

3.6 UTILIZATION PATTERN OF BORROWED FUNDS

Table 18 shows that during 2012-13 to 2016-17, **State Government utilized 57 to 70 per cent of its current borrowings for repayment of earlier borrowings, 20 to 35 per cent for revenue expenditure and only 8 to 10 per cent of borrowings were utilised for capital expenditure.**

Table 18. Utilization pattern of borrowed funds

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Total Borrowings(A) (in Bn INR)	243.11	262.85	329.22	384.28	512.29*
2. Repayment of earlier borrowings(B) (in Bn INR)	151.16	166.83	230.75	220.51	324.43
3. Principal (in %)	62	63	70	57	63
4. Net capital expenditure(C) (in Bn INR)	19.16	22.0	31.18	30.59	43.46
5. Net capital expenditure (in %)	8	8	10	8	9
6. A-B-C #(in Bn INR)	72.79	74.02	67.29	133.18	144.4
7. A-B-C (in %)	30	28	20	35	28

*: Excludes additional borrowings of INR 399.51 Bn, advanced to food procuring agencies against the legacy amount in the food procurement (INR 299.19 Bn) and to PSPCL for DISCOMs debt under UDAY (INR 100.31 Bn)

#: Portion of Revenue Expenditure met out of net available borrowings

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

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

3.7 DEBT SUSTAINABILITY

Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GSDP. A falling debt/GSDP ratio can be considered as leading towards stability. The ratio of interest payments to revenue receipts is also used as measure of debt sustainability. Table 19 shows the assessment of the sustainability of public debt is made using trends observed in critical variables.

Public Debt of the State increased by 116 per cent during the period 2012-17 whereas the rate of growth ranged between 10.36 per cent and 18.17 per cent during 2012-16 which jumped to 49.89 per cent during 2016-17. The ratio of interest payments to revenue receipts increased from 21.31 per cent in 2012-13 to 24.26 per cent in 2016-17. The percentage of debt repayments to debt receipts decreased substantially from 68.19 per cent in 2012-13 to 38.80 per cent in 2016-17. Availability of net debt to State[6] increased from Rs 15.93 Bn in 2012-13 to Rs 414.62 Bn in 2016-17.

Table 19. Debt Sustainability Indicators

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Outstanding Public Debt (in Bn INR)	712.12	786.69	868.18	1025.89	1537.73
2. Growth of Outstanding Public Debt (in %)	10.99	10.47	10.36	18.17	49.89
3. GSDP (in Bn INR)	2977.34	3321.47	3549.08	3915.43	4278.7
4. Growth of GSDP (in %)	11.67	11.56	6.85	10.32	9.28
5. Average Interest Rate of Outstanding Public Debt (in %)	8.06	8.25	8.39	8.22	7.58
6. Interest to Revenue Receipts (in %)	21.31	22.28	22.96	23.56	24.26
7. Debt Repayment to Debt Receipt (in %)	68.19	69.11	73.9	58.96	38.8
8. Net Debt available to State (in Bn INR)	15.93	12.75	12.08	79.91	414.62

Source: Report of Comptroller & Auditor General of India on State Finances for the year ending March, 2017

[6] 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.

3.8 ASSETS TO LIABILITIES BUOYANCY

The ratio of aggregate assets to aggregate fiscal liabilities could also be considered as a surrogate measure of quality of application of borrowed funds. Table 20 shows the buoyancy of assets with respect to liabilities.

Table 20. Assets to Liabilities Buoyancy

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Aggregate Liabilities (L) (in Bn INR)	925.43	1022.75	1123.91	1298.66	1825.51
2. Aggregate Assets (A) (in Bn INR)	327.3	359.24	384.5	473.86	933.88
3. Ratio (A/L)	0.34	0.35	0.34	0.36	0.51
4. Annual Growth of Liabilities (in %)	11.07	10.52	9.89	15.55	40.57
5. Annual Growth of Assets (in %)	5.87	9.76	7.03	23.24	97.08
6. Buoyancy Ratio of assets to liabilities	0.53	0.93	0.71	1.49	2.39

Source: Report of Comptroller & Auditor General of India on State Finances for the year 2016-17

The ratio of assets to liabilities during 2012-16 remained between 34.21 to 36.49 per cent which increased to 51.16 per cent during 2016-17. The average annual growth of liabilities was 17.52 per cent during 2012-17 whereas during the year 2016-17 it was 40.57 per cent. Similarly, average annual growth of assets was 28.60 per cent during 2012-17 and it was 97.08 per cent during 2016-17. The buoyancy of assets to liabilities increased to 2.39 in 2016-17 from 0.53 in 2012-13. The significant increase in ratio of asset to liabilities during 2016-17 was attributed to increase of Rs 399.51 Bn in borrowings from financial institutions and advancement of these borrowings as loan to food procuring agencies and Punjab State Power Corporation Limited.

3.9 CONTINGENT LIABILITIES & STATE GUARANTEES

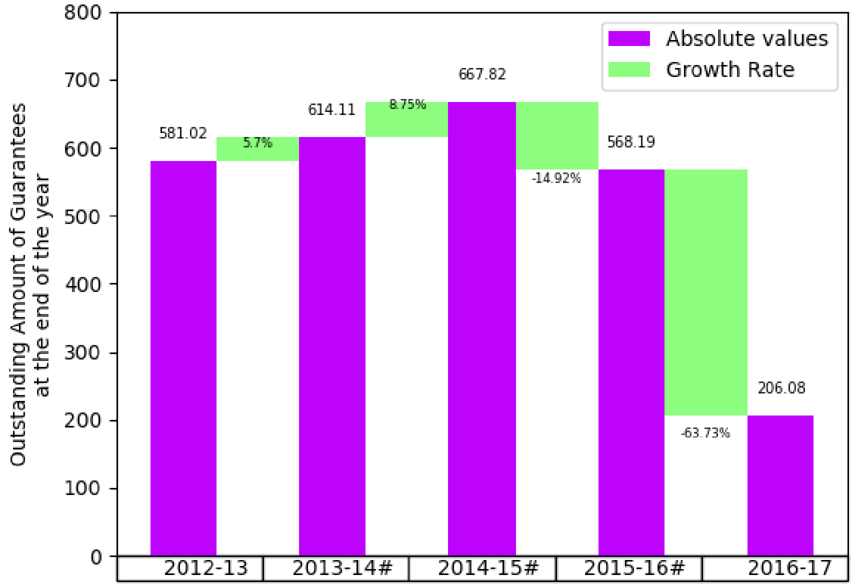
Contingent Liability though, not an obligation to pay unless a certain discrete event(s) occurs and therefore often referred to as off-balance sheet liability. Contingent liabilities can be explicit or implicit. Explicit liability means specific obligations of the government that is established by law or a contract authorized by law. Implicit liability implies moral obligation or expected responsibility usually recognized after an event or condition is realized. These include: default of municipalities, bank failure (bail-out), deposit insurance, failure of a non-guaranteed pension fund, natural disaster relief, etc. The guarantee commitments of State Government in respect of State public sector enterprises (SPSEs) are, in fact, a major source of potential risk to Fiscal and debt sustainability at the State level in general and in particular where SPSEs have accumulated huge losses and debt liabilities.

Various Public Sector Undertakings carry out projects for public interest. Sometimes these projects require financing for which they approach financial institutions. Usually financial institutions demand Government guarantee as a collateral security. Financial Institutions/banks reduce the rate of interest on the loans if government extends guarantee for the projects. The Government guarantee is extended for the long term as well as short term loans.

3.9.1 GUARANTEES GIVEN BY THE GOVERNMENT OF PUNJAB

The State Government gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, cooperative banks and societies etc. Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State. As per the State Finance Accounts, details of the guarantees given by the State Government and its growth rate during last five years is given in the following graph 58.

Figure 58. Guarantees given by the State Government (in Bn INR)



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

Source: Report of Comptroller & Auditor General of India on State Finances for the year 2016-17

According to FRBM Act, there is a cap on extending guarantee on long term loans which is 80% of the total Revenue Receipts of previous year. Government also charges a guarantee fee @ 0.5% on the loan amount if loans are repayable within 1 year, 1% on the loan amount if loans are repayable within 3 years and 2% on the loan amount if loans are repayable after 3 years. In terms of the 12th Finance Commission recommendations, the State introduced the "Guarantee Redemption Fund Scheme" with an objective to meet its obligations arising out of the Guarantee extended to State level entities, so that this guarantee money should create a sinking fund to provide for the contingencies. Accordingly, over the period 2013-14 to 2015-16, the State was required to contribute minimum amount of Rs 12.41 Bn (Finance Accounts 2015-16 AG Punjab). However, poor recovery and noncontribution to the guarantee redemption fund, has put the State Fiscal to a great risk, and the State Government is now forced to bailout some of the State Public Sector Enterprises who had borrowed using State Guarantees.

The significant decrease in outstanding guarantees in 2016-17 over the previous year was mainly due to one-time settlement of Rs 299.19 Bn on account of cash credit accounts for State food procuring agencies. The outstanding guarantees for Rs 206.08 Bn as on 31 March 2017 was in respect of banks and financial institutions (Rs 8.95 Bn); cash credit facilities (Rs 5.18 Bn); and working capital to companies, corporations, co-operative societies and banks (Rs 191.9 Bn).

3.9.2 ABSTRACT CONTINGENT BILLS

Punjab Treasury Rules, inter alia, provides that Abstract Contingent (AC) bills can be drawn when the permanent advance begins to run short, or when a transfer of charge takes place, and it is necessary to draw money for contingent expenses.

The AC bills remain unadjusted as long as the Controlling Officers do not submit the Detailed Contingent (DC) Bills along with supporting vouchers to the Accountant General (A&E). Prolonged non-submission of supporting DC bills renders the expenditure under AC bills opaque.

Table 21. Unadjusted AC bills as on 31st March, 2017

Year	Upto 2014-15	2015-16	2016-17
1. No. of Bills	170	139	144
2. Amount (in Bn INR)	2.87	1.84	2.3

Source: Report of Comptroller & Auditor General of India on State Finances for the year 2016-17

Out of 453 unadjusted AC Bills amounting to Rs 701.75 Bn, 412 unadjusted AC Bills amounting to Rs 4.98 Bn (71.07 per cent) pertain to following five Departments:

(i) Local Government (29 unadjusted AC bills amounting to Rs 2.09 Bn)

(ii) Rural Development and Panchayats (119 unadjusted AC bills amounting to Rs 1.31 Bn)

(iii) Planning (106 unadjusted AC bills amounting to Rs 0.97 Bn)

(iv) Social Security and Development of Women and Children (84 unadjusted AC bills amounting to Rs 0.35 Bn)

(v) Agriculture (74 unadjusted AC bills amounting to Rs 0.25 Bn)

3.10 OFF-BUDGET BORROWINGS

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

The State Government got net deposits of Rs 14.25 Bn from three agencies[7] between June 2016 and October 2016 under the Major Head 8342-Other Deposits, 120-Miscellaneous Deposits, 09-Punjab State Development & Welfare Fund. These deposits were got transferred (February 2017) by the State Government to Major Head 0075–Miscellaneous General Services, 800-Other Receipts, 85-Miscellaneous Receipts and treated as revenue receipts for all purposes. This resulted in off budget borrowing, overstatement of revenue receipts and understatement of revenue deficit to the same extent.

[7] Department of Food and Civil Supply, Housing and Urban Development Authority, Punjab Infrastructure Development Board.

4. FISCAL CONSOLIDATION AND MANAGEMENT

4.1 PUNJAB FRBM ACT, 2003

FRBM Act was enacted in Punjab in the year 2003 as a mandatory requirement by the 14th Finance Commission to ensure prudence in fiscal management and to maintain fiscal stability in the State. It was subsequently amended vide the Punjab Fiscal Responsibility and Budget Management (Amendment) Act, 2005. The Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. In addition, the Act also provides for greater fiscal transparency in fiscal operations of the Government.

4.2 FRBM TARGETS VIS-À-VIS ACTUALS

Table (22) and the figures 59, 60 and 61 show the performance of the government of Punjab vis-à-vis the FRBM targets (2012-13 to 2016-17). The shaded area in the figures depicts the gap between FRBM targets and the actuals.

The Punjab government has set its budgetary deficit targets well below the FRBM targets, however, the State has not been able to reach close to the assigned targets of Revenue Deficit and Fiscal Deficit. In the year 2016-17, the Fiscal Deficit went abnormally high to (-)11.02 as against the FRBM Fiscal Deficit target of (-)3.0, this is excluding the additional borrowings of Rs. 57.69 Billion under UDAY scheme. If this amount is included, then it will drive Fiscal Deficit to a new high. This explains the widening gap between the receipts and the expenditure of the government.

During 2011-12 to 2015-16 a relatively better performance of the State in maintaining ratio of total outstanding debt to GSDP, has been observed Figure (61). However, post 2015-16, a very high value of 42.72 as against the target of 31.49; reflects the recent imbalance in the fiscal prudence of the state.

Table 22. FRBM Targets vis-a-vis Actuals

Fiscal Deficit relative to GSDP(in %)

Years	FRBM Target	Budget Target	Actual	FRBM Target@	Budget Target@
2012-13	(-)3.5	(-)3.01	(-)3.18	#	(-)0.17
2013-14	(-)3	(-)3	(-)2.77	#	#
2014-15	(-)3	(-)2.97	(-)3.1	(-)0.1	(-)0.13
2015-16	(-)3	(-)2.98	(-)4.25	(-)1.25	(-)1.27
2016-17	(-)3	(-)2.88	(-)11.02^	(-)8.02	(-)8.14

Revenue Deficit relative to GSDP(in %)

Years	FRBM Target	Budget Target	Actual	FRBM Target@	Budget Target@
2012-13	(-)1.2	(-)1.06	(-)2.52	(-)1.32	(-)1.46
2013-14	(-)0.6	(-)0.57	(-)2.06	(-)1.46	(-)1.49
2014-15	0	(-)1.22	(-)2.17	(-)2.17	(-)0.95
2015-16	(-)1.87	(-)1.6	(-)2.09	(-)0.22	(-)0.49
2016-17	(-)1.63	(-)1.76	(-)1.71	(-)0.08	#

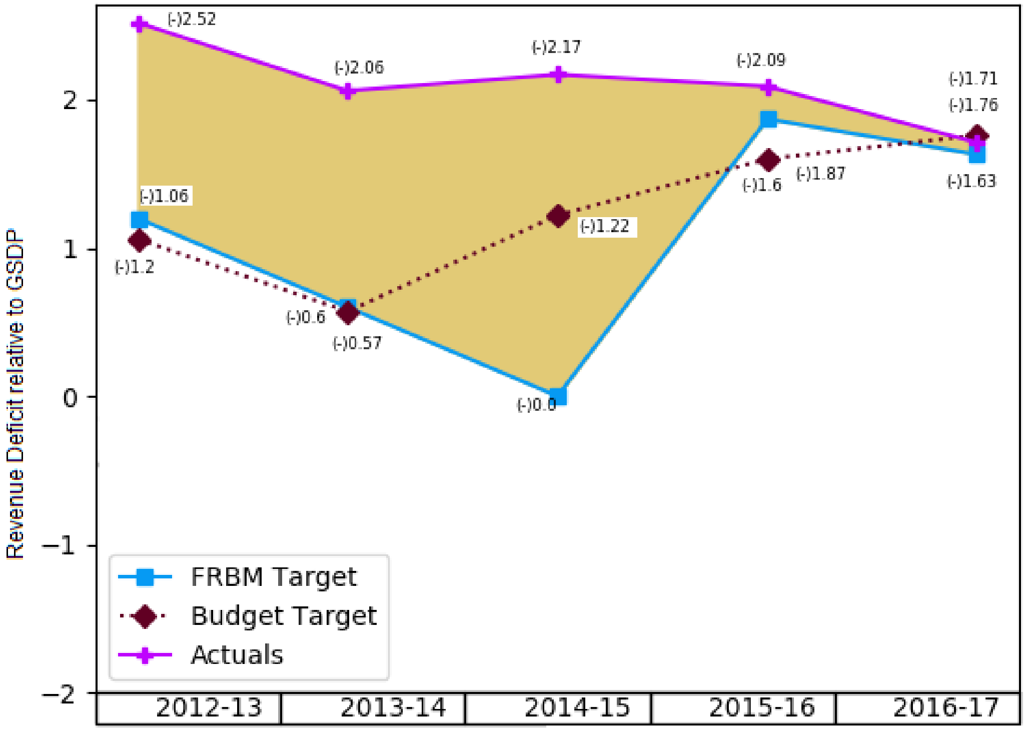
Total Outstanding Debt of Government relative to GSDP (in %)

Years	FRBM Target	Budget Target	Actual	FRBM Target@	Budget Target@
2012-13	41	31.69	31.41	#	#
2013-14	39.8	33.13	32.24	#	#
2014-15	38.7	30.95	32.12	#	#
2015-16	32.09	31.21	31.66	#	0.45
2016-17	31.49	30.41	42.72	11.23	12.31

#: Ratios within precribed limit
@: calculated as variation of actuals over target
^: Excluding additional borrowings of INR57.69 billions under UDAY for DISCOMs debt

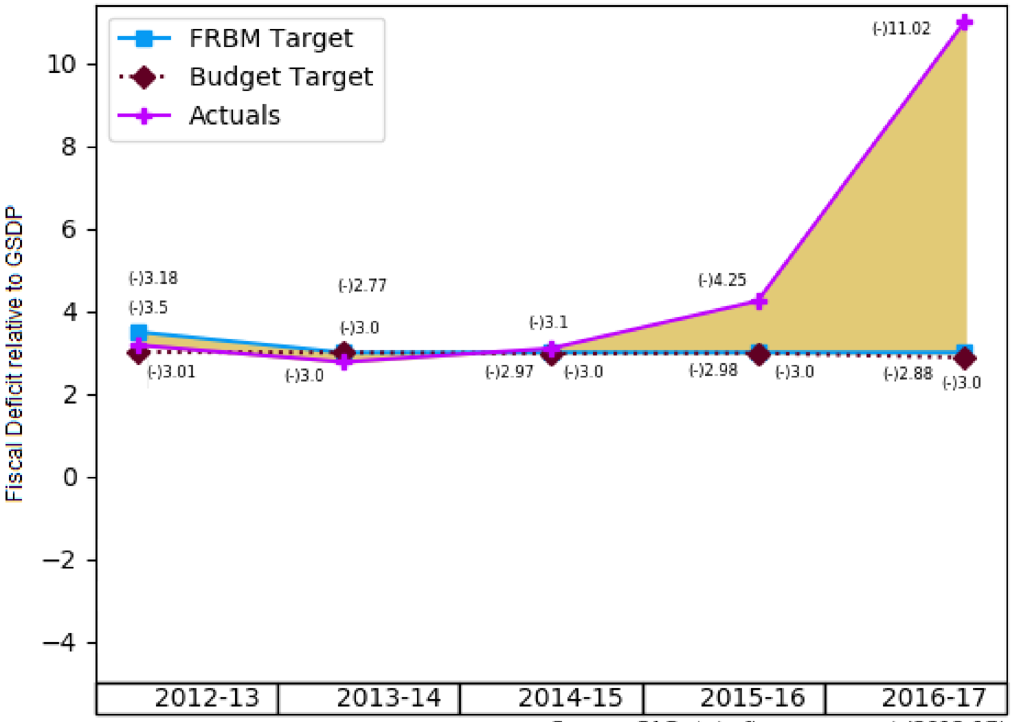
Source: CAG state finances report (2007-17)

Figure 59. Revenue Deficit relative to GSDP (in %)



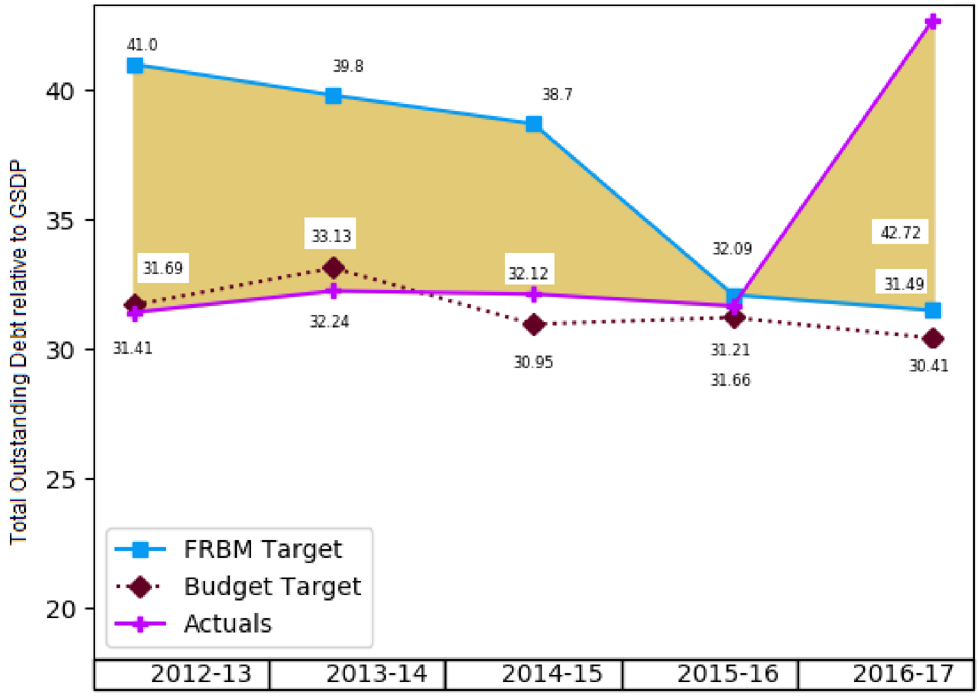
Source: CAG state finances report (2012-17)

Figure 60. Fiscal Deficit relative to GSDP(in %)



Source: CAG state finances report (2012-17)

Figure 61. Total Outstanding Debt relative to GSDP(in %)



Source: CAG state finances report (2012-17)

4.2.1 MTFP Targets

According to the Punjab FRBM Act 2003 as amended in 2005, the State Government is required to lay the Medium Term Fiscal Policy statement inter alia setting three years rolling targets, specifying assumptions for sustainability relating to revenue receipts and expenditure before the Legislature in each financial year along with the budget of the ensuing year.

5. TRANSFERS TO ULBS AND PRIS

Local Government is regarded as one of the key elements of governance which exists at the lowest tier of state administration and thus brings administration closer to people. The most notable attempt made to provide autonomy to the local bodies was according of constitutional status to the Panchayati Raj Institutions and Urban Local Institutions by passing 73rd and 74th Constitutional Amendments respectively in December 1992 (Mahajan & Sharma, 2018)[8]. Article 243-I of the Indian Constitution provides that the governor of the state would, within the commencement of 73rd and 74th Amendment of the Constitution Act 1992, at the end of every fifth year establish a Finance Commission for reviewing the state's financial position. The commission will further determine the principles for the distribution of the net proceeds of the taxes and tolls between the state and the local bodies and will suggest measures to strengthen the finances of PRI's (Mahajan & Sharma, 2018)[9]. In conformity to the above constitutional requirements, the first State Finance Commission in Punjab was constituted in April 1994 along with the passing of Punjab Panchayati Raj Act, 1994 to administer rural local bodies. The Punjab Panchayati Raj Act, 1994 empowers Gram Panchayats to discharge certain obligatory and discretionary functions like providing basic services to citizens, creation and maintenance of village infrastructure, alleviation of poverty, management of common property resources and other measures necessary for human development (Department of Rural Development and Panchayats, Punjab, 2018)[10]. The first State Finance Commission of Punjab recommended transfer of 20 percent of the net proceeds of five taxes such as stamp duty, Punjab motor vehicles tax, electricity duty, entertainment tax and entertainment tax from cinematography shows to be transferred to PRI'Ss and ULBs (Mahajan & Sharma, 2018)[11]. Since then, various recommendations have been made by State Finance Commission vis-à-vis sharing of financial resources between Punjab and its local bodies. Moreover, The Fourteenth Finance Commission award has created an opportunity for responsive local governance at cutting edge institutional level of the Gram Panchayat by unequivocally insisting on

[8] Source: Mahajan, C. S., & Sharma, A. (2018). Local Government in India. Chandigarh: Umang Printers and Publishers

[9] Source: Mahajan, C. S., & Sharma, A. (2018). Local Government in India. Chandigarh: Umang Printers and Publishers

[10] Source: Department of Rural Development and Panchayats, Punjab. (2018, December 18). https://www.panchayat.gov.in/gpdp-guidelines-issued-by-states/-uts. Retrieved from https://www.panchayat.gov.in/

[11] Source: Mahajan, C. S., & Sharma, A. (2018). Local Government in India. Chandigarh: Umang Printers and Publishers

preparation of plans at Gram Panchayat level. In pursuance of such advice, Department of Rural Development and Panchayats, Punjab has issued state specific guidelines for Gram Panchayat Development Plan and the same have been approved

5.1 REECEIPTS & EXPENDITURE OF PRIs

5.1.1 Source of Funds

Table 23 depicts receipts of PRI's generated out of different sources of funds. While 'Own Revenue, 'State Finance Commission transfer', 'Grants form State Governemnt', GOI Grants' have decreased over the years from 2011-12 to 2015-16 by 4.40%, 17.72% and 99.14% respectively. On the contrary; 'Central Finance Commission Tranfer', Government of India Grants for Centrally Sponsored Schemes' have grown over the years from 2011-12 to 2015-16 by 58.99% and 59.40% respectively.

Table 23. Resourcesof PRIs

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. Own Revenue	3.63	4.15	4.57	2.73	3.47
2. CFC transfers*	1.39	0.74	0.6	2.73	2.21
3. SFC transfers#	0.79	0.86	0.99	0	0.65
4. Grants from State Government+	11.73	12.98	14.41	0.09	0.1
5. Government of India Grants for CSS	2.02	1.66	2.99	2.15	3.22
6. Other Receipts	0.1	0.11	0.11	0.05	0

*:Central Finance Commission Devolution
#:State Finance Commission Devolutions
+:includes State Government grants for State Schemes

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

5.1.2 Application of Funds

Table 24 depicts sector-wise expenditure of PRIs from its resources. It could be observed that 'Expenditure form Own Revenue', 'Expenditure from state Finance Commission Transfer' and 'Expenditure from Grants from State Government' has decreased over the years ranging from 2011-12 to 2015-16 by 4.40%, 17.72% and 99.23% respectively. On the other hand, Expenditure from 'Central Finance Commission Transfer' and Expenditure on Centrally Sponsored Schemes' has grown over the time period ranging between 2011-12 to 2015-16 by 58.99% and 40.50% respectively.

Table 24. Sector-wise Expenditure from resources of PRIs (in Bn INR)

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. Expenditure from Own Revenue	3.63	4.15	4.57	2.73	3.47
2. Expenditure from CFC transfers*	1.39	0.74	0.6	2.73	2.21
3. Expenditure from SFC transfers#	0.79	0.86	0.99	0	0.65
4. Expenditure from Grants from State Government+	11.73	12.98	14.41	0.09	0.09
5. Expenditure on CSS	2.37	1.85	2.82	2.69^	3.33^
6. Expenditure on Other Receipts	0.1	0.11	0.11	0	0

*: Central Finance Commission Devolutions
#: State Finance Commission Devolutions
+: includes State Government grants for State Schemes
^: excess was met from savings of previous years

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

5.1.3 Disbursements towards major Centrally Sponsored Schemes (CSS)

Table 25 depicts the expenditures expended towards major CSS. It could be observed that expenditure over two major schemes: Mahatma Gandhi National Rural Employment Guarantee Scheme & National Rural Livelihood Mission multiplied over the time period of five years (2011-12 to 2015-16) by 1.84 times and 55 times respectively.

Table 25. Expenditures incurred by PRIs under major CSS (in Bn INR)

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. MGNREGS!	1.63	1.58	2.63	2.1	3.0
2. IAY@	0.54	0.17	0.04	0.33	0.16
3. SGSY#	0.11	0.04	0	0	0
4. NRLM+	0	0.01	0.03	0.08	0.11
5. IWDP^	0.01	0.01	0	0	0
6. IWMP$	0.07	0.05	0.1	0.19	0.05

!: Mahatma Gandhi National Rural Employment Guarantee Scheme
@: Indira Awas Yojna
#: National Rural Livelihood Mission
+: Integrated Watershed Development Programme
$: Integrated Watershed Management Programme

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

5.1.4 Prevailing mechanism of auditing of PRIs

As per the recommendations of The Thirteenth Finance Commission Report, the State Government entrusted (August 2011) the test audit of PRIs to the Comptroller and Auditor General of India (CAG) under Section 20 (1) of the CAG's (Duties, Powers and Conditions of

Service), Act, 1971 and for providing Technical Guidance and Support (TGS) to the Examiner, Local Fund and Accounts, Punjab (ELFA) with regard to audit of PRIs. Subsequently, the responsibility of conducting audit of all tiers of PRI's was entrusted with The Examiner, Local Fund and Accounts (ELFA). While auditing of Zila Parishads and Panchayat comply with the Rule 109 of the Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules, 2014; whereas Gram Panchayats are audited under Rule 33 (i) of the Punjab Gram Panchayat Rules, 1995 framed under section 101(i) of the Punjab Gram Panchayat Act, 1952.[12]

5.2 RECEIPTS & EXPENDITURE OF URBAN LOCAL BODIES

5.2.1 Sources of Funds

Table 26 depicts receipts of Urban Local Bodies generated out of different sources of funds. It could be inferrred that majority of the items under 'Sources of Funds' have witnessed growth over the five year timeline ranging from 2011-12 to 2015-16, though varying in proportion. 'Own Revenue' secured the highest propotion of cumulative Sources of Funds; which stood at 83.75% in the year 2011-12 and 81.93% in the year 2015-16.

Table 26. Resources of ULBs (in Bn INR)

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. Own Revenue	17.48	19.45	23.51	22.76	23.67
2. CFC transfers*	0.29	1.19	0.55	2.67	2.34
3. SFC transfers#	0.05	0	0	0	0
4. Grants from State Government+	0.05	0.63	0.29	0.54	0.28
5. Government of India Grants for CSS	0	0.93	1.06	1.75	1.54
6. Other Receipts	3.0	1.03	3.5	3.03	1.06

*:Central Finance Commission Devolution
#:State Finance Commission Devolutions
+:includes State Government grants for State Schemes

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

The notable point to be observed here is that while ULB's have been more efficient in generating 'Own Revenue', PRIs on the contrary rely on Government Grants to meet their expenditure. This could be attributed to low level of decentralisation efforts made to strengthen the functional capacities of PRI's.

[12]Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31 March 2016, Government of Punjab.

5.2.2 Application of Funds

Table 27 depicts the Expenditure of ULBs over the five years' time period commencing from 2011-12 to 2015-16. It could be observed that 'Expenditure from Own Revenue' grabs the highest outflows amongst the other components, with a growth of 14.76% in the year 2015-16 vis-à-vis 2011-12. The second highest component responsible for incurring expenditure is 'Central Finance Commission Transfers'; witnessing a growth of 8.06 times in the year 2015-16 over 2011-12.

Table 27. Sector-wise Expenditure by ULBs (n Bn INR)

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. Expenditure from Own Revenue	21.34	20.46	25.87	24.66	24.49
2. Expenditure from CFC transfers*	0.29	1.19	0.55	2.67	2.34
3. Expenditure from SFC transfers#	0.06	-	0	-	-
4. Expenditure from Grants from State Government+	0.05	0.63	0.29	0.54	0.28
5. Expenditure on CSS	0	0.92	1.05	1.75	1.54

*:Central Finance Commission Devolution
#:State Finance Commission Devolutions
+:includes State Government grants for State Schemes

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

5.2.3 Disbursements towards major Centrally Sponsored Schemes

Table 28 depicts the expenditures expended towards major CSS. It could be observed that the maximum amount expended towards a single exclusive scheme is 'Urban Infrastructure and Governance' followed by 'Swaran Jayanti Shahri Rojgar Yojana' in the year 2015-16.

Table 28. Expenditures incurred by ULBs under major CSS (in Bn INR)

Years	2011-12	2012-13	2013-14	2014-15	2015-16
1. SJSRY!	0	0.07	0	0	0.23
2. UIDSSMT@	0	0.19	0.77	0.30	-
3. IHSDP#	0	0.11	0	0	-
4. UIG+	0	0.3	0.28	1.14	0.37
5. BSUP^	0	0.24	0	0.09	-
6. Others	-	-	-	-	0.46

!: Swaran Jayanti Shahri Rojgar Yojana
@: Urban Infrastructure Development Scheme for Small and Medium Towns
#: Integrated Housing and Slum Development Programme
+: Urban Infrastructure and Governance
^: Basic Service to the Urban Poor

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31st March, 2016, Government of Punjab

5.2.4 Prevailing Mechanism of Auditing of ULBs

With respect to the recommendations made by The Eleventh Finance Commission, Government of India, Ministry of Urban Development in consultation with the Comptroller and Auditor General of India, developed (December 2004) the National Municipal Accounts Manual (NMAM) in order to make the accounting of public funds more transparent, enhance accountability and provide assistance to ULBs in playing their role more effectively and ensure better service delivery. However, the reality is that even after a lapse of more than 11 years, NMAM could not be adopted till December 2016.

As of now, the accounts of the ULBs are monitored by the Commissioner in case of Municipal Corporations, and the Executive Officer in case of Municipal Committees and Town Councils. Nevertheless, there is no provision for certification of accounts of the ULBs in the Punjab Municipal Corporation Act, 1976.[13]

[13] Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31 March 2016, Government of Punjab.

5.3 14th FINANCE COMMISSION: Assistance to PRIs & ULBs

In pursuance of the objective of providing financial autonomy to Local Bodies, Fourteenth Finance Commission has recommended a substantial basic grant of Rs.3682.02 crores to rural local bodies/Panchayats of Punjab and Rs. 1962.35 crore to urban local bodies/Municipalities of Punjab with the purpose of providing a measure of unconditional support to Gram Panchayats and Municipalities for delivering basic services over a span of five years (2015-2020) (Ministry of Finance, 2015)[14]. To bring the local bodies under the ambit of accountability and responsibility for the public money placed with them, the FFC has recommended Performance grant to the local bodies with the precondition of maintaining proper financial accounts. The cumulative amount recommended for Punjab under the Performance grant for the period 2016-2020 is Rs. 409.11 crores for rural local bodies and Rs. 490. 59 crores for urban local bodies (Ministry of Finance, 2015)[15]. In addition to this, GPs of Punjab are likely to get at least an equivalent amount from MGNREGS and concerted efforts are being made as part of Intensive Participatory Planning Exercise (IPPE) to bring about participatory planning for determination of workshops and preparation of labour budgets under the leadership of Gram Panchayats. Ministry of Rural Development Guidelines have also mandated convergence of MGNREGS and NRLM along with FFC grants. Further, State Finance Commission (SFC) transfers, Own Source Revenues and flows from other State and Centrally sponsored schemes would enlarge the financial resource envelope required for preparation of Gram Panchayat Development Plan (Department of Rural Development and Panchayats, Punjab, 2018)[16].

Table 29. Basic Grants (in crores INR)

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Rural Local Bodies	441.7	611.61	706.66	817.48	1104.58
Urban Local Bodies	235.41	325.96	376.62	435.68	588.69

Source: Guidelines for Release and Utilization of Grant recommended by the Fourteenth Finance Commission for Rural Local Bodies and Urban Local Bodies

[14] Source: Ministry of Finance. (2015, October 8). https://www.panchayat.gov.in/documents/10198/349332/Guidelines.pdf. Retrieved from http://www.planningonline.gov.in/HomeAction.do?method=getLoginForm

[15] Source: Ministry of Finance. (2015, October 8). https://www.panchayat.gov.in/documents/10198/349332/Guidelines.pdf. Retrieved from http://www.planningonline.gov.in/HomeAction.do?method=getLoginForm

[16] Source: Department of Rural Development and Panchayats, Punjab. (2018, December 18). https://www.panchayat.gov.in/gpdp-guidelines-issued-by-states/-uts. Retrieved from https://www.panchayat.gov.in/

Table 30. Performance grants (in crores INR)

Years	2016-17	2017-18	2018-19	2019-20
Rural Local Bodies	80.23	90.79	103.1	135
Urban Local Bodies	96.2	108.87	123.63	161.89

Source: Guidelines for Release and Utilization of Grant recommended by the Fourteenth Finance Commission for Rural Local Bodies and Urban Local Bodies

6. FISCAL POSITION OF STATE PUBLIC ENTERPRISES

6.1 INTRODUCTION

State Public Sector Undertakings (PSUs) are established to carry out commercial activities, to catalyse the growth of core sectors and to foster the generation of employment and income. As on 31 March 2017, there were 51 PSUs in the State of Punjab; details of which are given in the table 31:

Table 31. Total Number of PSUS as on 31 March 2017

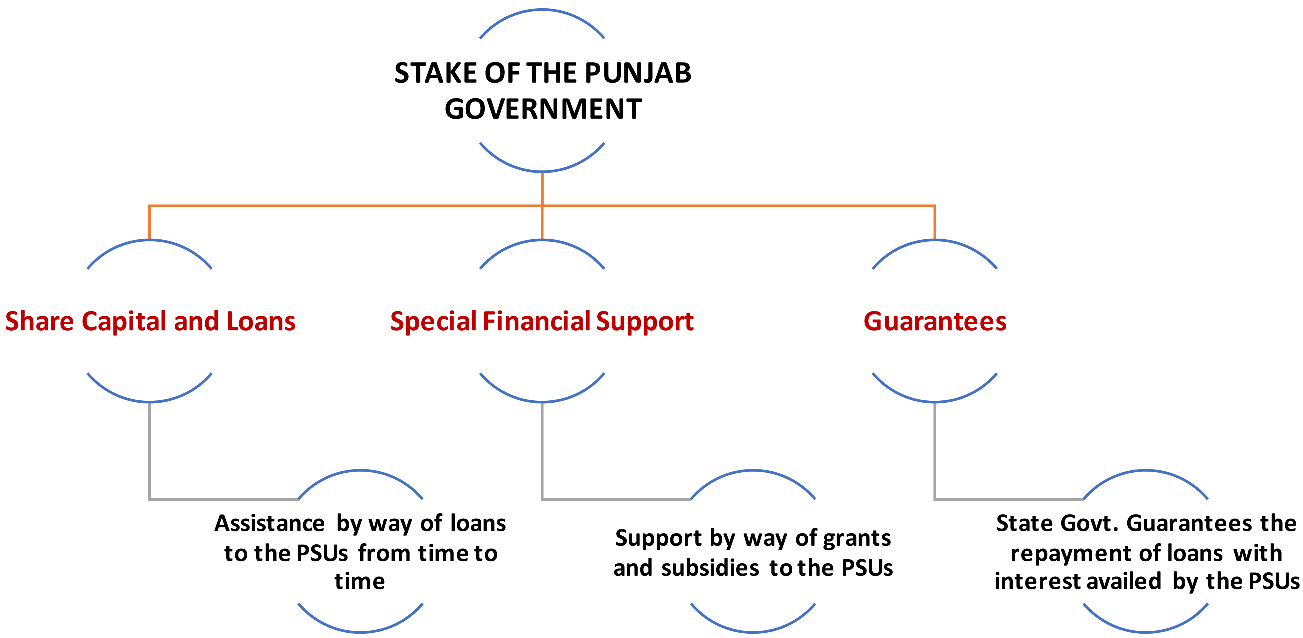
Types of PSUs	Government Companies	Statutory Corporations	Total
1. Working PSUs	26	4	30
2. Non-Working PSUs#	*21	-	21
Total	47	4	51

#: Non-working PSUs are those which have ceased to carry on operations
*: In 2016-17, Punjab Agro Power Corporation Ltd. became non-working

Source: Report of CAG on PSUs for the year ended 31 March, 2017

Stake of The Government of Punjab

The State Government provides financial support to the PSUs and has considerable stake in these PSUs. This is majorly of three types as depicted in the figure below:



6.2 BUDGETARY SUPPORT TO PSUs

PSUs receive monetary support from the state government in the form of loans, equity, grants/subsidies, interest waive off and loans written off.

The table 32 shows the details of budgetary outgo towards State PSUs.

Table 32. Details of Budgetary Support to PSUs (in Bn INR)

Items	2014-15	2015-16	2016-17
1. Equity Capital outgo from Budget	0.72(3)	0.32(2)	10.83(2)
2. Loans given from Budget	-(-)	98.59(1)	57.68(1)
3. Grants/Subsidy from Budget	30.28(4)	53.55(6)	61.19(4)
4. Waiver of loan and interest	-(-)	-(-)	0.06(2)
5. Guarantees issued	312.72(9)	62.83(4)	19.93(2)
6. Guarantee Committment	490.58(11)	386.58(12)	101.53(9)

Values mentioned in parentheses indicate number of PSUs

Source: Report of CAG on PSUs for the year ended 31 March, 2017

The Punjab government sanctioned loans of amount Rs. 9859.92 crores and Rs. 5,768.54 crores to Punjab State Power Corporation Limited, under UDAY scheme during 2015-16 and 2016-17.

Under Punjab Fiscal Responsibility and Budget Management Act, 2003, the State Government gives guarantee to PSUs subject to the limits prescribed by the Constitution of India, to enable PSUs to obtain financial assistance from banks and financial institutions. For this, a guarantee fee at the rate of 0.5 to two per cent are charged from the PSUs.

6.3 PERFORMANCE OF PSUs

As per the latest finalised accounts of working PSUs, table 33 provides the details of turnover of working PSUs and GSDP from 2012-13 to 2016-17. The ratio of PSUs turnover to GSDP shows the extent of PSUs activities in the State economy.

The table depicts an increase from 13.01 in 2012-13 to 15.07 in 2014-15, in turnover of State PSUs to the GSDP in percentage terms. However, in 2016-17, it decreased to 13.53, with PSUs registering a turnover of Rs. 57,795.90 crores.

Table 33. Turnover vis-a-vis GSDP of Working PSUs

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1. Turnover(in Bn INR)#	370.91	447.46	527.33	556.94	577.96
2. GSDP(in Bn INR)	2851.19	3175.56	3498.26	4088.15	4272.97
3. Turnover relative to GSDP(in %)	13.01	14.09	15.07	13.62	13.53

#: Turnover as per the latest finalised accounts as of 30 September of respective years

Source: Report of CAG on PSUs for the year ended 31 March, 2017

As of 30 September 2017, the working PSUs incurred an overall loss of Rs. 8,852.26 crores as per their latest finalised accounts.

Other fundamental parameters of PSUs related to performance are given in the table 34 below:

Table 34. Key Parameters of State PSUs

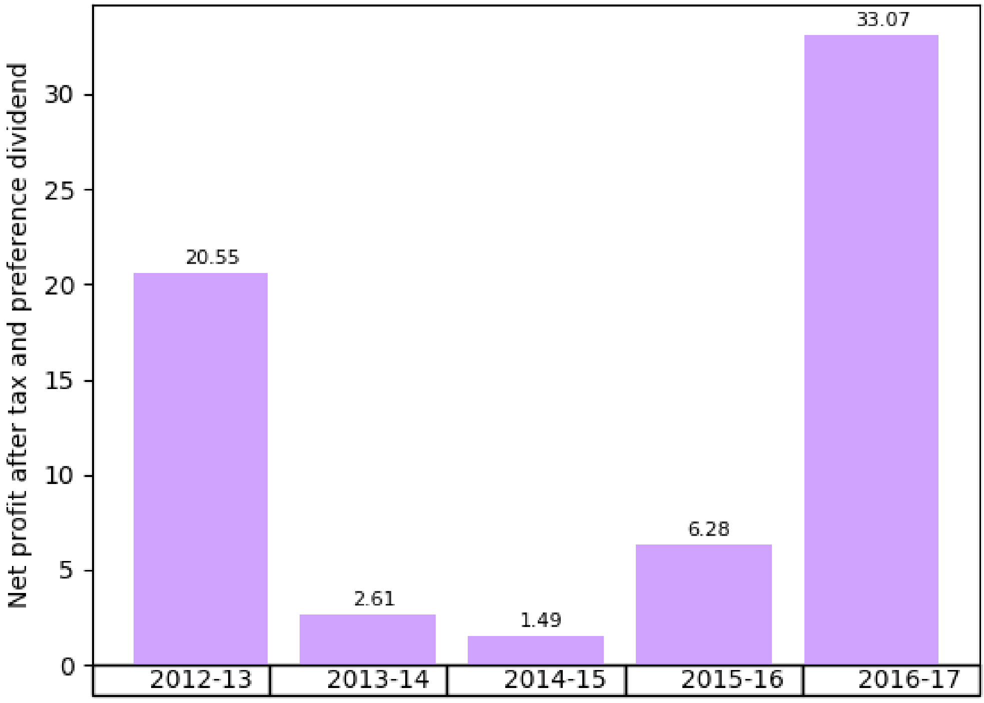
Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Equity(in Bn INR)	31.99	23.85	20.97	18.75	(-)9.22
2. Investment(in Bn INR)	242.46	276.24	295.91	310.9	338.57
3. Profit before Interest,Tax and Dividends(in Bn INR)	2.16	25.05	27.17	22.86	1.41
4. Net profit after tax and preference dividend(in Bn INR)	(-)20.55	(-)2.61	(-)1.49	(-)6.28	(-)33.07
5. Return of Equity(in %)	(-)64.24	(-)10.93	(-)7.10	(-)33.50	*
6. Return of Investment(in %)	0.89	9.07	9.18	7.35	0.42
7. Debt(Outstanding at the end of respective year)	128.39	136.84	145.97	250.03	528.99
8. Debt relative to Turnover(in %)	35	30	28	45	92
9. Interest Payments(in Bn INR)	45.22	59.19	64.43	71.54	69.4
10. Accumulated losses(in Bn INR)	50.11	58.7	62.37	64.74	93.43

*:Not measurable as equity is negative

Source: Report of CAG on PSUs for the year ended 31 March, 2017

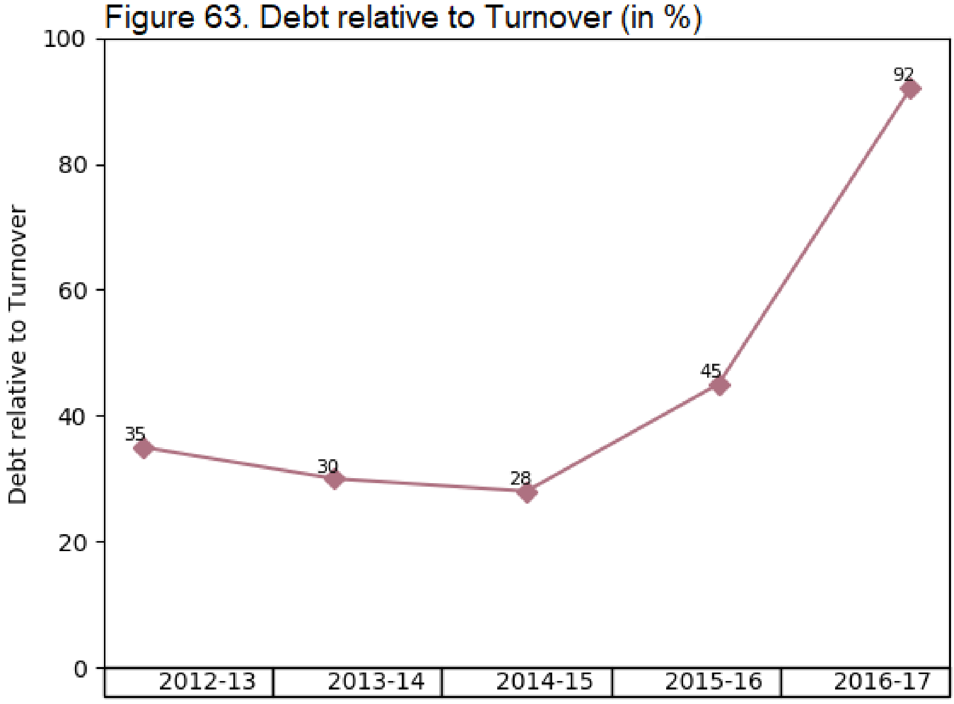
Return on Equity = (Net Profit after tax and preference dividend)/Equity x100;
Equity = Paid up Capital + Free Reserves – Accumulated losses - Deferred Revenue Expenditure;
Return on Investment = Net Profit before Interest, tax and dividend/ Investment x100;
Investment = Paid up Capital + Free Reserves + long term loans.

Figure 62. Net profit after tax and prefernce dividend (in Bn INR)



Source: Report of CAG on PSUs
for the year ended 31 March. 2017

Figure 63. Debt relative to Turnover (in %)



Source: Report of CAG on PSUs
for the year ended 31 March, 2017

6.4 DISSOLUTION & WINDING UP OF NON-WORKING PSUs

With the objective of disinvestment, restructuring and privatisation of PSUs, the Directorate of Disinvestment was established by state government in 2002. As on March 2017, 21 PSUs were non-working, out of which six PSUs have already begun the process of liquidation. Closure orders has been issued to other seven PSUs.

7. POWER SECTOR OF PUNJAB

The power sector of Punjab comprises of five working government companies, the list is given below:

1. Gidderbaha Power Limited

2. Punjab Genco Limited

3. Punjab State Power Corporation Limited

4. Punjab State Transmission Corporation Limited

5. Punjab Thermal Generation Limited

Out of the above five companies, the highest paid up capital is of Punjab State Power Corporation Limited (89.68% of the total paid up capital in the power sector). Below, we provide the performance overview of Punjab State Power Corporation limited:

7.1 Introduction

Punjab State Power Corporation Limited was incorporated in the year 2010 under the Companies Act, 1956 with the principal objective of engaging in the business of Generation, Trading and Distribution of power in Punjab.

With respect to generation function, the company generates the electricity by two modes i.e. Hydel and Thermal. In the Hydel based generating unit's electricity is generated using power of falling water. In the thermal based generating unit's electricity is generated using heat by burning fossil fuel (coal).

Distribution Function performed via five zonal divisions: North, South, West, Central and Border Zone. The Distribution System transports the power from the Transmission System to the customer.

7.2 Financial Performance:

Table 35. Energy Sale (MUs)

Year	2015-16	2016-17
1. General	15249.1	16735.8
2. Industrial	12997.34	13958.25
3. Agricultural	11513.88	12008.98
4. Others	1007.59	1068.89
5. Theft detected and under assessment	561.75	472.131

Source: Punjab State Power Corporation Limited (PSPCL) Statistics

The table 35 depicts the sector-wise Energy Sale for the year 2015-16 and 2016-17. It could be observed that total energy sale grew by 7.05% in the year 2016-17 in comparison to the previous year. While general sales jumped by 9.74%, Industrial sales grew by 7.39% and Agricultural sales grew by 4.3%; theft detected and assessed went down by 15.95% in the year 2016-17 against the year 2015-16.

7.3 T&D Losses:

Table 36. T&D losses

Year	2015-16	2016-17
1. Energy Loss (MUs)	7084.15	7960.85
2. T&D losses(in %)	14.63	15.25

Source: Punjab State Power Corporation Limited (PSPCL) Statistics

The table 36 depicts the Transmission and Distribution losses of Punjab DISCOMs. It is observed that the losses have increased to 15.25% in the year 2016-17 from the previous years' figure of 14.63%.

7.4 Per unit cost and Per unit revenue:

The table 37 indicates the average cost and average revenue. It could be clearly observed that while average cost has gone up by 1.68%; the average revenue has gone down by 3.89% in the year 2016-17 from the year 2015-16.

Table 37. Per Unit Costs and Per Unit Revenue

Year	2015-16	2016-17
1. Per Unit Cost up to Consumers' Premises (paise)	622.49	633
2. Revenue per unit sold (paise)	427.84	411.16

Source: Punjab State Power Corporation Limited (PSPCL) Statistics

7.5 Current status of AT&C losses and Collection Efficiency report ending Dec 2017:

Table 38. AT&C losses

AT&C losses(in %)(n)	Number of Towns
1. n<15	15
2. 15<n<30	15
3. 30<n<40	12
4. n>40	5

Source: Punjab State Power Corporation Limited (PSPCL) Statistics

Table 39. Collection Efficiency

Collection Efficiency(in %)(n)	Number of Towns
1. n<60	0
2. 60<n<90	17
3. n>90	30

Source: Punjab State Electricity Regulatory Commission Statistics

PSPCL has reported that 14.35% AT&C Losses have been achieved at distribution level against the target of 15.04% for the third quarter ending of financial year 2017-18. Also, the Company has achieved 87.85% Billing efficiency against target of 84.96% for the same period. With respect to Collections (excluding subsidy), PSPCL has achieved 97.50% Collection efficiency; an increment by 0.65% from last years' corresponding quarter. Percentage Distribution losses have also decreased by 1.02% from the last years' corresponding quarter

However, The Punjab State Electricity Regulatory Commission observed that the AT&C losses for 29 towns are more than 25%. The highest AT&C loss is that of Malout town at 60.11%. The collection efficiency of two towns i.e. Malout and Faridkot is even below 60%. In view of the increase in the number of receivables from consumers and the State Govt./ State Govt. Departments, the claim of PSPCL of having a collection efficiency of more than 99% appears to be exaggerated. Furthermore, as per the statement of AT&C losses (calculated as per the guidelines issued by CEA) submitted by PSPCL, the AT&C losses upto Dec. 2017 are 31.27% which far exceeds the target fixed under UDAY scheme.

7.6 Metering:

With regards to Metering efficiency; It is brought out by PSPCL that the periodic checking of all the Extra High Tension (EHT) connections have been carried out by Mobile Meter Testing Squads (MMTS). The EHT meters checked and detail of checking of EHT meters by MMTS units of CE/Enforcement during 2nd quarter of FY 2017-18 ending Sept. 2017 is as under:

Table 40. Metering

Enforcement Circle	A	B	Status	Accuracy	Other violations
1. Amritsar	15	1	OK	Checked	NIL
2. Bhatinda	22	2	OK	Checked	Meter Accuracy*
3. Jalandhar	18	12	OK	Checked	NIL
4. Ludhiana	68	67	OK	Not checked	NIL
5. Patiala	65	25	OK	Not Checked	NIL

A: No. of EHT meters
B: No. of Connection checked
*: Meter accuracy found off limits at two sites

Source: Punjab State Electricity Regulatory Commission Statistics

However, the Commission observes that accuracy of 68 EHT meters of Ludhiana and 65 EHT meters of Patiala has not been checked. The Commission further observes that no substantial progress has been made to procure testing equipment for checking of HT/EHT meters at site since floating of Testing equipment in 2015.

Percentage of Households electrified in the State: As per the latest data supplied by Pradhan Mantri Sahaj Bijli Har Ghar Yojana – 'Saubhagya'; Punjab has achieved 100% Household electrification.

7.7 Financial turnaround of Punjab DISCOMs:

Punjab DISCOMs were undergoing severe financial distress vis-à-vis heavy losses, revenue deficit and especially the staggering debt reaching at Rs. 20837.68 Crores as on September 2015. To revive them, the Government of India, Government of Punjab and the Punjab DISCOM entered a tripartite MOU to enable financial turnaround of Punjab DISCOMs by improving their operational and financial efficiency.

As per the MOU, the government of India will facilitate Government of Punjab to take over Rs 10418.84 Crores (50% of the outstanding debt) of the Punjab DISCOM as on 30th September 2015 in the year 2015-16 and Rs 5209.42 (25% of the outstanding debt) of the Punjab DISCOM in the year 2016-17.

Below table 41 depicts the progress of operational and financial indicators of Punjab DISCOM post UDAY:

Table 41.UDAY Operational Parameters

Parameter	Total Nos.	Progress
1. Feeder Metering (Urban)	3386	3386
2. Feeder Metering (Rural)	7414	7414
3. DT Metering (Urban)	73139	46093
4. DT Metering (Rural)	118997	968
5. Electricity Access to Unconnected Households (in lakhs)	66.82	66.82
6. Smart Metering >500 kWh	697711	0
7. Smart Metering >200 & <=500 kWh	934394	0
8. Feeder Segregation	5962	5686
9. Rural Feeder Audit	7414	7414
10. Distribution of LEDs under UJALA(in lakhs)	0	12.19

Source: UDAY Statistics

The table 42 depicts the performance of Punjab DISCOMs vis-à-vis operational indicators. It could be observed that feeder metering both in rural and urban areas and rural feeder audit has been achieved as per targets. Even the electricity access to unelectrified households is completed as per target. However, no progress has been made with regards to smart metering.

Table 42. UDAY Financial Indicators

Parameter	Target	Progress
1. Bonds Issued (in crore INR)	20262	15629
2. AT&C loss (in %)	14	20.02
3. ACS-ARR Gap (INR per unit)	-0.09	0.45

Source: UDAY Statistics

It is inferred from the table that 77.13% of the target amount of bonds is issued. With respect to Aggregate technical and commercial losses, the progress so far achieved is 6.02% behind the target, while for the gap between the average cost of supply and average revenue realised, the gap exceeds by 120%.

7.8 Impact of Power Subsidy on Fiscal Health Of State

Power is one the most subsidised service of the Punjab government. Punjab government's most of the allocation is spent on supply of free electricity.

From the below Table 43 and Figure 64, Figure 65; it is quite evident that more than 95 % of total subsidy provided by the State government goes as power subsidy.

The subsidy goes to two major sections under power:

a) power subsidy to the farmers and
b) power subsidy to PSPCL for electrification.

Out of the two, former receives the massive share of subsidy as government of Punjab continues to feed agriculture with subsidised power (figure 66 and figure 67).

Since, government is spending lot of money to subsidise power; the amount of money left with the government of Punjab for other expenditures has been decreasing over the years (figure 68).

Table 43. Evaluation details of Power Subsidy (in Bn INR)

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Total Subsidy	51.32	49.04	47.72	50.80	58.23
2. Power Subsidy	50.59	48.15	46.42	48.47	56.01
3. Power Subsidy to Farmers	0*	0*	21.37	43.37	39.86
4. Power Subsidy to PSPCL for electrification	50.59*	48.15*	25.05	5.10	16.15
5. Revenue Deficit	74.07	65.37	75.91	85.50	73.11
6. Net Borrowings#	72.79	74.02	67.29	133.18	144.40

#: Borrowings available after repayment of earlier repayment of earlier borrowings and meeting capital expenditure
*: Prior to 2014-15, power subsidy to farmers was being booked together with power subsidy for electrification to PSPCL under Major Head-2801-Power

Source: Report of Comptroller and Auditor General of India on State Finances for the year 2016-17

In Table 44, values for 'power subsidy to PSPCL for electrification relative to power subsidy' for the years 2012-13 and 2013-14 incorporates 'power subsidies to farmers relative to power subsidy' as well. This explains the 100 percent figures for the mentioned years for row three in the table.

Table 44. Evaluation details of Power Subsidy (in %)

Years	2012-13	2013-14	2014-15	2015-16	2016-17
1. Power Subsidy relative to Total Subsidy	98.58	98.19	97.28	95.41	96.19
2. Power subsidy to farmers relative to Power Subsidy	0.0	0.0	46.04	89.48	71.17
3. Power Subsidy to PSPCL for electrification relative to Power Subsidy	100.0	100.0	53.96	10.52	28.83
4. Power Subsidy relative to Revenue Deficit	68.3	73.66	61.15	56.69	76.61
5. Power Subsidy relative to Net Borrowings	69.5	65.05	68.98	36.39	38.79

Source: Report of Comptroller and Auditor General of India on State Finances for the year 2016-17

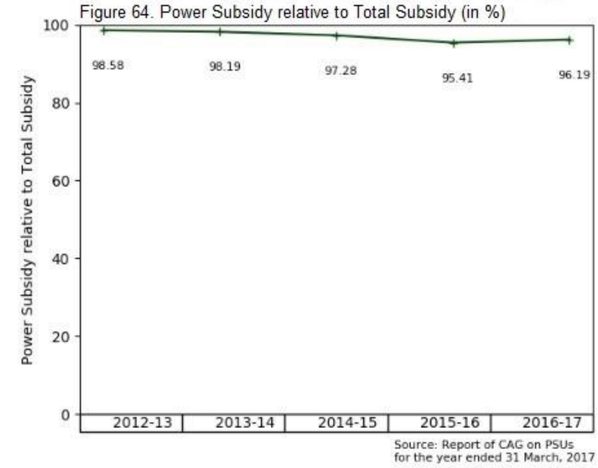


Figure 64. Power Subsidy relative to Total Subsidy (in %)

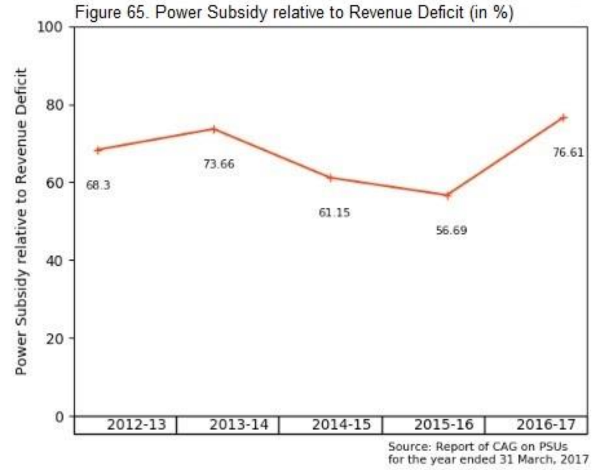


Figure 65. Power Subsidy relative to Revenue Deficit (in %)

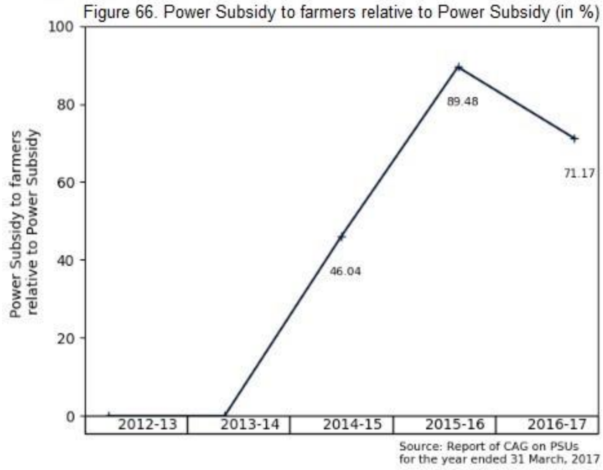


Figure 66. Power Subsidy to farmers relative to Power Subsidy (in %)

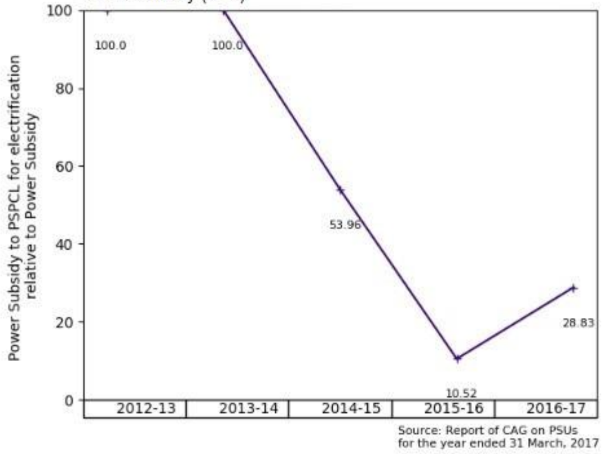


Figure 67. Power Subsidy to PSPCL for electrification relative to Power Subsidy (in %)

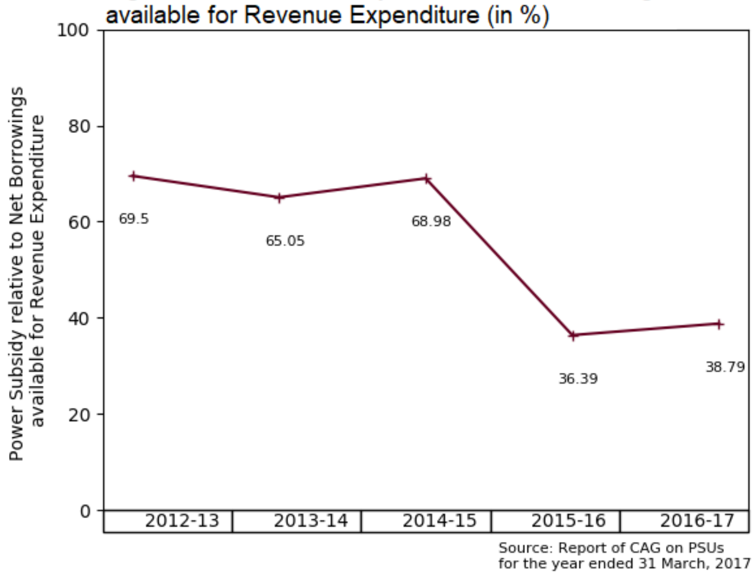


Figure 68. Power Subsidy relative to Net Borowings available for Revenue Expenditure (in %)

Power subsidy is a significant part of total budget expenditure and in 2018, government was unable to pay power subsidy against free power to agriculture. Punjab government which is already debt ridden takes hefty loans to sustain power subsidy. However, it is deteriorating the fiscal position of the state and is a very burden on state exchequer.

Government should take measures to reform and revive power sector and possibly restructure subsidy.

8. TRANSPORT SECTOR OF PUNJAB: Performance Review

The transport sector is an indispensable service sector for the development of Punjab economy. The Punjab state road transport undertakings provide bus based public transport to rural and urban population of about 2,77,43,338 people. As on 31ST March 2016; Punjab has three State Road Transport Undertakings viz: PEPSU, PUNBUS, State Transport Punjab. Here we depict the financial performance of the aforesaid State Road Transport Undertakings in lakhs for the year 2015-16.

Table 45. Performance Indicators of Transport Sector

Parameter	PEPSU	PUNBUS	State Transport Punjab
1. Traffic Revenue	364.99	365.94	85.95
2. Income from Advertisements (A)	0.92	1.49	-
3. Sale proceeds from scrap (B)	1.91	0.47	-
4. Receipts from penalties/fines (C)	-	6.41	-
5. Other Receipts (D)	-	16.41	0.77
6. Non-Traffic Revenue (A+B+C+D)	2.83	24.79	0.78
7. Subsidies	73.3	44.92	18.94
8. Other Subsidies	-	-	-
9. Total Revenue (E)	441.14	435.64	105.67
10. Total Cost (F)	446.59	429.9	206.32
11. Profit/(Loss)(E-F)	(5.46)	5.74	(100.65)

Source: Ministry of Transport and Highway Authority Performance Review 2015-16

The indicated figures in the table 45 reveal that two out three State Road Transport Undertakings of Punjab incurred losses for the year 2015-16. However, PUNBUS earned profits of amount equivalent to Rs. 574.03 Lakhs. Furthermore, Traffic revenue accounted for the highest share in total revenue for all the three SRTUs (PEPSU: 82.74%; PUNBUS: 83.99%; State Transport Punjab: 81.33%). The second highest component in total revenue is of 'Subsidies' accounting for 16.61%, 10.31% and 17.92% of 'Total Revenue' for PEPSU, PUNBUS and State Transport Punjab respectively. Besides, the Ministry of Road Transport and Highways evidenced that PUNBUS and State Transport Punjab have reported 100 per cent fleet utilisation for the year 2015-16; reflecting the quality of buses, maintenance and deployment.

9. CASH CREDIT LIMIT ACCOUNTS: An Analysis

Punjab State which is also known as the "Food Basket of the Country" & the "Granary of India" is not only self-sufficient in producing food grains but also contributes around 60% food grains to the central pool. Procurement is done by the State Procurement Agencies (SPAs) on behalf of Government of India. State Procurement Agencies being agents of the Government of India are neither to make any profit nor to incur any loss in the procurement operations, highlighting fiduciary relationship. The procurement of wheat and paddy is made under Price Support Scheme (MSP) of Government of India and the finances for carrying out the same are made available by way of Cash Credit Limit authorized by Reserve Bank of India through State Bank of India and the consortium bankers.

Before the start of every procurement season, a "provisional cost sheet" including items such as MSP, Statutory Charges and Taxes, Labour Charges, Transportation & Handling Charges, Custody & Maintenance Charges, Interest Charges, Milling Charges, Administrative Charges and Cost of Gunny Bags; is issued by Department of Food & Public Distribution (DFPD), Government of India. Based on this provisional cost sheet, FCI makes payment of delivered food grains to State Procuring Agencies. The actual procurement expenses incurred by SPAs, except MSP, Statutory Charges & Milling Charges, are partially reimbursed by the FCI based on the provisional cost sheet issued by the Government of India. The payment of actual Procurement Expenses is made by SPAs from the CCL account only, as the SPAs have no other source of funds for procurement operations.

The provisional cost sheet never matches the actual expenses incurred by the State for the procurement of concerned crop, raising concerns about the valuation norms. Government of India used to reimburse the actual expenditures on procurement incidentals but beginning from 2003-04, the difference between the actual expenditure and provisional cost sheet is reimbursed only on the submission of audited accounts. Despite of settling the accounts as per the audited expenses, the Government of India did not reimburse the entire claim of expenses incurred on procurement of food grains by the State Procuring Agencies. Due to non-reimbursement of the actual expenses of each crop, the gap has been increasing with the application of compounded interest, besides non-settlement of other critical issues. There are inherent delays in the finalization of cost sheet and accounts of SPAs. The gap between the outstanding CCL and the stocks in hand has been increasing gradually in the past. The cash credit limit (CCL) is given by the Centre to the state for procurement of food grains for central pool, and the huge gap arose because of a mismatch between cash credit availed and the food grain stocks in the account books of the state procurement agencies since 2004.

The accounts of the previous crop accounts used to be adjusted by the Bank from the receipts of the next crop CCL, leaving gap holes in adjustment of the current crop account, and this cycle has unfortunately continued for the period of the legacy accounts. As a result, it was never clear either to the SPAs or the Bank as to the adjustment of that particular crop year, as inflows of future crop seasons used to be appropriated by the Banks to adjust interest accumulations of previous year accounts, and no attempt was made by the Bank/ Government of India, which releases the provisional cost sheet for each crop, to clear the accounts of a particular Food season for which CCL was sanctioned.

After analysing the reasons escalating legacy accounts, it becomes clear that it is mainly due to non-rational and faulty Principles of Procurement Incidentals, leading to a huge gap because of difference in rates in provisional cost sheet and the actual expenses, compounded by booming interest, besides some other unresolved issues like[17]:

(i) Carry over charges on stock in hand;
(ii) Reimbursement of loss suffered by the State agencies on disposal of damaged/ rejected wheat stocks of crop 1995-96 till 2003-04;
(iii) Non-payment of interest on I.D. Cess differential and Purchase Tax;
(iv) Interest of delayed payments by FCI and penal interest 1999-2000 to 2001-2002;
(v) Non-reimbursement of handling and transport charges on wheat exported directly by the State Agencies;
(vi) Non-reimbursement of losses suffered by the State due to open-market sale of paddy in crop year 1994-95 (as per Government of India instructions);
(vii) Non-reimbursement of difference between simple interest paid by the Government of India in incidental charges, and compounded interest being charged on quarterly /monthly basis from the year 1997-98 to 2000- 01;
(viii) Unilateral deductions carried out by FCI based solely on CAG audit paras of FCI;
(ix) Non-inclusion in the stock Statements of receivables against delivery of food grains, for calculation of drawing power of the account;

[17] A White Paper on State Finances, Department of Finance, Punjab, June 2017.

(x) Time period involved in finalization of incidental charges as reflected in the Final Cost Sheet;

(xi) Method of valuation of stocks, as per norms fixed by the RBI, leading to a sharp decreased in valuation of balance stock;

(xii) Delay in taking over of the stocks by FCI;

(xiii) Delay in movement of stocks by FCI out of the State of Punjab;

(xiv) Non-payment of interest on delayed payments by FCI even after taking over of stocks.

There was a gap of about Rs. 2200 crore in CCL account of kharif market season of 2015-16. Out of Rs. 2200 crore, Rs. 1100 crore was due to diversion of funds by SBI on account of interest adjustment on previous year CCL accounts, and a gap of about Rs. 1100 crore was present on account of the difference in actual expenses and the provisions as contained in the provisional cost sheet issued by DFPD on the basis of extant Principles of Procurement Incidences (PPI) norms. Considering the situation, the Government of India advised Government of Punjab to make a budgetary provision for the gap amount so as to stop further increase in gap and to stop the recurring interest burden. Acting on the advice of Government of India, the Finance Department had released an amount of Rs. 926 crores to square up the gap in CCL account for 2015-16. Further, the State Finance Department has made a budgetary provision of Rs. 1100 crore in the year 2016-17 to temporarily plug any gaps, so as to avoid interest burden, and ensure repayment to Bank.

The gap between the outstanding CCL and the value of stocks of food grains amounts to Rs.30,584.11 crore as on March 11, 2017. There were no settlements provided to the state government and this whooping gap was converted into a long-term loan. The Rs 30,584 crore included Rs 12,161 crore principal and Rs 18,423 crore interest and Punjab has been burdened with debt servicing liability of Rs 3,240 crore interest per annum which it has to pay for 20 years.

This inflated the state's fiscal deficit to 12.34 per cent of GSDP in 2016-17 and will result in a total outflow of Rs 57,358 crore during the repayment tenure of the loan.

The manner in which the gap between cash credit availed and the food grain stocks has been rising over the years reflects structural and systemic issues. Considering that much of the state’s tax earnings each year will go towards the payment of interest on the loan taken for a period of

20 years, it is recommended that all the procurement processes and transactions must be subjected to a third-party audit. This will not only bring out the inherent factors and issues resulting in gap, but also help the state government to take corrective measures and pave its way to fiscal consolidation.

10. PUNJAB SOLAR POLICY: Key Highlights

National Solar Mission (NSM), launched on 11th January 2010, had set a target for development and deployment of 20 GW solar power by the year 2022.

Punjab is endowed with a very vast solar energy potential. Punjab is in the northern part of India and neighbours' states like J&K, Himachal Pradesh and Haryana. **Punjab Energy Development Agency (PEDA) is the state nodal Agency for implementation, promotion and development of Renewable source of energy in the state of Punjab and the state designated agency for implementation of energy conservation Act- 2001, and also the state agency for the purpose of Renewable energy certificates (REC's) designated by Punjab State Electricity Regulatory Commission (PSERC).**

Solar Energy source is being efficiently explored by PEDA. **Till 31st July 2018 solar power projects of capacity 920 MW have been commissioned in the state. This is a huge achievement since 2012 when it was just 9 MW.**

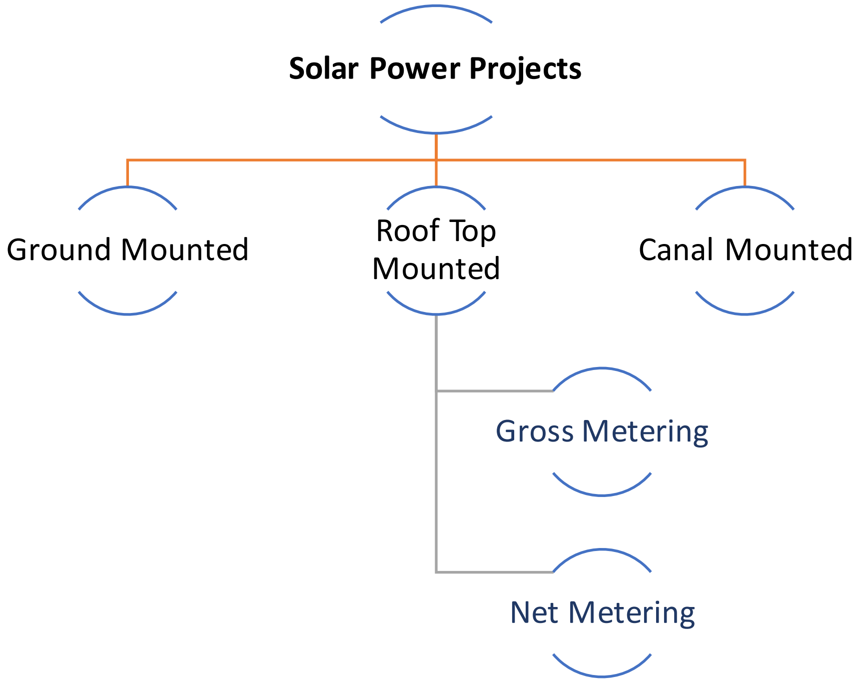
10.1 New and Renewable Sources of Energy Policy-2012 (NRSE)

The Punjab New and Renewable Sources of Energy (NRSE) Policy – 2012 was created to develop and promote new and renewable sources of energy-based technologies and energy conservation measures as well as providing financial and fiscal assistance, thereby addressing the problems arising from depletion of conventional sources of energy and environment pollution. Major thrust has been given to provide facilities to the private developers by PEDA for the development of renewable energy projects in the state. New and Renewable Sources of Energy Policy-2012 (NRSE) has been formulated and approved recently by the state govt. for implementation in the state, which provides for a greater degree of private sector participation in the development of the renewable energy potential in the state.

As per NRSE policy 2006, PEDA shall be the nodal agency for providing single window clearance to private developers for NRSE projects and shall coordinate and interact with various govt. departments/organisations for providing the various clearances.

PEDA has been laying special emphasis on tapping international funding for developing renewable energy projects in the state. Efforts made by PEDA in this area have yielded considerable results in the shape of setting up of renewable energy power generation projects.

10.2 Types of Solar Power Projects



NET METERING POLICY

• Consumers generate their own electricity by installing a solar power plant on the roof, open spaces or walls of the building.

• The generated power is first used in the building as per the requirement and surplus power is fed into the grid of PSPCL (Punjab State Power Corporation Ltd).

• During winter the energy will be banked with PSPCL which will be settled in summer in the settlement period of October to September every year. Under this policy, the consumer will get net bill after the adjustment of import and export of power.

• Punjab Government has set a target of 200MW by the year 2022.

GROSS METERING

• The power is generated by installing solar power plant on the roof, open spaces and generated power is fed into the grid of PSPCL by the generator at a tariff fixed by PSERC (Punjab State Energy Regulation Commission).

CAPTIVE METERING

• The generated power is consumed by the building and there is no Import and export of power to the grid.

10.3 Solar Power in Punjab

The centre government has set Punjab a target of 40,000MW of power from renewable sources to be produced by the year 2022, of which solar will play a significant contribution.

Punjab is endowed with vast potential of solar energy with over 300 days of sun shine in a year with isolation level varying between 4-7 Kwh/sq.m. Punjab is one of the most active states when it comes to pushing solar. **It has 592.35MW of commissioned solar energy**. In the year 2016/2017 saw 187.29MW additional solar power being commissioned. Solar Power Generation capacity is targeted at 1000MW by 2022.

10.4 Status of Solar Power in Punjab

The table 46 illustrates the achievement of government of Punjab with reference to solar power up to 31st July 2018.

Table 46. Solar Power Capacity of Punjab upto 31st July, 2018 (in MW)

Parameter	Achievement
1. Solar Power Projects	815.5
2. Rooftop Solar Projects	60.5
3. Solar Net Metering	24
4. Canal Top Solar	20
5. Total	920

Source: Punjab Energy Development Agency Statistics

Punjab has the *World's Largest Single Rooftop solar plant located in Beas Dera* which has the capacity to produce 11.5MW. Another solar power plant located in the Mansa district with the *capacity of 31.5MW*, is the largest single location solar power plant. Also, in the month of November in 2016, Adani Enterprises commissioned Punjab's largest solar plant of 100MW.

Table 47 indicates the progress of Punjab in terms of solar energy. The state has a solar potential estimated at 2.81 GW.[18] Based on the requests received from various States for allocation of canal-top/canal-bank solar power projects, the Centre government has in-principle approval

[18] https://mnre.gov.in/file-manager/annual-report/2017-2018/EN/pdf/chapter-4.pdf

given for setting up full targeted capacity of 50 MW canal top solar PV power projects, of which Punjab has been commissioned 5MW[19].

Under the Off-Grid and Decentralized Solar Photo Voltaic (SPV) Programme for 2017-18, Ministry is providing Central Financial Assistance (CFA) to implementing agencies for deployment of SPV home lighting systems, Solar street lights, Solar pumps, power packs and other solar applications to meet out the electricity and lighting needs of the individual in the rural areas. State Nodal Agencies (SNAs) are the primary implementing agency through which CFA of 30% was being provided. NABARD was one of the implementing agencies for pumps and lighting systems through which CFA of 40% of the benchmark cost was being provided.

Table 47shows the number of Lanterns & Lamps, Home Lights, Street Lights, Pumps and Stand-Alone Power Plants in Punjab.

Table 47. Solar Power Statistics

Parameter	Value
1. Solar Energy Potential (GWp)	2.81
2. Allocation of 50MW Canal Top Solar PV Projects#	5
3. Lanterns and lamps Nos.	17,495
4. Home lights Nos.	8,626
5. Street Lights Nos.	42,758
6. Pumps Nos.	1,857
7. Standalone Power Plants (KWp)	2,066

#: Punjab Energy Development Agency (PEDA)

Source: Ministry of Non-Renewable Energy, Punjab Energy Development Agency (PEDA)

The state's solar capacity at the end of July 2018 stood at 920 MW. Punjab's total installed electricity generation capacity stood at 13,432 MW at the end of 2018, with the solar sector's share at 6.84 per cent. Punjab has set up a mission to achieve the target of 4900 MW by 2030.

[19] https://mnre.gov.in/file-manager/annual-report/2017-2018/EN/pdf/chapter-4.pdf

11. STUBBLE BURNING IN PUNJAB

The burning of paddy stubble has received flak over the past few years after smoke clouds engulfed the northern part of the country during the early winter months. Farmers has been held liable for the deteriorating air quality and the resultant exacerbation of respiratory diseases and reduction in visibility. Punjab banned the burning of stubble in 2013 and in 2015 the National Green Tribunal ordered the same when pollution became increasingly felt in the NCR-Delhi region. The government has resorted to coercive actions in the form of punitive damages, police raids and striking a red entry in the *girdhabra* (land record) of the violating farmers.

In Punjab, only about 20% of straw is managed through biomass power plants, paper and cardboard mills. The remaining quantity of over 15 million tonnes is burnt in open fields[20]. The stubble releases enormous quantities of particulate matter, especially the dangerous 2.5 PM, along with other noxious gases. The higher moisture content in the winter air accentuates the problem as it traps the pollutants and prevents their dispersal.

Farmers in Punjab continue to burn paddy stubble every winter despite a ban on the practice. Stubble burning is a common practice followed by farmers to prepare the field for sowing of wheat in November as there is little time left between the harvesting of paddy and sowing of wheat. It is not easy to stop the trend because manual collection of stubble is not time and cost-efficient. Besides, manual removal of straw can push back the rabi harvest.

Burning of Rice straw and wheat residue is not necessary for the farmers because of the availability of technology and its higher economic value as dry fodder. Even though farmers are aware that the burning of straw is harmful to health, they do not have alternatives for utilising them effectively**.** The farmers are ill-equipped to deal with waste because they cannot afford the new technology that is available to handle the waste material.

Experts say that with less income due to crop damage, farmers are likely to be inclined to light up their fields to cut costs and not spend on scientific ways of stubble management. It costs Rs 3,000-Rs 5000 per acre for stubble management, depending on the equipment and method.

[20] https://www.springerprofessional.de/en/the-extent-and-management-of-crop-stubble/4649240

Unable to dissuade farmers from burning paddy straw, the Punjab government recently announced a global million-dollar prize for contriving a viable solution to manage the stubble left after the paddy crop is harvested.

The ban has not been enforced strictly because:

(i) Lack of adequate awareness among farmers about the ban

(ii) The government has failed to give alternative to farmers

(iii) No strict punishment for the violation of the ban

For promotion of agricultural mechanisation for in-situ management of crop residue, the Centre has sanctioned Rs. 695 crores for Punjab. The state has drafted a two-year plan under which it would be spending Rs 665 crore on providing straw management machinery at 80% subsidy to the cooperative societies and other groups and at 50% subsidy to individual farmers. In 2018, the government allocated Rs 270 crore to build up cache straw management equipment with an addition of Rs 15 crore to be spent on awareness campaign through various mediums. Besides, the government has also signed MoUs with four major companies to set up bio-CNG, ethanol and biogas plants using the crop residue.

The state has already entered into an agreement with four major companies to set up plants to manufacture bio CNG and bio-ethanol from paddy straw. Under the MoU, the Hindustan Petroleum Corporation Limited, Indian Oil Corporation, Verbio India Private Limited and Rika Biofuel Development Limited will be buying paddy straw to produce biogas, bio CNG and bioethanol. The Hindustan Petroleum Corporation will set up the plant in Nasibpura village of Talwandi Sabo Tehsil of Bathinda district on which a sum of Rs 1,000 crore would be invested. The produced ethanol will be blended with petrol and diesel.

11.1 Other alternative solutions that can avoid Stubble Burning:

(i) The available paddy straw can be effectively used for power generation, which will go a long way towards overcoming the problem of disposal of crop residues and power deficit in the region.

(ii) Suitable machinery for collection, chopping and in situ incorporation of straw is required.

(iii) There is great potential for making investments in paddy straw-based power plants which can help avoid stubble burning to a large extent and create employment opportunities.

(iv) Incorporation of crop residues in the soil can improve soil moisture and help activate the growth of soil microorganisms for better plant growth.

(v) Convert the removed residues into enriched organic manure through composting.

(vi) New opportunities for industrial use such as extraction of yeast protein can be explored through scientific research.

(vii) The 2014 national policy envisages adoption of technical measures, including diversified uses of crop residue, capacity building and training along with formulation of suitable legislation, to deal with the issue of disposing of stubble.

(viii) Unless Financial assistance is to be provided by the Centre for boosting farm mechanisation, it is difficult to completely stop stubble burning.

(ix) States needs to make alternative arrangements for consumption of paddy straw into the soil as per the directions of the NGT.

12. SKILL DEVELOPMENT

Punjab Skill Development Mission (PSDM) was constituted on 2nd September 2014, in line with National Skill Development Policy. The Mission is a single point of contact within the Government to formulate and steer skill development schemes across the Department. PSDM acts as an integrated mission which combines the efforts of various State Departments in achieving the skill development target of the State.

The primary objective of Punjab Skill Development Mission is to enable many youths to take up industry-relevant skill training that will improve their theoretical as well as practical knowledge and help them in securing a better livelihood by bringing necessary synergy, oversight and effective coordination. Punjab Skill Development Mission is bridging the gap between the skilled people required in Industry and the unemployed youth by ensuring that the right candidate with passion for a particular job chooses the right course according to his/her academic background, aptitude and skill-set. Punjab Skill Development Mission has been providing free skill development training to the youth across all the Districts of Punjab both in the urban and rural areas.

12.1 Schemes Running Under PSDM

Deen Dayal Upadhyaya Grameen Kaushal Yojana (A skill training program for rural youth)

Deen Dayal Upadhyaya Grameen Kaushal Yojana is a flagship skill development scheme of the Department of Rural Development Government of India. 4835 candidates have been trained under the scheme and 1212 candidates have been appointed/ placed. Rural Skill Centres under this programme have been constructed in the premises of Government Senior Secondary schools and are operated by empanelled training partners. These training centres cater to the poor in the rural hinterlands of the state. The target for training under the scheme is 15000 candidates.

The Employment Skill training and Placement scheme (A skill training program for urban youth)

Under the Employment Skill training and Placement component of the National Urban Livelihood Mission there are currently 45 Operational training centres across the State. More than 10000 candidates have been trained and around 2500 candidates placed in wage or self-employment. These training centres are mostly located in urban/ semi urban areas and cater to the urban poor. The target for training under the NULM Scheme is 25000 candidates in the year 2018-19.

Pradhan Mantri Kaushal Vikas Yojana - II (PMKVY)

Pradhan Mantri Kaushal Vikas Yojana – II scheme is a flagship scheme of Ministry of Skill Development and Entrepreneurship. In this scheme, any unemployed youth or, school/ college dropout can get skill training regardless of his urban/ rural background.

Asian Development Bank assisted Skill Development Programme

Punjab Skill Development Mission in collaboration with the Punjab Heritage and Tourism Development Board is embarking to start training of 2000 candidates in trades like Phulkari, Punjabi Jutti, Dari/ Khes, Wood Inlay, Crochet, Fabric Painting and Terracotta in different districts of Punjab including Patiala, Fatehgarh Sahib, Bathinda, Sangrur, Amritsar, Hoshiarpur, S.A.S. Nagar and Sri Muktsar Sahib.

SOFT SKILLS

Punjab Skill Development Mission is conducting placement linked short term courses in different sectors like Retail, IT and Healthcare etc. which includes a separate module on English and Soft Skills. However, it is felt that many jobseekers including those professionally qualified may need an exclusive course on soft skills. To address this, PSDM has started a District Level project for development of soft skills especially in communication skills for the youth of Punjab in collaboration with District Bureaus of Employment and Enterprises (DBEE) & Regional Institute of English (RIE), Chandigarh.

There will be two levels of course: Level 1 is a basic course and is for candidates whose level of education is class 10th. Level 2 is the Advanced Course and is for Candidates whose level of education is diploma after 10th /graduation.

Pradhan Mantri Kaushal Kendras (PMKKs)

Ministry of Skill Development & Entrepreneurship (MSDE) with an intention to establish aspirational Multi skill training centres in every district of the country has set up PMKKs across

India. Punjab has been allocated 17 PMKKs in 17 districts except- Pathankot, Amritsar, Hoshiarpur, Gurdaspur and Kapurthala. These PMKKs have been allocated to three training agencies namely- M/S ICA Eduskills, M/S Dreamweavers Pvt.Ltd and M/S Empower Pragati in the form of clusters. They will run industry driven courses of high quality with a focus on employability. Six training centres- Moga, Fatehgarh Sahib, SAS Nagar, SBS Nagar, Jalandhar and Sri Mukatsar Sahib are operational, and rest of the centres will be operational shortly. The sustainability of the centres shall be supported through dedicated training numbers under Pradhan Mantri Kaushal Vikas Yojna (PMKVY) or its successor schemes (any other scheme under MSDE).

Each PMKK has been provided with an assured training mandate for three years, under the PMKVY scheme, as per common norms, subject to capacity and utilization of the centre. The PMKKs have been allocated in 3 categories (A, B and C) based on population (Less than 1 lakh, 1-4 lakh, 4 Lakh & above). Each PMKK shall be provided a training mandate for three years under the PMKVY (1000/750/500 training per year per centre for 8000/5000/3000 sq ft respectively).

Capacity Building under the Border Area Development Programme

PSDM has taken up administration of capacity building component under BADP which covers six districts of Punjab adjoining the International Border. Skill development courses are being run by North India Technical Consultancy Ltd. (NITCON). Soon Border Security Force and C-Pyte Centers will start imparting trainings for jobs as security persons. Additional courses including those in self-employment and training centres will come up in the next couple of months.

13. EMPLOYMENT GENERATION INITIATIVES OF PUNJAB

With an objective to develop a policy framework for employment generation & training, Government of Punjab established an exclusive Department of Employment Generation and Training in the year 2007. Besides, the Department envisages to regularly plan, implement, monitor and oversee employment generation action plans in the State and advise on the future steps to be taken. The department also facilitates manpower planning and vocational training in all the key sectors of the economy.

13.1 Schemes for Employment Generation

Below we enlist various schemes launched by Punjab Government for employment generation:

1. **Ghar Ghar Rojgar and Karobar Mission**: In pursuance of the objective of creating employment opportunities for Youth of Punjab and being duty bound to assist in providing job to every household in the state, Punjab Government launched Ghar Ghar Rojgar and Karobar Mission the year 2017. The mission would be the epicentre to steer various employment generation initiatives and will establish coordination in implementing the schemes across the departments. The mission has been set up as a society and has been accorded legal status by registering under Societies Registration Act, 1860. Furthermore, the Society would create necessary database other than that of unemployed households so as to streamline the engagement of various stakeholders conductive to employment generation. As per the latest data available, total number of jobseekers are -368187; number of employers- 14960 and number of vacancies- 283920[21].

2. **Shahid Bhagat Singh Rojgar Sirjan Yojna (Apni Gaddi Apna Rojgar Yojna)**: Under this scheme, one lakh jobs will be created annually by way of taxis and commercial LCVs and other transport vehicles. The primary goal of the scheme is to empower the youth of Punjab by providing them opportunities to become self-reliant in transport sector of the State. As per the latest data available, the scheme has aided 14,476 youths post launching of the scheme in 2017 up to 2018.[22]

[21] http://www.ghargharrozgar.punjab.gov.in/page?title=KPI
[22]http://www.pbemployment.gov.in/sites/default/files/Publicizing%20Governing%20Schemes%20to%20the%20Beneficiaries.pdf

14. HEALTH SECTOR INITIATIVES OF PUNJAB

The Punjab Government has taken big strides to fulfil its commitment of providing better health facilities to the citizen of State.

14.1 Schemes running in Health Sector

Below we depict various schemes launched by the state:

1. **National Vector Borne Disease Control Programme (NVBDCP)**: It is an umbrella programme for prevention and control of Vector Borne Diseases. Currently six diseases covered under the programme are: Malaria, Dengue, Chikungunya, Japanese Encephalitis, Lymphatic Filariasis, Kala Azar. The web portal depicts the live reporting of the patients being detected with the diseases.

2. **National Programme for Control of Blindness (NPCB) and Visual Impairment: The programme was launched in the year** 1976 with 100% central assistance. The infrastructure has been developed in the State in a phased manner and is covered under Non-Plan Scheme. The programme covers all the districts of Punjab. The services are delivered by Govt. Hospitals, Medical Colleges and Private Practitioners/NGO Hospitals.
It was identified that majority of the indicators of eyecare services, the achievements have surpassed the targets over the years depicting the success of the programme.

3. **Special Initiatives by Department of Health and Family Welfare Punjab[23]:**

- Specialist doctors are being recruited through walk-in-interviews since 2012 (28 held till date, 755 specialists appointed).
- 1755 Medical Officers (MBBS) have been recruited since 2012
- About 2000 other manpower (Staff Nurses, Lab Technicians, Radiographers, Operation Theatre Assistants etc) has been added.
- Free treatment in Emergency for first 24 hours to all patients in all Govt hospitals started in 2015 (state initiative). As of March 2016; 166612 patients have been benefitted.
- Hepatitis-C medicines being provided free of cost in all District Hospitals and Government Medical Colleges by trained medical specialists under supervision of

[23] http://pbhealth.gov.in/Health%205%20years.pdf

Department of Hepatology PGI Chandigarh using ECHO. Over 22,000 patients put on treatment with success rate of over 90% since the initiative launched in 2016.

4. In the year 2017; Government of Punjab has done the Budgetary allocation of Rs. 1358 crore for Health sector aimed at revamping Health infrastructure & services. Health outlay is 14.21% higher than the budgetary estimates of 2016-17. Rs.100 crore being earmarked for upgradation of medical college and hospital, Patiala. Rs.777 crore allocated for providing affordable and accountable health care services to the community under national health mission programme and Rs.100 crore for universal health insurance[24].

[24] http://punjab.gov.in/key-initiative?view=show&pp_id=12602

15. DEPARTMENT-WISE SUBSIDIES: Comparative Expenditure

The table 48 and 49 depicts the department wise expenditure on subsidies with respect to various schemes for the year 2016-17 and 2017-18. It could be clearly inferred that highest subsidy goes towards Agriculture Department (table 48) followed by Power for both the consecutive years. Furthermore, the growth of subsidy towards Agriculture department is observed to be 38.89%, whereas for Power Sector, it registered a downfall of 27.18% in the year 2017-18 as compared to the previous year. Amongst the Agriculture Department; the highest amount is expended towards Scheme for Power Subsidy to farmers followed by Debt Relief to Farmers. On the whole the expenditure towards subsidy has grown by 19.90% in 2017-18 against the previous year. Other departments (table 49) receiving subsidies are: 'Industries and Commerce', 'Housing and Urban Development' and 'Welfare of SC's and BC's' whose share has been declined in 2017-18 in comparison to previous year.

Table 48. Subsidies on Agriculture (in crores INR)

Scheme Description	2016-17	2017-18
1. Scheme for Power Subsidy to farmers	3985.58	5401.57
2. Subsidy Scheme for Cane Price Payment to Cane farmers	112.44	-
3. Financial Assistance for Mushroom Cultivation in the State	-	22.20
4. Debt relief to Farmers	-	347.80
5. Scheme for Soil and Water Conservation on Watershed Areas in Kandi Non-project Area	-	4.67
6. National Mission on Micro Irrigation	2.12	0.5
7. National Mission on Micro Irrigation	0.17	0.31
8. Project for Promotion of Micro-Irrigation- NABARD RIFD XIII	-	2.25
9. Project for Promotion of Micro-Irrigation- NABARD RIFD XVI	0.02	-
10. Project for Promotion of Micro-Irrigation- NABARD RIFD XX	7.58	-
11. Project for Promotion of Micro-Irrigation- NABARD RIFD XX	0.46	0.25
12. Project for Judicious use of available water for enhancing Irrigation potential- NABARD RIDF XVII	16.74	4.12
13. Project for Judicious use of available water for enhancing Irrigation potential- NABARD RIDF XVII	1.07	0.27
14. Scheme for providing Assured Irigation Water to the waterlogged areas in South Western districts	0.6	0.42
15. Scheme for providing Assured Irigation Water to the waterlogged areas in South Western districts	9.4	6.58
16. Scheme for conveyance of irrigation water to the fields in Sangrur and Barnala districts	32.90	-
17. Scheme for conveyance of irrigation water to the fields in Sangrur and Barnala districts	2.10	-
18. Scheme for enhancing irrigation water efficiency through Community Underground Pipeline System(PIDB)	4.70	-
19. Scheme for enhancing irrigation water efficiency through Community Underground Pipeline System(PIDB)	-	0.3
20. Project for Underground Pipeline System for irrigation water in canal commands in 11 districts-NABARD RIDF XXII	-	6.13
21. Scheme for Female Buffalo Calf Rearing	-	0.05
22. Setting up of Goat Rearing Units	-	0.04

Source: State Finance Accounts, 2018, CAG

Table 49. Subsidies to other departments (in crores INR)

Scheme Description	Department	2016-17	2017-18
1. Swachh Bharat Mission (Urban)	Housing & Urban Development	11.0	8.2
2. Direction and Administration	Welfare of SCs and BCs	0	0
3. Free Books to Scheduled Caste Students	Welfare of SCs and BCs	12.50	-
4. Certificate Course in Computer Fundamentals and Office Applications for Scheduled Caste children	Welfare of SCs and BCs	0.78	-
5. Providing LED Based Solar Photovoltaic Street Lights in villages having 100 pc SCheduled Castes population	Welfare of SCs and BCs	-	0.99
6. Subsidy under Rural Electrification of Punjab State Power Corporation Limited	Power	1615	1176
7. Modernisation of Small Scale Industries	Industries & Commerce	4.43	-
8. Incentives under various Policies	Industries & Commerce	1.68	0.55

Source: State Finance Accounts, 2018, CAG

16. 14TH FC RECOMMENDATIONS & STATE FINANCES: Outcome Evaluation

The report of the Fourteenth Finance Commission, chaired by Y.V. Reddy, was tabled in the Parliament on February 24, 2015.

Outcome Evaluation of State Finances of the Government of Punjab as per Recommendations of the 14th Finance Commission is mentioned below:

1. Devolution of taxes to states:

14th Finance Commission recommended devolution of share of taxes from centre to states to be increased from 32% to 42%. This increase in devolution share has resulted in boosting State revenue from Central taxes in the subsequent years. Before 14th Finance Commission recommendation, the Share in Central taxes hovered in the range of 15.75% to 15.54% over past seven years. However, post recommendation, the share in Central taxes jumped from 15.54% of Tax Revenue in 2014-15 to 23.08% share in Tax revenue in 2015-16; to 25.7% in 2016-17 and 25.87% in 2017-18. The share in Central taxes of Punjab in the year 2014-15 stood at Rs. 47.03 Billion, post recommendation the figure went up to Rs. 106.17 Billion in the year 2017-18; showing growth of 125.74% over three years.

2. Fiscal Deficit:

The Fourteenth Finance Commission recommended that fiscal deficit of the states should be targeted at 3% of the GSDP during the period 2015-20. Against the targets, Punjab exceeded the deficit limits as reported by CAG. While in the year 2015-16 the fiscal deficit touched to 4.25%, it went to staggering high percentage of 11.02% in the year 2016-17. The abrupt rise in deficit would balloon further If the additional borrowings under UDAY are further included.

3. Grants to Local governments of Punjab:

In pursuance of the objective of providing financial autonomy to Local bodies, Fourteenth Finance Commission recommended devolution to local bodies. As per the latest data provided by CAG in its Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31 March 2016; Rs. 2.21 Billion was transferred to Rural Local bodies and Rs. 2.34 Billion to Urban Local Bodies. The Report further revealed that entire amount transferred to Local Bodies was expended in the same year.

17. RECOMMENDATIONS

The Government may consider:

(i) To plan their expenditure more rigorously to match the budget provisions so as to avoid exceeding the approved grants and appropriations;

(ii) To take steps for regularizing the expenditure incurred in excess of the budget provision and to evolve a mechanism for preparing realistic budget estimates, the revised/supplementary budget estimates;

(iii) There has been consistent decline in growth rates of its tax revenue that has declined from 20 per cent in 2012-13 to seven per cent in 2013-14, 4.4 per cent in 2015-16 and further to four per cent in 2016-17. The State Government may take necessary action to raise its tax earnings.

(iv) The State's spending on social sector as proportion of aggregate expenditure has declined since 2012-13. Expenditure on key social sectors like Education and Health are below the General Category States' average. Since these are crucial for enhancing the level of human development, the State Government may raise its outlay on these two sectors and raise it to the level of General Category States' average spending on these sectors.

(v) The State may like to review the policy of providing free power to farmers keeping in view the fact that preference for irrigation has shifted from canal to electricity operated tube wells which besides leading to depletion of groundwater resources has resulted in increased burden of power subsidy. Government should take measures to reform and revive power sector and possibly restructure subsidy.

(vi) Percentage of debt repayments to debt receipts has declined from 68 per cent in 2012-13 to 39 per cent in 2016-17. The State may strive to improve its debt redemption ratio to ensure that debt servicing liabilities do not become unsustainable.

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

(viii) The State may initiate measures to improve realization of user charges to make the development schemes economically viable.

(ix) The poor recovery and noncontribution to the guarantee redemption fund, has put the State Fiscal to a great risk, and the State Government is now forced to bailout some of the State Public Sector Enterprises who had borrowed using State Guarantees.

(x) Carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.

GLOSSARY OF TERMS USED IN THE REPORT

Term	Description
Committed expenditure	The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies on which the executive has limited control.
Consolidated fund of the State (CFS)	The fund constituted under Article 266 (1) of the Constitution of India, into which all receipts, revenue and loans flow. All expenditure from the CFS is by appropriation: voted or charged. It consists of two main divisions namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans etc.).
Contingency fund	Legislative Assembly has by law established a contingency fund in the nature of an imprest into which such sums as may be determined by such law are paid from time to time and the said fund is placed at the disposal of the Governor to enable advances to be made by him out of it for the purpose of meeting unforeseen expenditure pending authorization of such expenditure by Legislative Assembly by law under Article 115 or Article 116 of the Constitution of India.
Contingent liability	Contingent liabilities may or may not be incurred by an entity depending on the outcome of a future event such as a court case.

Debt sustainability	The Debt sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period and embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.
Development Expenditure	The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.
Fiscal deficit	Revenue expenditure + Capital expenditure + Net loans and advances-Revenue receipts– Miscellaneous Capital receipts.
Fiscal liabilities	Internal debt (market loans, loans from NSSF and loans from other financial institutions), loans and advances from GOI, the liabilities arising from the transactions in the Public Account of the State.

GSDP	GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production at current prices.
Internal debt	Internal debt comprises of regular loans from the public in India, also termed 'Debt raised in India' and credited to the consolidated fund.
Overall losses	Net effect of accumulated profit/loss during the year for which accounts are finalised.
Primary deficit	Fiscal deficit–interest payments
Primary expenditure	Primary expenditure of the State defined as the total expenditure net of the interest payments. It indicates the expenditure incurred on the transactions undertaken during the year.
Revenue Deficit	Revenue receipt – Revenue expenditure
Sinking fund	A fund for which the government sets aside money over time, in order to retire its debt.
State implementing Agency	Any organization/institution including non-governmental organization which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g. State implementation society for Sarva Siksha Abhiyan and State Health Mission for National Rural Health Mission, etc.
Sufficiency of non-debt Receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary

	expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Supplementary grants	If the amount authorized by any law made in accordance with the provisions of Article 114 of the Constitution of India to be expended for a service for the current financial year is found to be insufficient for the purpose or when a need has arisen during the current financial year for additional expenditure upon some 'new service' not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115 (1) of the Constitution of India.
Suspense and Miscellaneous	Items of receipts and payments which cannot at once be taken to a final head of receipt or charge owing to lack of information as to their nature or for any other reasons, may be held temporarily under the major head "8658-Suspense Account" in the sector "L–Suspense and Miscellaneous" of the Accounts. A service receipt of which full particulars are not given must not be taken to the head "Suspense Account" but should be credited to the minor head "Other Receipt" under the revenue major head to which it appears to belong pending eventual transfer to the credit of the correct head on receipt of detailed particulars.