

# Evaluation of State Finances: A Study of Punjab



A study submitted to the 16<sup>th</sup> Finance Commission

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## List of Abbreviations

<b>SDGs</b>	United Nations Sustainable Development Goals
<b>UTs</b>	Union Territories
<b>GSDP</b>	Gross State Domestic Product
<b>NSDP</b>	Net State Domestic Product
<b>GSVA</b>	Gross State Value Addition
<b>GST</b>	Goods and Services Tax
<b>LIC</b>	Life Insurance Corporation
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>GIC</b>	General Insurance Corporation
<b>HDFC</b>	Housing Development Finance Corporation
<b>HUDCO</b>	Housing and Urban Development Corporation
<b>RBI</b>	Reserve Bank of India
<b>INR</b>	Indian Rupee
<b>PRIs</b>	Panchayati Raj Institutions
<b>ULBs</b>	Urban Local Bodies
<b>SFC</b>	State Finance Commission
<b>LBs</b>	Local Bodies
<b>TFC</b>	13th Finance Commission
<b>FoFC</b>	14th Finance Commission
<b>BG</b>	Basic Grants
<b>PG</b>	Performance Grants
<b>MoF</b>	Ministry of Finance
<b>MoPR</b>	Ministry of Panchayati Raj
<b>GPDP</b>	Gram Panchayat Development Program
<b>CSSs</b>	Centrally Sponsored Schemes
<b>MGNREGA</b>	Mahatma Gandhi National Rural Employment Guarantee Act, 2005
<b>PMAY(G)</b>	Pradhan Mantri Awas Yojana - Gramin
<b>PFMS</b>	Public Finance Management System
<b>NRLM</b>	National Rural Livelihood Mission
<b>PMKSY</b>	Pradhan Mantri Krishi Sinchai Yojana
<b>UC</b>	Utilisation Certificate

<b>FFC</b>	Fifteenth Finance Commission
<b>CAG</b>	Comptroller Auditor General of India
<b>TGS</b>	Technical Support Guide
<b>ZP</b>	Zilla Parishad
<b>TGS</b>	Technical Support Guide
<b>ELFA</b>	Examiner Local Fund Accounts and Punjab
<b>GoI</b>	Government of India
<b>CFC</b>	Central Finance Commission
<b>SPSEs</b>	State Public Sector Enterprises
<b>PSUs</b>	Public Sector Undertaking
<b>GCOCs</b>	Government Controlled Other Companies
<b>GPL</b>	Gidderbaha Power Limited
<b>PGL</b>	Punjab Genco Limited
<b>PSPCL</b>	Punjab State Power Corporation Limited
<b>PSTCL</b>	Punjab State Transmission Corporation Limited
<b>PTGL</b>	Punjab Thermal General Limited
<b>MU</b>	Million Units
<b>T&amp;D</b>	Transmission and distribution
<b>FY</b>	Financial Year
<b>DS</b>	District Subdivisions
<b>AT &amp;C</b>	Aggregate Technical & Commercial
<b>DISCOMs</b>	Distribution Companies
<b>UDAY</b>	Ujwal DISCOM Assurance Yojana
<b>DT</b>	Distribution Transformer
<b>ACS</b>	Average Supply Cost
<b>ARR</b>	Average Revenue Realised
<b>NSM</b>	National Solar Mission
<b>PV</b>	Solar Photovoltaic
<b>CSP</b>	Concentrated Solar Power
<b>NRSE</b>	Punjab New and Renewable Sources of Energy Policy 2012
<b>PEDA</b>	Punjab Energy Development Agency Projects/Schemes
<b>RPO</b>	Renewable Purchase Obligation
<b>RE</b>	Renewable Energy

<b>CLU</b>	Change of Land Use
<b>EDC</b>	External Development Charges
<b>MW</b>	Megawatts
<b>kWh</b>	Kilowatt-hour
<b>RTS</b>	Rooftop solar
<b>CFA</b>	Central Finance Assistance
<b>DSR</b>	Direct Seeding of Rice
<b>CRM</b>	Crop residue management
<b>CrPC</b>	Criminal Procedure Code
<b>WPR</b>	Worker Population Ratio
<b>LFPR</b>	Labour Force Participation
<b>PGRKAM</b>	Punjab Ghar Ghar Rozgar and Karobar Mission
<b>DAY-NULM</b>	Deendayaal Antodaya National Urban Livelihood Mission
<b>ESTP</b>	Employment Skill Training and Placement
<b>DDU- GKY</b>	Deen Dayal Upadhyaya Grameen Kaushal Yojana
<b>PMKVY 2</b>	Pradhan Mantri Kaushal Vikas Yojana
<b>DBEE</b>	District Bureaus of Employment and Enterprises
<b>RIE</b>	Regional Institute of English
<b>PMKKs</b>	Pradhan Mantri Kaushal Kendras
<b>PSDM</b>	Punjab Skill Development Mission
<b>BADP</b>	Border Area Development Programme
<b>NAPS</b>	National Apprentice Promotion Scheme
<b>HCL</b>	Hindustan Computers Limited
<b>CHCs</b>	Centre for Health Care
<b>SDHs</b>	Sub District Hospitals
<b>AYUSH</b>	Ayurveda, Yoga & Naturopathy, Unani, Siddha, Sowa Rigpa and Homoeopathy.
<b>SPECT</b>	Single-photon emission computed tomography
<b>CRS</b>	Civil Registration System
<b>IDSP</b>	Integrated Disease Surveillance Programme
<b>PC &amp;PNDT</b>	Pre-Conception and Pre-Natal Diagnostic Techniques
<b>MMPHCRF</b>	Mukhya Mantri Punjab Hepatitis-C Relief Fund

<b>NGCP</b>	National Goitre Control Programme
<b>NIDDCP</b>	National Iodine Deficiency Disorders Control Program
<b>NCDs</b>	Non-Communicable Diseases
<b>NPCDCS</b>	National Programme and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke
<b>TCCC</b>	Tertiary Care Cancer Centres
<b>CMDY</b>	C.M. Di Yogshala
<b>PUNBUS</b>	Punjab State Bus Stand Management Company Limited
<b>PRTC</b>	PEPSU Road Transport Corporation
<b>PEPSU</b>	Patiala and East Punjab States Union
<b>SRTUs</b>	State Road Transport Undertakings
<b>PDS</b>	Public Distribution Centre
<b>DFPD</b>	Department of Food and Public Distribution
<b>FCI</b>	Food Corporation of India
<b>SPAs</b>	State Procurement Agencies
<b>CCL</b>	Cash Credit Limit
<b>FRBM</b>	Fiscal Responsibility and Budget Management

## **Terms of Reference for Studies on evaluation of Finances of State of Punjab**

The Second party to the Contract will conduct the above study in accordance with the Memorandum of Agreement and covering the following aspects:

- i. Estimation of revenue capacities of State and Measures to improve the tax-GSDP 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 thereunder. 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 to 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, off-budget borrowings, 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, LIC 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), their costs and benefits, targeting and evaluation.
- xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular
  - a. analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channelled towards these schemes and the overall impact on development spending of the States;
  - b. States' own schemes for different development objectives
- xiii. Determination of a sustainable debt roadmap for 2026-31, taking into account tax/non-tax trend forecasts.

The evaluation study is expected to critically analyse the overall States' finances over the twelve-year period from 2012-13 to 2023-24. Suggestions for improving financial performance shall also be given under a separate chapter of Recommendations.

The total duration of the study would be six months from the date of signing the Agreement. The first draft of the study should be submitted to the Commission within four months. The final report after incorporating the feedback/ suggestions, if any, made by the Referee appointed by the First party, shall be submitted within 6 months from the date of signing the Agreement.

## Executive Summary

This report titled *Evaluation of State Finances: A Study of Punjab* provides a comprehensive assessment of the state's fiscal performance over the period 2012–13 to 2023–24. The analysis spans revenue and expenditure trends, debt management, sectoral investments, and institutional transfers, offering both diagnostic insights and reform-oriented recommendations. Drawing upon CAG audit reports, budget documents, and RBI data, the study aims to support evidence-based fiscal governance.

Punjab's economy is undergoing structural transformation, with the services sector now contributing nearly 46% of GSVA, followed by industry and agriculture. The state has made commendable progress in enhancing its tax revenues, which grew from ₹22,587 crore in 2012–13 to ₹42,243 crore in 2022–23, supported by improvements in tax administration. Developmental and capital expenditures have increased, reflecting the government's focus on long-term infrastructure and social investments. Punjab's GSDP has demonstrated resilience post-COVID, and revenue buoyancy indicators in recent years suggest improved responsiveness of the tax system to economic growth.

However, challenges remain in maintaining fiscal balance amid rising social commitments and legacy liabilities. The revenue deficit in 2022–23 stood at ₹26,045 crore and fiscal deficit at ₹33,930 crore, requiring calibrated efforts to contain committed expenditure and augment non-tax revenues. While the debt-GSDP ratio at 43.64% warrants attention, Punjab's adherence to fiscal transparency and proactive steps under the FRBM framework provide a robust platform for targeted reform.

Importantly, this report situates Punjab's fiscal roadmap within the Union Government's renewed emphasis on cooperative and collaborative federalism. Following the Supreme Court's referral of Article 293 to a constitutional bench, there is a growing national consensus on empowering states through continuous dialogue and decentralised decision-making. The Prime Minister has articulated a vision of "self-reliant states as the foundation of a stronger India," advocating for institutions like the Finance Commission, NITI Aayog, and Inter-State Councils to become dynamic forums for policy coordination and dispute resolution.

In alignment with this vision, the 10th Governing Council meeting of NITI Aayog (May 2025), themed "*Viksit Rajya for Viksit Bharat @2047*," underscored the need for states to

innovate in revenue mobilisation, invest in citizen-centric governance, and design fiscal strategies tailored to their ground realities. Punjab’s own reform priorities—such as improving revenue efficiency, rationalising subsidies, enhancing local body finances, and ensuring better returns from state enterprises—fit well within this broader national agenda.

The study is based on secondary data collated from credible data sources, such as CAG reports on state finances, public enterprise reports, state’s budget documents, white papers and RBI reports. The study is primarily descriptive in nature, with techniques such as trend analysis, ratios, percentage and graphical representations to effectively analyse the state’s financial metrics.

The findings of this report suggest that with timely reforms; Punjab is well positioned to transition towards greater fiscal resilience. By building on its strengths, embracing transparency, and leveraging federal platforms for policy innovation, Punjab can further its developmental goals while contributing meaningfully to the shared vision of a “Viksit Bharat.” The key findings of the study are outlined below:

**1. Overview of Punjab’s Economy:** In 2023-24, the services sector has been the largest contributor to the state’s economy, accounting for 45.9% of GSVA followed by the industrial sector, which contributes a 27.4% share in GSVA. Although Punjab’s economy has historically been influenced by agriculture, the sector now contributes 26.7% to the GSVA. The state’s per capita Net State Domestic Product (NSDP) in 2023-24 was Rs. 1,30,002, reflecting moderate economic progress.

**2. Revenue Receipts:** Punjab’s revenue receipts have grown significantly over the past decade, increasing from Rs. 32,051 crores in 2012-13 to Rs. 78,168 crores in 2021-22 and further to Rs. 87,615 crores in 2022-23. The state’s own tax revenue increased from Rs. 22,587 crores in 2012-13 to Rs. 42,243 crores in 2022-23, reflecting an improvement in tax collection efforts. However, non-tax revenue declined from Rs. 6,654 crores in 2019-20 to Rs. 4,152 crores in 2020-21, necessitating diversification of revenue streams.

**3. Revenue Expenditure** Revenue expenditure of Punjab has risen sharply from Rs. 39,458 crores in 2012-13 to Rs. 113,661 crores in 2022-23. In terms of composition, expenditure on social services comprises the most significant components of revenue expenditure, followed by expenditure on social services and economic services.

**4. Capital Receipts & Expenditure** Capital receipts have fluctuated, beginning at Rs. 22,166.5 crores in 2012-13, increasing to Rs. 83,627 crores in 2016-17, before declining to Rs. 18,517 crores in 2017-18 and increasing again to Rs. 47,263 crores in 2022-23. Meanwhile, capital expenditure has increased from Rs. 1,916 crores in 2012-13 to Rs. 6,667 crores in 2022-23, indicating increased spending on infrastructure and asset creation.

**5. Developmental and Non-Developmental Expenditure** Development expenditure rose from Rs. 23,017 crores in 2013-14 to Rs. 63,670 crores in 2022-23, with significant allocations to social and economic sectors. However, non-developmental expenditure, including administrative costs and interest payments, has also increased, limiting fiscal flexibility. Efforts to optimize resource allocation are necessary for better financial management.

**6. Committed Expenditure** Committed expenditure which includes salaries, pensions, and interest payments, has surged over the years. Salaries and wages rose from Rs. 14,120 crores in 2012-13 to Rs. 32,171 crores in 2022-23. Pension liabilities increased from Rs. 5,966 crores to Rs. 18,214 crores, and interest payments grew significantly from Rs. 6,831 crores in 2012-13 to Rs. 19,905 crores in 2022-23.

**7. Tax-GSDP Ratio** The tax-to-GSDP ratio fluctuated between 8.5% and 8.9% from 2012-13 to 2018-19, dropped to 7.5% in 2019-20 due to covid impact on macro variables, and improved to 9% in 2021-22. Enhancing revenue mobilization through tax compliance and broadening the tax base is essential for improving Punjab's fiscal health.

**8. Deficit Indicators** Punjab's fiscal deficit and revenue deficit are a growing concern, with the revenue deficit at Rs. 26,045 crores and the gross fiscal deficit at Rs. 33,930 crores in 2022-23. These imbalances highlight the need for stringent fiscal management and expenditure control to ensure long-term financial sustainability.

**9. Debt and Liability Profile** Punjab's total debt increased from Rs. 92,282 crores in 2012-13 to Rs. 2,93,729 crores in 2022-23. The debt-to-GSDP ratio rose from 23% to 38% during this period, indicating increasing fiscal stress. Urgent debt management strategies are required to balance long-term financial distress. In terms of maturity profile of debt, long term loans with maturity of 7 or more years forms the category of highest amount of loan, while the utilization of borrowed funds indicates that repayment of earlier borrowings as part of utilization of funds has remained in the range of 60-70% during the period of study.

**10. Fiscal Consolidation and Management** The Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003, serves as a guiding framework for fiscal consolidation. Measures such as optimizing subsidies, improving revenue efficiency, and prudent borrowing strategies are necessary to maintain fiscal discipline. The study highlights that despite of FRBM mandates, the state has consistently struggled to achieve its fiscal targets.

**11. Transfers to ULBs and PRIs:** The study highlights that the release of basic and performance grants to PRIs in the state has faced significant challenges, with delay in disbursement of grants to PRIs ranging from 31 to 664 days. Similarly, the ULBs also faced delayed release in grants, leading to interest cost. Strengthening financial management and ensuring timely disbursements to local bodies are essential for efficient governance.

**12. Financial Position of State Enterprises** State Public Sector Enterprises (SPSEs) continue to strain state finances, with several loss-making entities. As of March 2022, 12 SPSEs reported a collective profit of Rs. 1,710.77 crores, while 17 incurred combined losses of Rs. 440.87 crores.

**13. Power Sector Reforms and Subsidies** The power sector exhibits financially stressed condition due to high transmission and distribution (T&D) losses and a large subsidy burden. In 2021-22, power subsidy was Rs. 13,443 crores, which as a percentage of total subsidy of the state was 92.61%. The study suggests that power subsidies are limiting the state's fiscal space. While there have been improvements post UDAY reforms, a significant space exists for improving the power sector.

**14. Contingent Liabilities** The study suggests that in 2012-13 the outstanding amount of guarantees was Rs. 58,102 crores, which increased steadily to Rs. 66,782 crores in 2014-15. After this, it declined continuously. In 2021-22, the amount was Rs. 20,165 crores. Overall, a declining trend is noted in the past decade in status of guarantees.

**15. Subsidies Given by the State** In the study, subsidies are broadly classified into two categories: agriculture and non-agriculture subsidies. The study finds that subsidy expenditure has grown substantially, particularly in agriculture. Rationalizing subsidies and improving targeting can help optimize fiscal resources while ensuring essential support for vulnerable sections.

**16. Cash Credit Limit:** A significant burden on the state exchequer was identified due to the conversion of a ₹30,584.11 crore Cash Credit Limit (CCL) gap into a long-term loan with a high interest rate. This debt conversion has increased the state's fiscal deficit and created a substantial annual debt servicing liability.

**17. 14th and 15th Finance Commission Recommendations & State Finances Outcome Evaluation** One of the major recommendations of the 14th Finance Commission was increasing the states' share in central taxes from 32% to 42%. Additionally, it focused on the GST compensation fund, and strengthening local governance. The 15<sup>th</sup> Finance Commission focused on various grants in aid, performance-based incentives, sector specific grants and grants to local bodies.

**18. Charting a Sustainable Debt Trajectory (2026-2031)** Fiscal consolidation, revenue enhancement, and expenditure optimization will be crucial for managing Punjab's debt trajectory. Implementing structural reforms in debt management and improving financial governance will be key to ensuring long-term fiscal sustainability.

## MAP OF PUNJAB



Source: Website of the Government of Punjab accessed at <https://punjab.gov.in/government/districts-of-punjab/>



## CHAPTER 1

### PUNJAB STATE PROFILE: AN OVERVIEW

#### 1.1 Introduction and Overview

The state of Punjab is situated in the northwest region of India. The name Punjab originates from Persian language, deriving its etymology from two words, Punj (Five) and Aab (Water), meaning “the land of five rivers”. These five rivers of Punjab are Sutlej, Beas, Ravi, Chenab, and Jhelum. After the partition of Punjab in 1947, only Sutlej, Ravi, and Beas rivers flow in today’s Punjab. The other two rivers are now in the state of Punjab, situated in Pakistan. Punjab has been a cradle of ancient civilizations, and its legacy dates to millennia.

The total area of Punjab is 50,362 square kilometres (19,445 square miles), with the cultivable area being under assured irrigation. Its average elevation is 300 meters (980 ft) above sea level, with a range from 180 meters (590 ft) in the southwest to more than 500 meters (1,600 ft) around the northeast border. The state of Punjab is geographically classified into Majha, Malwa, Doaba and Poadh regions, which comprise of 23 districts. According to 2011 Census of India, the total population of Punjab is 2,77,43,338. The decadal change i.e. increase in population from 2001 to 2011 is 13.89%.

**Table 1.1: Basic Statistics of Punjab**

S. No	Items	Unit	Number
1	Area		50,362
	(i) Rural-Area	Sq. Km	48,265
	(ii) Urban Area		2097
2	Tehsils	Number	97
3	(Population 2011) Total Population	Lakh	277.04
	Rural Population		173.4
4	% of Rural to Total Population	%	62.51
5	% of urban to Total Population	%	37.49
6	Density	Per Sq. Km	550

7	Literate & Educated Persons	Number	1,89,88,611
8	Female per 1000 Male	Number	895
9	Literacy	%	75.8

Source: Government of Punjab, accessed at <https://punjab.gov.in/state-profile/> on 1.05.2024

## 1.2 Geographic Profile of the State

Punjab extends from latitudes 29.30° North to 32.32° North and longitudes 73.55° East to 76.50° East. It is bordered by Pakistan to the west, Jammu and Kashmir to the north, Himachal Pradesh to the northeast, and Haryana and Rajasthan to the south.

Most of Punjab lies in a fertile, alluvial plain with perennial rivers and an extensive irrigation canal system. The northeastern part of the state features a belt of undulating hills at the foot of the Himalayas. The average elevation is 300 meters (980 ft) above sea level, ranging from 180 meters (590 ft) in the southwest to over 500 meters (1,600 ft) near the northeast border. The southwest is semi-arid, merging into the Thar Desert.

The state has a balanced amalgamation of heat in summer, rain in monsoon and cold in winter. The three seasons are so distinctly distributed that you can enjoy each of them individually. Punjab experiences both summer and winter to its extreme. It even receives abundant rainfall, which makes the state a very fertile land. The region lying near the foothills of Himalayas receive heavy rainfall whereas the region lying at a distance from the hills, the rainfall is scanty, and the temperature is high.

There are 23 districts, 168 statutory towns and 69 census towns in Punjab. Thus, there are total 237 towns/cities in Punjab. Major cities of Punjab include Mohali, Ludhiana, Amritsar, Patiala, and Jalandhar.

## 1.3 Demographic Profile of the State

A demographic profile of a state provides detailed information about the characteristics of its population, including data pertaining to population, sex ratio, literacy rate, etc.

### 1.3.1 Demography of the State

Demography of the state of Punjab is presented in Table 1.2. As per the latest available census data of 2011, Punjab had a total population of 2.774 crore, making it the 16<sup>th</sup> most populous state of India. Of the total population, 62.51% comprised of rural population, while 37.49% comprised of urban population. As per the Report of The Technical Group on Population Projections<sup>1</sup>, the projected population of Punjab in 2021 was 30,339 thousand persons (3.033

crores). In terms of the density of population, there were 551 persons per square km in Punjab in 2011. The density is also noted to be rising steadily over the decades. The decadal growth rate of population indicates a declining trend. As per the Table 1.2, from 2001-11, population grew at 13.39% and as per the projected population data of 2021, the growth rate of population has declined further to 9.36%.

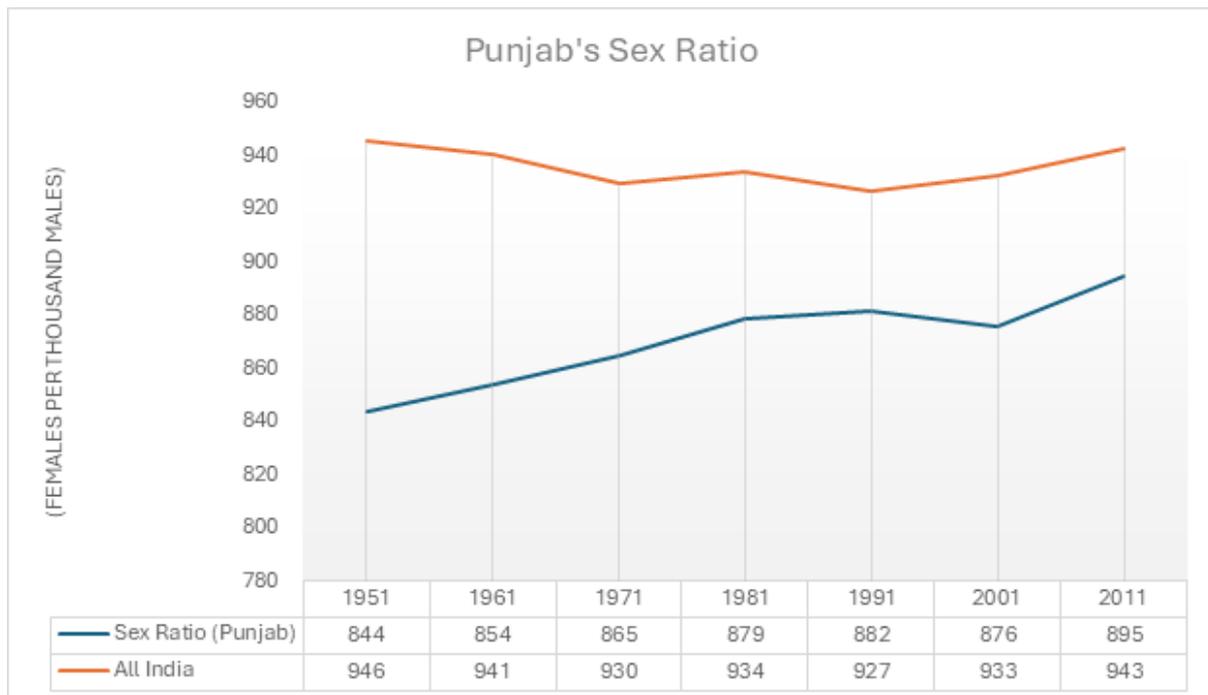
**Table 1.2: Demography of the State**

S.No.	Indicator	1951	1961	1971	1981	1991	2001	2011
1.	Total Population (in thousands)	9161	11135	13551	16789	20282	24359	27743
	a)Rural Population	7171	8568	10335	12141	14289	16096	17344
	b)Urban Population	1989	2567	3216	4648	5993	8263	10399
2.	Density (Per square km)	182	221	269	333	403	484	551
3.	Decadal Growth Rate in Population (in percent)	--	21.56	21.7	23.89	20.81	20.1	13.89

Source: Handbook of Statistics on Indian States, RBI accessed at <https://m.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States> on 5.05.2024

### 1.3.2 Sex Ratio of the State

Defined as the number of females per 1000 males in a population, sex ratio is considered as a vital demographic indicator of the state. As observed through Graph 1.1, in 2011, Punjab's sex ratio was 895:1000, significantly lower than the All-India average of 943:100. Ever since 1951, the sex ratio in Punjab has been notably lower than the national average, albeit the gap is seen as reducing over the decades.

**Graph 1.1: Sex Ratio**

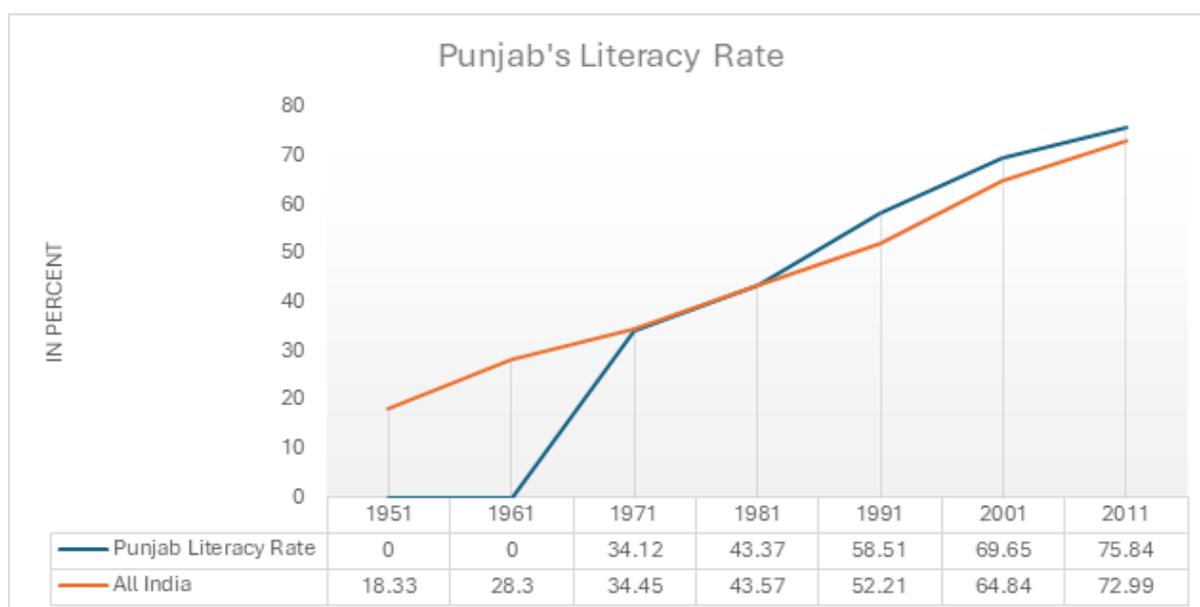
Source: Handbook of Statistics on Indian States, RBI accessed at

<https://m.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States> on 5.05.2024

### 1.3.3 Literacy Rate of the State

Defined as the ability to read and write with understanding in any language, literacy rate is a crucial demographic indicator that reflects the socio-economic development of a state's population. High literacy rates are associated with better access to education and improved quality of life. In Graph 1.2, the trends in Punjab's literacy rates are depicted. In 2011, the literacy rate of the state stood at 74.84%. From 2001 to 2011, literacy rate in the state has increased by 6.19%.

It can be deciphered that on a decadal basis, the state of Punjab has achieved significant improvement in the literacy rates of its population. When compared with all India statistics, it can be noted that since 1991, Punjab has had a higher literacy rate than the all India average.

**Graph 1.2: Literacy Rate**

Source: Handbook of Statistics on Indian States, RBI accessed at

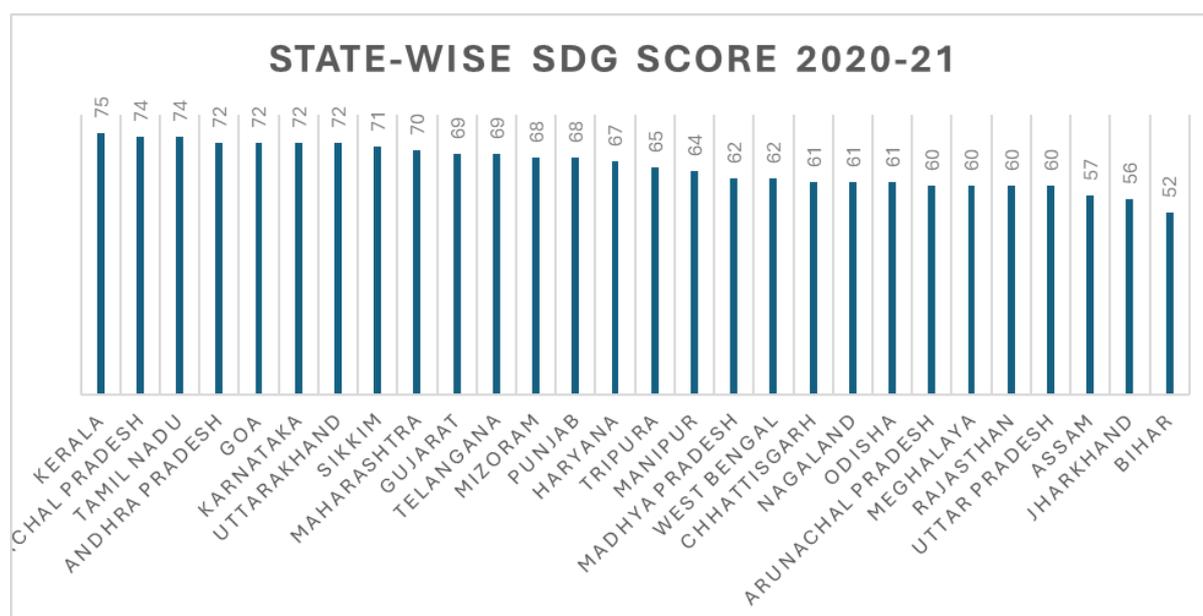
<https://m.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States> on 5.05.2024

#### 1.4 Human Development Profile of the State

Sustainable Development Goals (SDGs) are closely related to human development. The SDGs, adopted by the United Nations in 2015, consist of 17 interconnected goals aimed at addressing global challenges and improving the well-being of people and the planet by 2030.

Given the importance accorded by the Government of India for achieving SDGs, NITI Aayog has constructed the SDG India Index which tracks the progress of all states and UTs on a set of 62 priority indicators, measuring their progress on the outcomes of the interventions and schemes of the Government of India. The SDG India Index is intended to provide a holistic view on the social, economic and environmental status of the country and its states and UTs.

As noted in Graph 1.3, Punjab is ranked 12<sup>th</sup> among the Indian States in Niti Aayog's SDG index in terms of overall ranking. The state has scored Composite Index Score of 68 which is a six-point improvement when compared with its score in 2019-20, which was 62. Punjab has elevated from the category of Performer in 2018-19 to the category of Front Runner in 2020-21.

**Graph 1.3: Niti Aayog's SDG State-wise Scores**

Source: NITI Aayog's SDG India Index accessed at

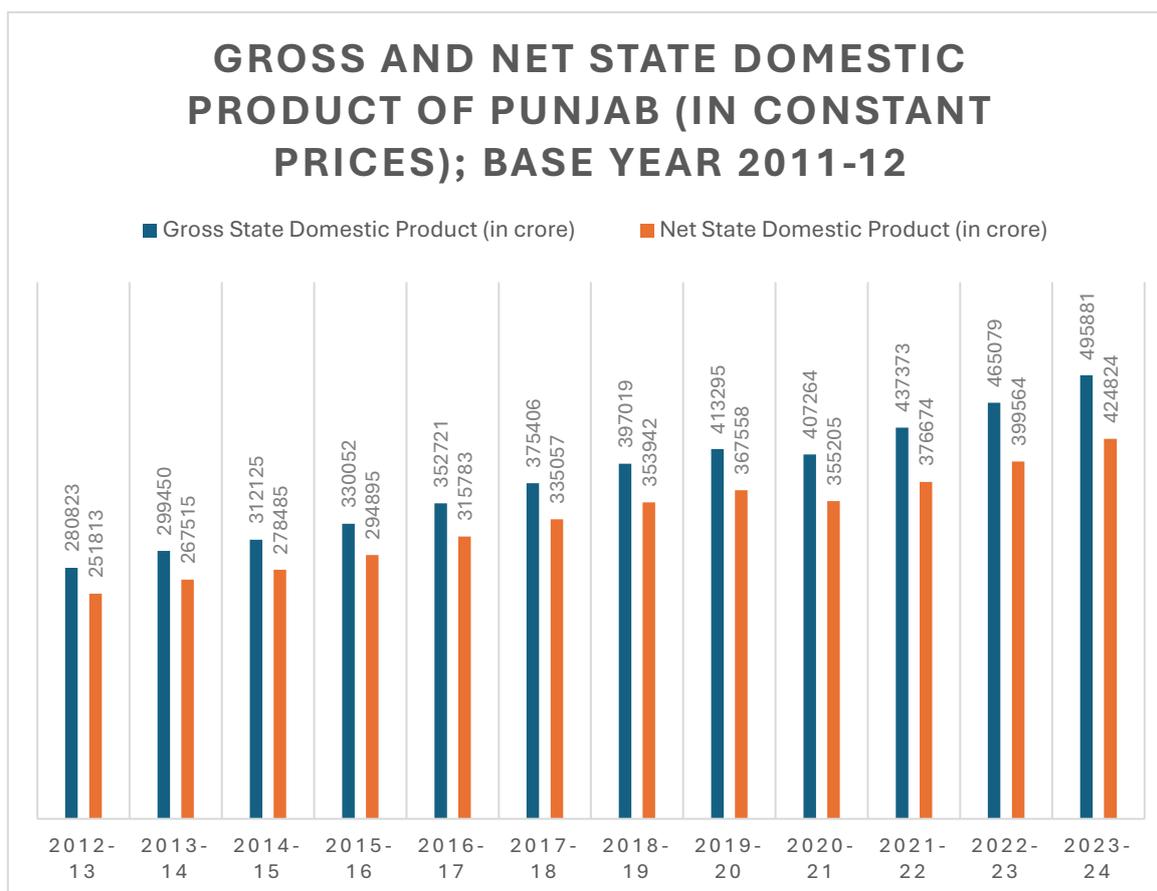
<https://sdgindiaindex.niti.gov.in/#/ranking?goal=AllGoal&area=IND&timePeriod=2020>

## 1.5 Economic Profile of the State

At the heart of a state, lies its economy. The economic profile of a state provides a comprehensive understanding of its economic structure and includes variables such as Gross State Domestic Product (GSDP), per capita income, sectoral composition of the economy, etc.

### 1.5.1 Gross and Net State Domestic Product of Punjab (in Constant Prices)

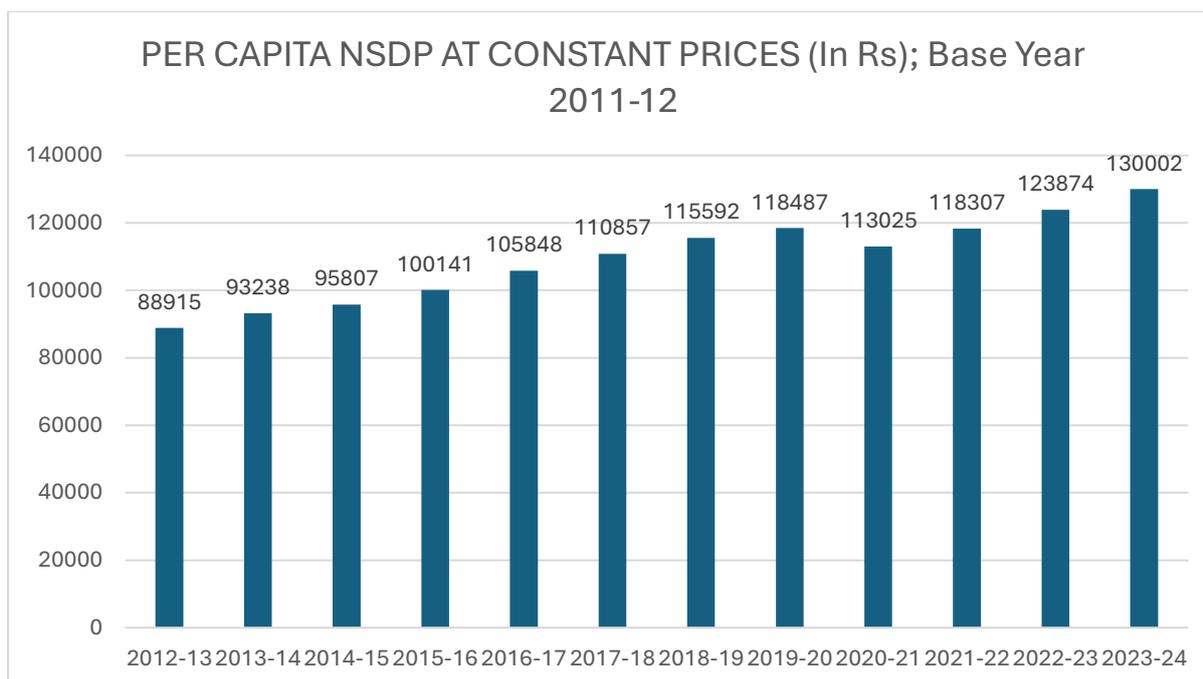
Graph 1.4 illustrates the growth trends in Punjab's Gross State Domestic Product (GSDP) and Net State Domestic Product (NSDP) at constant prices (base year 2011-12) from 2012-13 to 2023-24. Both GSDP and NSDP demonstrate a steady upward trajectory, with GSDP rising from ₹2,80,823 crore in 2012-13 to ₹4,95,881 crore in 2023-24, and NSDP increasing from ₹2,51,813 crore to ₹4,24,824 crore during the same period. A notable exception to this trend is observed in 2020-21, where both indicators dipped, reflecting the economic contraction caused by the COVID-19 pandemic. Despite this, the economy rebounded strongly post-pandemic, showing significant recovery in 2021-22 and beyond.

**Graph 1.4 Gross and Net State Domestic Product of Punjab (in Constant Prices)**

Source: MOSPI database, accessed at <https://mospi.gov.in/data> on 04/01/2025

### 1.5.2 Per Capita Net State Domestic Product of Punjab (in Constant Prices)

The net state domestic product of Punjab, depicted in Graph 1.6 denotes that Punjab's per capita NSDP in 2023-24 was ₹1,30,002. The observed trend since 2012-13 up to 2022-23 suggests that the per capita NSDP had been increasing continuously on a year-on-year basis up to 2019-20, when it was ₹1,18,487. The advent of COVID-19 pandemic reflects upon the trend as per capita declined to ₹1,13,025 in 2020-21. However, it has been increasing ever since and recovered, as per capita NSDP in 2022-23 has surpassed the pre-COVID-19 level per capita NSDP.

**Graph 1.6 Per Capita Net State Domestic Product of Punjab (in Constant Prices INR)**

Source: MOSPI database, accessed at <https://mospi.gov.in/data> on 04/01/2025

### 1.5.3 Sectoral Share in Nominal GSVA and Sectoral Share in Employment

The structure of a state's economy can be assessed by sectoral share in its GSVA and sectoral share in employment. It is noted from Table 1.3 that in 2023-24, value added by the services sector is the highest, 45.9%, which is followed by industry (27.4%) and closely followed by the agriculture and allied sector which is contributing 26.7% to the GSVA. The data of last three years, from 2021-22 to 2023-24 also elucidates that the share of agriculture sector is noted to be declining, the share of industrial sector is constant, and the share of the services sector is increasing. The data from 2012-13 suggests that a decade ago, 30% of the contribution in GRVA was from agriculture and allied sector, 25% was from industrial sector and 45% was from services sector. This pattern is highly in unison with the theories of structural transformation of an economy, wherein economies move from labour-intensive sectors to skill-intensive and value adding sectors.

In terms of the sectoral share in employment in 2022-23, the services sector has been leading with 41.1% share in employment. Industry has 34.3% share in employment and the agriculture and allied sector has the least share in employment, i.e. 24.6%.

**Table 1.3: Punjab's Sectoral Share in Nominal GSVA and Employment**

Sector	2012-13	Share in Nominal GSVA				Share in Employment
		2012-13 to 2020-21 (Average)	2021-22 (P)	2022-23 (Q)	2023-24(A)	2022-23 (Sectoral Share in Employment)
Agriculture and Allied	30%	29.3%	27.7%	27%	26.7%	24.6%
Industry	25%	24.7%	27.4%	27.4%	27.4%	34.3%
Services	45%	46%	45%	45.6%	45.9%	41.1%

Source: Data for 2012-13 retrieved from MOSPI database, Punjab Economic Survey 2023-24 accessed at [https://finance.punjab.gov.in/uploads/05Mar2024/Economic\\_Survey.pdf](https://finance.punjab.gov.in/uploads/05Mar2024/Economic_Survey.pdf)

## CHAPTER 2

### FISCAL OUTLINE OF PUNJAB

#### 2.1 Introduction

The fiscal landscape of Punjab, a critical agrarian state in India, is shaped by a combination of economic, political, and social factors that influence its revenue generation, expenditure patterns, and overall financial health. Over the past decade, Punjab's fiscal framework has undergone significant transformations, driven by changes in tax policies, public expenditure priorities, and economic developments.

Punjab's fiscal outline reveals a complex interplay of revenue generation, expenditure priorities, and fiscal management practices. Punjab's revenue receipts are composed of its own tax revenue, non-tax revenue, and transfers from the central government. The state's own tax revenue, primarily sourced from the Goods and Services Tax (GST), excise duties, and property taxes, has experienced fluctuating trends due to economic cycles and policy changes. Non-tax revenue, including fees, tariffs, and charges for public services, plays a supplementary role in bolstering the state's income. Central transfers, both in the form of grants and the state's share of central taxes, constitute a substantial portion of Punjab's revenue receipts, reflecting the state's dependency on federal fiscal support.

Expenditure in Punjab can be broadly classified into development and non-development categories. Development expenditure encompasses spending on sectors such as education, health, agriculture, and infrastructure, aimed at fostering economic growth and improving living standards. Non-development expenditure, on the other hand, covers administrative costs, interest payments, and pensions, which are essential for maintaining the state's governance framework but do not directly contribute to economic development. Capital expenditure, which involves spending on infrastructure projects and asset creation, is crucial for long-term economic growth. In Punjab, capital expenditure trends from 2013-14 to 2023-24 highlight the state's commitment to enhancing its physical infrastructure, despite fiscal constraints. The state's development expenditure reflects its policy priorities, with significant allocations towards social sectors and economic development initiatives.

A comparative analysis of Punjab's fiscal parameters vis-à-vis general category states reveals insights into its financial management and policy effectiveness. Key parameters include fiscal

deficit, debt levels, and revenue-expenditure balance. The Punjab Finance Commission's reports provide a comprehensive overview of these metrics, enabling an assessment of the state's fiscal health and sustainability.

Punjab faces several fiscal challenges, including high debt levels, a significant portion of revenue allocated to interest payments, and the need for increased investment in social and economic infrastructure. However, opportunities exist in enhancing tax administration, optimizing non-tax revenue sources, and leveraging central transfers effectively. Policy reforms and prudent financial management are essential to addressing these challenges and ensuring sustainable fiscal health. Understanding these dynamics is crucial for formulating policies that promote economic stability, growth, and development in the state.

## 2.2. Revenue Receipts

Government receipts that do not create liabilities or reduce assets are classified as revenue receipts. These include taxes, interest and dividends, cess, and other payments for government services, all intended for government expenditure. Revenue receipts are primarily composed of Tax Revenue and Non-Tax Revenue.

Table 2.1 outlines the revenue receipts and its components for the years 2012-13 to 2022-23. Each component reflects various sources of revenue and their growth trends over the period.

The **Revenue Receipts (RR)** of Punjab represents the total revenue receipts from all sources combined, including components of tax revenue, non-tax revenue, and grants in aid from the Government of India (GoI). Each component contributes differently to the overall revenue, reflecting the state's financial health and its dependency on various income sources. The data shows a consistent increase in RR from ₹32,051 crores in 2012-13 to ₹78,168 crores in 2021-22, indicating robust growth. Data for 2022-23 indicate that RR further increased to ₹87,615.6 crores, a significant jump from 2021-22.

This increase reflects enhanced revenue collection efforts, improved economic activities, and greater fiscal capacity over the years. The growth rate of RR depicted in Graph 2.1 shows that although the rate of growth of RR has been fluctuating but it remains predominantly positive. The highest growth of RR of 22.17% is noted in 2012-13, after which the peak growth of 17.47% is noted in 2018-19 and a brief contraction in 2019-20 with -1.11% growth rate during

the year of covid. The subsequent recovery in growth rates to 12.14% in 2020-21 and 13.21% in 2021-22 demonstrates resilience in Punjab's revenue collection.

**Tax Revenue:** Tax revenue is a significant portion of RR, consisting of the state's own tax revenue and its share in union taxes and duties.

- **State's Own Tax Revenue:** This component includes taxes levied and collected by the state government. The state's own tax revenue increased from ₹22,587 crores in 2012-13 to ₹42,243.17 crores in 2022-23. This steady growth indicates effective tax administration and a broadening tax base. Despite some fluctuations, the consistent upward trend shows the state's ability to generate revenue through its fiscal policies.
- **Share in Union Taxes and Duties:** This component represents the state's entitlement from the central pool of taxes. The share in union taxes and duties rose significantly from ₹4,059 crores in 2012-13 to ₹15,289 crores in 2021-22, and further to ₹17,163 in 2022-23. This growth can be attributed to the central government's tax devolution policies and recommendations of the finance commission's devolution criteria coupled with the overall increase in central tax collections, which are then distributed among states based on a predetermined criterion.

**Non-tax Revenue:** Non-tax revenue includes income from sources other than taxes, such as fees, fines, penalties, profits from public sector enterprises, and interest receipts. Punjab's non-tax revenue showed significant variability, starting at ₹2,629 crores in 2012-13, peaking at ₹7,582 crores in 2018-19, and ending at ₹6,231 crores in 2022-23. This indicates that the state's non-tax revenue has been irregular. The state can notably enhance its revenue in this category.

**State's Own Revenue (Tax and Non-Tax Revenue):** Combining both tax and non-tax revenues, this component shows the overall financial health derived from the state's own resources. It increased from ₹25,216 crores in 2012-13 to ₹48,243.7 crores in 2022-23, with some fluctuations, particularly a decline in the years impacted by covid--2019-20 and 2020-21, before recovering in 2021-22.

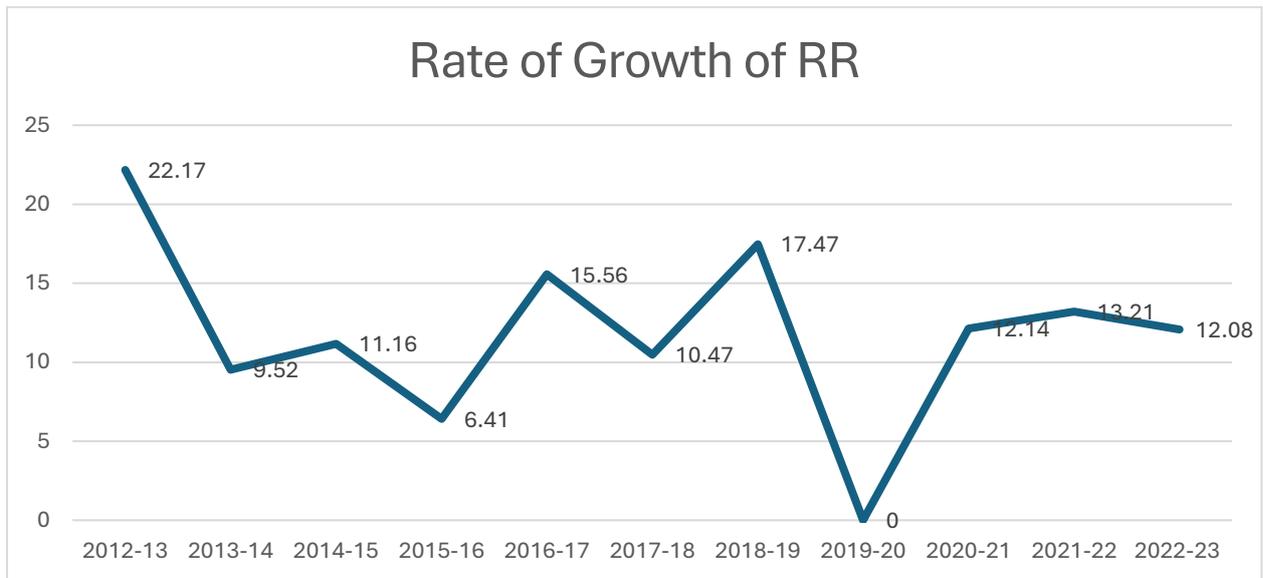
**Grants in aid from GoI (d):** The grants from the Government of India have shown a significant upward trend, increasing from ₹2,776 crores in 2013-14 to ₹21,976.8 crores in 2021-22. This rise indicates a growth in central assistance, with a notable peak in 2020-21 at ₹24,205 crores, reflecting increased central support due to extraordinary circumstance of COVID-19 pandemic.

**Table 2.1: Revenue Receipts (in crores)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Revenue Receipts (RR) (a+b+c+d)</b>	32,051	35,104	39,023	41,523	47,985	53,010.00	62,269.00	61,575.00	69,048	78,168	87,615
<b>Rate of Growth of RR</b>	22.17	9.52	11.16	6.41	15.56	10.47	17.47	(-1.11)	12.14	13.21	12.08
<b>Tax Revenue (a+b)</b>	26,646	28,511	30,273	34,699	37,347	41,040	43,579	40,341	40,691	52,616	59,406.82
<b>State's Own Tax Revenue (a)</b>	22,587	24,079	25,570	26,690	27,747	30,423	31,574	29,995	30,053	37,327	42,243.17
<b>Share in Union Taxes and Duties (b)</b>	4,059	4,432	4,703	8,009	9,600	10,617	12,005	10,346	10,638	15,289	17,163
<b>Non-tax Revenue (c)</b>	2,629	3,191.49	2,879.73	2,650.27	5,863.20	4,319	7,582	6,654	4,152	4,783	6,231
<b>State's Own Revenue (Tax and Non-Tax Revenue)</b>	25,216	27,270.49	28,449.73	29,340.27	33,610.20	34,742	39,156	36,649	34,205	42,110	48,243.71
<b>Grants in aid from GoI (d)</b>	2,776	3,401.38	5,869.95	4,173.72	4,775.83	7,651	11,108	14,580	24,205	20,769	21,976.8

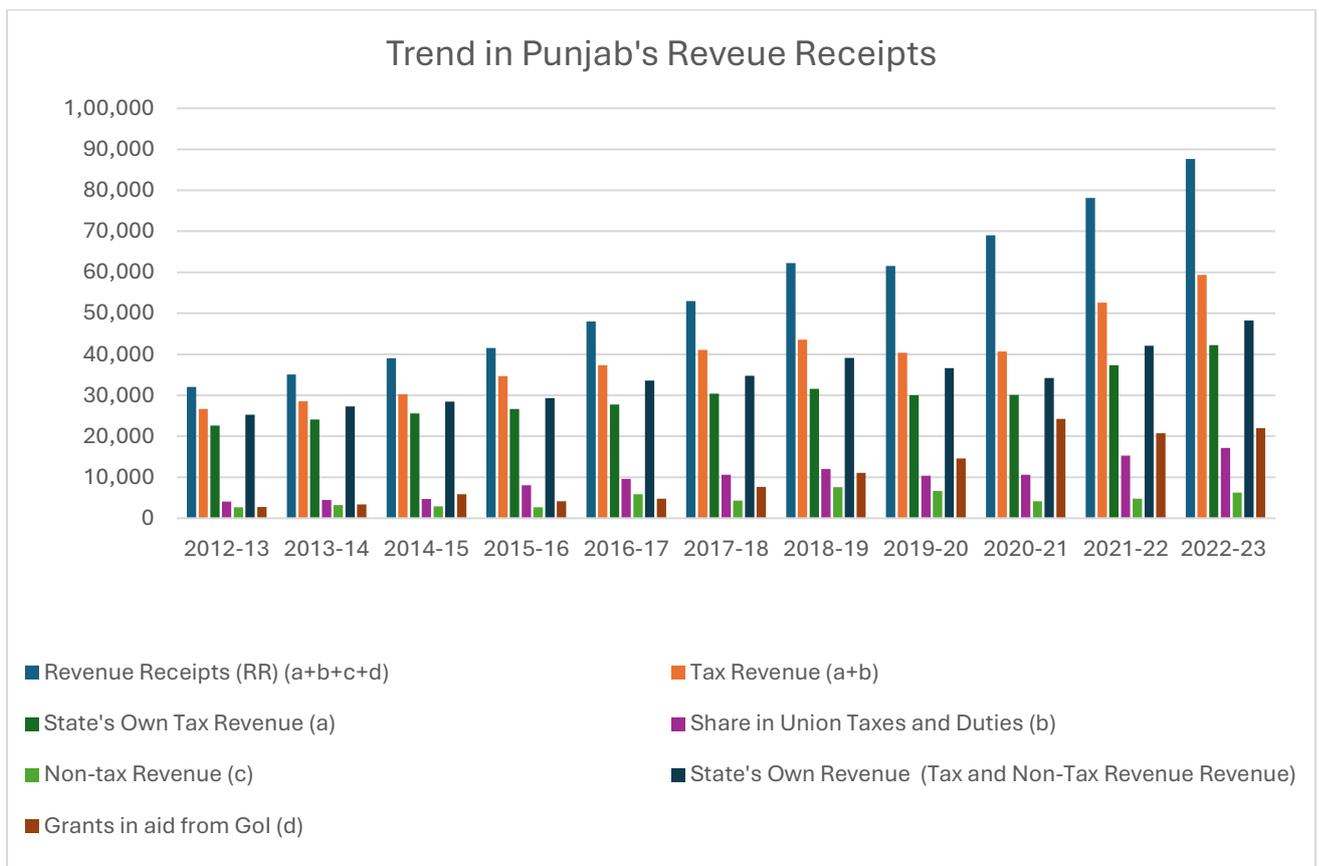
Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.1: Rate of Growth of Revenue Receipts**



Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.2: Trend in Punjab's Revenue Receipts (in crores)**



Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### 2.2.1 Budget Estimates vis-à-vis Actuals

Table 2.2 highlights the Budget Estimates and Actuals of the Revenue Receipts from the financial years 2017-18 to 2022-23. This analysis reveals the differences between the projected revenue receipts and the actual Graphs.

In 2017-18, the actual revenue receipts were ₹53,010 crores, falling short of the budget estimate of ₹60,080 crores by ₹7,070 crores, which is a percentage difference of -11.76%. The following year, 2018-19, saw actual receipts of ₹62,269.08 crores against an estimate of ₹73,812 crores, resulting in a shortfall of ₹11,543 crores and a percentage difference of -15.63%. This trend of actual receipts being lower than budget estimates continued into 2019-20, with actual revenue of ₹61,574.75 crores compared to an estimated ₹78,509.70 crores, marking the largest shortfall in this period at ₹16,935 crores and a percentage difference of -21.57%.

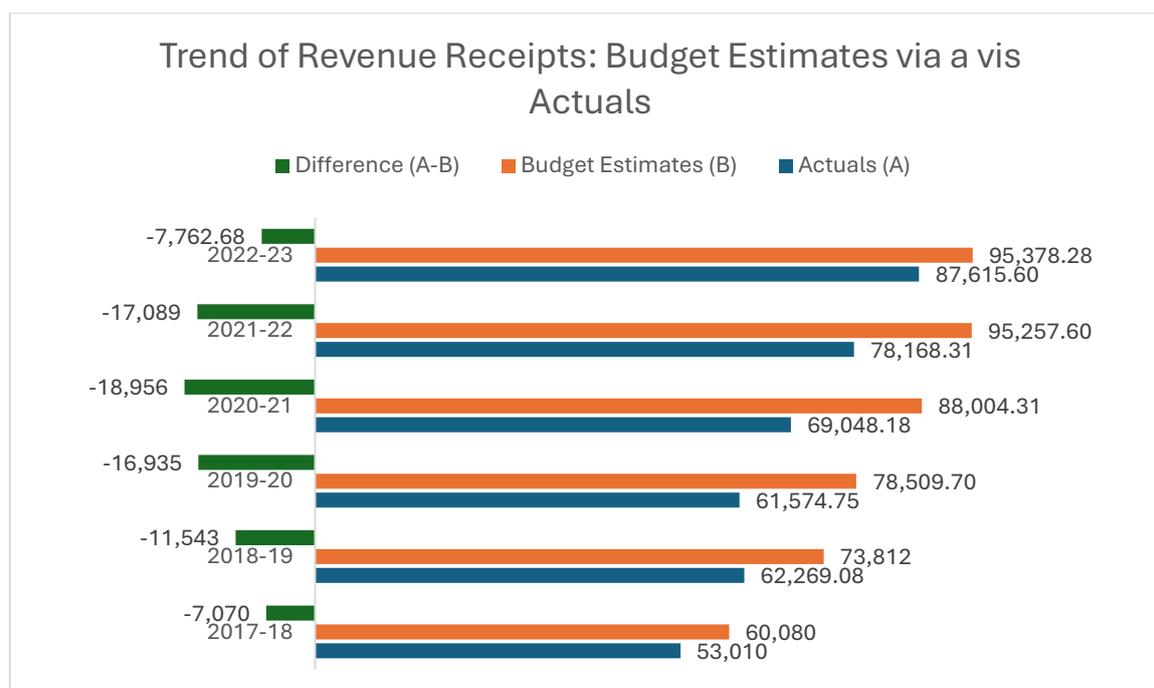
In 2020-21, the actual revenue receipts were ₹69,048.18 crores, while the budget estimate was ₹88,004.31 crores, leading to a shortfall of ₹18,956 crores and a percentage difference of -21.54%. The following year, 2021-22, saw some improvement, but actual receipts of ₹78,168.31 crores were still below the budget estimate of ₹95,257.6 crores by ₹17,089 crores, resulting in a percentage difference of -17.94%. However, in 2022-23, the actual revenue receipts were ₹87,615.6 and the estimated revenue receipts were ₹95,378.28, leading to a percentage difference of -8.13%.

The actual revenue receipts have shown a consistent increase over these five years, with the highest Graph recorded in 2021-22 at ₹78,168.31 crores. However, despite this upward trend, the state consistently fell short of its budget estimates. The gaps between actual and estimated receipts widened significantly in 2019-20 and 2020-21, indicating heightened fiscal challenges, possibly due to unforeseen economic conditions such as the impact of the COVID-19 pandemic. The percentage difference decreased slightly in 2021-22, and significantly in 2022-23, inculcating that revenue forecasting has improved notably with time.

**Table 2.2: Revenue Receipts: Budget Estimates vis-à-vis Actuals (in crores)**

Years	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Actuals (A)	53,010	62,269.08	61,574.75	69,048.18	78,168.31	87,615.6
Budget Estimates (B)	60,080	73,812	78,509.70	88,004.31	95,257.6	95,378.28
Difference (A-B)	-7,070	-11,543	-16,935	-18,956	-17,089	-7,762.68
Percentage Difference: 100*(A-B)/B(in%)	-11.76	-15.63	-21.57	-21.54	-17.94	-8.13

Source: State Finances Audit Report, CAG (Various Issues)

**Graph 2.3: Trend of Revenue Receipts: Budget Estimates vis-à-vis Actuals**

Source: State Finances Audit Report, CAG

### 2.2.2 Tax Revenue

Punjab's tax revenue is elucidated in Table 2.3, which presents a detailed breakdown of tax revenue from 2012-13 to 2022-23. The total tax revenue, which combines the state's own tax revenue and its share in union taxes and duties, shows a general upward trend over this period, although there are some fluctuations.

It is noted that the total tax revenue of the state increased from ₹26,646 crores in 2013-14 to ₹52,616 crores in 2021-22. This significant growth reflects a robust increase in tax collections over the years. The revenue rose steadily each year, peaking at ₹43,579 crores in 2018-19 before experiencing a slight dip to ₹40,341 crores in 2019-20. It then recovered to reach ₹52,616 crores by 2021-22.

The analysis reveals that in terms of the components of the total tax revenue, state's own tax revenue consistently forms the larger portion. The state's own tax revenue rose from ₹22,587 crores in 2012-13 to ₹42,243.17 crores in 2022-23. This component also shows an upward trend, although it slightly decreased from ₹31,574 crores in 2018-19 to ₹29,995 crores in 2019-20, before recovering to ₹37,327 crores in 2021-22.

The share in union taxes and duties, while smaller, has also grown across the period, increasing from ₹4,059 crores in 2012-13 to ₹17,163 crores in 2022-23. This share experienced notable jumps in certain years, such as from ₹4,703 crores in 2014-15 to ₹8,009 crores in 2015-16, and again from ₹9,600 crores in 2016-17 to ₹10,617 crores in 2017-18. Despite a slight drop from ₹12,005 crores in 2018-19 to ₹10,346 crores in 2019-20, it rose significantly to ₹15,289 crores in 2021-22. Overall, a major spoke is noted from 2020-21 to 2021-22, wherein, tax revenue is noted to increase from ₹40,691 crores to ₹52,616 crores. This suggests a robust recovery post the pandemic induced economic slowdown.

Overall, the table illustrates a strong growth trajectory in both the state's own tax revenue and the share in union taxes and duties over the examined period, highlighting an effective tax collection system and an expanding revenue base. This positive trend in tax revenues is crucial for supporting the state's fiscal health and its ability to fund essential public services and infrastructure projects.

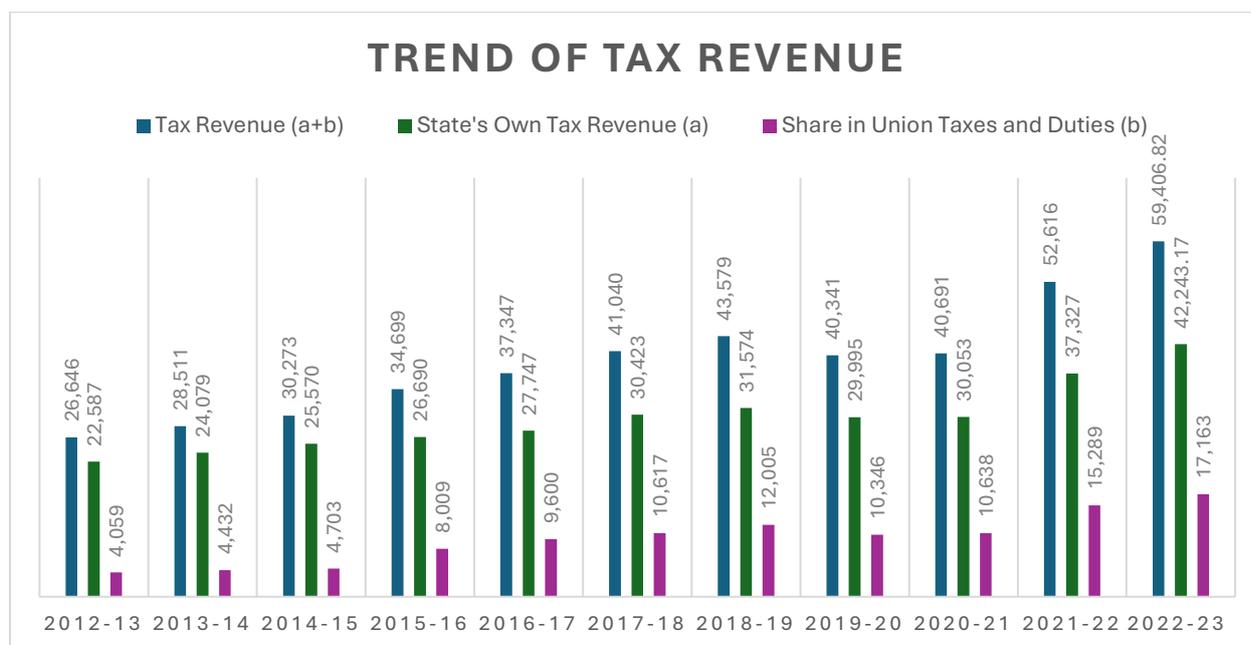
**Table 2.3: Tax Revenue (in crores)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Tax Revenue (a+b)</b>	26,646	28,511	30,273	34,699	37,347	41,040	43,579	40,341	40,691	52,616	59,406.82
<b>State's Own Tax Revenue (a)</b>	22,587	24,079	25,570	26,690	27,747	30,423	31,574	29,995	30,053	37,327	42,243.17

<b>Share in Union Taxes and Duties (b)</b>	4,059	4,432	4,703	8,009	9,600	10,617	12,005	10,346	10,638	15,289	17,163
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Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.4: Trend of Tax Revenue (in crores)**



Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### Impact of GST Reforms on Punjab’s Tax Revenue

The implementation of Goods and Services Tax (GST) has significantly impacted Punjab's tax revenue, particularly due to its unique economic structure.

1. **Impact on Punjab’s Revenue:** Punjab has experienced a substantial reduction in its tax revenue under GST. Many commodities previously taxed at higher rates (e.g., 14.3% or 15.95% under VAT) are now placed in lower GST slabs or exempted entirely. For example, agricultural produce is largely exempted under GST, therefore the State of Punjab has experienced a permanent loss of a significant portion of the State revenue (*Memorandum to Goods And Services Tax Council A Case For Extending Goods And Services Tax (GST) Compensation: Punjab<sup>1</sup>*). This has reduced the effective tax rate for the state. From July 2017 to December 2022, the average shortfall as % of Protected Revenue for Punjab has been 48% (*Memorandum to Goods And Services Tax Council*

<sup>1</sup> <https://punjab.gov.in/wp-content/uploads/2022/01/memorandum-to-GST.pdf>

*A Case For Extending Goods And Services Tax (GST) Compensation: Punjab*). From 2021-22 alone, Punjab faced a cumulative revenue loss of ₹8,038 crore from taxes like Purchase Tax and Central Sales Tax, among others.

2. **Shift in Revenue Dynamics:** The inclusion of services under GST has not benefited Punjab significantly because of its predominantly agrarian economy with limited presence of large service sector players. States with larger urban centres and diversified economies have gained disproportionately from GST on services, while Punjab, with its rural character, has struggled to compensate for the loss of earlier revenue sources (*Memorandum to Goods And Services Tax Council A Case For Extending Goods And Services Tax (GST) Compensation: Punjab*).
3. **Structural Implications for Punjab:** Under GST, cross-utilization of input tax credits (ITC) between goods and services has reduced the net revenue collection for the state. Additionally, the redistribution of service tax revenue to states where services are consumed more has been disadvantageous for Punjab due to lower disposable income and consumption patterns compared to metropolitan states.

### 2.2.2.1 Composition of Own Tax Revenue (2021-22)

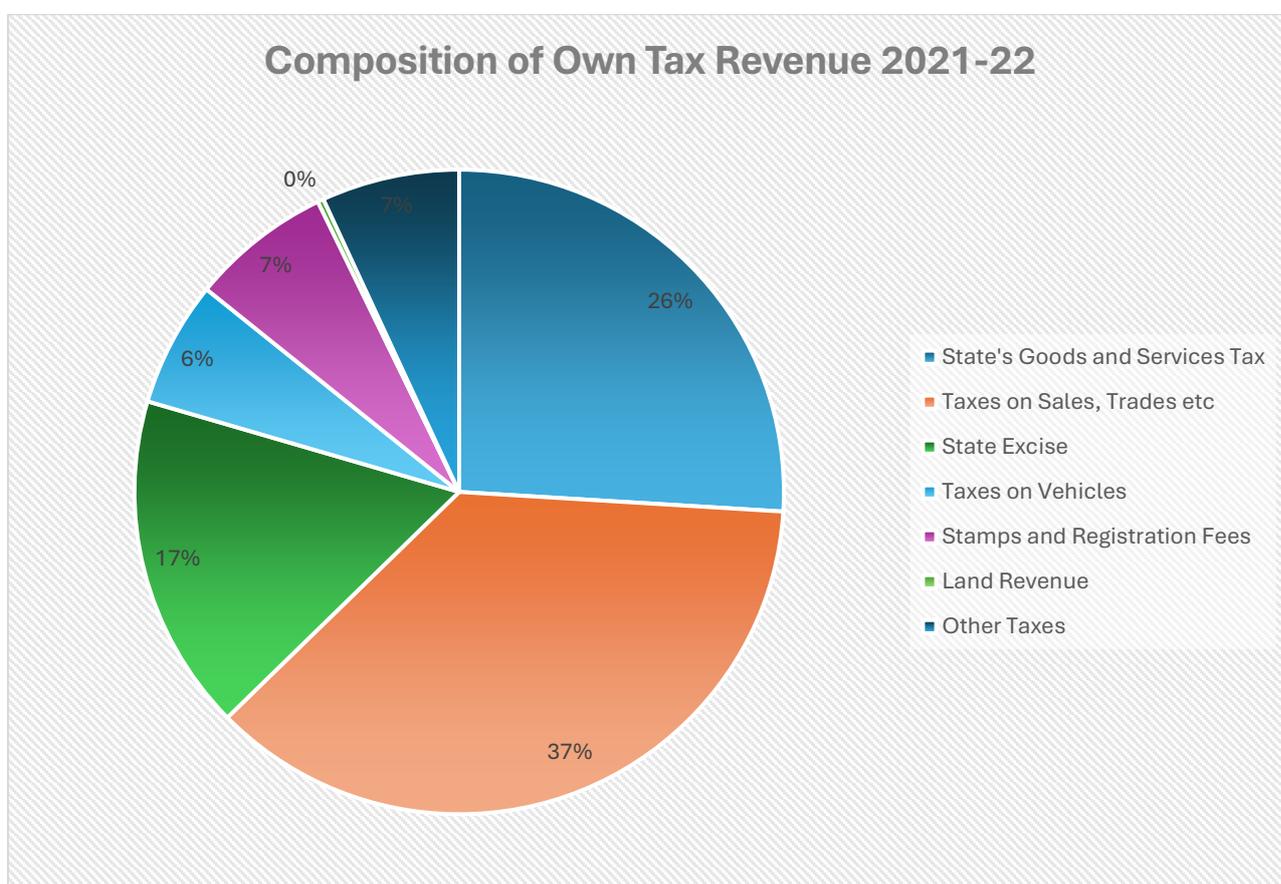
Table 2.4 provides a detailed breakdown of the state's own tax revenue, highlighting the contributions of various tax components in 2021-22. The largest portion, accounting for 36.68% of the total, comes from taxes on sales, trades, and related activities, amounting to 11,160 crores. This is followed by the State's Goods and Services Tax (SGST), which contributes 7,901 crores or 25.97% of the total revenue. State excise duties also form a significant part, contributing 5,136 crores, which is 16.88% of the total. Taxes on vehicles generated 1,911 crores, making up 6.28% of the revenue, while stamps and registration fees add another 2,135 crores, or 7.02%. Land revenue contributes a relatively small amount of 91 crores, which is 0.29% of the total. Additionally, other miscellaneous taxes account for 2089 crores, or 6.87% of the total revenue. This table illustrates the diverse sources of tax revenue for the state, with the majority coming from sales-related taxes and SGST.

**Table 2.4: Composition of Own Tax Revenue (in crores) 2021-22**

Component of Own Tax Revenue	Value (in crores)	Percentage of Own Tax Revenue
State's Goods and Services Tax	7901	25.97
Taxes on Sales, Trades etc	11160	36.68
State Excise	5136	16.88
Taxes on Vehicles	1911	6.28
Stamps and Registration Fees	2135	7.02
Land Revenue	91	0.29
Other Taxes	2089	6.87

Source: State Finances Audit Report, CAG

**Graph 2.5: Composition of Tax Revenue (in percent)**



Source: State Finances Audit Report, CAG

### 2.2.3 Own Non-Tax Revenue

Non-tax revenue in Punjab typically comprises income from sources other than taxes, such as fees, fines, grants, dividends, interest, and proceeds from asset sales. These revenues are often linked to economic activities, government services, investments, and other non-taxable transactions. Overall economic growth and business activities can impact non-tax revenue.

During periods of economic expansion, revenue from fees, fines, and asset sales may increase due to heightened economic transactions and investments. The introduction of new policies, programs, or initiatives by the government can lead to changes in non-tax revenue. For example, fees for licenses or permits, fines for regulatory violations, or revenue from public services could fluctuate based on policy changes.

Non-tax revenue can also be influenced by investment returns and dividends from government-owned enterprises or investments in financial instruments. Changes in investment strategies or performance can affect non-tax revenue trends. Proceeds from the sale of assets, such as land, buildings, or equipment, contribute to non-tax revenue. Trends in asset sales and disposal can vary based on government decisions, infrastructure projects, or economic conditions. Non-tax revenue may include grants and transfers from other government entities, organizations, or international sources. The availability and allocation of grants can impact non-tax revenue streams. Income from interest on deposits, loans, or bonds, as well as dividends from investments, forms a significant part of non-tax revenue. Changes in interest rates, investment portfolios, and dividend policies can influence this revenue category. Diversifying revenue sources beyond taxes is often a strategic goal for governments. Trends in non-tax revenue reflect efforts to broaden the revenue base, reduce dependency on specific sources, and enhance fiscal sustainability.

Table 2.5 presents Punjab's own non-tax revenue from 2013-14 to 2022-23. The non-tax revenue is broken down into three main categories: Interest Receipts, Dividends and Profits, and Other Non-Tax Receipts, culminating in the total non-tax revenue for each year.

Starting with **Interest Receipts**, the revenue shows significant variation over the period. It began at ₹174.68 crores in 2013-14, gradually increasing to ₹225.28 crores in 2015-16. A notable spike occurred in 2016-17, where interest receipts soared to ₹1,293.80 crores, continuing to rise to ₹2,105.51 crores in 2019-20. These notable spikes in interest receipts during 2016-17 and 2019-20 may reflect one-time recoveries or specific high-yielding investments. Such anomalies are not necessarily indicative of sustainable trends, which is evident from the subsequent sharp drop in 2020-21, wherein there was a sharp decline to ₹144.38 crores, with a slight recovery to ₹181.08 crores in 2021-22. This sharp decline in interest receipts may also be due to factors such as disruption due to the pandemic, which significantly disrupted economic activity in 2020-21, leading to delays and reductions in interest payments to the state. Government investments and lending activities also decreased

during this period. Additionally, there may be reduction in the outstanding loans provided by Punjab to entities such as public sector undertakings or local bodies likely contributed to lower interest receipts. As these loans are repaid or written off, the associated interest income decreases. Lately, Punjab has also been facing significant fiscal stress, leading to fewer funds available for lending or investment, thereby limiting the generation of interest income.

**Dividends and Profits** are noted to be stable across the period and continue to remain a miniscule component of the non-tax revenue, starting at ₹1.46 crores in 2013-14 and showing minor fluctuations throughout the period. The revenue from this category was consistent around ₹1.46 crores to ₹4.45 crores until 2017-18, with a slight drop in 2018-19 and 2019-20. There was an increase noted in 2021-22 when the dividends and profits increased to ₹6.66 crores.

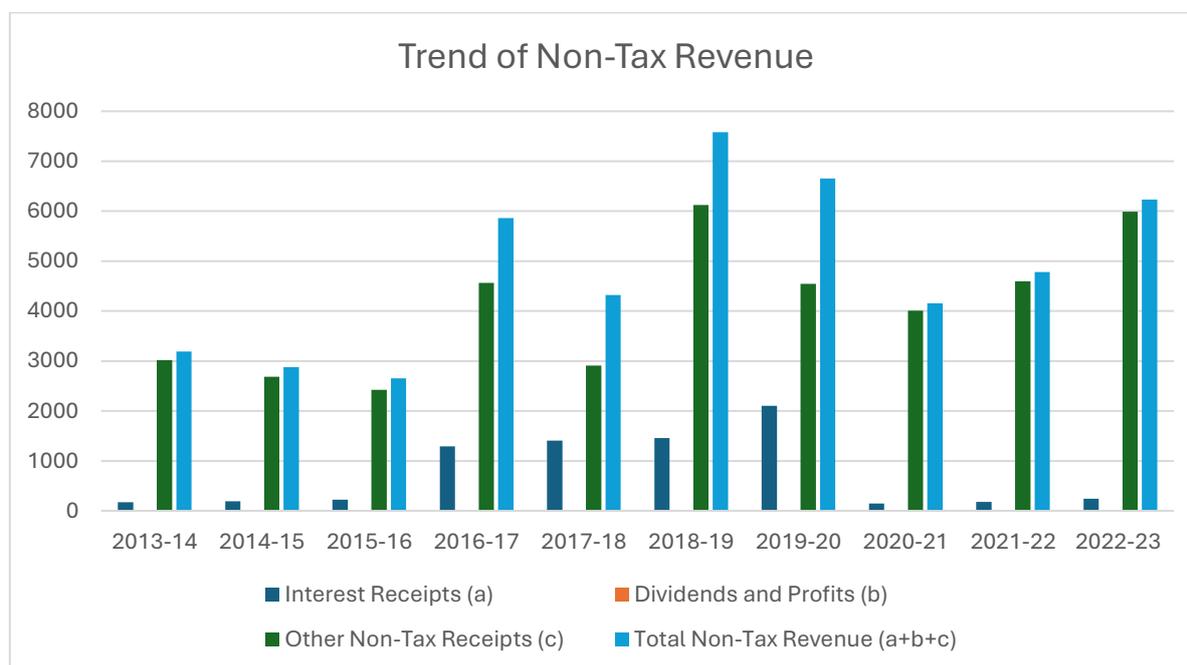
The category of **Other Non-Tax Receipts** experienced significant changes. It began at ₹3,015.35 crores in 2013-14, decreasing to ₹2,423.53 crores in 2015-16. However, there was a substantial increase to ₹4,565.52 crores in 2016-17 and another notable rise to ₹6,122.79 crores in 2018-19. This Graph decreased to ₹4,544.33 crores in 2019-20, then further to ₹4,006.49 crores in 2020-21, before increasing again to ₹5,986.07 crores in 2022-23.

Combining these categories, the **Total Non-Tax Revenue** began at ₹3,191.49 crores in 2013-14, which decreased to ₹2,650.27 crores in 2015-16. A significant surge occurred in 2016-17, with total non-tax revenue reaching ₹5,863.20 crores, followed by a decrease to ₹4,318.39 crores in 2017-18. Another substantial increase took place in 2018-19, reaching ₹7,582.29 crores. The following years saw fluctuations, with total non-tax revenue decreasing to ₹6,654.08 crores in 2019-20 and further to ₹4,152.13 crores in 2020-21, before increasing marginally to ₹6,231.94 crores in 2022-23.

**Table 2.5: Non-Tax Revenue (in crores)**

Years	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Interest Receipts (a)	174.68	193.88	225.28	1,293.8	1,404.94	1,455.26	2,105.51	144.38	181.08	242.76
Dividends and Profits (b)	1.46	1.48	1.46	3.88	4.45	4.24	4.24	1.26	6.66	3.11
Other Non-Tax Receipts (c)	3,015.35	2,684.07	2,423.53	4,565.52	2,909	6,122.79	4,544.33	4,006.49	4,596.03	5,986.07
<b>Total Non-Tax Revenue (a+b+c)</b>	<b>3,191.49</b>	<b>2,879.43</b>	<b>2,650.27</b>	<b>5,863.20</b>	<b>4,318.39</b>	<b>7,582.29</b>	<b>6,654.08</b>	<b>4,152.13</b>	<b>4,783.77</b>	<b>6,231.94</b>

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.6: Trend of Non-Tax Revenue (in crores)**

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### Analysis of Dividend Paid by SPE's

The Thirteenth Finance Commission had recommended in December 2009 that a minimum dividend of five per cent on Government equity should be paid by all enterprises. The State

Government of Punjab adopted the recommendations and directed (July 2011) all its Public Sector Enterprises (PSEs) to pay a minimum return of five per cent on the funds invested by the State Government. As per the latest CAG report on state finances of Punjab, which covers data up to 2022-23, in 2022-23, a total of 3 SPE's declared dividend. Of these, 2 SPE's pertain to agriculture and allied sector SPE's, which declared dividend of 1.38 crores and among the other SPE's category, one SPE declared dividend of 2.50 crores. Overall, the dividend has been abysmal for all the three financial years studies, i.e. 2020-21, 2022-23 and 2023-24 (3.88 crores, 5.71 crores and 3.88 crores respectively)<sup>2</sup>.

### **2.2.3.1 Suggestions to enhance State's Own Non-Tax Revenue**

To enhance the state's own non-tax revenue in Punjab, several suggestions can be considered. Punjab's non-tax revenue has seen significant fluctuations over the years, with notable spikes in certain categories such as interest receipts and other non-tax receipts. To enhance revenue from user charges, profits from departmental enterprises, and dividends, several targeted strategies can be implemented.

The state can increase user charges by periodically adjusting fees for services like licenses, permits, and utilities in line with inflation and operational costs. For instance, revenues from other non-tax receipts surged to ₹6,122.79 crore in 2018-19 but later fluctuated, showing potential for stabilization through efficient fee collection systems and value-added services. Rationalizing subsidies and implementing direct benefit transfers (DBT) for essential services can also help optimize revenue while protecting vulnerable populations.

Profits from departmental enterprises like state utilities and public service providers can be bolstered through efficiency improvements and strategic reforms. For example, Punjab State Power Corporation Limited (PSPCL) can enhance operational efficiency to improve its financial returns, potentially increasing contributions to non-tax revenues. Professional management, public-private partnerships, and leveraging underutilized assets could further enhance profitability.

On dividends, Punjab's returns from government-owned enterprises remain negligible, with figures like ₹6.66 crore in 2021-22. To address this, the state can encourage its public sector undertakings (PSUs) to adopt structured dividend policies and performance-based incentives.

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<sup>2</sup> [\(Report No. 2 of 2024\) State Finances Audit Report for the year ended 31 March 2023 – Government of Punjab](#)

Strengthening investment strategies and rationalizing underperforming enterprises through disinvestment or restructuring could also yield higher returns.

Finally, asset monetization can play a critical role in boosting non-tax revenue. The government can regularly review and monetize idle assets, such as land and buildings, to generate one-time and recurring revenues. Given that other non-tax receipts formed the largest share of Punjab's non-tax revenues, focusing on strategic asset utilization could ensure consistent growth in this category. Through these measures, Punjab can achieve a more robust and sustainable non-tax revenue framework.

#### **2.2.4 Grants from Centre**

Grants from the Centre to Punjab play a crucial role in supporting the state's fiscal budget and various development initiatives. These grants can include funds for specific projects, grants for revenue deficit, grants for centrally sponsored schemes, and grants for disaster relief and other contingencies. The allocation of grants from the Centre to Punjab is influenced by factors such as the state's economic performance, priority areas for development, implementation of centrally.

Table 2.6 details the financial assistance provided by the Government of India to Punjab from 2012-13 to 2022-23. The table highlights the evolution of grants-in-aid received by Punjab from the Government of India (GoI) across various categories from 2012–13 to 2022–23. Over the years, the structure and magnitude of grants have undergone significant changes, reflecting policy shifts and fiscal reforms. Non-Plan Grants, which peaked at ₹2,003.87 crores in 2014–15, were discontinued after 2016–17 following the restructuring of India's fiscal framework. Grants for Centrally Sponsored Plan Schemes showed a declining trend, with allocations turning negative from 2017–18 onwards, reaching ₹(-47.34) crores in 2022–23, indicating recoveries or adjustments. Similarly, Grants for Central Plan Schemes, after intermittent allocations peaking at ₹3,096.13 crores in 2017–18, ceased altogether thereafter. Grants for State Plan Schemes, which saw significant funding during 2012–17 and peaked at ₹3,597.61 crores in 2014–15, were also discontinued after 2017–18.

Conversely, Grants for Centrally Sponsored Schemes began in 2018–19 and have steadily increased, reaching ₹3,776.79 crores in 2022–23. Finance Commission Grants, introduced in 2018–19, grew exponentially, peaking at ₹12,435.61 crores in 2021–22 before slightly declining to ₹10,258.45 crores in 2022–23. Additionally, Other Transfers, which started at

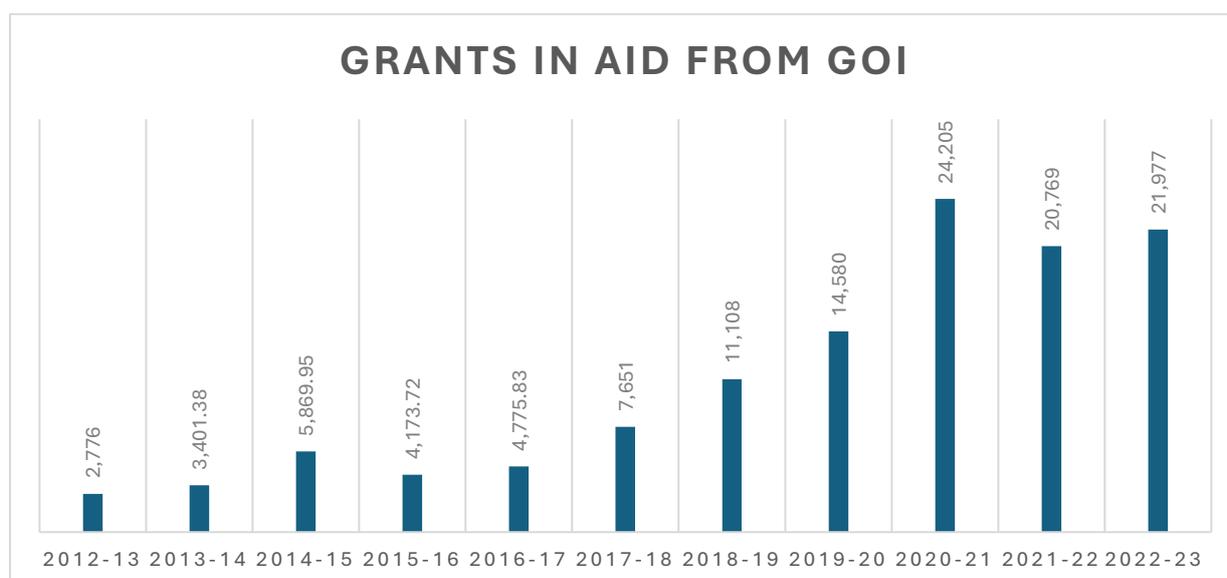
₹4,037 crores in 2017–18, rose to ₹9,843.85 crores in 2020–21 and showed fluctuations in subsequent years. Overall, the total grants-in-aid to Punjab steadily increased from ₹2,776 crores in 2012–13 to ₹21,977 crores in 2022–23, with significant spikes between 2017–18 and 2020–21 due to higher allocations under Finance Commission grants, centrally sponsored schemes, and other transfers. These trends underscore a shift from traditional plan and non-plan classifications to a more targeted approach in fiscal transfers, reflecting evolving federal financial policies.

**Table 2.6: Grants in aid to Punjab from GoI (in crores)**

Head	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Plan Grants	894.91	1064.11	2003.87	1274.64	1610.35	--	--	--	--	--	--
Grants for Centrally Sponsored Plan Schemes	1135.84	1271.34	188.41	237.20	563.69	(-)0.63	(-)74.21	(-)68.84	(-)0.48	(-)4.03	(-)47.34
Grants for Central Plan Schemes	60.63	7.67	80.67	341.76	78.65	3096.13	--	--	--	--	--
Grants for State Plan Schemes	684.19	1058.26	3597.61	2320.12	2523.14	162.81	--	--	--	--	--
Grants for Centrally Sponsored Schemes	--	--	--	--	--	--	3091.7	2864.31	2880.41	3678.16	3776.79
Finance Commission Grants*	--	--	--	--	--	--	719.54	2710.13	11481.23	12435.61	10258.45
Other Transfers	--	--	--	--	--	4037	7370.34	9074.43	9843.85	4659.15	7988.94
Grants in aid from GoI	2,776	3,401.38	5,869.95	4,173.72	4,775.83	7,651	11,108	14,580	24,205	20,769	21,977

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

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

**Graph 2.7: Trend of Grants from GoI (in crores)**

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### 2.3 Revenue Buoyancy and State's Own Revenue Buoyancy

The revenue buoyancy ratio measures the responsiveness of a government's revenue to changes in the economy's GDP, indicating the efficiency of revenue collection. A ratio above 1 indicates that revenue is growing faster than the economy, while a ratio below 1 suggests slower revenue growth compared to GDP growth. Revenue buoyancy is a measure of how revenue collections respond to changes in the gross domestic product (GDP) or economic output while Own-tax buoyancy measures the responsiveness of a government's own-tax revenue (taxes directly levied by the government) to changes in GDP.

It can be deciphered from Table 2.7 that in 2021-22, Punjab's revenue buoyancy w.r.t. GSDP was 1.37, and Punjab's own revenue buoyancy w.r.t. GSDP was 2.39, indicating that the state's revenue and own revenue is growing faster than its economy.

**Table 2.7: Buoyancy Ratios**

Years	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Buoyancy w.r.t. GSDP	1.02	1.98	(-)0.23	--	1.37
State's Own Revenue Buoyancy w.r.t. GSDP	0.33	1.44	(-)1.34	--	2.39

Source: State Finances Audit Report, CAG

Note: In 2020-21 buoyancy ratio was not calculated as GSDP was negative

## 2.4 Revenue Expenditure

Revenue expenditure encompasses charges for maintenance, repair, upkeep, and operational expenses necessary to keep assets functional, as well as day-to-day administrative and establishment costs. It includes all spending required for the operation and maintenance of services without creating any new assets. In analyzing Punjab's financial statements, revenue expenditure primarily consists of salaries and wages, pensionary charges, subsidies, and interest payments, which account for over 90% of the state's revenue receipts. This high percentage indicates a significant limitation for the government in allocating funds to other productive and welfare areas.

Table 2.8 illustrates the revenue expenditure of Punjab from 2013-14 to 2022-23. Punjab's revenue expenditure has experienced a consistent upward trajectory over the years, reflecting increasing demands on the state's financial resources. The total revenue expenditure rose from ₹39,458 crores in 2012-13 to ₹1,13,661 crores in 2022-23, indicating substantial growth across all sectors. This trend underscores the growing fiscal pressures on the state, driven by rising costs of governance, development initiatives, and social obligations.

**General Services**, comprising expenditure on administration, policing, and public order, saw a significant rise over the decade. Starting at ₹18,572 crores in 2012-13, it climbed steadily to ₹54,003 crores in 2022-23, reflecting increased spending on governance and maintenance of public order. This component consistently accounted for the largest share of revenue expenditure, highlighting the administrative demands on the state.

**Social Services**, including education, health, and welfare programs, increased from ₹11,190 crores in 2012-13 to ₹28,849 crores in 2022-23. Although the growth in this sector was moderate compared to General Services, the rising expenditure signals an enhanced focus on public welfare and human development, particularly in recent years. The increasing outlay on social services is essential for improving living standards and addressing developmental challenges in Punjab.

**Economic Services**, which encompass agriculture, industry, and infrastructure-related expenditures, displayed notable growth over the period. The expenditure rose from ₹9,152 crores in 2012-13 to ₹26,997 crores in 2022-23, with a sharp increase observed post-2017-18. This growth indicates increased state efforts to boost economic activities and support sectors critical to Punjab's economy, such as agriculture and industrial development.

**Grants in Aid and Contributions**, although a smaller component, increased from ₹544 crores in 2012-13 to ₹3,812 crores in 2022-23. The peak of ₹5,971 crores in 2020-21 reflects heightened grant disbursements, likely due to COVID-19-related relief measures.

The **growth rate of revenue expenditure** has fluctuated over the years. It peaked at 20.71% in 2018-19, coinciding with significant increases in spending on economic and social services. However, the growth rate moderated to 0.60% in 2019-20, likely due to economic slowdown and fiscal constraints, before rebounding to 13.82% in 2020-21 and 17.61% in 2022-23, indicating a resurgence in spending.

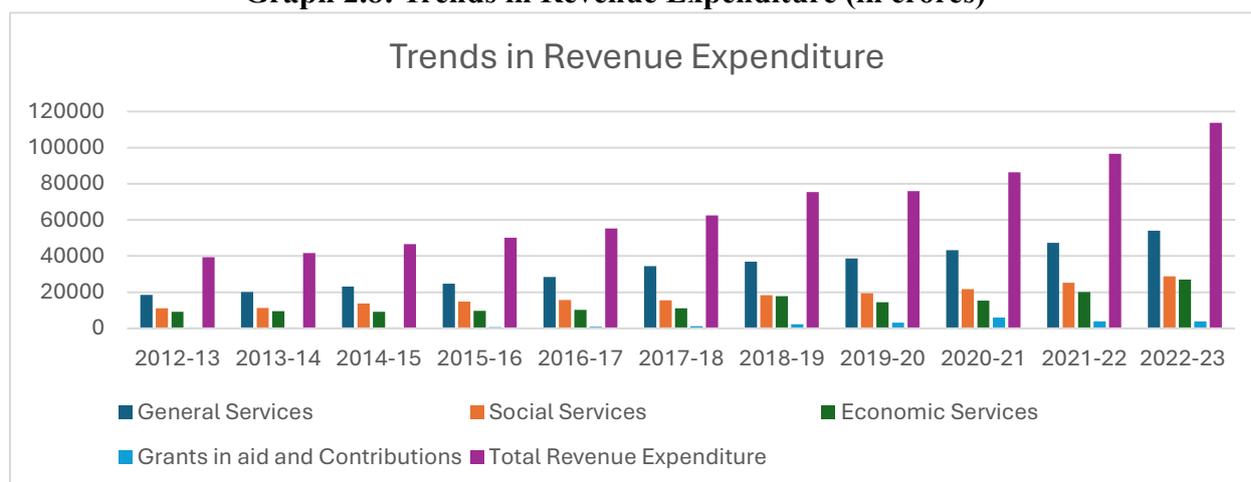
Overall, the sustained rise in revenue expenditure highlights Punjab's growing fiscal responsibilities and efforts to balance governance, development, and welfare priorities. However, the rapid increase also underscores the need for careful fiscal management to ensure sustainability while addressing the state's developmental challenges.

**Table 2.8: Revenue Expenditure (in crores)**

Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	18572	20192	23043	24713	28488	34500	36931	38615	43253	47240	54003
Social Services	11190	11319	13729	14898	15672	15470	18320	19484	21675	25334	28849
Economic Services	9152	9600	9238	9756	10218	11194	17888	14551	15445	20204	26997
Grants in aid and Contributions	544	530	604	706	918	1301	2265	3210	5971	3858	3812
Total Revenue Expenditure	39,458	41,641	46,614	50,073	55,296	62,465	75,404	75,860	86,344	96,636	113,661
Growth Rate	--	5.53	11.94	7.42	10.43	12.96	20.71	0.60	13.82	11.92	17.61

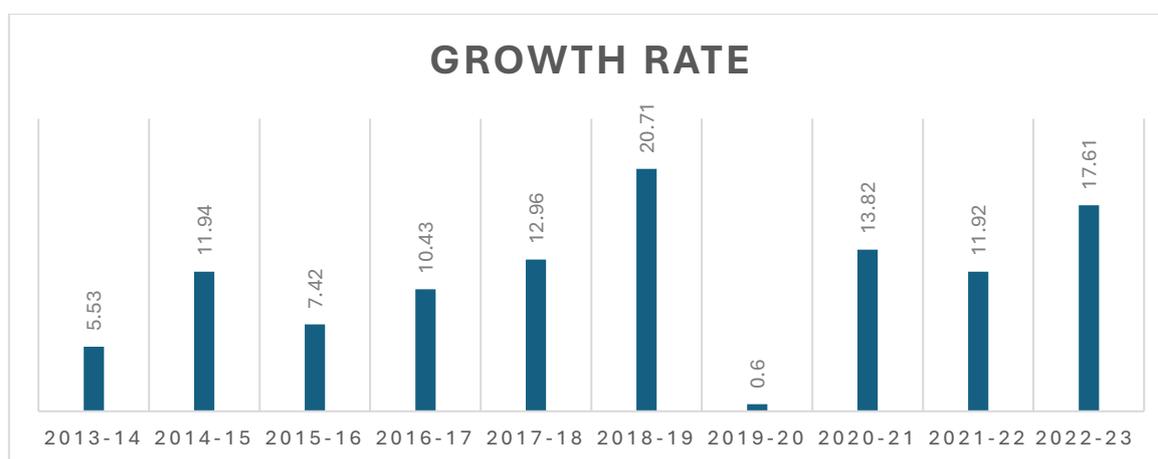
Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.8: Trends in Revenue Expenditure (in crores)**



Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.9: Growth Rate of Revenue Expenditure (in percent)**



Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### 2.4.1 Budget Estimates Vis-À-Vis Actuals

Table 2.9 illustrates the budget estimates and actual revenue expenditures over a five-year period from 2017-18 to 2021-22. The data is presented in crores and highlights the discrepancies between the budget estimates (B) and the actual expenditures (A) for each fiscal year.

In 2017-18, the actual expenditure was ₹62,465 crores, which was ₹12,400 crores less than the budget estimate of ₹74,865 crores, resulting in a percentage difference of -16.56%. The following year, 2018-19, saw an actual expenditure of ₹75,403.71 crores, which was ₹10,947 crores lower than the budgeted ₹86,351 crores, a difference of -12.67%. The trend continued

in 2019-20, with actual spending of ₹75,859.64 crores compared to the budget estimate of ₹90,196.96 crores, showing a larger discrepancy of ₹14,337 crores or -15.89%.

The fiscal year 2020-21 recorded actual revenue expenditure of ₹86,344.62 crores, falling short of the budgeted ₹95,716.04 crores by ₹9,371 crores, equating to a -9.79% difference. The gap narrowed in 2021-22, with actual expenditure at ₹96,636.51 crores versus the budget estimate of ₹103,879.91 crores, a difference of ₹7,243 crores or -6.97%.

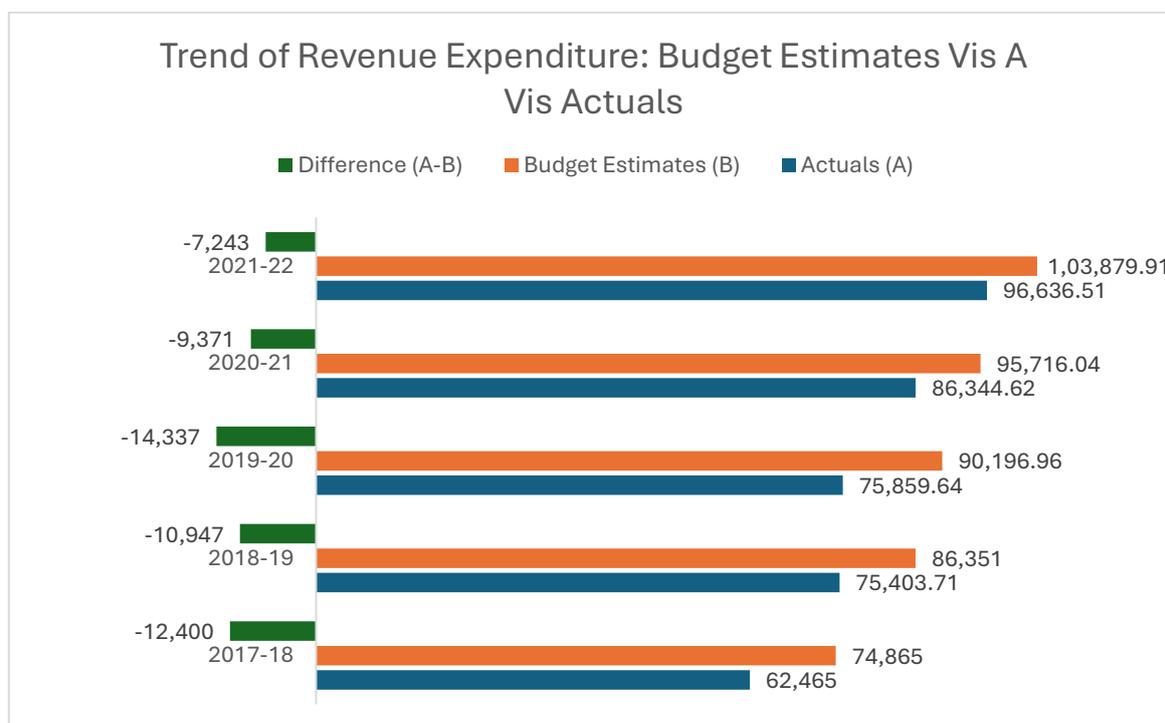
This analysis illustrates a consistent pattern of actual revenue expenditures falling short of the budget estimates, with the percentage difference decreasing over the years, indicating a trend towards more accurate budgeting in the case of revenue expenditures of the state.

**Table 2.9: Revenue Expenditure: Budget Estimates Vis-À-Vis Actuals (in crores)**

Years	2017-18	2018-19	2019-20	2020-21	2021-22
Actuals (A)	62,465	75,403.71	75,859.64	86,344.62	96,636.51
Budget Estimates (B)	74,865	86,351	90,196.96	95,716.04	1,03,879.91
Difference (A-B)	-12,400	-10,947	-14,337	-9,371	-7,243
Percentage Difference: $100 \times (A-B)/B$ (in%)	-16.56	-12.67	-15.89	-9.79	-6.97

Source: State Finances Audit Report, CAG

**Graph 2.10: Trend of Revenue Expenditure: Budget Estimates Vis-À-Vis Actuals**



Source: State Finances Audit Report, CAG

## 2.4.2 Inter State Comparison of Revenue Expenditure: Non-Special Category States

As noted in Table 2.9(b), the 2021–22 data for 18 non-special category states shows clear variations in how states are allocating their budgets across social services, economic infrastructure, and administrative costs.

Punjab's per capita revenue expenditure stood at ₹31,648, placing it in the mid-range among Indian states. While this is lower than top spenders like Jammu & Kashmir (₹43,887), Kerala (₹41,024), and Telangana (₹36,089), it is still above many larger states such as Uttar Pradesh (₹14,470) and Bihar (₹12,746). This indicates that Punjab has been maintaining a reasonable level of spending on public services, even amidst fiscal pressures.

A closer look reveals that Punjab spent ₹14,913 per person on developmental activities, which include social services (₹8,297), and economic services (₹6,617). This is a healthy mix, showing the government's attempt to balance welfare with growth. However, what stands out is Punjab's high non-developmental expenditure at ₹15,471 per capita—one of the highest among the mid-range states. This category includes interest payments, salaries, and pensions, which are essential but do not directly translate into new services or infrastructure.

This pattern of spending suggests that while Punjab is committed to development, a large part of its budget is tied up in committed liabilities. This limits the space available for fresh investments in areas that could have a more visible impact on people's lives, such as schools, hospitals, roads, or digital infrastructure. Kerala, another mid-range state, shows a similar pattern—with strong social spending but also significant non-developmental burdens.

On the other hand, states like Tamil Nadu (₹33,150) and Telangana (₹36,089) have managed to allocate higher amounts to developmental areas, with Telangana directing over ₹24,368 per person towards development—including a substantial ₹10,338 to economic services. These states are effectively using their fiscal capacity to drive growth and welfare hand in hand.

States like Bihar and Uttar Pradesh, due to their large populations and lower revenue generation, report the lowest per capita revenue expenditures. Their lower developmental allocations reflect the challenge of delivering quality services at scale within limited budgets.

In this context, Punjab sits at a critical juncture. Its overall per capita revenue expenditure is relatively strong, but the challenge lies in unlocking funds from committed heads and directing them toward transformational, growth-oriented spending. By gradually reducing inefficient

subsidies, reforming pension outlays, and improving revenue efficiency, Punjab can create the fiscal space needed to invest more in people-centric and growth-enhancing services.

**Table 2.9(b): Revenue Expenditure: An Inter-state Comparison of Non-Special Category states (2021-22)**

State	Revenue Expenditure (Per Capita) 1+2	Development Expenditure (Per Capita) (1=A+B)	Social Services (Per Capita) (A)	Economic Services (Per Capita) (B)	Non Development Expenditure (Per Capita) (2)
Andhra Pradesh	30046.69	19447.9	13071.87	6376.036	10595.07
Bihar	12745.84	8828.133	6093.12	2735.013	3917.677
Chhattisgarh	25140.77	17603.51	9372.482	8231.026	7164.304
Gujarat	22707.12	14662.27	9661.161	5001.104	7986.513
Haryana	32977.63	20263.06	13712.95	6550.111	12714.57
Jammu Kashmir	43886.95	21939.63	15500.29	6439.339	21947.32
Jharkhand	16109.71	10578.31	6322.802	4255.505	5531.398
Karnataka	31133.39	20833.56	11863.58	8969.979	9316.326
Kerala	41023.63	18637.05	14227.15	4409.901	19675.58
Madhya Pradesh	21164.88	14550.27	8374.65	6175.621	5781.689
Maharashtra	27883.19	16105.29	11364.49	4740.794	9707.707
Odisha	24814.9	17006.48	10713.32	6293.164	7465.716
Punjab	31647.78	14913.39	8296.806	6616.585	15470.7
Rajasthan	26173.69	18013.5	10611.41	7402.086	8160.19
Tamil Nadu	33149.82	19528.31	11581.36	7946.957	11078.22
Telangana	36089.23	24367.7	14029.37	10338.33	11721.53
Uttar Pradesh	14470.03	8039.552	5185.961	2853.591	5723.222
West Bengal	21313.5	13316.89	10392.61	2924.286	7960.668

Source: Revenue expenditure and its sub-heads: State Finances : A Study of Budgets RBI (2023-24); Population Data (2022): State/UT wise Aadhaar Saturation (UIDAI India)

## 2.5 Capital Receipts

Table 2.10 presents data for Punjab's capital receipts spanning from 2012-13 to 2021-22, broken down into three main components: Miscellaneous Capital Receipts, Recovery of Loans/Advances, and Public Debt Receipts.

**Miscellaneous Capital Receipts** are minimal throughout the period, with values ranging from 0.21 crores in 2012-13 to 0 crores from 2017-18 onwards. This indicates an almost negligible contribution to the total capital receipts from this source.

**The Recovery of Loans/Advances** shows significant fluctuations. It starts at 174.09 crores in 2012-13, peaks at 16,070 crores in 2019-20, and then drops to 207 crores by 2021-22. The high value in 2019-20 suggests a notable spike in loan recovery activities during that year.

**Public Debt Receipts**, comprising internal debt and loans and advances from the Government of India, exhibit a generally increasing trend. The public debt receipts were noted to be 22,340.8 crores in 2012-13, they reach a peak of 83,627.12 crores in 2016-17 before stabilizing at a range of around 27,000 to 34,000 crores in the subsequent years, and increasing again to 47,263 crores in 2022-23.

Combining these components, the Total Capital Receipts show a significant rise from 22,340.80 crores in 2012-13 to a peak of 83,808.46 crores in 2016-17, followed by a downward trend to 27,244 crores in 2021-22, and increasing again to 47,427 crores in 2022-23. This overall pattern reflects the heavy reliance on public debt and the volatility in loan recovery as key factors influencing the capital receipts over this period.

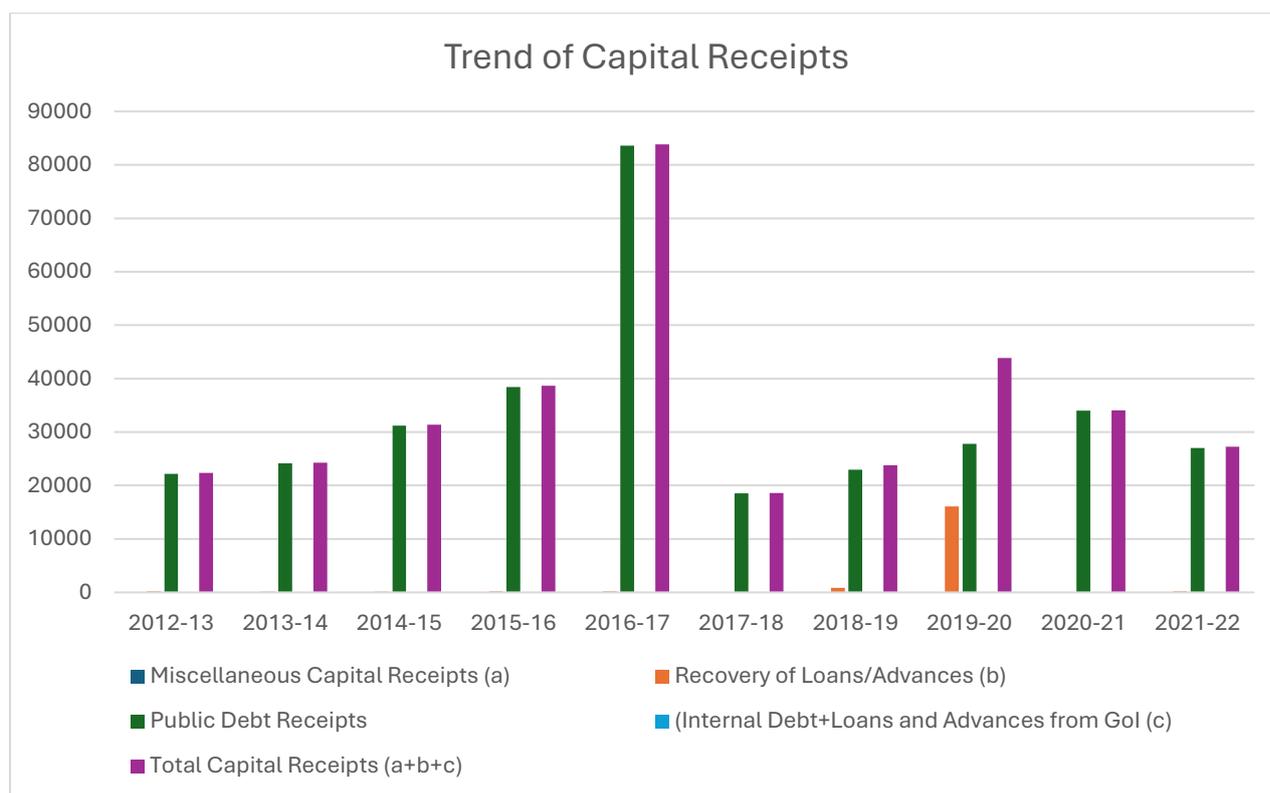
**Table 2.10: Capital Receipts (in crores)**

Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Miscellaneous Capital Receipts (a)	0.21	0.51	0.52	0.26	0.41	0	0	0	0	0	0
Recovery of Loans/Advances (b)	174.09	112.3	137.15	218.45	180.93	73	849	16,070	50	207	164
Public Debt Receipts (Internal Debt+Loans and	22,166.50	24,140.49	31,223.54	38,428.04	83,627.12	18,517	22,939	27,821	34,027	27,037	47,263

Advances from GoI (c)											
<b>Total Capital Receipts (a+b+c)</b>	<b>22,340.80</b>	<b>24,253.3</b>	<b>31,361.21</b>	<b>38,646.75</b>	<b>83,808.46</b>	<b>18,590</b>	<b>23,788</b>	<b>43,891</b>	<b>34,077</b>	<b>27,244</b>	<b>47,427</b>

Source: State Finances Audit Report, CAG

**Graph 2.11: Trend of Capital Receipts**



Source: State Finances Audit Report, CAG

## 2.6 Capital Expenditure

Table 2.11 outlines the composition of capital expenditure from 2012-12 to 2022-23. The expenditure is categorized into three main indicators: General Services, Social Services, and Economic Services.

**General Services** expenditure is noted to be a small percentage of total capital expenditure across the period. In 2012-13, the total capital expenditure was 162 crores. It increased consistently up to 249 crores in 2016-17, after which it declined to 180 crores in 2017-18. As per the revised estimates of 2022-23, the expenditure on general services was 225 crores.

**Social Services** expenditure shows a more dynamic pattern. This category includes spending on education, health, and social welfare, reflecting increased investments in these critical areas over time. It begins at 716 crores in 2012-13, with notable increases. A spike in social service expenditure is noted in 2020-21, indicating increasing spending possibly due to covid related measures. In 2022-23, expenditure in this component was 4,041 crores.

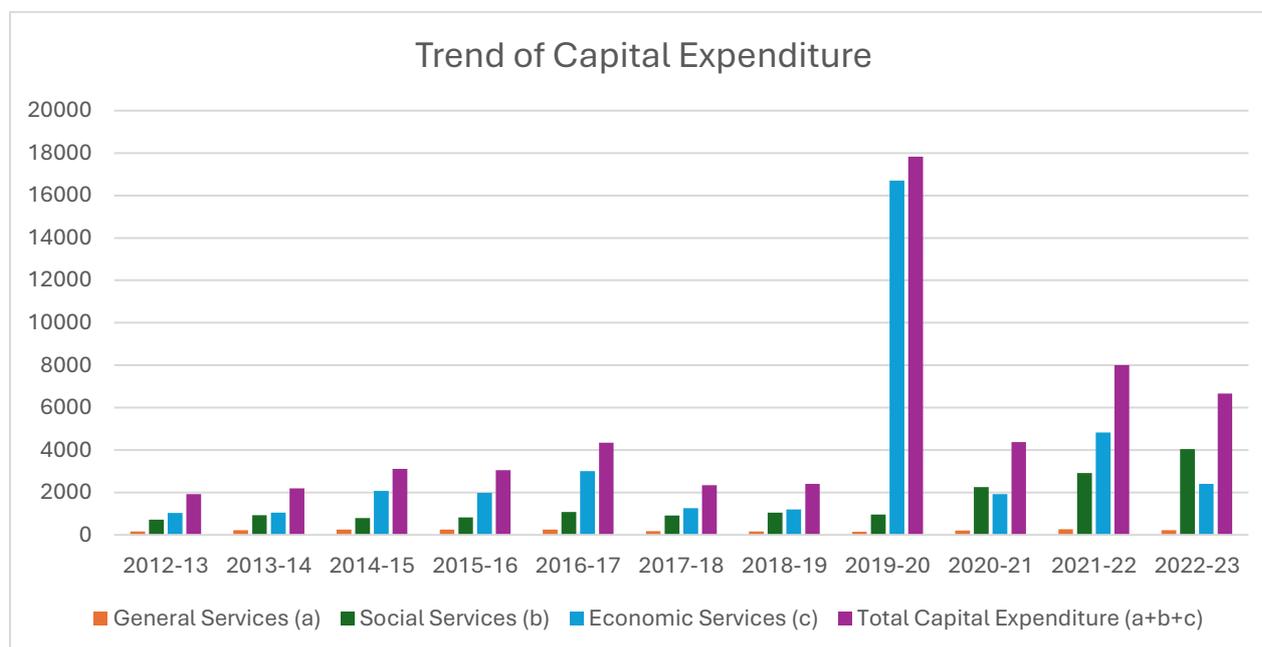
**Economic Services** expenditure displays significant variability. Starting at 1,038 crores in 2012-13, it experiences a notable spike to 16,709 crores in 2019-20, before stabilizing at 4,835 crores in 2021-22. This spike in 2019-20 was primarily due to conversion of UDAY loans amounting almost 15,000 crores to equity in PSPCL. to This category encompasses infrastructure development, agriculture, and industry, indicating major investments, particularly in 2019-20. The spike in 2019-20 is on account of investment of Rs 15,628 crore in the state electricity boards.

**Total Capital Expenditure** combines these components and illustrates a general upward trend with some volatility. It begins at 1,916 crores in 2012-13, peaks at 17,828 crores in 2019-20, and then adjusts to 6,667 crores by 2022-23. This reflects overall growth in capital investments with significant peaks in certain years, indicating targeted fiscal policies during those periods.

**Table 2.11: Capital Expenditure (in crores)**

Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>General Services (a)</b>	162	219	252	253	249	180	169	154	211	264	225
<b>Social Services (b)</b>	716	930	795	828	1,087	916	1,047	965	2,251	2,911	4041
<b>Economic Services (c)</b>	1,038	1,052	2,071	1,978	3,010	1,256	1,196	16,709	1,920	4,835	2,401
<b>Total Capital Expenditure (a+b+c)</b>	<b>1,916</b>	<b>2,201</b>	<b>3,118</b>	<b>3,059</b>	<b>4,346</b>	<b>2,352</b>	<b>2,412</b>	<b>17,828</b>	<b>4,382</b>	<b>8,010</b>	<b>6,667</b>

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

**Graph 2.12: Trend of Capital Expenditure**

Source: State Finances Audit Report, CAG and State Finances: A Study of Budget, RBI

### 2.6.1 Inter State Comparison of Capital Expenditure: Non-Special Category States

As noted in Table 2.11(b), in 2021–22, Punjab spent around ₹69,782 per person on capital disbursements. When we exclude public account items, this figure comes down to ₹9,079 per person. While this level of capital spending places Punjab somewhere in the middle among Indian states, there is room to strengthen our focus on development-linked investments that directly improve people’s lives.

Out of this ₹9,079, Punjab allocated ₹2,537 per person to development-related capital expenditure. Of this, ₹953 went towards social services such as education, health, and housing, while ₹1,583 was spent on economic services like roads, power, and irrigation. These investments are essential for improving the quality of public services and creating opportunities for economic growth. However, when we compare these figures with other states, it's clear that Punjab can do more. For example, states like Odisha, Tamil Nadu, and Madhya Pradesh have each spent over ₹4,600 per person on development-related capital projects, focusing heavily on both social welfare and economic infrastructure.

By gradually increasing its capital investments—especially in areas that matter most to people’s daily lives like hospitals, schools, roads, and public utilities—the state can make a real

difference in both urban and rural areas. Boosting capital expenditure not only supports economic growth but also helps create jobs and improve service delivery.

**Table 2.11(b): Capital Expenditure: An Inter-state Comparison of Non-Special Category states (2021-22)**

State	Total Capital Disbursements (Per Capita ₹)	Total Capital Disbursements (Excluding Public Accounts) (Per Capita ₹)	Development (Per Capita ₹)	Social Services (Per Capita ₹)	Economic Services (Per Capita ₹)	Non-Development Services (Per Capita ₹)
Andhra Pradesh	53923.22	6122.323	2715.453	1201.742	1513.711	375.37
Bihar	53809.03	2714.02	1614.711	412.5652	1202.146	280.78
Chhattisgarh	72209.57	6593.904	3402.806	1083.838	2318.968	2891.01
Gujarat	83874.77	7599.527	3911.718	1185.205	2726.512	77.78
Haryana	59927.31	11064.94	3512.528	1833.158	1679.371	188.32
Jammu Kashmir	60154.82	11335.02	7691.97	2015.998	5675.973	487.98
Jharkhand	74818.75	3871.53	2217.815	409.3667	1808.449	188.43
Karnataka	214705.5	9819.727	1966.519	1966.519	5010.729	139.70
Kerala	130361.6	8439.24	3907.465	938.0723	2969.393	75.28
Madhya Pradesh	97692.96	6911.236	4645.862	1677.646	2968.216	115.57
Maharashtra	47688.09	6788.839	3507.601	325.4966	3182.105	213.79
Odisha	106029.5	10010.74	4949.291	1359.184	3590.107	196.64
Punjab	69782.25	9078.828	2536.615	953.2648	1583.35	86.59
Rajasthan	52749.5	5284.719	2952.862	1366.265	1586.597	60.32
Tamil Nadu	104297.3	7880.432	4727.926	1955.47	2772.456	101.81
Telangana	55463.16	12184.08	7363.488	1673.882	5689.606	253.66
Uttar Pradesh	108157.5	4362.759	2961.26	795.9297	2165.331	101.04
West Bengal	102648.1	5063.962	1717.906	754.2728	963.6335	55.25

Source: Author's calculation based on data from--Revenue expenditure and its sub-heads: State Finances : A Study of Budgets RBI (2023-24); Population Data (2022): State/UT wise Aadhaar Saturation (UIDAI India)

## 2.7 Development Expenditure

Development expenditures are critical components of a state's financial management, significantly impacting its socio-economic growth and public service delivery. These expenditures can be classified under revenue and capital accounts, as well as loans and advances provided for various purposes. Analyzing these expenditures for Punjab reveals the state's fiscal priorities and policy decisions.

As noted in Table 2.12, Punjab's development expenditure has exhibited a fluctuating but overall rising trend over the years, reflecting the state's efforts to enhance its economic and

social infrastructure. Total development expenditure increased from ₹23,017 crores in 2013-14 to ₹63,670 crores in 2022-23. This significant growth underscores the state's commitment to developmental activities, although the variations across years highlight changing priorities and external factors influencing spending patterns.

**Development revenue expenditure**, which constitutes the largest share, increased consistently from ₹20,919 crores in 2013-14 to ₹55,846 crores in 2022-23. This steady growth indicates sustained allocations toward ongoing programs and services in health, education, and other social sectors. However, the emphasis on revenue expenditure also suggests limited resources allocated to capital formation, which is critical for long-term development.

**Development capital expenditure**, focused on creating physical assets, has fluctuated over the years. From ₹1,982 crores in 2013-14, it rose to ₹4,097 crores in 2016-17 but peaked significantly at ₹17,674 crores in 2019-20. This surge suggests a period of intensified investment in infrastructure development. However, the decline to ₹6,442 crores in 2022-23 indicates reduced focus on capital projects in recent years, potentially impacting future growth prospects.

**Development loans and advances** showed erratic trends, with a dramatic spike to ₹41,323 crores in 2016-17, largely due to exceptional factors such as loan disbursements or debt restructuring. This component stabilized thereafter, ranging between ₹722 crores and ₹1,476 crores during 2017-18 to 2022-23, reflecting more controlled and targeted lending practices.

In summary, Punjab's development expenditure highlights a consistent commitment to revenue expenditure for immediate socio-economic needs, while capital expenditure and loans have shown volatility, raising concerns about long-term asset creation and fiscal sustainability. To ensure balanced development, greater emphasis on stable and strategic investments in capital infrastructure is necessary.

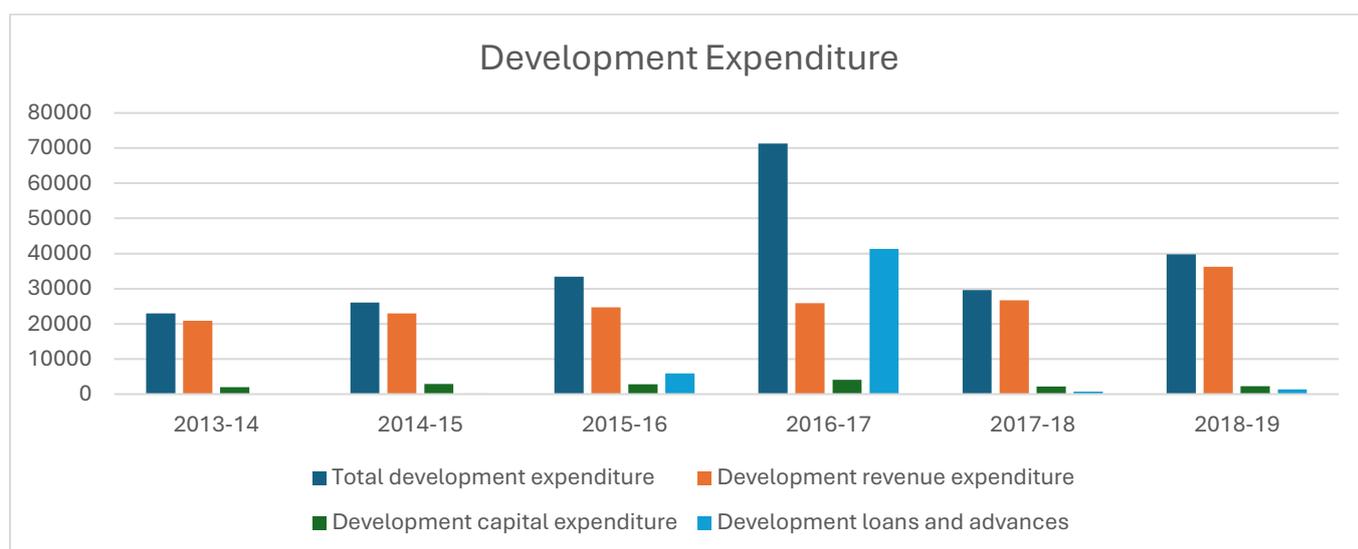
**Table 2.12: Development Expenditure (in crores)**

Years	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total development expenditure</b>	23,017	26,019	33,388	71,310	29,558	39,778	52,492	42,247	54,760	63,670
<b>Development revenue expenditure</b>	20,919	22,967	24,654	25,890	26,664	36,208	34,035	37,120	45,538	55,846

<b>Development capital expenditure</b>	1,982	2,866	2,806	4,097	2,172	2,243	17,674	4,171	7,746	6,442
<b>Development loans and advances</b>	116	186	5928	41323	722	1,327	783	956	1476	1382

Source: CAG State Finances Audit Reports (Various Issues)

**Graph 2.13: Trend of Development Expenditure**



Source: CAG State Finances Audit Report

## 2.8 Committed Expenditure: Growth and Trends

Punjab’s government committed expenditure on income account primarily includes interest payments, salaries and wages, and pensions, which are given priority in budget allocation. The analysis presented in Table 2.13 highlights the trend of Punjab’s committed expenditure and its components from 2017-18 to 2022-23. The components of committed expenditure include Salaries & Wages, Expenditure on Pensions, and Interest Payments, with the total committed expenditure indicated for each year.

The table highlights the composition of Punjab's committed expenditure from 2012–13 to 2022–23, revealing a consistent increase in essential recurring expenditures. The total committed expenditure rose steadily from ₹32,049 crores in 2012–13 to ₹70,290 crores in 2022–23, driven primarily by growth in salaries, pensions, and interest payments. **Salaries and wages**, the largest component, increased from ₹14,120 crores in 2012–13 to ₹32,171 crores in 2022–23, nearly doubling over the decade, with significant growth after 2016–17, likely due to salary revisions or workforce expansion. Similarly, **pension expenditure** grew substantially, from ₹5,966 crores in 2012–13 to ₹18,214 crores in 2022–23, with sharper increases post-2020–21. This suggests that Punjab has experienced a steady increase in the number of

government employees and pensioners, which has significantly impacted the state's finances. Punjab's [Integrated Human Resource Management System](#) indicates that there are 5,11,887 registered employees on the portal, with 3,64,426 current employees. The expansion of government services, coupled with rising life expectancy, has contributed to the growing number of pensioners. This demographic shift, along with routine staff recruitments, has led to a continual rise in salary and pension-related expenditures. A major financial milestone during this period was the implementation of the Sixth Punjab Pay Commission (6th PPC), which recommended substantial revisions to pay and pension structures. Salaries of Punjab government employees saw more than a two-fold increase, and pensions were similarly revised upwards, thereby increasing the state's financial obligations. The government proposed a 15-year arrears payment schedule beginning from January 1, 2016, which suggested that the Government of Punjab would be able to clear all dues of 6<sup>th</sup> PPC by financial year 2029-30 or 2030-31, spanning a period of nearly 15 years, but this was criticized as unjust by the Punjab and Haryana High Court. As a result of these changes, salary and pension payouts have grown to constitute a large share of the state's total expenditure, putting considerable pressure on its fiscal resources.

**Interest payments** on state debt rose sharply, from ₹6,831 crores in 2012–13 to ₹19,905 crores in 2022–23, underscoring the rising debt burden and its implications for fiscal flexibility. **Subsidies**, which contributed significantly to committed expenditure until 2016–17, peaked at ₹5,823 crores before data for this category ceased, possibly due to a shift in policy or reporting practices. Overall, the upward trajectory in committed expenditure, with a compound annual growth rate of approximately 8.2%, highlights growing fiscal pressures on Punjab's finances. This growth highlights the increasing financial commitments of the state over time.

**Table 2.13: Composition of Committed expenditure (in crores)**

Years	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	14,120	14,852	16,304	17,437	18,504	23,255	24,376	24,729	25,607	28,124	32,171
Expenditure on Pensions	5,966	6,277	7,249	7,833	8,773	10,208	10,089	10,294	13,680	14,730	18,214
Interest Payments	6,831	7,820	8,960	9,782	11,642	15,334	16,306	17,567	18,153	19,064	19,905
Subsidies	5,132	4,904	4,772	5,080	5,823	--	--	--	--	--	--
<b>Total</b>	<b>32,049</b>	<b>33,853</b>	<b>37,285</b>	<b>40,132</b>	<b>44,742</b>	<b>48,797</b>	<b>50,771</b>	<b>52,590</b>	<b>57,440</b>	<b>61,918</b>	<b>70,290</b>

Source: State Finances Audit Report, CAG

## 2.9 Tax-GSDP Ratio

The Tax-GSDP (Gross State Domestic Product) ratio is a critical indicator of a state's revenue mobilization efforts relative to its economic output, reflecting the efficiency and effectiveness of its tax policies and administration. The ratio measures a state's tax revenue relative to the size of its economy. A higher Tax-GSDP ratio suggests robust revenue generation relative to economic output, indicating a healthy fiscal position and effective tax policies. Conversely, a lower ratio may signal challenges in revenue mobilization, necessitating strategic reforms in taxation, administration, and economic policies.

Punjab's Tax to GSDP Ratio depicted in Table 2.14 shows that starting at 8.58% in 2013-14, the ratio shows minor fluctuations in the following years, with values of 8.52% in 2014-15, 8.89% in 2015-16, 8.72% in 2016-17, and 8.71% in 2017-18. This relatively stable period indicates consistent tax revenue generation proportional to the state's economic output.

In 2018-19, the ratio slightly decreases to 8.50%, and more significantly, it drops to 7.51% in 2019-20. This drop could be attributed to slower tax revenue growth due to the economic slowdown and challenges in the implementation of GST reforms, combined with GSDP growth outpacing tax collections. The decline was further exacerbated by the COVID-19 pandemic, which significantly impacted economic activity and tax compliance.

The ratio shows a slight recovery to 7.64% in 2020-21, and by 2021-22, it significantly improves to 9.00%. This rebound indicates a more effective tax collection system or favourable economic conditions enhancing the state's ability to generate tax revenue relative to its GSDP. The notable improvement of the ratio in 2021-22 signals a potentially stronger fiscal position of the state.

### **Impact of GST Reforms on Punjab's Tax Revenue Collection:**

The implementation of GST reforms has had a significant impact on Punjab's tax revenue collection, reflecting both transitional challenges and eventual stabilization. Before GST, Punjab relied heavily on indirect taxes like VAT, excise, and entry tax, which were subsumed under GST in 2017. This shift simplified the tax structure but initially disrupted revenue collections, particularly for states like Punjab with a high dependence on indirect taxes from agriculture-related inputs and industrial goods.

### **Transitional Challenges:**

1. **Revenue Volatility:** The initial years of GST implementation saw fluctuations in Punjab's tax revenue growth. The Tax-GSDP ratio, which was stable at around 8.7% until 2017–18, dropped significantly to 8.50% in 2018–19 and further to 7.51% in 2019–20. This decline reflects transitional revenue losses due to compliance challenges, refund delays, and the elimination of certain state taxes.
2. **Compensation Dependency:** To mitigate revenue losses, Punjab, like other states, relied heavily on GST compensation from the central government. However, delays in compensation payments, particularly during the COVID-19 pandemic, created fiscal stress.
3. **Economic Slowdown:** The combined effects of GST implementation and broader economic slowdowns, including the pandemic, further constrained Punjab's tax revenue growth. Tax revenue in 2019–20 stagnated at ₹40,341 crores despite a growing GSDP, indicating underperformance in revenue mobilization.

#### Post-Reform Stabilization:

1. **Improved Compliance:** By 2021–22, Punjab's tax collection showed significant recovery, with tax revenue increasing to ₹52,616 crores and the Tax-GSDP ratio rebounding to 9.00%. Enhanced compliance mechanisms, including better tracking through e-invoicing and data analytics, contributed to this improvement.
2. **Broadened Tax Base:** GST reforms helped widen the tax base by integrating more businesses into the formal economy. This long-term structural change supports sustainable revenue growth.
3. **Economic Recovery:** The post-pandemic economic recovery provided a favorable environment for tax collection. Sectors like manufacturing and trade, benefiting from GST efficiencies, likely contributed to the rebound in revenue.

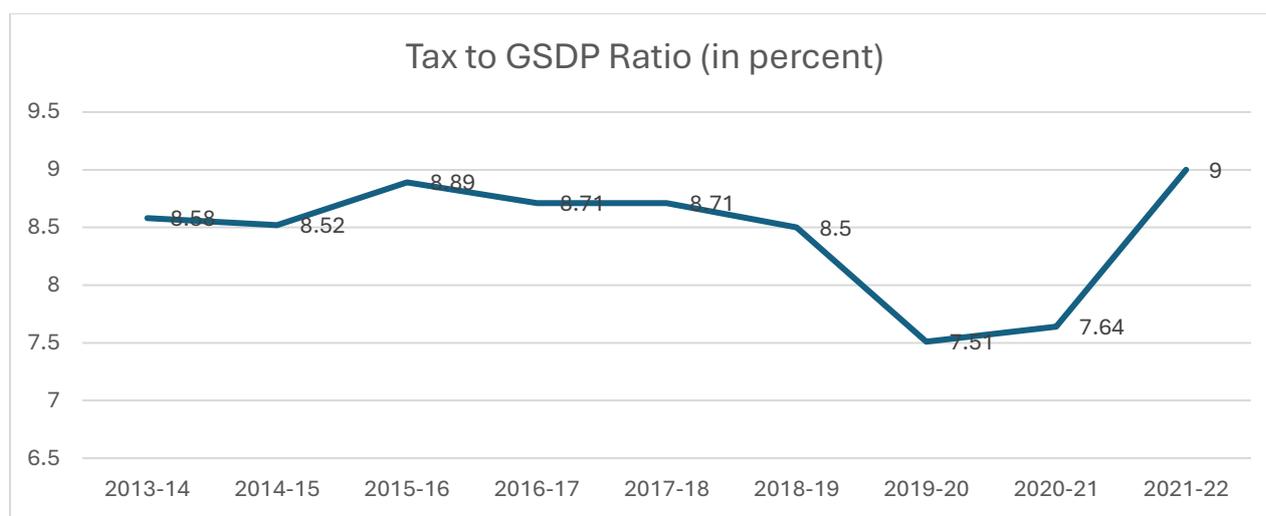
**Table 2.14: Punjab's Tax Revenue Relative to GSDP**

Indicator	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Tax Revenue (in crores)	28,511	30,273	34,699	37,347	41,040	43,579	40,341	40,691	52,616

GSDP (in crores)	3,32,147	3,55,102	3,90,087	4,28,340	4,71,014	5,12,510	5,37,031	5,32,555	5,84,042
Tax to GSDP Ratio (in percent)	8.58	8.52	8.89	8.72	8.71	8.50	7.51	7.64	9.00

Source: State Finances Audit Report, CAG

**Graph 2.14: Punjab's Tax to GSDP Ratio (in percent)**



Source: State Finances Audit Report, CAG

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

To improve Punjab's Tax-GSDP ratio and enhance the revenue productivity of its tax system, a comprehensive approach addressing structural inefficiencies, leveraging technology, and fostering economic growth is essential. Strengthening GST administration and compliance is crucial, including advanced analytics and AI-based systems to detect tax evasion, integrating informal businesses into the GST network, and training tax officials to handle complexities. Rationalizing tax rates and incentives, such as reviewing exemptions and streamlining the GST rate structure, can further simplify compliance and enhance revenue. Additionally, improving collections from direct taxes, particularly property and professional taxes, and exploring moderate taxation on high-income agricultural activities can address significant revenue gaps.

Structural challenges such as the high debt burden must be tackled through debt restructuring and better fiscal management, freeing resources for development. Diversifying the economy by investing in high-growth sectors like manufacturing and services can create new revenue

streams. Leveraging technology through e-governance platforms and integrating tax-related databases will simplify compliance and improve monitoring. Punjab should also focus on fostering economic growth by implementing sector-specific policies and supporting industries with high revenue potential. Collaboration with the central government is necessary to ensure timely GST compensation and align reforms with state fiscal needs. Finally, public awareness campaigns and demonstrating transparency in fund utilization can build trust, encourage compliance, and improve revenue productivity. These measures can strengthen Punjab's fiscal position and drive sustainable economic growth.

### 2.10 Deficit Indicators of the State

Deficit indicators play a crucial role in assessing the state's fiscal health and sustainability. Analyzing these deficit indicators in Punjab from 2013-14 to 2022-23 provides a comprehensive view of the state's fiscal performance and budgetary management. Trends in deficit indicators can reveal patterns of fiscal discipline, sustainability of public finances, reliance on borrowings, and the effectiveness of revenue and expenditure policies.

Table 2.15 highlights the Deficit Indicators of the State of Punjab, providing insights on Revenue Deficit and Gross Fiscal Deficit for the years 2017-18 to 2022-23, highlighting the fiscal health and budgetary challenges faced by the state.

**Revenue Deficit** represents the shortfall in the state's revenue receipts compared to its revenue expenditure. Starting at ₹9,455 crores in 2017-18, the revenue deficit is noted to increase each year, reaching ₹26,045 crores by 2022-23. This upward trend indicates a growing gap between the state's income and its spending on regular operations, suggesting escalating fiscal pressures and potential challenges in maintaining sustainable financial management.

**Gross Fiscal Deficit** includes revenue deficit, net loans/advances and net capital expenditure and is a comprehensive measure of the state's borrowing requirements. The gross fiscal deficit starts at ₹12,494 crores in 2017-18 and has been increasing continuously on a year-on-year basis, peaking at ₹33,930 crores in 2022-23. This rising trend indicates the increasing borrowing needs of the state, likely due to expanding developmental and capital expenditures, reflecting the state's attempts to invest in growth while managing higher fiscal deficits.

Overall, both the Revenue Deficit and Gross Fiscal Deficit have shown a consistent increase over the five-year period, indicating a growing reliance on borrowed funds to meet expenditure

needs and highlighting the importance of improving revenue generation and fiscal discipline to achieve a more balanced budget.

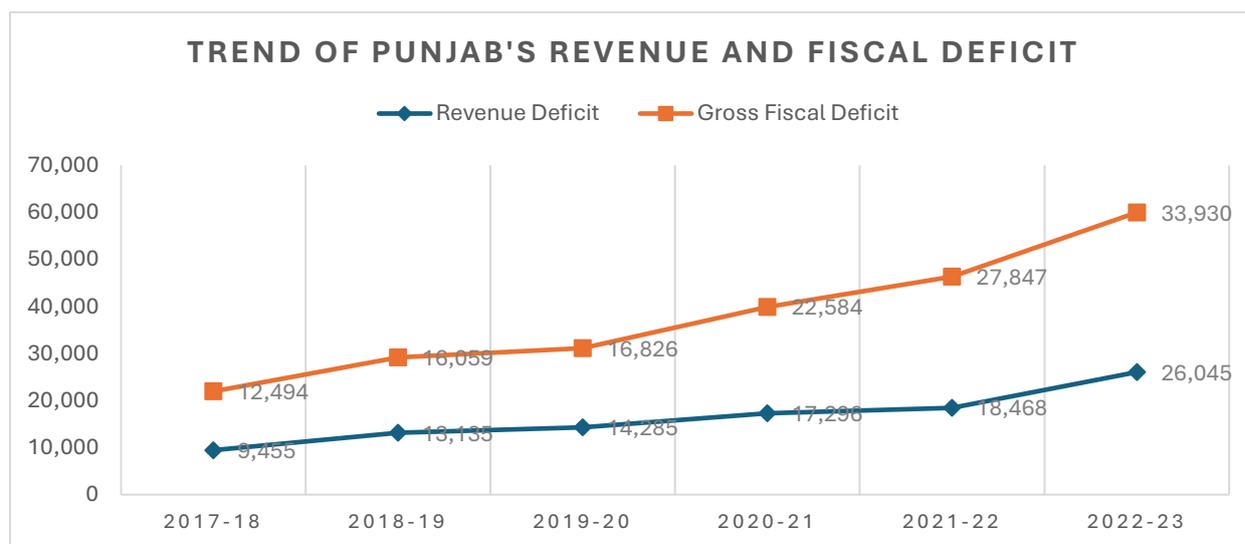
**Table 2.15: Deficit Indicators of the State**

Years	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Revenue Deficit</b>	(-)9,455	(-)13,135	(-)14,285	(-)17,296	(-)18,468	(-)26,045
<b>Gross Fiscal Deficit</b>	(-)12,494	(-)16,059	(-)16,826	(-)22,584	(-)27,847	(-)33,930

Source: State Finances Audit Report, CAG

Data for 2022-23 taken from Annual Financial Statements (2024-25), Govt. of Punjab

**Graph 2.15: Trend of Punjab’s Revenue and Fiscal Deficit**



Source: State Finances Audit Report, CAG

Data for 2022-23 taken from Annual Financial Statements (2024-25), Govt. of Punjab

## 2.11 Conclusion

In conclusion, Punjab's fiscal landscape is complex and evolving, characterized by persistent fiscal deficits due to high revenue expenditure and modest revenue growth. The state's increasing reliance on borrowing has escalated its debt burden and interest obligations. Revenue receipts have grown slowly, with fluctuating tax revenues and low contributions from non-tax revenues. Capital expenditure has varied, reflecting attempts to stimulate economic

development, but balancing developmental and non-developmental expenditures remains challenging. To enhance technical efficiency in expenditure, Punjab should adopt performance-based budgeting, linking spending to measurable outcomes, and strengthen monitoring and evaluation to ensure effective resource utilization. Leveraging e-governance systems can streamline processes and reduce leakages, while prioritizing high-impact sectors like health, education, and infrastructure will maximize developmental outcomes.

To improve public sector spending efficiency, the state should rationalize subsidies through targeted schemes like direct benefit transfers (DBTs) and explore public-private partnerships (PPPs) for infrastructure development. Building capacity among public officials in modern financial management and ensuring transparency in public spending through better public disclosure and citizen engagement will foster accountability and optimize resource use. These measures will support sustainable growth and fiscal discipline in Punjab.

Given the state's fiscal pressures, moving forward, the state's fiscal strategy should focus on enhancing revenue mobilization, rationalizing expenditure, and improving public service efficiency to ensure long-term fiscal sustainability.

## CHAPTER 3

### DEBT AND LIABILITY PROFILE OF PUNJAB

#### 3.1 Introduction

Punjab has been grappling with a severe debt crisis for an extended period and remains mired in a debt trap. The overall debt of the state continues to rise steadily over the years. The present chapter undertakes a thorough analysis of Punjab's debt profile, which is crucial to identify patterns and irregularities. This will enable the development of an effective debt management strategy aimed not only at preventing further debt accumulation and managing debt servicing but also at ultimately extricating Punjab from its debt trap entirely. It is also pertinent to note that while debt puts pressure on a state's finances, various studies emphasize on the nature of debt. Navaratnam and Mayandy (2016) found in their study that fiscal deficit could be positively correlated with economic growth if local conditions are conducive. Niloy et al (2003) found that government spending on education in developing countries leads to economic growth. Capital expenditure also stimulates economic growth. Odhiambo et al. (2013) in their study using dynamic growth models based on Kenya found that fiscal deficits increase economic growth as they enhance productivity by providing infrastructure, education, health and harmonise private and social interest.

#### 3.2 Net Debt of Punjab

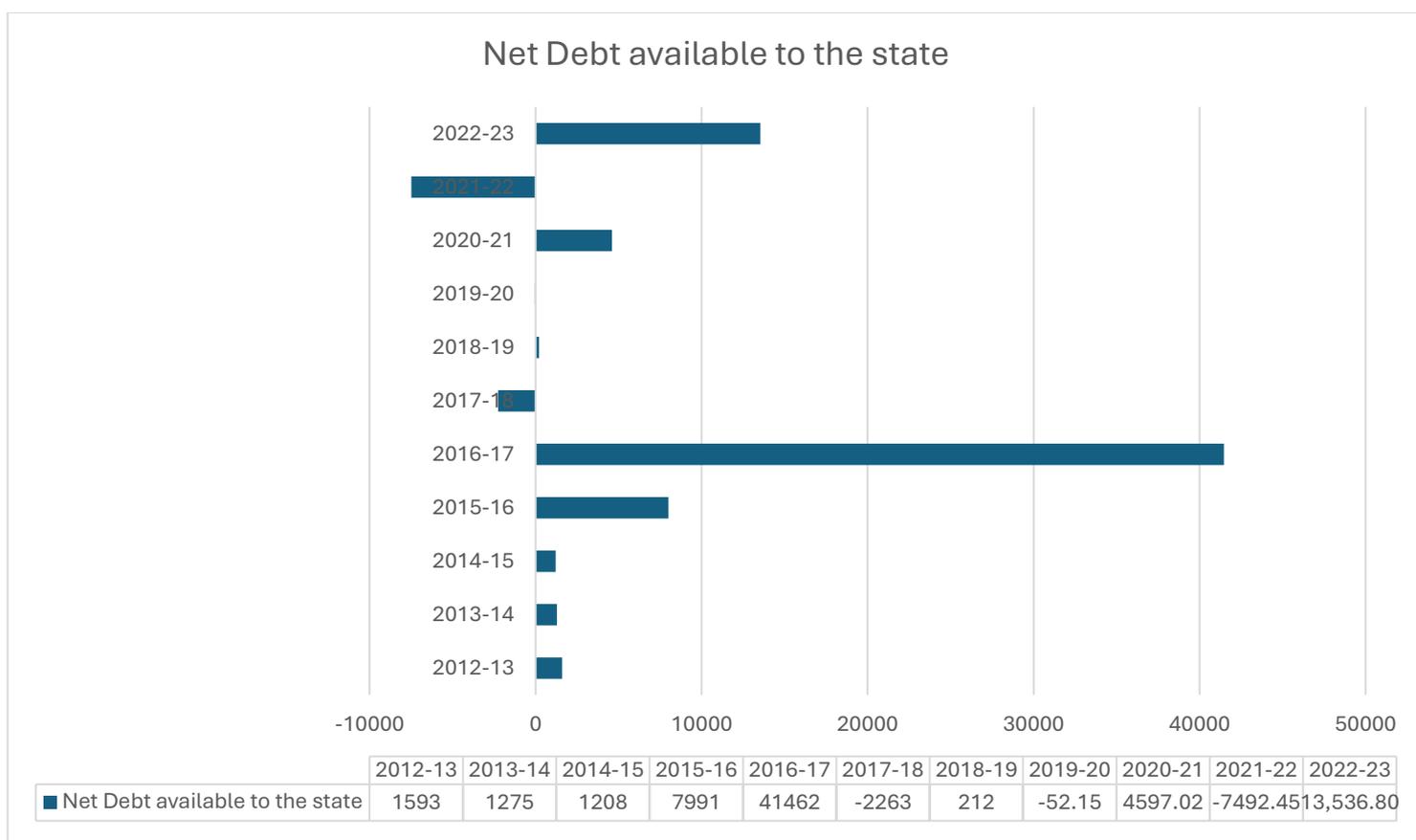
A pertinent measure of debt, net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public debt. The data on net debt available to Punjab (Graph 3.1) reflects significant fluctuations over the years, highlighting varying fiscal dynamics. From 2012-13 to 2014-15, the net debt available to the state was relatively modest, ranging between ₹1,208 crores and ₹1,593 crores, suggesting limited borrowing capacity or conservative fiscal management. A sharp increase occurred in 2015-16, with net debt surging to ₹7,991 crores, followed by an extraordinary spike in 2016-17 to ₹41,462 crores, indicating substantial borrowing during this period, possibly to finance large-scale projects or cover fiscal deficits.

However, the trend reversed sharply in 2017-18 and 2018-19, with net debt turning negative at ₹-2,263 crores and ₹212 crores, respectively, suggesting repayments or adjustments that reduced the state's borrowing. The situation worsened in 2019-20, with net debt falling to ₹-52.15 crores, and further deteriorated in 2021-22, reaching a significant negative figure of ₹-

7,492.45 crores. These negative values point to either heavy repayments exceeding borrowings or a constrained fiscal space.

A recovery is evident in 2020-21, with net debt increasing to ₹4,597.02 crores, and a substantial positive turnaround is observed in 2022-23, with net debt soaring to ₹13,536.80 crores. This recovery indicates increased borrowing capacity or a strategic decision to finance development needs and address fiscal pressures. The data highlights the cyclical nature of Punjab's fiscal management and underscores the need for sustainable debt practices to balance growth and financial stability.

**Graph 3.1: Net Debt of Punjab (in crores)**



Source: CAG State Finances Audit Reports (Various Issues)

### 3.3 Debt Position of Punjab

Public debt has several components including internal debt, loans from the Govt. of India, Small Saving, Provident Fund etc, Reserve funds bearing interest, Reserve funds not bearing interest, Deposits bearing interest, Deposits not bearing interest. Table 3.1 elucidates the debt position of Punjab across all the components.

The debt position of Punjab, analyzed component-wise over the years, highlights a growing trend in outstanding liabilities, with notable shifts in various components contributing to the overall debt burden. The average interest rate on public debt, from 2018-19 to 2022-23 has been 7.86 per cent as mentioned in the latest CAG report. In 2022-23, the interest rate was 7.33 percent.

### **Internal Debt**

Internal debt, the largest component of public debt, has seen a consistent and significant increase over the years. From ₹68,001 crores in 2012-13, it rose steadily to ₹153,773 crores in 2016-17 and further to ₹250,972 crores in 2022-23. This reflects Punjab's heavy reliance on internal borrowing to meet fiscal demands, possibly driven by developmental expenditures and revenue deficits.

### **Loans from the Government of India (GoI)**

The loans from GoI have remained relatively stable, showing only modest growth over the decade. Starting at ₹3,210 crores in 2012-13, they increased to ₹4,996 crores by 2022-23. This component forms a smaller share of the total liabilities, indicating limited dependence on central government loans compared to internal debt.

### **Small Savings, Provident Fund, and Other Public Account Liabilities**

Small savings, provident funds, and related liabilities have grown moderately, rising from ₹21,071 crores in 2012-13 to ₹22,404 crores in 2022-23. This component reflects borrowings from public savings and other contributory schemes, which have remained relatively steady in comparison to other debt components.

### **Reserve Funds**

Reserve funds bearing interest have shown a gradual increase, from ₹6,403 crores in 2018-19 to ₹10,443 crores in 2022-23. Reserve funds not bearing interest, however, have remained negligible over the years, recorded as ₹1 crore consistently. This highlights limited growth in reserve fund allocations for debt management or emergency provisions.

### **Deposits**

Deposits bearing interest have fluctuated, increasing from ₹808 crores in 2018-19 to ₹1,379 crores in 2022-23. Deposits not bearing interest have also grown slightly, rising from ₹2,582

crores in 2018-19 to ₹3,534 crores in 2022-23. These deposits, while smaller in size, contribute to the public account liabilities.

### Outstanding Total Liability

Punjab's total outstanding liabilities have risen sharply over the period, from ₹92,282 crores in 2012-13 to a substantial ₹2,93,729 crores in 2022-23. The rapid escalation in debt reflects persistent fiscal deficits and growing expenditure commitments, necessitating increased borrowings to bridge the gap.

Overall, it can be noted that the state's debt levels have been rising across almost all components. Internal debt continues to dominate the debt structure, reflecting reliance on market borrowings, while public account liabilities such as small savings and provident funds grow at a slower pace.

**Table 3.1: Debt Position of Punjab (in crores)**

Years	<i>Public Debt</i>		<i>Public Account Liabilities</i>					Outstanding Total Liability
	Internal Debt	Loans from GoI	Small Saving, Provident Fund etc	Reserve funds bearing interest	Reserve funds not bearing interest	Deposits bearing interest	Deposits not bearing interest	
2012-13	68001	3210	21071					92282
2013-14	75338	3311	23565					102234
2014-15	83203	3615	25548					112366
2015-16	102589	3566	26246					128835
2016-17	153773	3893	28753					182526
2017-18	164803	4018	30349					195152
2018-19	174172	4958	22993	6403	1	808	2582	211917
2019-20	194333	4671	22995	8204	1	776	3045	229354
2020-21	210394	4641	22149	8583	1	881	3024	249673
2021-22	220196	4603	22188	9508	1	1400	3385	261281
2022-23	250972	4996	22404	10443	1	1379	3534	293729

Source: CAG State Finances Audit Reports (Various Issues)

**3.3.1 Internal Debt-** Internal debt refers to the total government debt in a country that is owed to lenders within the country. Internal Debt has three components- (1) Market Loans and Bonds (Bearing Interest); (2) Market Loans and Bonds (not Bearing Interest); and (3) Compensation and other Bonds.

Table 3.2 provides a comprehensive overview of India's internal debt from the fiscal year 2012-13 to 2022-23, measured in crores. Internal debt is divided into three primary categories: market loans and bonds bearing interest; market loans and bonds not bearing interest; and compensation and other bonds, which make up for the total internal debt for each year. The trend of total internal debt is depicted in Graph 3.2.

In 2012-13, the total internal debt stood at INR 43,254.4 crores, with market loans and bonds bearing interest making up the majority at INR 43,063.11 crores. This predominance of market loans and bonds bearing interest as the largest component of internal debt continues throughout the period, with the value for this category increasing annually. By 2022-23, market loans and bonds bearing interest reached INR 200,898.56 crores. The values for market loans and bonds not bearing interest remained negligible across the time period, starting at INR 0.13 crores in 2012-13 and decreasing slightly to INR 0.03 crores by 2022-23.

Compensation and other bonds exhibited more variation, beginning at INR 191.2 crores in 2012-13 and peaking at INR 15,628.26 crores from 2016-17 to 2020-21. This category saw a slight reduction in subsequent years, ending at INR 12,502.73 crores in 2022-23. As noted in Graph 3.2, the total internal debt has been witnessing an increasing trajectory over the years, from INR 43,254.4 crores in 2012-13 to INR 213,401 crores in 2022-23, indicating a substantial rise in the state's internal debt over the decade.

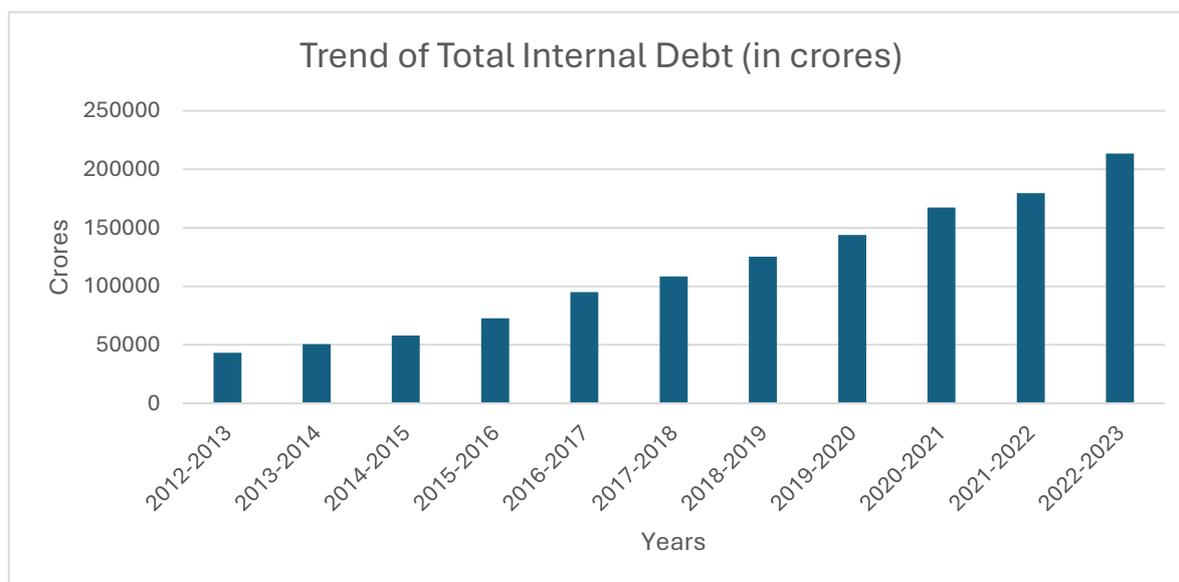
**Table 3.2: Internal Debt (in crores)**

Year	Market Loans and Bonds (Bearing Interest)	Market Loans and Bonds (not bearing interest)	Compensation and other Bonds	Total Internal Debt
2012-13	43063.11	0.13	191.2	43254.4
2013-14	50318.34	0.07	127.47	50445.9
2014-15	58002.94	0.04	63.73	58066.7
2015-16	67201.95	0.04	5597.07	72799.1
2016-17	79345.47	0.04	15628.26	94973.8
2017-18	92694.19	0.04	15628.26	108323

2018-19	109747.67	0.04	15628.26	125376
2019-20	128217.67	0.04	15628.26	143846
2020-21	151684.67	0.03	15628.26	167313
2021-22	165099	0.03	14642.35	179741
2022-23	200898.56	0.03	12502.73	213401

Source: Annual Financial Statements of Government of Punjab from 2013-14 to 2023-24

**Graph 3.2: Trend of Total Internal Debt (in crores)**



Source: Annual Financial Statements of Government of Punjab from 2013-14 to 2023-24

### 3.3.2 Loans from banks and other institutions

Table 3.3 outlines loans from various banks and other institutions from the fiscal years 2012-13 to 2022-23, expressed in crores. The categories include loans from the Life Insurance Corporation (LIC), Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) among others, other institutions such as the General Insurance Corporation (GIC) of India, National Cooperative Development Corporation, State Bank of India, and other commercial banks such as the Housing Development Finance Corporation (HDFC) and Housing and Urban Development Corporation (HUDCO), small savings loans, sum of which makes up the total loans for each year.

Table 3.3 highlights that in 2012-13, the total loans in this category amounted to INR 24,588.84 crores, with the largest contribution from small savings loans at INR 21,719.02 crores, followed by loans from RBI and NABARD at INR 1,925.43 crores. Loans from LIC, GIC of India, and the National Cooperative Development Corporation were negligible, ranging from INR 0.01 to INR 0.58 crores. This trend continued with small savings loans remaining a significant source

of loans throughout the period, although their amount gradually decreased over the years, reaching INR 11,173.01 crores in 2022-23.

Loans from RBI and NABARD showed an overall increasing trend, starting from INR 1,925.43 crores in 2012-13 and increasing to INR 2,717.69 crores in 2022-23. Loans from other institutions, GIC of India, and HDFC/HUDCO remained relatively minor components of the total loans. Notably, loans from the State Bank of India and other commercial banks saw the most significant increase, particularly from 2016-17 onwards, reaching INR 29,919.96 crores in 2016-17 before slightly decreasing to INR 23,652.92 crores in 2022-23.

The overall trend highlights those total loans from bank and other institutions exhibited a fluctuating drift, peaking at 54,906.38 crores in 2016-17 due to a substantial rise in loans from the State Bank of India and other commercial banks, before gradually decreasing to INR 37,570.35 crores in 2022-23.

**Table 3.3: Loans from Banks and Other Institutions (in crores)**

Year	Loans from L.I.C	Loans from R.B.I. and NABARD et	Loans from the Other Institutions	Loans from the GIC of India	Loans from the National Cooperative Development Corporation	Loans from State Bank and Other Commercial Banks	Loans from HDFC/HUDCO	Small Saving Loans	Total
2012-13	0.58	1925.43	337.99	0.19	0.01	605.62	0	21719.02	24588.84
2013-14	0.27	2017.73	0	0.1	0	605.62	0	21379.53	24299.15
2014-15	0.08	1975.71	249.63	0.06	0	605.62	0	22305.12	25136.22
2015-16	0.05	2141.87	198.71	0.03	0	605.62	0	23883.69	26829.97
2016-17	0.02	2495.7	0	0	0	29919.96	143.29	22079.28	54906.38
2017-18	0	2223.01	0	0	10.44	29110.12	79.28	20336.86	51759.71
2018-19	0	1985.18	19.23	0	22.62	28235	0	18535.39	48797.42
2019-20	0	1796.55	-4.01	0	41.75	27287.89	0	16693.92	45816.1
2020-21	0	1928.92	5.86	0	41.75	26248.29	0	14855.97	43080.79

2021-22	0	2286.68	5.86	0	41.75	25106.15	0	13014.49	40454.93
2022-23	0	2717.69	5.86	0	20.87	23652.92	0	11173.01	37570.35

Source: Annual Financial Statements from 2013-14 to 2023-24

### 3.4 Total Outstanding Liability

Outstanding liability of the state shown in Table 3.4 depicts that the outstanding public debt of Punjab has shown a consistent and significant upward trajectory over the years, reflecting increasing borrowing requirements to meet fiscal needs. In 2012-13, the public debt stood at ₹92,282 crores and gradually increased to ₹1,02,234 crores in 2013-14 and ₹1,12,366 crores in 2014-15. This steady rise indicates the state's growing reliance on debt to manage its expenditure commitments.

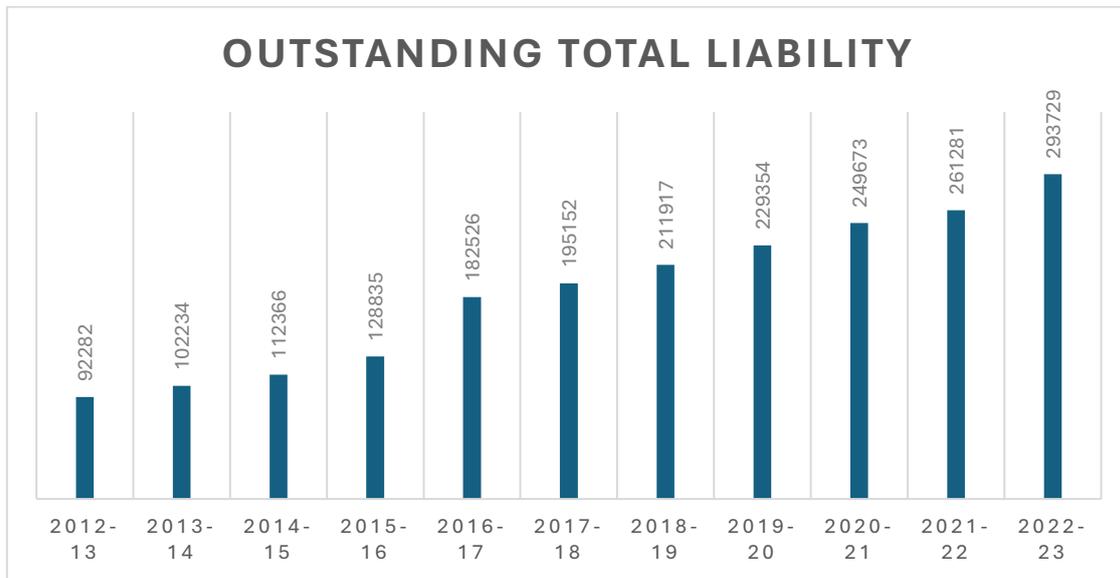
The increase in public debt becomes more pronounced in the subsequent years. By 2015-16, the debt rose to ₹1,28,835 crores, followed by a sharp escalation to ₹1,82,526 crores in 2016-17, marking a notable jump, likely driven by significant fiscal challenges or developmental expenditures. This trend continued, with public debt reaching ₹1,95,152 crores in 2017-18 and crossing the ₹2 lakh crore mark in 2018-19 at ₹2,11,917 crores.

In the following years, the debt burden grew further, reaching ₹2,29,354 crores in 2019-20 and ₹2,49,673 crores in 2020-21. The increase in debt during these years may be attributed to the economic slowdown and additional fiscal pressures arising from the COVID-19 pandemic. By 2021-22, the debt rose to ₹2,61,281 crores and further surged to ₹2,93,729 crores in 2022-23, indicating sustained borrowing to address revenue deficits and fund expenditures. The persistent increase in Punjab's outstanding public debt underscores the growing fiscal stress faced by the state.

**Table 3.4: Outstanding Liability (in crores)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt	92282	102234	112366	128835	182526	195152	211917	229354	249673	261281	293729

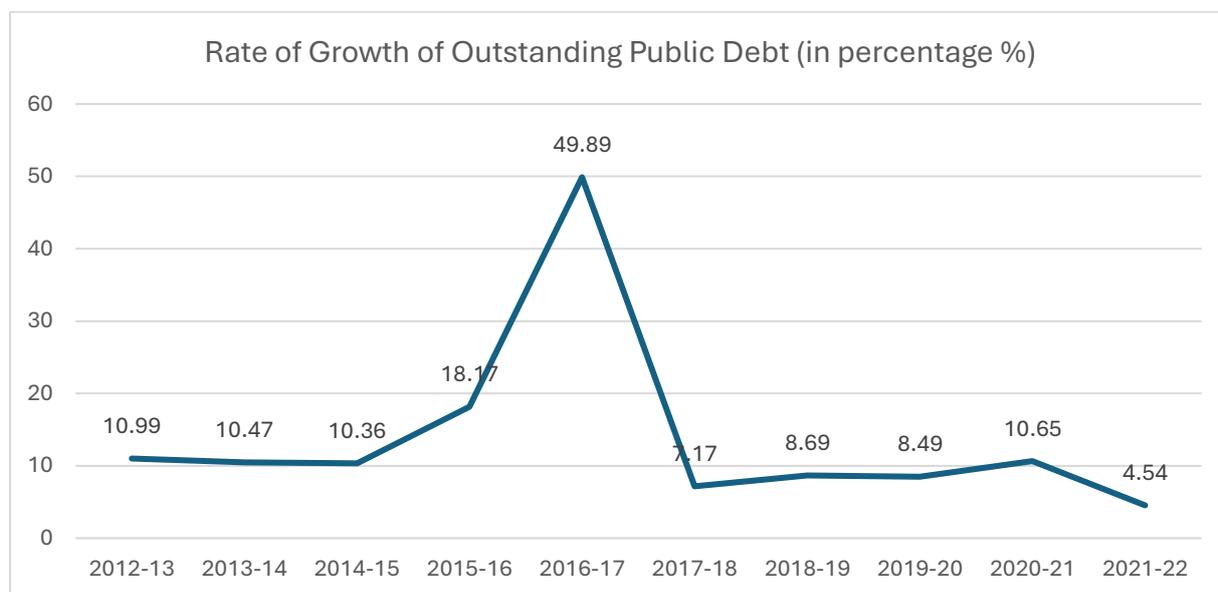
Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Graph 3.3: Trend of Outstanding Liability (in crores)**

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

### 3.5 Rate of Growth of Debt

The growth rate of debt shows the rate at which the debt is increasing each year in respect to the previous year. As seen in Graph 3.4, from the year 2012-13 to 2014-15 the rate of growth of debt has been around 10-11%. A significant jump in growth rate of debt is noted in 2015-16, when it increased to 18.17%. In 2016-17, a 48.89% rate of growth of debt is noted. This abnormal increase was due to the Conversion of CCL Gap of Rs. 30,584.11 crore into a long-term debt. In 2021-22, the growth rate of public debt was 4.54%.

**Graph 3.4: Rate of Growth of Outstanding Public Debt (in percentage %)**

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Table 3.5: Rate of growth of outstanding debt (in percentage %)**

Year/Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Rate of growth of outstanding debt	11.05	10.78	9.91	15.2	49.89	7.17	8.69	8.49	10.65	4.54

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

### 3.6 Debt to GSDP Ratio

The Debt to GSDP Ratio is the ratio between the state's cumulative debt and the GSDP of the state. This indicator highlights how much debt a state must pay in respect to its Gross State Domestic Product.

Table 3.6 provides data on the Debt-GSDP (Gross State Domestic Product) ratio from the fiscal year 2012-13 to 2021-22, and the insights in terms of trend is highlighted in Graph 3.5.

In 2012-13, the public debt was INR 71,211 crores, and the GSDP stood at INR 297,734 crores, resulting in a debt-to-GSDP ratio of 23%. This ratio remained stable at 23% through 2013-14, as public debt increased to INR 78,669 crores and GSDP increased to INR 332,147 crores. In

2014-15, the ratio slightly increased to 24%, with public debt rising to INR 86,818 crores and GSDP to INR 354,908 crores.

A more significant rise in the debt-to-GSDP ratio occurred in 2015-16, reaching 26% as public debt grew to INR 102,589 crores against a GSDP of INR 391,543 crores. The ratio saw a further increase to 35% in 2016-17, driven by the substantial increase in public debt to INR 153,773 crores while the GSDP increased to INR 427,870 crores. This spike was due to the Conversion of CCL Gap of Rs. 30,584.11 crore into a long-term debt. In 2017-18, the ratio slightly decreased to 34%, despite the public debt rising to INR 164,803 crores, due to a corresponding increase in GSDP to INR 471,014 crores.

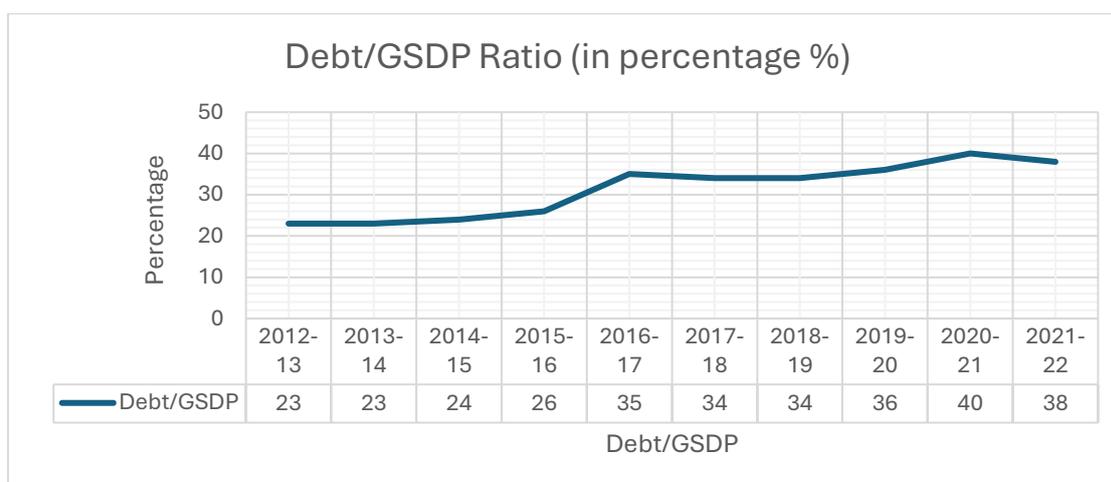
The ratio remained stable at 34% in 2018-19 with public debt at INR 179,130 crores and GSDP at INR 512,510 crores. However, it increased again to 36% in 2019-20 as public debt rose to INR 194,333 crores and GSDP to INR 537,031 crores. The highest Debt-GSDP ratio was observed in 2020-21, at 40%, with public debt at INR 215,035 crores while the GSDP slightly decreased to INR 532,555 crores. This year also marks the COVID-19 year, which had led to economic disruptions, decline in economic activity, and a rise in public support systems.

In 2021-22, the ratio decreased to 38%, with public debt at INR 224,799 crores and GSDP rebounding to INR 584,042 crores. This trend suggests that while the state's debt has been increasing consistently, the GSDP growth has somewhat stabilized the debt-to-GSDP ratio in recent years, indicating efforts to maintain fiscal balance.

**Table 3.6: Debt-GSDP Ratio**

Year/Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Public Debt	71211	78669	86818	102589	153773	1,64,803	1,79,130	1,94,333	2,15,035	2,24,799.00
GSDP	297734	332147	354908	391543	427870	4,71,014	5,12,510	5,37,031	5,32,555	5,84,042
Debt/GSDP	23	23	24	26	35	34	34	36	40	38

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Graph 3.5: Debt/GSDP Ratio (in percentage %)**

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

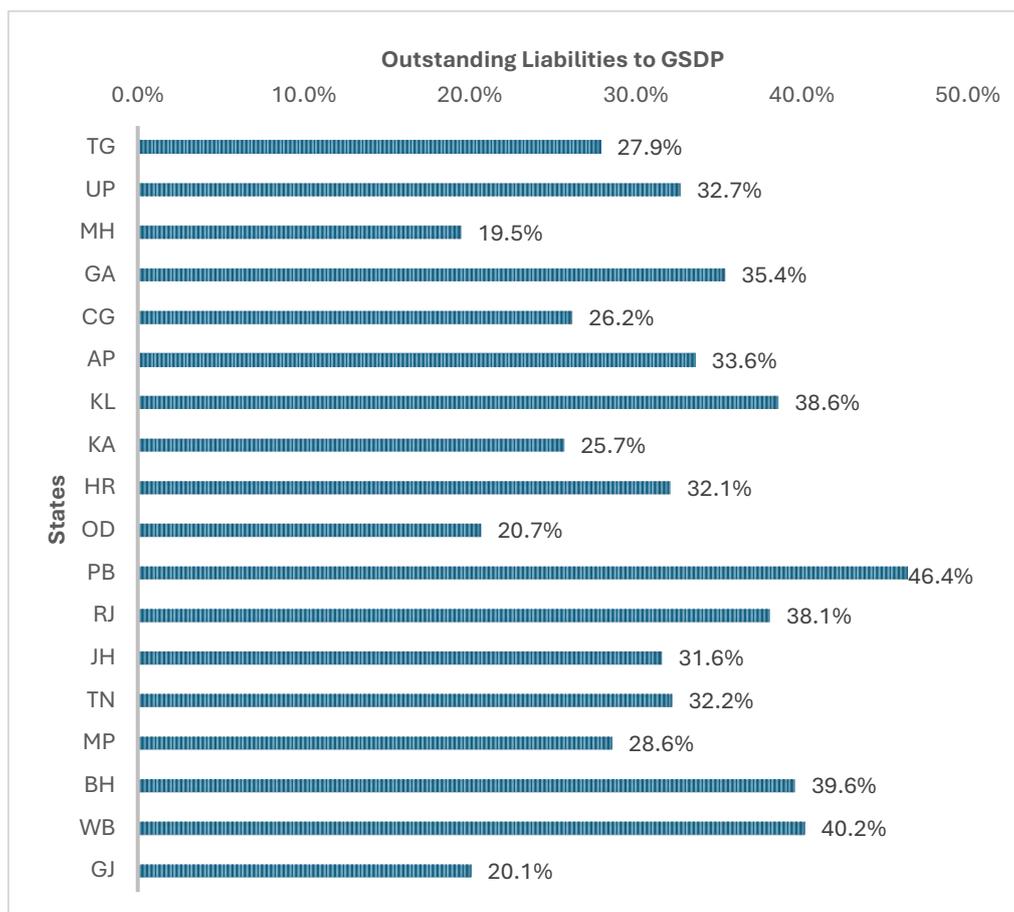
### 3.6.1 An Inter-State Analysis of Total Outstanding Liabilities-GSDP Ratio of Non-Special Category States (2021-22)

Graph 3.5(b) shows the Outstanding Liabilities to GSDP (%) for various Indian states, highlighting the level of state debt relative to the size of their economies.

From Punjab's perspective, the picture is concerning. Punjab tops the chart with outstanding liabilities at 46.4% of its GSDP—the highest among all non-special category states. This indicates a high debt burden and suggests that a large part of Punjab's income is tied up in servicing past borrowings.

In comparison, most other large states like Maharashtra (19.5%), Gujarat (20.1%), and Odisha (20.7%) have kept their liabilities well below 25% of GSDP. Even states with active welfare spending like Kerala (38.6%) and West Bengal (40.2%) have lower debt ratios than Punjab.

**Graph 3.5 (b): Total outstanding liabilities relative to GSDP of Non-Special category states in 2021-22 (in %)**

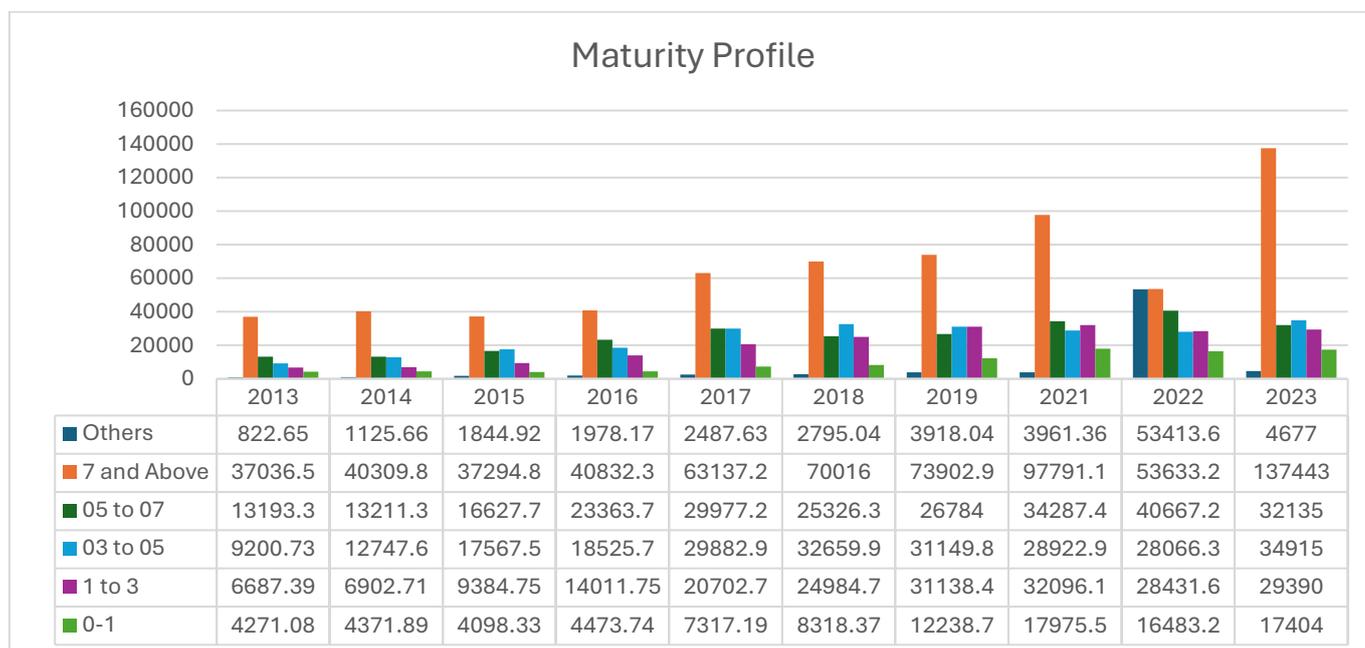


Source: State Finance: A Study of Budgets (2023), RBI.

### 3.7 Maturity of Profile

The maturity profile of debt taken demonstrates the nature and term of debt taken by the government. As noted in Graph 3.6, the major share of the debt taken throughout the years by the government consists of long-term debts, which are to be repaid in seven years or more. However, in 2022 the share of long-term loans shrunk. Overall, the share of short-term loans (0-1 years and 1-3 years) and medium-term loans (3-5 years and 5-7 years) and others has been increasing. The short term and medium-term loans combined formed approximately 50% of the loans. In 2022, loans with a term of 7 years and above amounted to INR 53,633 crores, loans with a term of 5 to 7 years amounted to INR 40,667.2 crores, and the least amount of loans were in the category of 0 to 1 year term, amounting to INR 16,483.2 crores. This shows that the government has increasingly been dependent on debt for financing its expenditure, making the state economy vulnerable to exogenous shocks.

**Graph 3.6: Maturity of Profile (in crores)**



Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2023

### 3.8 Utilization of Borrowed Funds

Funds borrowed by the state are spent in three major ways- (1) repayment of prior borrowings; (2) to meet a part of revenue expenditures; and (3) to meet capital expenditure. As seen in Table 3.7, in the past 10 years a significant amount of the borrowings is spent just to repay the principal of the earlier borrowings. As noted in Graph 3.7, in 2012-12, 62% of utilization of borrowed funds were spent on repayment of earlier borrowings. In 2021-22, 59% of this utilization was spent on repayment. This indicates that over time, repayment of earlier borrowings as a part of utilization of funds has remained in the ballpark of 60 to 70%.

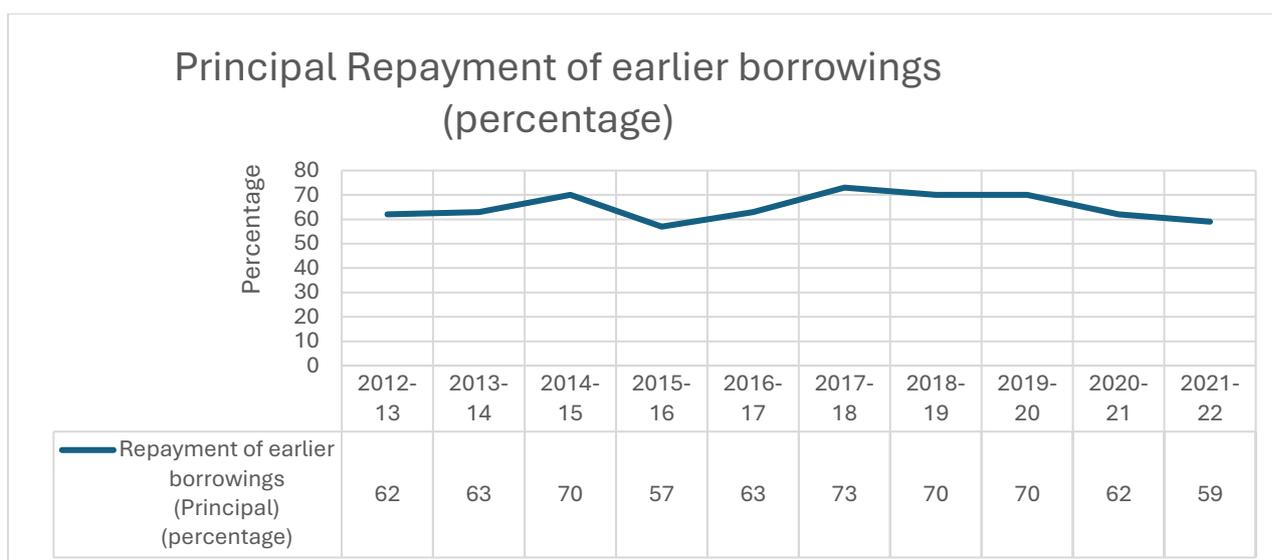
In the case of portion of revenue expenditure met out of borrowings, elucidated in Graph 3.8, about 25.3% of borrowed funds on an average are spent for revenue expenditures of the state. This shows that the state is heavily dependent on borrowings for both debt servicing, capital expenditure and meeting its revenue expenditures.

**Table 3.7: Utilisation of borrowed funds**

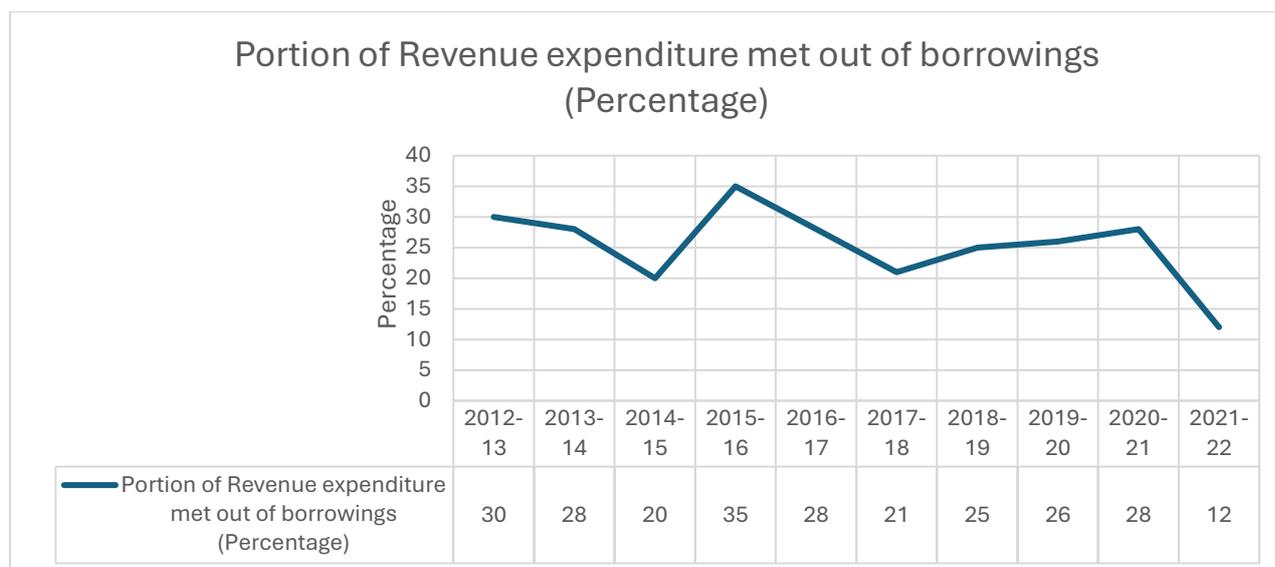
Years/ Indicator	2012- 13	2013- 14	2014- 15	2015- 16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22
Total Borrowings	24311	26285	32922	38428	51229	47,757	53,925	55,982	57,200	32,617
Repayment of earlier borrowings (Principal)	15116	16683	23075	22051	32443	34,970	37,771	34,634	39,574	19,279
Net capital expenditure	1916	2200	3118	3059	4346	2,352	2,412	17,828	4,382	8,010
Portion of Revenue expenditure met out of borrowings	7279	7402	6729	13318	14440	9,748	13,230	15,085	24,419	3,959

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Graph 3.7: Principal Repayment of earlier borrowings (percentage)**



Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Graph 3.8: Portion of Revenue expenditure met out of borrowings (Percentage)**

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

### 3.9 Guarantees Provided by State

The State acts as a guarantor for loans and if one falters in paying, the payment will be paid by the government. This is to stimulate economic activity and development in the state. However, for a government stuck in a debt trap, it is an added burden.

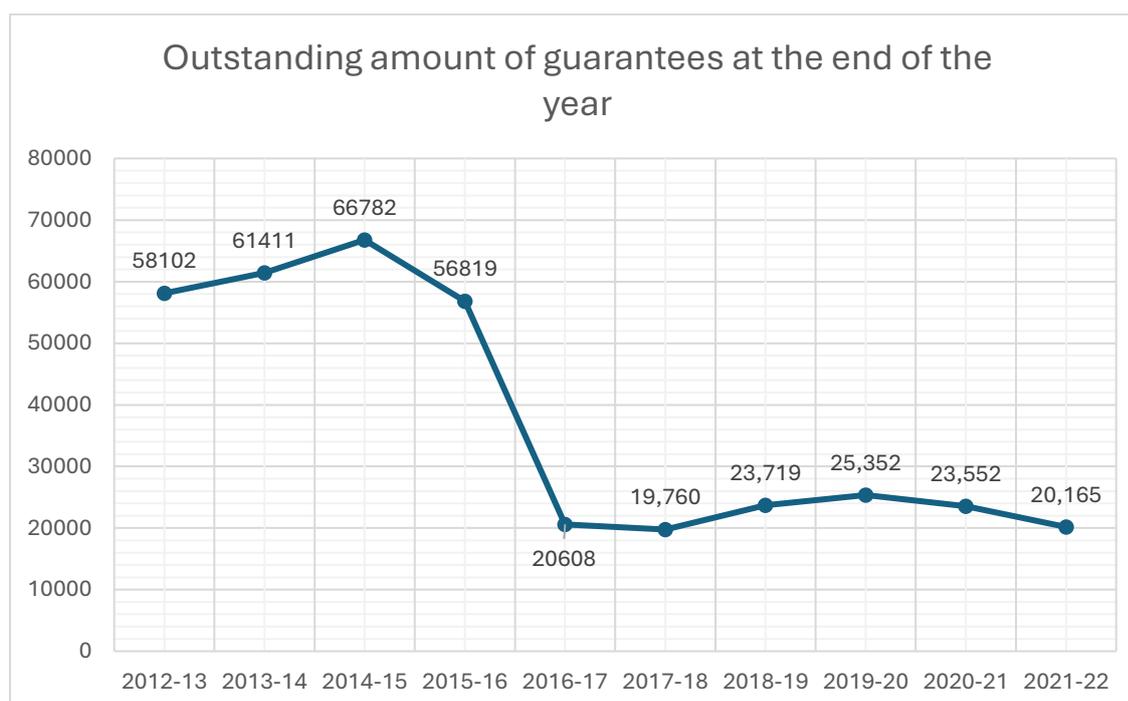
Table 3.8 provides a year-by-year summary of the outstanding amount of guarantees from the fiscal year 2012-13 to 2021-22 in crores. At the start of the period, the outstanding amount was INR 58,102 crores. A steady increase was noted over the next two years, with guarantees reaching INR 66,782 crores by 2014-15. However, there was a significant decline in 2015-16 when the amount dropped to INR 56,819 crores. The subsequent years show a more pronounced decrease, with the outstanding guarantees amount declining to INR 20,608 crores in 2016-17 and declining further to INR 19,760 crores in 2017-18.

From 2018-19 onwards, the outstanding amount again increased to INR 23,719, followed by a further increase to INR 25,352 in 2019-20. After 2019-20, the amount again declined, reducing to INR 23,552 crores in 2020-21 and INR 20,165 crores in 2021-22. Overall, the data indicates an initial growth followed by a significant decline and minor fluctuations towards the end of the period.

**Table 3.8: Status of Guarantees (in crores)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding amount of guarantees at the end of the year	58102	61411	66782	56819	20608	19,760	23,719	25,352	23,552	20,165

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

**Graph 3.9: Trend of Outstanding amount of guarantees at the end of the year (in crores)**

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

### 3.10 Debt Sustainability

Debt sustainability is a measure of a state being able to pay off its debt comfortably. A state's public debt is considered sustainable if the government can meet its current and future debt payment obligations without exceptional financial assistance or going into default.

Table 3.9 provides a detailed overview of debt sustainability from 2012-13 to 2021-22. The outstanding public debt showed a consistent upward trend, starting at INR 71,211.65 crores in 2012-13 and reaching INR 2,24,799.18 crores by 2021-22. The rate of growth of outstanding public debt peaked at 49.89% in 2016-17 and in 2021-22, it was 4.54%.

The Gross State Domestic Product (GSDP) also increased over the years, from INR 297,734 in 2012-13 to INR 584,042 in 2021-22, though the rate of growth of GSDP varied, with a significant dip to -0.83% in 2020-21 before recovering to 9.67% in 2021-22.

The percentage of interest to revenue receipts has remained in the ball par of 20-25% over the years, peaking at 25.08% in 2017-18 and slightly decreasing to 21.69% by 2021-22. The percentage of debt repayment to debt receipt varied as well, with the lowest at 38.8% in 2016-17 and highest at 76.02% in 2017-18.

Net debt available to the state showed significant fluctuations across the time period. In 2016-17 INR 41,462 crores was available while in 2021-22 a low of INR (-)7,492.45 was recorded. Overall, the table highlights a complex picture of debt sustainability characterized by increasing debt, fluctuating growth rates, and varying percentages of financial metrics.

**Table 3.9: Debt Sustainability (in crores)**

Year/Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt	71211.65	78669.2	86818.03	102589.3	153773.2	1,64,802.98	1,79,130.45	1,94,332.64	2,15,034.65	2,24,799.18
Rate of Growth of Outstanding Public Debt	10.99	10.47	10.36	18.17	49.89	7.17	8.69	8.49	10.65	4.54
GSDP	297734	332147	354908	391543	427870	4,71,014	5,12,510	5,37,031	5,40,853	6,14,227
Rate of Growth of GSDP	11.67	11.56	6.85	10.32	9.28	10	8.81	4.78	(-)0.83	9.67
Percentage of Interest to Revenue Receipt	21.31	22.28	22.96	23.56	24.26	25.08	22.67	24.77	23.32	21.69

Percentage of Debt Repayment to Debt Receipt	68.19	69.11	73.9	58.96	38.8	76.02	72.5	72.25	62.59	67.07
Net Debt available to the State	1593	1275	1208	7991	41462	(- )2263	212	(- )52.15	4,597.02	(- )7,492.45

Source: Reports of Comptroller and Auditor General of India on State Finances from 2013 to 2022

### 3.11 Overall analysis

The analysis indicates that Punjab's total outstanding debt has been steadily increasing. The state heavily relies on market loans and interest-bearing bonds for its debt, making it susceptible to economic shocks and market volatility. The borrowed funds are primarily used to service prior debts and cover state expenditures. Nearly a quarter of the State's revenue is allocated to interest payments on existing debts. Although there has been an increase in debt repayments, with the State managing to settle two-thirds of its debt, these efforts have not been sufficient to enable the State in coming out of its debt trap.

Additionally, Punjab's reliance on off-budget borrowing has increased significantly in recent years, leading to surge in total borrowing and rising fiscal risks. A significant share of off-budget borrowing comes from state guarantees on loans raised by entities like Punjab State Power Corporation Limited (PSPCL), adding to hidden fiscal liabilities. To improve fiscal transparency and sustainability, Punjab must disclose all off-budget liabilities in budget documents, reduce reliance on contingent liabilities, and focus on revenue generation through tax compliance and asset monetization.

## CHAPTER 4

### FISCAL CONSOLIDATION AND MANAGEMENT

#### 4.1 Introduction

Fiscal consolidation and management are crucial for ensuring the long-term economic stability and sustainability of a state or country. By implementing policies to reduce fiscal deficits and manage public debt effectively, governments can stabilize the economy and prevent excessive borrowing that may lead to financial crises. Maintaining fiscal discipline can also lower borrowing costs for the government, freeing up resources for essential public services and infrastructure. Additionally, prudent fiscal management helps sustain vital services such as healthcare, education, and social welfare, ensuring social equity without imposing excessive burdens on future generations. Overall, fiscal consolidation and management are vital for fostering a healthy, resilient economy capable of supporting the well-being of its citizens.

The Fiscal Responsibility and Budget Management (FRBM) Act, enacted in 2003, aims to ensure fiscal discipline in India by setting targets for reducing fiscal deficits and managing public debt effectively. The Act mandates the reduction of the fiscal deficit to sustainable levels and aims to eliminate the revenue deficit by a specified target date. Additionally, it requires the government to present detailed fiscal policies and performance reports, promoting transparency and accountability in fiscal operations. The FRBM Act also sets limits on government borrowing and mandates a reduction in the public debt-to-GDP ratio. This act marks a pertinent step towards promoting responsible fiscal management and ensuring long-term economic stability.

#### 4.2 Punjab FRBM Act, 2003

The Punjab FRBM Act, initially enacted in May 2003, was a cornerstone for ensuring long-term financial stability by achieving revenue surplus, containing fiscal deficit, and ensuring prudent debt management.

In March 2011, the Punjab Government amended its FRBM Act following recommendations from the 13<sup>th</sup> Finance Commission. These amendments were designed to set fiscal targets up to the fiscal year 2014-15, laying the groundwork for more disciplined financial management.

The 14<sup>th</sup> Finance Commission's recommendations prompted significant changes in March 2020. Key among these was the introduction of a statutory flexible limit on the fiscal deficit, set at 3% of the Gross State Domestic Product (GSDP), with an additional allowance of ₹ 928 crore for the fiscal year 2019-20. The 14th FC also emphasised improved transparency and debt reporting, suggesting the adoption of a template for comprehensive debt analysis and reporting.

The Commission advocated for a new legislative framework to replace the existing FRBM Act with a Debt Ceiling and Fiscal Responsibility Legislation under Article 293(1) of the Indian Constitution, enhancing the legal framework for fiscal management.

In March 2021, the Punjab Government further amended the FRBM Act as per the 15<sup>th</sup> Finance Commission's recommendations. The amendments increased the statutory flexible limit on the fiscal deficit to 4% of GSDP for the fiscal year 2020-21, with an additional, conditional allowance of 1% based on reforms such as the implementation of the One Nation One Ration Card System, ease of doing business, urban local body reforms, and power sector reforms. Each reform carried a weightage of 0.25% of GSDP.

In January 2022, the FRBM Act was amended again to adjust the fiscal deficit limit to 3.5% of GSDP with an additional allowance of 0.5% contingent on the State's capital expenditure performance. The State Government met the criteria by spending ₹ 6,039.61 crore on capital outlay by December 2021, qualifying for the additional ceiling. Consequently, the fiscal deficit limit for 2021-22 was set at ₹ 23,362 crore, equating to 4% of the GSDP of ₹ 5,84,042 crore.

### **4.3 Fiscal Consolidation Roadmap (FCR)**

The Fiscal Consolidation Roadmap under the FRBM Act was initially prepared for 2015-20 and implemented from 2017-18. The roadmap set targets for fiscal discipline from 2021-22 to 2023-24, as envisaged in the Annual Financial Statement for 2021-22. These targets are critical for assessing compliance with the FRBM objectives and ensuring continued fiscal prudence.

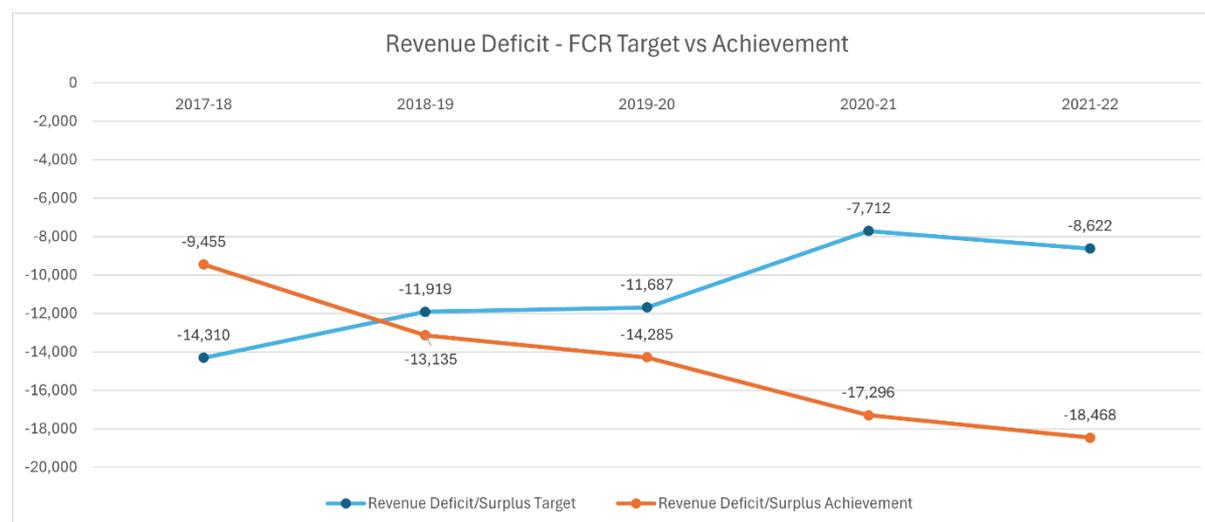
The Table 4.1 on Compliance with Provisions of State FCR under FRBM Act provides a detailed analysis of Punjab's fiscal parameters from 2017-18 to 2021-22, comparing the targets set in the Fiscal Consolidation Roadmap (FCR) with actual achievements.

### 4.3.1 Revenue Deficit/Surplus

Punjab's trend for Revenue Deficit can be seen in Table 4.1 and Graph 4.1, which depict Punjab's revenue deficit trajectory from 2017-18 to 2021-22, comparing the Fiscal Correction Roadmap (FCR) targets with actual achievements. Over the years, Punjab's revenue deficit has consistently worsened, increasing from ₹14,310 crore in 2017-18 to ₹18,468 crore in 2021-22, reflecting deepening fiscal stress. The state's performance has consistently fallen short of the FCR targets, which aimed for a gradual reduction in the deficit, from ₹9,455 crore in 2017-18 to ₹8,622 crore in 2021-22. A significant spike in the revenue deficit occurred during 2020-21, escalating to ₹17,296 crore, primarily due to the economic disruptions caused by the COVID-19 pandemic, which severely affected revenue collections and increased fiscal pressures.

The growing deficit highlights the structural challenges faced by Punjab, including high expenditure on subsidies, salaries, and pensions, coupled with limited growth in tax and non-tax revenue. Despite the recovery of targets in 2021-22, the widening gap between targets and achievements highlights the need for stronger fiscal reforms, enhanced revenue mobilization, and better expenditure rationalization. If left unaddressed, this trend could further undermine Punjab's fiscal sustainability and its ability to meet developmental needs.

**Graph 4.1: Revenue Deficit – FCR Target vs Achievement**



Source: State Finances: A Study of Budgets (CAG)

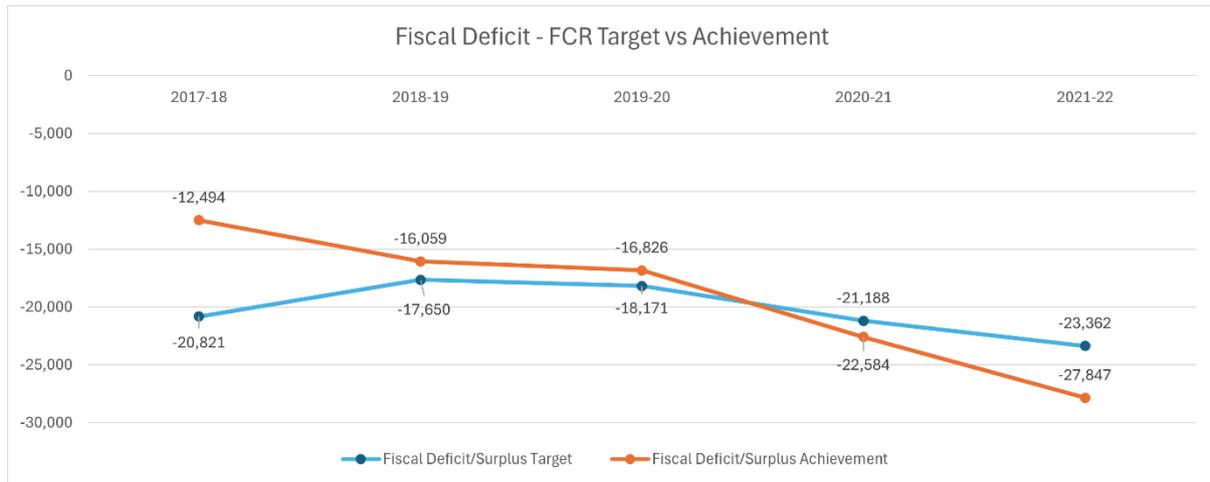
### 4.3.2 Fiscal Deficit/Surplus

Graph 4.2 depicts Punjab's fiscal deficit trends from 2017-18 to 2021-22, comparing the state's actual performance against the Fiscal Correction Roadmap (FCR) targets. Over the years, the fiscal deficit has widened significantly, increasing from ₹12,494 crore in 2017-18 to a staggering ₹27,847 crore in 2021-22. This worsening deficit indicates Punjab's growing dependence on borrowings to finance its expenditures, exacerbating its debt burden and reflecting structural fiscal challenges. While the FCR targets aimed at a steady increase in the fiscal deficit ceiling—from ₹20,821 crore in 2017-18 to ₹23,362 crore in 2021-22—actual achievements have consistently exceeded these limits, showing an inability to adhere to fiscal consolidation goals.

The sharp spike in the fiscal deficit during 2020-21 (₹22,584 crore) was driven by the economic disruptions of the COVID-19 pandemic, which led to reduced revenue collections and increased expenditure on welfare, healthcare, and economic recovery measures. However, even prior to and after the pandemic, Punjab struggled to align its expenditure with revenue growth due to high spending on subsidies, salaries, pensions, and debt servicing. The sustained gap between targets and achievements underscores structural weaknesses in revenue mobilization and expenditure rationalization.

To address this growing fiscal imbalance, Punjab must prioritize reforms that focus on enhancing tax and non-tax revenues, rationalizing subsidies, and improving fiscal discipline. Failure to undertake such measures could lead to long-term fiscal instability and further constraints on developmental spending.

**Graph 4.2: Fiscal Deficit – FCR Target vs Achievement**

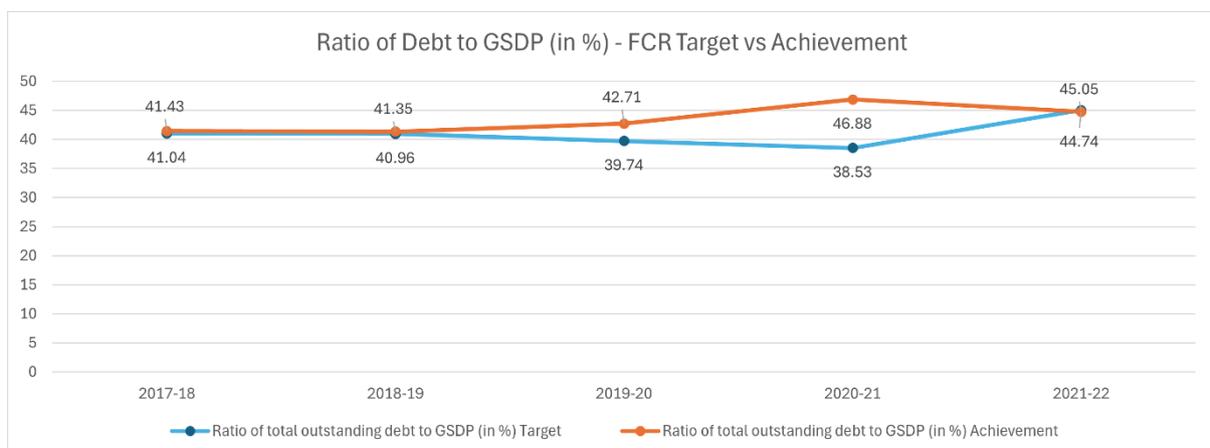


Source: State Finances: A Study of Budgets (CAG)

### 4.3.3 Ratio of Total Outstanding Debt to GSDP

Regarding the **Ratio of Total Outstanding Debt to GSDP**, as noted in Table 4.1, the targets were aimed at gradual reduction, from 41.04% in 2017-18 to 38.53% in 2020-21, before increasing to 45.05% in 2021-22. Despite the initial targets set for reduction, the actual achievements did not align with these goals. The ratio fluctuated, starting at 41.43% in 2017-18 and reaching 46.88% in 2020-21, before slightly improving to 44.74% in 2021-22. This indicates that the state struggled to manage its debt relative to its economic output effectively, and this trend can be noted through Graph 4.3.

**Graph 4.3: Ratio of Debt to GSDP (in %) – FCR Target vs Achievement**



Source: State Finances: A Study of Budgets (CAG)

Overall, Table 4.1 outlines Punjab's compliance with the provisions of the **Fiscal Correction Roadmap (FCR)** under the **Fiscal Responsibility and Budget Management (FRBM) Act**, comparing targets and achievements for revenue deficit, fiscal deficit, and the ratio of total outstanding debt to GSDP for the years 2017-18 to 2021-22.

1. **Revenue Deficit Trends:**

Punjab has consistently failed to meet the revenue deficit targets set under the FCR. While the targets aimed at progressive reductions in the deficit, from ₹14,310 crore in 2017-18 to ₹8,622 crore in 2021-22, the actual achievements showed an opposite trend, worsening from ₹9,455 crore to ₹18,468 crore. This divergence suggests a lack of alignment between fiscal planning and implementation, driven by high revenue expenditures on subsidies, salaries, and pensions, which outpaced revenue growth.

2. **Fiscal Deficit Performance:**

The fiscal deficit also exceeded the targets in every year under review. While the FCR allowed for an increase in the fiscal deficit ceiling to ₹23,362 crore in 2021-22, the actual deficit soared to ₹27,847 crore. The spike in 2020-21, reaching ₹22,584 crore, was primarily due to COVID-19 disruptions, but the trend of surpassing targets even before and after the pandemic highlights systemic issues in expenditure control and revenue mobilization.

3. **Debt-to-GSDP Ratio:**

The ratio of total outstanding debt to GSDP exceeded the targets in most years. While the target for 2021-22 was set at 45.05%, the achievement was 44.74%, indicating partial adherence. However, in earlier years, the debt ratio consistently surpassed targets, reflecting Punjab's rising indebtedness and growing reliance on borrowings to meet fiscal demands. The significant jump to 46.88% in 2020-21 underscores the pandemic's impact and the state's fiscal fragility.

4. **Implementation of the FRBM Act:**

Punjab's inability to meet key fiscal parameters under the FRBM Act suggests weak implementation of its fiscal discipline framework. Despite having legally mandated targets, the state's fiscal management has been unable to adhere to the prescribed roadmap.

## 5. Examination of the Medium-Term Fiscal Plan:

The medium-term fiscal plan (MTFP) is a crucial element in assessing compliance with the Fiscal Responsibility and Budget Management (FRBM) Act. It provides a roadmap for achieving fiscal targets by outlining expenditure and revenue strategies over a three-to-five-year horizon. An analysis of Punjab's MTFP in the context of the FRBM Act shows varying levels of success and challenges, as highlighted below:

**Fiscal Deficit Targets:** Despite the FRBM Act's mandate, Punjab consistently struggled to achieve its fiscal deficit targets. The fiscal deficit for FY 2020-21 was 4.4% of Gross State Domestic Product (GSDP), exceeding the targeted 3% due to revenue shortfalls and increased expenditure during the pandemic. For FY 2021-22, while the target was 3%, the fiscal deficit reached 4.9% of GSDP. These deviations reflect a lack of adherence to the medium-term fiscal roadmap.

**Debt-to-GSDP Ratio:** The MTFP of Punjab aimed to stabilize the debt-to-GSDP ratio under the FRBM limits. However, during the review period, the ratio exceeded targets, peaking at 46.88% in FY 2020-21, far above the prescribed ceiling. This increase was attributed to higher borrowings to manage revenue deficits and fund additional expenditure, as stated in the Comptroller and Auditor General (CAG) reports.

**Revenue Expenditure Management:** The MTFP highlighted the need to control revenue expenditure and enhance non-tax revenue. However, Punjab's revenue expenditure continued to grow, driven by salary, pension, and subsidy costs. Efforts to reduce expenditure or improve efficiency were limited, leading to a persistent revenue deficit, which reached ₹18,468 crore in FY 2021-22 against a target of ₹8,622 crore.

**Strategic Measures:** The MTFP underscored structural reforms to address fiscal imbalances, such as rationalizing subsidies, enhancing own tax revenues, and improving public financial management. However, implementation gaps persisted. For instance, variations between budgeted and actual figures were significant, reflecting inefficiencies in fiscal planning and execution.

**Table 4.1: Compliance with provisions of State FCR under FRBM Act in Absolute Terms**

(in Rupees Crore)

Fiscal Parameters	Achievement vis-a-vis targets set in the FCR						
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit/Surplus	Target	-14,310	-11,919	-11,687	-7,712	-8,622	-12,554
	Achievement	-9,455	-13,135	-14,285	-17,296	-18,468	-26,045
Fiscal Deficit/Surplus (figures in parenthesis indicate percentage of FD to GSDP)	Target	-20,821	-17,650 (3.44)	-18,171 (3.17)	-21,188 (4.00)	-23,362 (4.00)	40,764 (6.06)
	Achievement	-12,494	-16,059 (3.13)	-16,826 (3.13)	-22,584 (4.18)	-27,847 (4.53)	-33,930 (5.04)
Ratio of total outstanding debt to GSDP (in %)	Target	41.04	40.96	39.74	38.53	45.05	45.23
	Achievement*	41.43	41.35	42.71	46.88	44.74	43.64

Source: State Finances: A Study of Budgets (CAG)

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

Table 4.2 compares the projections made under the Medium-Term Fiscal Policy (MTFP) with the actual fiscal outcomes for the FY 2022–23, revealing notable deviations. The revenue deficit was ₹26,045 crore, significantly higher than the projected ₹12,554 crore, which depicts a variation of 107.46 percent. Similarly, the fiscal deficit was noted to be ₹33,930 crore against the projection of ₹23,835 crore, reflecting a 42.35 percent increase, indicating higher borrowing requirements than originally planned. The fiscal deficit as a percentage of Gross State Domestic Product (GSDP) rose to 5.04 percent, as against the projected 3.78 percent by 1.26 percentage points. However, in a positive development, the debt-to-GSDP ratio was recorded at 43.64 percent, which was 1.59 percentage points lower than the projected 45.23 percent. This suggests that despite higher deficits, debt sustainability improved.

**Table 4.2: Actuals *vis-à-vis* projections in Medium Term Fiscal Policy (2022-23)**

<b>Fiscal Variables</b>	<b>Projection as per MTFP</b>	<b>Actuals (2022-23)</b>	<b>Variation</b>
<b>Revenue Deficit/Surplus</b>	(-)12,554	(-)26,045	(-)107.46
<b>Fiscal Deficit/Surplus</b>	(-)23,835	(-)33,930	(-)42.35
<b>Fiscal Deficit-GSDP Ratio</b>	3.78	5.04	(-)1.26
<b>Debt-GSDP Ratio</b>	45.23	43.64	1.59

Source: State Finances: A Study of Budgets (CAG)

#### 4.4 Analysis of the Medium-Term Fiscal Policy (2022-23 to 2024-25 BE)

Table 4.3 presents key fiscal indicators for Punjab over three financial years: 2022–23 (Actual), 2023–24 (Revised Estimates), and 2024–25 (Budget Estimates). The three primary fiscal parameters highlighted are Revenue Deficit/Surplus, Fiscal Deficit/Surplus, and Outstanding Debt, each shown both in absolute figures (₹ crore) and as a percentage of the Gross State Domestic Product (GSDP).

##### Revenue Deficit/Surplus

Punjab's latest MTFP suggests that in 2022–23, the state recorded a revenue deficit of ₹26,045 crore, which was 3.87% of its Gross State Domestic Product (GSDP). This figure improved slightly in 2023–24 (Revised Estimates), declining to ₹23,812 crore or 3.23% of GSDP. For 2024–25 (Budget Estimates), the revenue deficit is expected to reduce further to ₹23,198 crore, accounting for 2.89% of GSDP. This gradual decline suggests that the state is making efforts to control its recurring expenditure and increase revenue generation, although the deficit remains substantial.

##### Fiscal Deficit/Surplus

The latest MTFP suggests that in 2022–23, the state's fiscal deficit stood at ₹33,930 crore, which was 5.04% of GSDP — significantly above the ceiling of 3% recommended under the Fiscal Responsibility and Budget Management (FRBM) Act. The fiscal deficit decreased to

₹30,311 crore or 4.12% of GSDP in 2023–24 (RE) and is projected at ₹30,465 crore or 3.80% of GSDP for 2024–25 (BE). While still above the ideal target, the reduction in the fiscal deficit ratio over time indicates a measured path towards fiscal consolidation.

### Outstanding Debt

Outstanding debt reflects the cumulative liabilities of the state and is a critical parameter of long-term fiscal sustainability. Punjab's outstanding debt has been steadily increasing in absolute terms, from ₹3,14,221 crore in 2022–23 to ₹3,43,626 crore in 2023–24 (RE), and is estimated to rise further to ₹3,74,091 crore in 2024–25 (BE). However, its ratio to GSDP has remained relatively stable — at 46.68%, 46.66%, and 46.60% respectively across the three years. This suggests that while debt is growing in nominal terms, it is not outpacing the growth of the state economy. Nonetheless, a debt-to-GSDP ratio nearing 47% signals a high level of indebtedness, raising concerns about future debt servicing and fiscal space for development spending.

**Table 4.3: Medium Term Fiscal Policy Statement of the State as per Section 3 of The Punjab Fiscal Responsibility and Budget Management Act, 2003**

Fiscal Parameters	Revenue Deficit/Surplus		Fiscal Deficit/Surplus		Outstanding Debt	
	(Rs. in crore)	% to GSDP	(Rs. in crore)	% to GSDP	(Rs. in crore)	% to GSDP
2024-25 (BE)	23,198	2.89	30,465	3.80	3,74,091	46.60
2023-24 (RE)	23,812	3.23	30,311	4.12	3,43,626	46.66
2022-23	26,045	3.87	33930	5.04	3,14,221	46.68

Source: Annual Financial Statement, Govt. of Punjab

## CHAPTER 5

### STATE TRANSFERS TO URBAN AND LOCAL BODIES

#### 5.1 Introduction

Local government is the foundational layer of state administration, bringing governance closer to the populace. Its importance is underscored by the significant legislative strides taken in India to empower these local entities. The passage of the 73rd and 74th Constitutional Amendments in December 1992 marked a pivotal moment in the decentralisation of governance. These amendments granted constitutional status to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), formalising their roles and responsibilities and thus reinforcing the framework of local governance (Mahajan & Sharma, 2018). In line with the amendments, Article 243-I of the Indian Constitution mandates the establishment of a State Finance Commission (SFC) by each state's governor at the end of every five years. This commission is tasked with assessing the financial situation of the state and its local bodies. It also provides recommendations on the principles for distributing the net proceeds of taxes and tolls between the state and the local entities. Additionally, the SFC proposes measures to bolster the financial stability of PRIs and ULBs, ensuring that these local bodies can fulfil their governance roles effectively (Mahajan & Sharma, 2018).

Following these constitutional requirements, the first State Finance Commission in Punjab was established in April 1994. This establishment coincided with the enactment of the Punjab Panchayati Raj Act of 1994, which was designed to oversee the administration of rural local bodies. The Act grants *Gram Panchayats* the authority to execute both obligatory and discretionary functions, including the provision of essential services to citizens, the creation and maintenance of village infrastructure, poverty alleviation, the management of common property resources, and other activities crucial for human development (Department of Rural Development and Panchayats, Punjab, 2018). The inaugural State Finance Commission of Punjab made significant recommendations for the financial empowerment of local bodies. Notably, it suggested that 20% of the net proceeds from five specific taxes—stamp duty, Punjab motor vehicles tax, electricity duty, entertainment tax, and entertainment tax from cinematography shows—be allocated to PRIs and ULBs. This financial transfer aimed to provide local bodies with a stable revenue base, enabling them to undertake essential developmental activities and improve service delivery (Mahajan & Sharma, 2018).

Since its inception, the State Finance Commission has played a critical role in shaping the financial landscape of local governance in Punjab. Its recommendations have facilitated the transfer of financial resources, thereby enhancing local governments' autonomy and operational capabilities. This fiscal decentralisation has empowered PRIs and ULBs to manage village infrastructure, implement poverty alleviation programs, and undertake other initiatives that drive human development at the grassroots level. The establishment and ongoing work of the State Finance Commission in Punjab display a commitment to strengthening local governance through financial decentralization. By adhering to constitutional mandates and focusing on the equitable distribution of economic resources, Punjab has laid a solid foundation for autonomous and effective local administration. The State Finance Commission's continuous efforts highlight financial empowerment's crucial role in fostering responsive and sustainable local governance.

## **5.2 Finance Commission Grants and Challenges in Punjab**

The 10<sup>th</sup>, 11<sup>th</sup>, and 12<sup>th</sup> Finance Commissions of India allocated grants to Local Bodies (LBs) equivalent to 1-1.5% of the Central divisible pool. This framework set the stage for significant reforms introduced by subsequent Commissions. The 13th Finance Commission (TFC) marked a pivotal shift by increasing this allocation to approximately 2.5% of the divisible pool. In addition, the TFC introduced performance-based grants, with part of the funding contingent on local bodies meeting specific conditions related to financial performance and governance standards.

Building on these changes, the 14th Finance Commission (FOFC) further expanded the financial support to nearly 4.5% of the Central divisible pool. Notably, the FOFC focused these funds solely on village panchayats, also known as *Gram Panchayats* (GPs). These grants were designated for providing essential services that had been devolved to the local level. The FOFC divided the funds into two components: Basic Grants (BG) and Performance Grants (PG).

To access the Performance Grants, the FOFC established straightforward conditions. First, states had to submit audited accounts from a period no earlier than two years before the year in which the local body sought the grant. Second, the GPs were required to demonstrate an increase in their own source revenue (OSR) compared to the previous year, as shown in the audited accounts. Moreover, states were tasked with developing schemes within a year that detailed how these performance grants would be utilized effectively, starting from the financial year 2016-17.

Despite these provisions, the utilization of Finance Commission (FC) grants by state governments has been relatively slow. For example, during the FOFC period, Punjab managed to draw less than 50% of the allocated Basic and Performance Grants. This underutilization is partly due to the complexities introduced by the performance grant conditions established by the 13<sup>th</sup> and 14<sup>th</sup> Finance Commissions. Additionally, further complicating factors emerged from additional conditionalities imposed by the Ministry of Finance (MoF) and the Ministry of Panchayati Raj (MoPR), which went beyond the recommendations of the FOFC.

Despite the Government of India accepting the FOFC's recommendations in full, additional requirements were imposed. For instance, an order dated October 8, 2015, from the MoF, required all GPs to prepare a Gram Panchayat Development Plan (GPDP) to manage and utilise these grants effectively. The Ministry of Panchayati Raj's guidelines for the GPDP provided a framework for state governments and GPs to integrate planning and fund usage from both the FOFC and other Centrally Sponsored Schemes (CSSs). Further advisories from the ministries directed GPs to invest in specific sectors, such as drinking water supply, waste management, school sanitation, and the use of PlanPlus software for monitoring the GPDP.

While these directives aimed at achieving desirable outcomes, they often placed unrealistic expectations on GPs by assigning them responsibilities outside their traditional domain. For example, setting targets for total immunization—a program typically managed at the state level—was deemed unfair, as such programs are not under the direct control or supervision of the local bodies.

This situation highlights the ongoing tension between higher government directives and the functional capabilities of local governance bodies. There is a critical need to align the grant conditions with the actual administrative scope and resources of the local bodies to ensure the effective and efficient use of allocated funds.

### **5.3 Punjab State Finance Commission Recommendations**

The 5<sup>th</sup> State Finance Commission (SFC) of Punjab continues to play a crucial role in shaping the financial framework for local bodies, even as the 6<sup>th</sup> SFC has been established for the period 2021–22 to 2025–26. The recommendations from the 5<sup>th</sup> SFC, which are currently being implemented, aim to enhance the financial autonomy and operational efficiency of local governance institutions in Punjab.

One of the key recommendations of the 5<sup>th</sup> SFC is that 4% of the net total tax revenue, after deducting the cost of collection, should be devolved to local bodies. This proposal is intended

to ensure a stable and predictable flow of funds to these institutions, enabling them to manage local administration and development activities effectively.

Additionally, the 5th SFC suggested that besides the grants provided to GPs by the 14th Finance Commission (FOFC), Panchayat Samitis and Zila Parishads should receive an annual grant of Rs INR1 crore each. This recommendation recognises the need for additional financial support to these higher-tier rural local bodies, allowing them to serve their communities better and fulfil their broader governance roles.

However, the 5<sup>th</sup> SFC also highlighted significant challenges Panchayati Raj Institutions (PRIs) faced in accessing performance-based grants. Both the FOFC and the 5<sup>th</sup> SFC had set conditions for these grants, including collecting and maintaining high-quality data. Unfortunately, PRIs in Punjab struggled to meet these data requirements, which impeded their ability to claim performance grants. This data collection issue is a critical gap that needs to be addressed to improve the financial empowerment and effectiveness of PRIs.

#### **5.4 Receipts & Expenditure of PRIs**

The 15<sup>th</sup> Finance Commission noted a concerning decline in the revenue generated by Panchayats from their sources. During the 2011-12 fiscal year, revenue from their sources contributed a meagre 0.11% to their total receipts. This Graph dropped to zero after the fiscal year 2015-16. As a result, PRIs had become increasingly dependent on non-tax revenue and grants from the Finance Commissions to fund their operations. Since then, own revenues have contributed increasing amounts through their own revenue, including contributing to 100% of the amount in 2017-18. The PRIs consistently maintained a surplus, with receipts surpassing expenditures in all the years.

As per Table 5.1, total receipts exhibited a notable increase in 2016-17 (103.78%) and a significant recovery in 2018-19 (135.62%) after a decline in 2017-18. Similarly, total expenditures rose significantly in 2016-17 and increased in 2018-19 after a drop in 2017-18. Overall, from 2014-15 to 2018-19, the total receipts increased by 36.68%, and the total expenditures followed suit with an increase of 34.92%.

Between 2017 and 2019, no grants were provided by the State Government to Panchayati Raj Institutions (PRIs) in Punjab. According to Table 5.1, the Basic Grants for the fiscal years 2017-18 and 2018-19 were delayed and only received from the Government of India in March

2020 and September 2020, respectively. The Performance Grants were wholly halted after the 2016-17 fiscal year.

**Table 5.1: Details of receipts and expenditure of PRIs during 2014-19**

(Rupees in Crore)

	2014-15		2015-16		2016-17		2017-18		2018-19	
Year	Receipt	Exp.	Receipt	Exp.	Receipt	Exp.	Receipt	Exp.	Receipt	Exp.
Own Revenue	272.90	272.90	346.89	346.89	505.37	499.90	325.00	307.00	366.77	348.00
Grants from State	9.10	9.10	10.00	9.74	65.04	50.09	0.00	0.00	0.00	0.00
<b>Grant from the Finance Commission</b>										
i) Basic Grant	272.90	272.90	220.85	220.85	526.66 <sup>{#}</sup>	220.85	0.00	0.00	305.80 <sup>{\$}</sup>	308.80
ii) Performance Grant*	--	--	--	--	80.23	0.00	0.00	0.00	0.00	0.00
Other Receipts (bank interest, etc.)	5.33	0.87	0.00	0.00	0.00	0.00	0.00	0.00	93.18	93.18
<b>Total</b>	<b>560.23</b>	<b>555.77</b>	<b>577.74</b>	<b>577.48</b>	<b>1,177.30</b>	<b>770.84</b>	<b>325</b>	<b>307</b>	<b>765.75</b>	<b>749.98</b>

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

\* Performance Grant was applicable from 2016-17 based on conditions prescribed in the FFC.

# Includes second instalment of 220.85 crore of 2015-16.

\$ Second instalment pertaining to the year 2016-17.

#### 5.4.1 Central and State-Sponsored Schemes for PRIs

Table 5.2 illustrates a wide range of under-utilization of funds across various centrally/state sponsored schemes, from 3% to 100%. The Director of Rural Development and Panchayats identified several reasons for this under-utilization as of July 2020 (Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019): for MGNREGS (ranging from 3% to 13%), the lack of awareness about the scheme was cited as the primary cause due to its demand-driven nature; for PMAY(G) (ranging from 7% to 90%), the transition from manual to online payment systems like the Public Financial Management System (PFMS) and the late receipt of funds towards the end of the financial year were noted; NRLM (ranging from 14% to 51%) suffered from staff shortages and delayed fund disbursements in the last two quarters of the fiscal year; PMKSY (ranging

from 29% to 93%) experienced late fund receipts at the end of the fiscal year; and SPMRM (ranging from 33% to 100%) faced delays in fund disbursements, approval of Integrated Cluster Action Plans, Detailed Project Reports, and the transition from manual to centralized fund management systems.

Table 5.2 also shows that MNREGS is the major CSS for PRIs, with generally lower under-utilisation compared to other schemes. Receipts from MNREGS also increased from 230.97 in 2014-15 to 725.74 in 2018-19

**Table 5.2: Receipts and expenditure incurred under major Centrally/State Sponsored Schemes for PRIs**

(Rupees in Crore)

Year	Particulars	MGNREGS (CSS)	PMAY-G (CSS)	NRLM (CSS)	PMKSY (CSS)	SPMRM (CSS)	MGSVY (SSS)
2014-15	Receipt	230.97	42.79	19.8	25.93	-	-
	Expenditure	210.48	32.53	11.88	18.51	-	-
	Percentage of under-utilisation	8.87	23.98	40	28.62	-	-
2015-16	Receipt	322.73	24.52	16.81	38.01	0.70	-
	Expenditure	307.24	16.47	12.04	5.22	0.00	-
	Percentage of under-utilisation	4.8	32.83	28.38	86.27	100.00	-
2016-17	Receipt	517.61	40.45	9.44	32.79	0.72	-
	Expenditure	501.27	4.04	8.16	17.9	0.26	-
	Percentage of under-utilisation	3.16	90.01	13.56	45.41	63.89	-
2017-18	Receipt	636.92	62.22	15.65	28.58	20.28	-
	Expenditure	606.94	36.18	7.64	13.74	0.27	-
	Percentage of under-utilisation	4.71	41.85	51.18	51.92	98.67	-
2018-19	Receipt	725.74	139.65	25.96	50.73	52.77	0.57
	Expenditure	633.38	129.84	13.74	3.32	35.31	0.54
	Percentage of under-utilisation	12.73	7.02	47.07	93.46	33.09	5.26

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

### 5.4.2 Grants for PRIs

The release of grants, both Basic Grants (BG) and Performance Grants (PG), to Panchayati Raj Institutions (PRIs) in the state faced significant challenges. According to the guidelines outlined in the 13th Finance Commission's (TFC) report, the general basic grant was to be distributed in two equal instalments each year, in June and October, contingent upon the submission of a utilisation certificate (UC) for the preceding instalment. The state government was mandated to release these grants to PRIs within fifteen days of receipt from the Union Government, failing which, interest at the bank rate of the Reserve Bank of India was to be paid for the delay. However, from 2015-16 to 2018-19, the entire allocation of BG, amounting to INR 2,577.45 crore, was received by the State Government with delays ranging from 8 to 35 months due to delayed submission of UCs. This delayed the subsequent release of funds to PRIs, affecting their ability to fulfil basic functions. Additionally, the disbursement of grants to PRIs saw delays ranging from 31 to 664 days beyond the prescribed 15-day period, resulting in the state government incurring an interest liability of INR 65.75 crore, of which INR 12.90 crore remained unpaid as of August 2021.

Regarding Performance Grants (PG), as per FoFC recommendations, they were to be disbursed from the second year of the award period (2016-17 onwards) along with the second instalment of BG in October each year. The operational criteria and quantum of incentives for PG disbursement were to be determined by the respective state governments, subject to two eligibility conditions: submission of audited accounts not earlier than two years preceding the year in which PG was sought and demonstration of an increase in their own revenues over preceding years. However, for the year 2015-16, PG was to be released in October 2016 upon certification from the Ministry of Panchayati Raj/Ministry of Urban Development that the finalised scheme adhered to FFC recommendations. This indicates a delay in implementing the PG scheme as per the FFC guidelines, potentially affecting the financial stability and performance of PRIs in the state.

**Table 5.3 Release of Performance Grants for PRIs**

(Rupees in Crores)

Year	Amount allocated by GoI	Amount released by GoI (Date of Release)	Amount released by GoP (Date of release)	Delay in release of PG by GoP in days	Interest amount on account of delay
2016-17	80.23	80.23 (15.03.2017)	40.23 (15.02.2021)	46 months & 16 days	Yet to be calculated by FD
2017-18	90.79	Not released	Not released	-	-

<b>2018-19</b>	103.1	Not released	Not released	-	-
<b>Total</b>	<b>274.12</b>	<b>80.23</b>	-	-	-

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

### 5.4.3 Prevailing Mechanism of Auditing PRIs

The 13th Finance Commission (TFC) recommended that State Governments implement an audit system for all tiers of Panchayati Raj Institutions. In response, the State Government assigned the test audit of PRIs to the Comptroller and Auditor General of India (CAG) under the CAG Act, with Technical Guidance and Support (TGS) provided for the statutory auditor. This arrangement, endorsed by the 14th Finance Commission, covered 22 Zila Parishads (ZP), 150 Panchayat Samitis (PS), and 13,264 Gram Panchayats (GP) in the State. Over the years 2016-17 to 2018-19, test audits were conducted for a portion of these institutions, incorporating the latest audit findings up to March 2019. The ELFA has been given the authority to carry out audits across all levels of PRIs. While ZPs and PSs undergo auditing as per the Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules of 2014, GPs are subject to audits in accordance with the Punjab Gram Panchayat Rules, 2012, which were established under the Punjab Gram Panchayat Act of 1994.

### 5.5 Receipts & Expenditures of ULBs

To carry out development projects, Urban Local Bodies (ULBs) primarily receive financial support from both the Government of India (GoI) and the State Government in the form of grants. GoI grants encompass allocations recommended by the Central Finance Commission (CFC) and grants designated for specific scheme implementations. State Government grants, on the other hand, are received through the apportionment of net proceeds from overall tax revenue, following the recommendations of the State Finance Commission (SFC), as well as grants earmarked for State Sponsored Schemes. Additionally, ULBs generate revenue through various means, such as taxes, rents, fees, and licensing. While grants from both Central and State sources are utilized by ULBs for executing schemes in accordance with the respective guidelines set forth by GoI and the State Government, the revenue generated by ULBs themselves is typically allocated towards administrative expenses and the implementation of schemes or projects devised by the ULBs.

Table 5.4 indicates that there were no receipts categorised under 'SFC transfers' recorded between 2014 and 2019, except for the fiscal year 2016-17. The Annual Technical Inspection

Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019 Technical states that the Department cited reasons for this absence, attributing it to the Finance Department's failure to sanction and release funds during the specified period. Overall, there was a 17.48% increase in receipts and a 15.67% increase in expenditure between the financial years of 2014-15 and 2018-19.

**Table 5.4 Details of receipt and expenditure of ULBs during 2014-19**

**(Rupees in Crores)**

	2014-15		2015-16		2016-17		2017-18		2018-19	
Particulars	Receipt	Exp.								
Own Receipts										
(a) Own tax	1,791.75	2,201.44	1,927.47	2,387.13	2,144.71	2,662.72	2,261.21	2,665.80	2,328.86	2,756.10
(b) Non-tax	484.06		439.33		449.82		522.37		598.81	
(c) Capital receipts (sale of property, etc.)	37.78		43.92		88.82		27.42		10.04	
<b>Total</b>	2,313.59	2,201.44	2,410.72	2,387.13	2,683.35	2,662.72	2,811.00	2,665.80	2,937.71	2,756.10
SFC transfers (State Finance Commission devolutions)	0.00	0.00	0.00	0.00	7.00	7.00	0.00	0.00	0.00	0.00
Grants from State Government	33.86	33.86	17.00	17.00	49.97	49.97	29.00	29.00	88.45	88.45
CFC transfers (Central Finance Commission devolutions)	266.68	266.68	233.97	233.97	161.98	161.98	253.95	253.95	355.51	355.51
Other sources (PIDB, PMIDC, PUDA, etc.)	264.74	264.74	61.90	61.90	492.03	492.03	0.00	0.00	0.00	0.00

<b>Grand Total</b>	2,878.87	2,766.72	2,723.59	2,700.00	3,394.33	3,373.70	3,093.95	2,948.75	3,381.67	3,200.06
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Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

### 5.5.1 Central and State-Sponsored Schemes for ULBs

As is evident from Table 5.5, all receipts were equal to the expenditures for Central and State schemes for Urban Local Bodies. Therefore, unlike PRIs there was no under-utilisation like with the PRIs. Different years saw the utilization of different central and state schemes as can be seen in the table. Overall, there was a 140.8% increase from 2014-15 to 2018-19 in receipts and expenditures.

**Table 5.5: Details of receipts and expenditure under major Centrally Sponsored Schemes and State Sponsored Schemes during 2014-19 for ULBs**  
(Rupees in Crores)

	2014-15		2015-16		2016-17		2017-18		2018-19	
Schemes	Receipts	Exp.								
<b>Centrally Sponsored Schemes (CSS)</b>										
NULM	-	-	22.74	22.74	4.48	4.48	0.00	0.00	10.00	10.00
UIDSSMT <sup>#</sup>	30.35	30.35	-	-	-	-	-	-	-	-
AMRUT	-	-	-	-	33.00	33.00	55.20	55.20	257.86	257.86
UIG under JNNURM	114.25	114.25	37.17	37.17	30.17	30.17	0.00	0.00	50.00	50.00
SCM	-	-	6.00	6.00	32.00	32.00	100.00	100.00	0.00	0.00
SBM(U)	-	-	40.32	40.32	34.88	34.88	48.20	48.20	45.46	45.46
NRCP	36.11	36.11	47.92	47.92	05.00	05.00	0.00	0.00	65.31	65.31
SF&ES	-	-	11.25	11.25	6.05	6.05	27.70	27.70	0.00	0.00
<b>Total (CSS)</b>	<b>180.71</b>	<b>180.71</b>	<b>165.4</b>	<b>165.4</b>	<b>145.58</b>	<b>145.58</b>	<b>231.10</b>	<b>231.10</b>	<b>428.63</b>	<b>428.63</b>
<b>State Sponsored Schemes (SSS)</b>										
MDFC	0.00	0.00	17.00	17.00	17.00	17.00	0.00	0.00	6.85	6.85
ASPF by JICA	22.40	22.40	0.00	0.00	30.00	30.00	29.00	29.00	33.14	33.14
PPRS	5.25	5.25	0.00	0.00	0.00	0.00	0.00	0.00	48.17	48.17
URP	1.68	1.68	0.00	0.00	2.97	2.97	0.00	0.00	0.29	0.29
Setting of STP*	4.53	4.53	--	--	--	--	--	--	--	--
<b>Total (SSS)</b>	<b>33.86</b>	<b>33.86</b>	<b>17.00</b>	<b>17.00</b>	<b>49.97</b>	<b>49.97</b>	<b>29.00</b>	<b>29.00</b>	<b>88.45</b>	<b>88.45</b>
<b>Grant Total (CSS+SSS)</b>	<b>214.57</b>	<b>214.57</b>	<b>182.40</b>	<b>182.40</b>	<b>195.55</b>	<b>195.55</b>	<b>260.10</b>	<b>260.10</b>	<b>517.08</b>	<b>517.08</b>

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

<sup>#</sup> UIDSSMT was subsumed in AMRUT in June 2015. NULM, AMRUT, SCM, SBM were not in existence during the respective years.

\* The scheme was for the specific purpose during 2014-15 only.

### 5.5.2 Grants for ULBs

The 14<sup>th</sup> Finance Commission (FFC) suggested dividing grants to states into two parts, Basic Grants and Performance Grants, in an 80:20 ratio. The Basic Grant aims to aid municipalities in fulfilling their basic functions as per their statutes, such as improving civic services like water supply, sanitation, waste management, road maintenance, and burial grounds upkeep. The Performance Grant focuses on ensuring municipalities maintain reliable audited accounts, enhance their own revenue generation, and improve data accuracy for better decision-making and accountability. According to FFC guidelines, grants are to be released biannually, in June and October, with the first instalment covering 50% of the Basic Grant and the second instalment covering the remaining 50% along with the full Performance Grant. The State Government must disburse grants to municipalities within fifteen days of receipt from the Union Government, with delayed payments incurring interest charges. Furthermore, subsequent grant instalments are contingent upon the submission of utilisation certificates for the preceding instalment.

The State Government incurred an avoidable interest cost of INR 25.77 crore due to the delayed release of the basic grant and performance grant by 3-156 days, as shown in Table 5.6 and Table 5.7. This amount includes INR 22.58 crore for basic grants and INR 3.19 crore for performance grants.

**Table 5.6: Status of release of basic grants during 2015-16 to 2018-19 for ULBs  
(Rupees in Crores)**

Year	Amount released by GoI		Amount released by GoP		Status of interest released on account of the delay			
	1 <sup>st</sup> instalment (Date of release)	2 <sup>nd</sup> instalment (Date of release)	1 <sup>st</sup> instalment (Date of release)	2 <sup>nd</sup> instalment (Date of release)	Delay (in days) in release of 1 <sup>st</sup> instalment by GoP	Amount of interest	Delay (in days) in release of 2 <sup>nd</sup> instalment by GoP	Amount of interest
<b>2015-16</b>	117.71 (30.06.15)	116.27	117.71	116.27	15	0.40 (31.07.18)	03	0.07 (31.07.18)
<b>2016-17</b>	161.99 (26.09.16)	160.04 (16.03.17)	161.99 (03.02.17)	160.04 (10.07.17)	115	3.45 (31.07.18)	101	2.89 (31.07.18)
<b>2017-18</b>	152.23 (06.10.17 & 08.03.18)	184.93 (27.08.18)	152.23 (09.05.18)	184.93 (20.12.18)	247	5.13 (12.09.18)	100	3.42 (24.01.19)
<b>2018-19</b>	212.62 (11.02.19)	215.23 (03.09.19)	212.62 (17.07.19)	215.23 (22.11.19)	114	5.13 (04.09.19)	65	2.09 (22.01.20)
<b>Total</b>						<b>14.11</b>		<b>8.47</b>

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

**Table 5.7: Status of release of performance grants during 2016-17 to 2018-19 for ULBs (Rupees in Crores)**

Year	Amount released by GoI	The amount released by GoP	Delay (in days) in release of grant by GoP	Amount of interest released on account of delay.
2016-17	93.89 (31.03.17)	93.89 (19.09.17 & 12.10.17)	156	2.87 (31.07.18)
2017-18	106.26 (23.08.19)	106.26 (27.09.19)	19	0.32 (23.12.19)
2018-19	Not released	-	-	-
<b>Total</b>				<b>3.19</b>

Source: Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the period April 2016 to March 2019

### 5.5.3 Prevailing Mechanism of Auditing PRIs

The 13<sup>th</sup> Finance Commission (TFC) advised the State Government to establish an audit system for all types of Urban Local Bodies (ULBs). Following this recommendation, the State Government delegated the test audit responsibilities of ULBs to the Comptroller and Auditor General of India (CAG) in August 2011 and August 2016, as per Section 20(1) of the CAG Act, 1971. The CAG was tasked with providing Technical Guidance and Support (TGS) to the Examiner, Local Fund Accounts, and Punjab (ELFA) for auditing ULBs. This arrangement was further endorsed by the 14th Finance Commission (FFC). As of March 2019, the state had 10 Municipal Corporations, 101 Municipal Councils, and 56 Nagar Panchayats.

#### Analysis of Local Bodies for Improved Financial Oversight

##### 1. State Finance Commission (SFC) Grants: Recommended vs. Released

The State Finance Commission (SFC) of Punjab recommended that 4% of net tax revenue be devolved to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Additionally, annual grants of ₹1 crore each were proposed for Panchayat Samitis and Zila Parishads. However, key findings indicate:

- Irregular Fund Transfers: No SFC transfers were recorded between 2014-19, except for ₹7 crore in 2016-17.
- Delayed Disbursement: Even when grants were allocated, disbursement delays (ranging from 31 to 664 days) resulted in the state incurring ₹65.75 crore in interest liabilities, of which ₹12.90 crore remained unpaid as of 2021.
- Challenges in Accessing Performance Grants: Due to the lack of high-quality data collection, PRIs in Punjab struggled to meet the eligibility criteria for performance-based grants, leading to significant underutilization.

##### 2. Central Grants: Allocation vs. Release to States & Local Bodies

The Finance Commission (FC) grants have evolved, increasing from 1-1.5% of the divisible pool under earlier FCs to 4.5% under the 14th FC (FoFC), with funds allocated directly to Gram Panchayats (GPs). However, the effectiveness of these grants has been hindered by:

- **Low Utilization Rates:** During the 14th FC period, Punjab utilized less than 50% of its Basic and Performance Grants, mainly due to complex eligibility conditions and bureaucratic hurdles.
- **Performance Grant Restrictions:** Grants required audited accounts and proof of increased Own Source Revenue (OSR). Many PRIs failed to meet these conditions, resulting in only partial disbursements.
- **Delayed Fund Transfers:** Between 2015-19, Punjab received ₹2,577.45 crore in Basic Grants with delays ranging from 8 to 35 months due to late submission of utilization certificates. Performance Grants were completely halted after 2016-17.

### 3. Flow of Grants from Centre to States to Local Bodies

- Urban Local Bodies (ULBs) received grants from the Central Finance Commission (CFC) and State Finance Commission (SFC). However, analysis shows:
  - No SFC transfers were recorded between 2014-19, except ₹7 crore in 2016-17.
  - Grants from the Centre were delayed by 3 to 156 days, incurring ₹25.77 crore in interest payments.
  - Performance Grants for ULBs were delayed or not released, impacting service delivery.

### 4. Underutilization of Central & State-Sponsored Schemes

Table 5.2 highlights severe underutilization of funds, with utilization rates ranging from 3% to 100% across schemes. Some key observations:

- MGNREGS utilization improved but remained low (3% to 13%) due to lack of awareness.
- PMAY-G faced fund release delays, affecting housing development.
- Performance Grant disbursements halted post-2016-17, impacting financial sustainability.

## CHAPTER 6

### FISCAL POSITION OF STATE PUBLIC ENTERPRISES IN PUNJAB

#### 6.1 Introduction

The State Public Sector Enterprises (SPSEs) or Public Sector Undertakings (PSUs) are created to undertake commercial activities while considering the welfare of the public, as outlined in the "Companies (Removal of Difficulties) Seventh Order, 2014" issued by the Ministry of Corporate Affairs through a gazette notification on September 4, 2014.

As of March 31, 2022, the state of Punjab had a total of 49 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the Comptroller and Auditor General (CAG). These SPSEs include four Statutory Corporations, 42 Government Companies—of which 16 are inactive and four are under liquidation—and three Government Controlled Other Companies (GCOCs). The inactive SPSEs have accumulated significant financial resources, with a total investment of ₹57.23 crore, comprising ₹23.24 crore in capital (including ₹17.05 crore from the State Government and ₹6.19 crore from other sources) and long-term loans amounting to ₹33.99 crore (with ₹14.71 crore from the State Government and ₹19.28 crore from others). The lack of economic contribution from these inactive entities is a concern for the state's economic growth. During the fiscal year ending in March 2022, 12 SPSEs generated a collective profit of ₹1,710.77 crore, predominantly driven by three entities that accounted for 93.28% of the total profit. Conversely, 17 SPSEs reported a combined loss of ₹440.87 crore, with three SPSEs in the Agriculture and Allied sectors contributing ₹396.30 crore of this deficit.

#### 6.2 Support to SPSEs

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

Table 6.1 shows the details of budgetary outgo towards State PSUs.

**Table 6.1: Details of Investment by the State Government to SPSEs, from 2010-11 to 2021-22(Rupees in Crore)**

<b>Financial Year</b>	<b>Equity infused by the State Government during the year</b>	<b>Interest free loans given by the State Government during the year</b>	<b>Grants/ subsidies given by State Government for operational and management expenses</b>	<b>Total investment during the year</b>
Upto 2010-11	6687.35	-	-	6,687.35
2011-12	196.93	-	108.48	305.41
2012-13	15.91	30.00	190.29	236.20
2013-14	22.35	-	242.25	264.60
2014-15	72.07	-	337.75	409.82
2015-16	32.24	-	324.21	356.45
2016-17	10.83	-	504.28	515.11
2017-18	-	-	168.62	168.62
2018-19	-97.97	-	205.76	107.79
2019-20	15629.35	-	160.28	15,789.63
2020-21	-44.58	-	145.59	101.01
2021-22	-	-	439.14	439.14
<b>Total</b>		<b>30.00</b>	<b>2,826.65</b>	<b>25,381.13</b>

Source: State Finances Audit Report of the CAG for the year ended 31st March 2022

Punjab's investment in SPSEs has grown significantly. Over the decade ending March 2022, the State's total investment in these enterprises ballooned to ₹40,101.58 crore, a sharp increase from ₹7,477.14 crore in 2010-11. This rise reflects additional investments made through various channels: equity infusion (₹15,837.13 crore), interest-free loans (₹30 crore), and grants/subsidies for operational costs (₹2,826.65 crore) provided between 2011 and 2022.

However, the return on investment hasn't met expectations. Even after considering the present value of all funds infused by the government (amounting to ₹42,928.74 crore by March 2022), the total earnings from SPSEs throughout this period consistently fell short of the minimum return needed to recover the cost of these investments.

Under the Punjab Fiscal Responsibility and Budget Management Act, 2003, the State Government gives a 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 guaranteed fee at the rate of 0.5 to 2% is charged from the SPSEs.

### 6.3 Performance of SPSEs

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's 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 ₹57,795.90 crores.

**Table 6.2: Details of turnover of SPSEs vis-à-vis GSDP of Punjab (Rupees in Crore)**

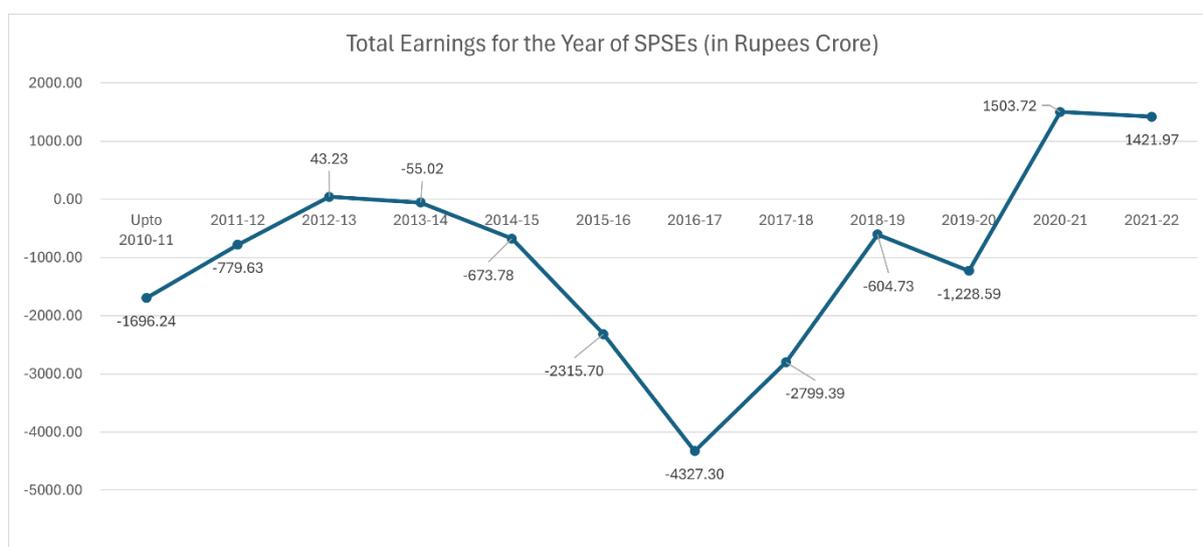
Particulars	2019-20	2020-21	2021-22	2022-23
Turnover				
Power Sector SPSEs	33262.6	33113.25	35478.8	39092
Agriculture and Allied sector SPSEs	38884.93	36595.6	35144.11	33276.04
Other SPSEs	1142.59	1315.79	1333.23	1174.15
Total	73290.12	71024.64	71956.14	73542
GSDP of Punjab	539687	540853	614227	673107
Percentage of Turnover to GSDP of Punjab				
Power Sector SPSEs	6.16	6.25	6.07	5.81
Agriculture and Allied sector SPSEs	7.21	6.91	6.02	4.94
Other SPSEs	0.21	0.25	0.23	0.17
Total	13.58	13.41	12.32	10.92

Source: State Finances Audit Report of the CAG for the year ended 31st March 2022

Despite a significant rise in government investment in Punjab's SPSEs from ₹7,477 crore in 2010-11 to ₹40,101 crore in 2021-22, their contribution to the state's GSDP declined from

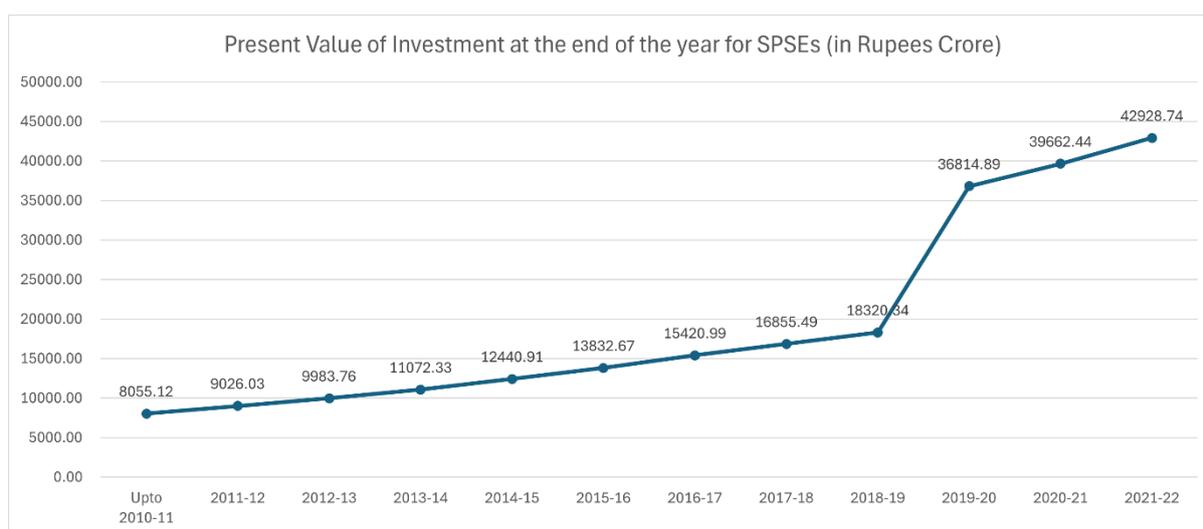
13.41% to 12.32%. While Power and Agriculture & Allied sectors are the major contributors (6.07% and 6.02% respectively), other sectors with minimal GSDP impact employ a large workforce (66,575) and have received substantial government support (₹648 crore investment + ₹1,288 crore in grants/subsidies). This highlights a potential inefficiency in resource allocation and the need to explore restructuring options for some SPSEs.

**Graph 6.1- Total Earnings for the Year of SPSEs (in Rupees Crores)**



Source: State Finances Audit Report of the CAG for the year ended 31st March 2022

**Graph 6.2- Present Value of Investment at the end of the year of SPSEs (in Rupees Crores)**



Source: State Finances Audit Report of the CAG for the year ended 31st March 2022

While earnings in any given year have been fluctuating for SPSEs, the present value of the investments by the government of Punjab has increased each year.

#### 6.4 Losses Incurred by SPSEs

Table 6.3 shows that the Agriculture and Allied sector of Punjab's SPSEs witnessed significant financial difficulties in 2021-22. Three specific corporations – Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, and Punjab Agro Foodgrains Corporation Limited – were responsible for ₹396.30 crore, or nearly **90%**, of the total losses incurred by all SPSEs that year (₹440.87 crore).

As of March 31, 2023, 18 State Public Sector Enterprises (SPSEs) in Punjab had an accumulated loss totaling ₹18,337.17 crore. In 2022-23, out of total net loss of ₹ 5,129.73 crore incurred by 18 SPSEs, loss of ₹ 5,049.88 crore was attributed to three SPSEs (Punjab State Power Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab Agro Foodgrains Corporation Limited). According to the finalized accounts up to September, 2024, mentioned in Appendix 5.4 of the latest CAG report on state finances of Punjab, the loss making SPSE's in power sector were Punjab State Power Corporation Limited (PSPCL), which had a net loss of (-)4,775.93 crores in 2022-23 and had long term loans of 12,851 crores. Other loss making power sector SPSE's were Punjab Thermal Generation Limited (net loss in 2022-23 was (-)0.005 crores) and Gidderbaha Power Limited (net loss in 2022-23 was (-)0.01 crores). In the agriculture and allied sector, the loss making SPSE's included Punjab Water Management & Development Corporation Limited, Punjab State Grains Procurement Limited, Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab Agro Juices Limited. In the category of other SPSEs, the loss making SPSEs included Gulmohar Tourist Complex Limited, Punjab State Industrial Development Corporation Limited, Punjab Communication Limited, Jalandhar Smart City Limited and Ludhiana Smart City Limited.

**Table 6.3: Number of SPSEs that incurred losses from 2019-20 to 2021-23 (Rupees in Crore)**

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth
2019-20	Power Sector SPSEs	2	(-)1,191.77	(-) 7,811.36	14,526.33
	Agriculture and Allied SPSEs	5	(-) 460.39	(-) 6,777.91	(-)6,418.13
	Other SPSEs	8	(-) 27.97	(-) 1,116.94	(-) 546.49
	<b>Total</b>	<b>15</b>	<b>(-) 1,680.13</b>	<b>(-) 15,706.21</b>	<b>7,561.71</b>
2020-21	Power Sector SPSEs	2	-	(-) 0.10	-
	Agriculture and Allied SPSEs	6	(-)423.56	(-) 6,907.27	(-) 6,541.87

	Other SPSEs	8	(-) 22.79	(-) 714.65	(-) 194.39
	<b>Total</b>	<b>16</b>	<b>(-) 446.35</b>	<b>(-) 7,622.02</b>	<b>(-) 6,736.26</b>
2021-22	Power Sector SPSEs	2	-	(-) 0.11	(-) 0.01
	Agriculture and Allied SPSEs	7	(-) 420.71	(-) 7,060.18	(-) 6,689.78
	Other SPSEs	8	(-) 20.16	(-) 731.80	(-) 199.76
	<b>Total</b>	<b>17</b>	<b>(-) 440.87</b>	<b>(-) 7,792.09</b>	<b>(-) 6,889.55</b>
2021-22	Power Sector SPSEs	3	(-)4,775.95	(-) 10,420.10	11,309.81
	Agriculture and Allied SPSEs	7	(-) 322.88	(-) 7,157.62	(-) 6,787.22
	Other SPSEs	8	(-) 30.90	(-) 779.45	(-) 227.38
	<b>Total</b>	<b>18</b>	<b>(-) 5,129.73</b>	<b>(-) 18,337.17</b>	<b>(-) 4,295.21</b>

Source: State Finances Audit Report of the CAG for the year ended March 2022 and 2023

### Measures taken by the State to Improve Performance of SPSEs

Punjab has taken several measures to improve the performance of State Public Enterprises (SPEs) and enhance their efficiency. These include restructuring and rationalizing non-performing or loss-making SPEs by merging, closing, or divesting unviable units to reduce financial inefficiencies. Efforts have been made to appoint qualified professionals in key management positions to strengthen governance and decision-making. Regular performance audits are conducted to evaluate operational efficiency, financial health, and statutory compliance, with recommendations for improvement. The state has also explored privatization and divestment to attract private investment and expertise for better operational outcomes. Additionally, the introduction of e-governance tools has improved transparency and efficiency by digitizing records and processes. Financial support to SPEs is now linked to performance benchmarks, ensuring accountability and measurable results. SPEs are encouraged to focus on core activities while outsourcing non-core functions for better resource utilization. Monitoring and evaluation frameworks have been established to ensure adherence to financial and operational objectives. These measures aim to revitalize SPEs, reduce fiscal burdens, and transform them into self-sustaining entities contributing to Punjab's economic growth.

## CHAPTER 7

### POWER SECTOR OF PUNJAB

#### 7.1 Introduction

Power sector undertakings play a crucial role in the state's economic development, providing the essential energy infrastructure needed for industrial operations, commercial activities, and residential needs. The sector also adds significantly to the Gross Domestic Product (GDP) of the state. The power sector of Punjab comprises of five active undertakings, namely Gidderbaha Power Limited (GPL), Punjab Genco Limited (PGL), Punjab State Power Corporation Limited (PSPCL), Punjab State Transmission Corporation Limited (PSTCL) and Punjab Thermal Generation Limited (PTGL).

Of these five undertakings, GPL and PTGL are yet to commence commercial activities. Out of five, three PSUs (GPL, PGL and PTGL) have been incorporated for carrying out the activity of power generation while (PSPCL) undertakes both generation as well as distribution activities and one PSU (PSTCL) undertakes transmission activity. Among all, PCPCL has the highest paid-up capital and Punjab State Power Corporation Limited (PSPCL) and is the primary electricity generating and distributing state-owned company of the Punjab state in India. The present chapter aims to highlight the performance of PSPCL.

#### 7.2 Punjab State Power Corporation Limited (PSPCL)

Punjab State Power Corporation Limited (PSPCL) was incorporated on April 16, 2010, under the Companies Act, 1956 and was entrusted the responsibility of engaging in the business of generation, trading and distribution of power in Punjab.

The company generates electricity through Hydel and Thermal models. The hydel model of electricity generation utilizes the potential energy of stored water in a reservoir, converting it into mechanical energy and subsequently into electrical energy. The thermal model of electricity generation relies on converting thermal energy from burning fossil fuels or other heat sources into mechanical energy, and then into electrical energy.

Distribution of electricity through PSPCL takes place through five zonal divisions: North, South, West, Central, and Border Zone.

### 7.3 Financial Performance of PSPCL

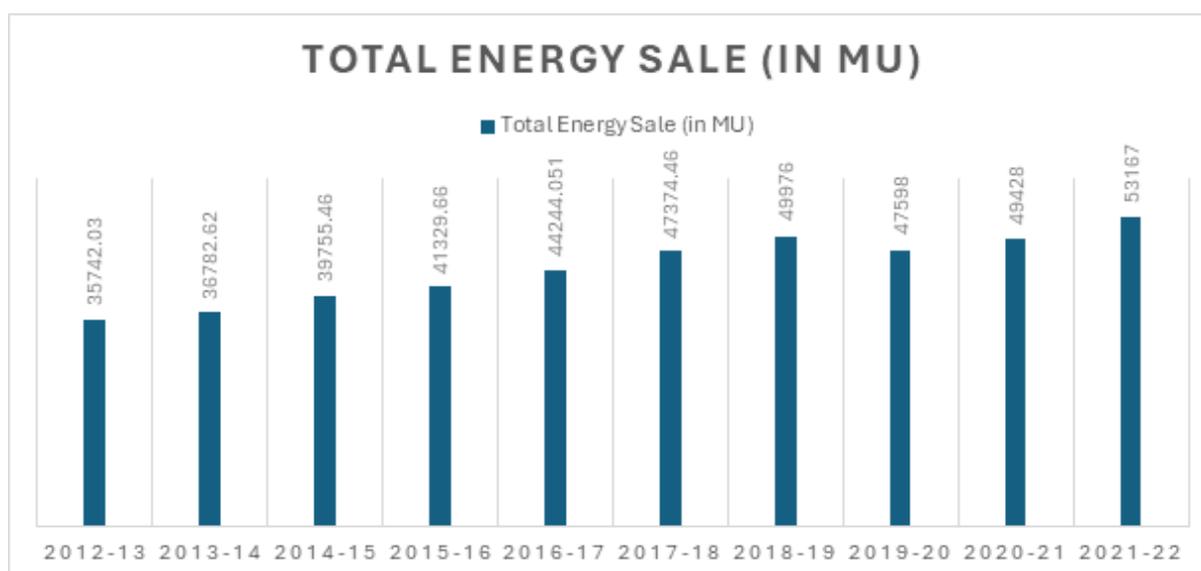
To assess the financial performance of PSPCL, two vital parameters have been analysed as per the latest available data, namely sale of energy to various sectors of the economy and revenue generated from sale of power, depicted in Table 7.1 and 7.2.

Energy sale elucidated in Table 7.1 indicates that from 2020-21 to 2021-22, there has been a growth of 7.56% in the sale of energy. Primarily, the growth has been on account of the increase in sale of industrial energy, which rose from 16,173 MUs in 2020-21 to 20,285 MUs in 2021-22, a notable growth of 25.42%. Overall, the trend of total energy sale, as depicted in Graph 7.1 suggests that the sale of energy has been increasing steadily on a year-on-year basis from 2012-13 to 2021-22. During the 10-year period, total energy sale has registered growth of 17,425 MUs (28.75%), indicating a healthy and growing economy.

**Table 7.1: Energy Sale (MUs)**

	1	2	3	4	5	
<b>Year</b>	<b>General</b>	<b>Industrial</b>	<b>Agricultural</b>	<b>Others</b>	<b>Theft Detected &amp; Under Assessed</b>	<b>Total (1+2+3+4+5)</b>
2012-13	11997.26	12119.42	10779.03	846.32	--	35742.03
2013-14	13313.45	12348.05	10223.57	897.55	--	36782.62
2014-15	14313.81	13844.63	10641.4	955.62	--	39755.46
2015-16	15249.1	12997.34	11513.88	1007.59	561.75	41329.66
2016-17	16735.8	13958.25	12008.98	1068.89	472.131	44244.051
2017-18	17498.27	16032	12253.78	1142.89	447.52	47374.46
2018-19	17839	16965	11187	2268	162	49976
2019-20	17525	17603	11538	1240	-308	47598
2020-21	18488	16173	13051	1221	495	49428
2021-22	18404	20285	12533	1219	726	53167

Source: PSPCL Statistics accessed at <https://www.pspcl.in/Statistics> on 30.05.2024

**Graph 7.1: Trend of Total Energy Sale (in MUs)**

Source: Collated from Table 7.1

The financial performance of PSPCL in terms of revenue from sale of power has been presented in Table 7.2. In 2021-22, PSPCLs revenue from sale of power was 33,998.46 crores, a notable jump from 31,768.24 crores in 2020-21. As noted in Graph 7.1, the trend of total revenue from sale of power has witnessed a continuous growth trajectory from 2012-13, as indicated by the trend line, when the total revenue was 9,664.75 crores. In terms of the composition of total revenue in 2021-22, the others category has contributed the most, 35.98% to total revenue, followed closely by the industrial sector, constituted 35.11% to the total revenue. The general sector sale constituted 28.91% to the total revenue, while the agricultural sector contributed almost nil to the revenue of PSPCL.

**Table 7.2: Revenue from Sale of Power (In Crores)**

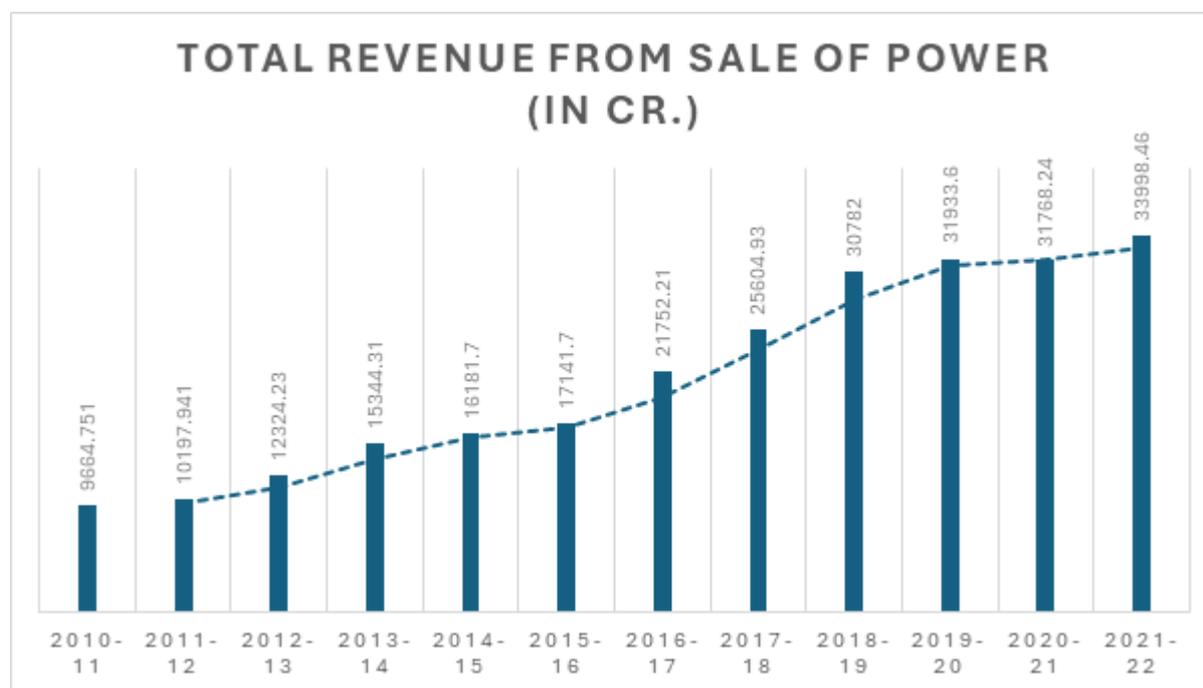
Year	General	Industrial	Agricultural	Others	Total
2012-13	5250.58	6452.56	3.08	618.01	12324.23
2013-14	6560.78	8010.6	-0.79	773.72	15344.31
2014-15	6983.28	8471.58	0.03	726.81	16181.7
2015-16	7745.07	8327.97	0.02	1068.64	17141.7
2016-17	8171.61	8677.34	3985.55	917.71	21752.21
2017-18	9174.08	9931.34	5401.57	1233.14	25604.93
2018-19	10490	11791	5753	2748	30782
2019-20	11903	10201.5	0.11	11693.5	31933.6

2020-21	10038.4	10605.14	0.41	10862.6	31768.24
2021-22	9827.43	11935.54	0.2	12235.72	33998.46

Source: PSPCL Statistics accessed at <https://www.pspcl.in/Statistics> on 30.05.2024

-NA indicates data not available

**Graph 7.2: Trend of Total Revenue from Sale of Power (in crore Rs.)**



Source: Collated from Table 7.2

#### 7.4 T&D Losses of PSPCL

Transmission and distribution losses (T&D losses) include losses in transmission between sources of supply and points of distribution, and in the distribution to consumers, including pilferage. Such losses are detrimental to the financial interests of DISCOMs as such amounts are not paid for by users.

The T&D losses of PSPCL are depicted in Table 7.3. It is noted that Punjab's T&D losses in 2021-22 were 14.46%, slightly lower than 14.98% in 2020-21. In terms of the overall trend, the T&D losses have declined marginally over the 10-year period, from 16.78% in 2012-13 to 14.46% in 2021-22, denoting a decline of 2.32%. In terms of the energy loss (in MUs), there is a substantial increase in energy loss from 2018-19, when it was 7791.34 MUs to 2019-20 wherein it increased to 8845 MUs. The energy loss has also not declined after 2019-20.

**Table 7.3: PCPCL's Energy Loss and T&D Loss**

Description	Energy Loss (MUs)	% age of T&D Losses
2012-13	7306.7	16.78
2013-14	7619.96	16.95

2014-15	7237.43	15.19
2015-16	7084.15	14.63
2016-17	7960.84	15.25
2017-18	7508.44	13.68
2018-19	7791.34	14.11
2019-20	8845	15.67
2020-21	8709	14.98
2021-22	8987	14.46

Source: PSPCL Statistics accessed at <https://www.pspcl.in/Statistics> on 30.05.2024

To minimise the T&D losses, the identification of the loss-making feeders was undertaken by PSPCL, which are presented in Table 7.4. During the FY 2022-23, a total of 2766 loss making feeders were identified by PSPCL, of which 46.6% lie in 15-25% loss category and 38.7% lie in 25-50% loss category. In terms of the geographical distribution of such loss-making feeders, 38.86% of these lies in the Western zone. The PSPCL identified Tarn Taran, Faridkot and Bathinda areas as DS divisions having very high percentage of losses. During the FY 2022-23 (up to September), 58486 cases of power theft were detected by PSPCL and penalties to the tune of INR 10634.35 Lacs were imposed.

**Table 7.4: Percentage Loss of Number of Feeders in Punjab (2022-23)**

S.No.	Zone	15-25%	25-50%	50-60%	60-70%	70-80%	80-90%	More than 90	Total
1	Border	231	167	58	47	24	22	12	<b>561</b>
2	Central	102	12	0	0	0	0	0	<b>114</b>
3	North	419	20	0	0	0	0	0	<b>439</b>
4	South	288	250	19	20	0	0	0	<b>577</b>
5	West	249	621	135	38	10	22	0	<b>1075</b>
	<b>Total</b>	<b>1289</b>	<b>1070</b>	<b>212</b>	<b>105</b>	<b>34</b>	<b>44</b>	<b>12</b>	<b>2766</b>

Source: PSERC Directives for FY 2023-24, accessed at <https://pserc.gov.in/pages/6-PSPCL-Chapter-6-Directives-2023-24.pdf> on 5.06.2024

From the analysis of T&D losses above, it can be asserted that some of the reasons for Punjab's T&D losses include power theft. One of the latest published news article suggests that PSPCL is losing an annual revenue of 1,850 crores due to power theft<sup>3</sup>. In addition, high-loss feeders as identified in Table 7.4 were also contributing to T&D losses. The Punjab State Electricity

<sup>3</sup> [https://www.hindustantimes.com/cities/chandigarh-news/punjab-shocker-state-losing-1-850-cr-annually-to-power-theft-101718563653239.html?utm\\_source=chatgpt.com](https://www.hindustantimes.com/cities/chandigarh-news/punjab-shocker-state-losing-1-850-cr-annually-to-power-theft-101718563653239.html?utm_source=chatgpt.com)

Regulatory Commission (PSERC) also noted that PSPCL was yet to achieve 100% metered electricity supply to all consumers.

### 7.5 Per Unit Cost and Per Unit Revenue

The per unit cost and per unit revenue of PSPCL from 2012-13 to 2021-22 is described in Table 7.5. It is noted that PSPCL's per unit cost has been lower than its per unit revenue up until 2020-21. In 2021-22 the per unit cost was 614 paise, while the per unit revenue was 635.22 paise. In terms of the trend, both the per unit cost and per unit revenue have been increasing steadily over time. From 2012-13 to 2021-22, there has been an increase of 78 paise in per unit cost (a growth of 14.55%), while the increase in per unit revenue has been 291.22 paise (a growth of 85.33%). This indicates that while the per unit cost has been rising, the per unit revenue has been increasing more rapidly.

**Table 7.5: PCPCL's Per Unit Cost and Per Unit Revenue**

Description	Per Unit Cost up to Consumers' Premises (Paise)	Revenue per unit sold (Paise)
2012-13	536	341.27
2013-14	574	408.89
2014-15	585.75	401
2015-16	622.49	427.84
2016-17	633	411.16
2017-18	612	606.65
2018-19	642	615.93
2019-20	683	661.21
2020-21	607	637.93
2021-22	614	635.22

Source: PSPCL Statistics accessed at <https://www.pspcl.in/Statistics> on 30.05.2024

### 7.6 AT&C Losses and Collection Efficiency

#### 7.6.1 AT&C Losses

Aggregate Technical & Commercial (AT&C) loss is one of the key indicators of DISCOMs performance. AT&C loss measures the actual performance of a power distribution system and includes both technical losses and commercial losses. It shows the gap of input energy into the system and the units for which the payment is collected. AT&C losses impact the financial health of the distribution companies with consequential effects like poor quality of power.

The status of Punjab's AT&C losses from the FY 2016-17 to 2022-23 is mentioned in Table 7.6. It is noted that in FY 2022-23, the AT&C losses of PSPCL stood at 11.26%, which is an

improvement of 3.17%, when compared with 14.43% AT&C loss reported in the previous financial year. The juxtaposition with national level AT&C loss indicates that PSPCL has been performing well in each year when compared with the national level AT&C losses.

**Table 7.6: PSPCL's AT&C Loss Status**

Year	National Level AT&C Losses (%)	Punjab PSPCL AT&C Losses (%)
2016-17	23.72	14.46
2017-18	21.53	17.31
2018-19	21.64	11.28
2019-20	20.73	14.35
2020-21	22.32	18.03
2021-22	17*	14.43**
2022-23		11.26***

**Source:** Accessed at <https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=1906745> on 3.06.2024

\*refers to Provisional Graphs

\*\* Mandatory Energy Audit (2021-22) of PSPCL accessed at <https://pspcl.in/pdfs/twenty-twentytwo/06/FinalmandatoryauditreportofPSPCL202122.pdf> on 3.06.2024

\*\*\* Mandatory Energy Audit (2022-23) of PSPCL accessed at <https://pspcl.in/pdfs/twenty-twentytwo/06/AnnualEnergyAccountReport%20forFY202223.pdf> on 3.06.2024

### 7.6.2 Collection Efficiency

Collection efficiency is calculated by dividing the actual revenue collected by the total amount billed to customers and is typically expressed as a percentage. High collection efficiency indicates that the utility is successful in recovering most of the billed amounts.

In terms of the Collection Efficiency, PSPCL has achieved 100% collection efficiency as per the Mandatory Energy Audit (2022-23) of PSPCL. This is a notable improvement of 3.15% from FY 2021-22, wherein the PSPCL reported collection efficiency of 96.85% as per Mandatory Energy Audit (2021-22) of PSPCL.

### 7.7 Financial Turnaround of Punjab DISCOM

Punjab joined the UDAY (Ujwal DISCOM Assurance Yojana) for operational and financial turnaround of the DISCOMs in March 2016. The UDAY guidelines/MoU stipulated financial and operational efficiency parameters to be monitored for time-bound improvement. The targeted activities under financial parameters along with the targeted benefits included:

1. Taking over 75 per cent of Company's outstanding debts as on 30 September 2015 by Government of Punjab (GoP).

2. Conversion of 25 per cent of the Company's debts into loan/Bonds (by the Company) at rates of interest not more than banks base rate plus 0.1 per cent.
3. Taking over of future losses of the Company (2017-18 to 2020-21) in a graded manner.
4. Quarterly tariff revision to offset fuel price increase.

### 7.7.1 Improvement in Operational Parameters Post UDAY

As per the latest improvement barometers on UDAY Punjab available, post UDAY, there has been a 100% improvement achieved in parameters of feeder metering, feeder segregation, rural feeder audit and electricity access to unconnected households. In DT metering (urban), 63% progress has been made and in DT metering (rural), only 1% progress has been made up to March, 2021<sup>1</sup>. These statistics indicate that significant improvement has been made in several operational parameters post UDAY.

**Table 7.7: Improvement in Operational Parameters Post UDAY**

Parameter	Total Nos	Progress	Progress in %
Feeder Metering (Urban)	3386	3508	100
Feeder Metering (Rural)	7414	7726	100
DT Metering (Urban)	73139	46093	63
DT Metering (Rural)	118997	969	1
Electricity access to unconnected households	66.82 Lakhs	68.64 Lakhs	100
Feeder Segregation	5962	5934	100
Rural Feeder Audit	7414	8018	100
Distribution of LEDs under UJALA	0	13.44 Lakhs	100

Source: UDAY Statistics accessed at <https://www.invetechcloud.com/health-card-discom.php?id=19>

### 7.7.2 Improvement in Financial Parameters Post UDAY

The issuance of bonds was aimed towards financial support for reducing interest burden of PSPCL. As per the latest statistic available on UDAY website, bonds to the tune of 77.13% have been issued, which amount to INR-15,629 crores.

One of the primary purposes of UDAY scheme was to progressively eliminate the gap between average cost of supply and average revenue realised of the DISCOMs. This was sought to be achieved by rationalising costs and ensuring adequate periodical tariff hikes. As per the MoU, the gap between Average Cost of Supply (ACS) and Average Revenue Realised (ARR) had to be eliminated by the year 2018-19. As per the latest statistic available on UDAY database, the

ACS-ARR gap at present is INR 0.13 per unit. This is a significant reduction from 2015-16, when this gap was 0.68 per unit.

The reduction of AT&C losses was also one of the key parameters of UDAY. The available data indicates that from 2015-16 up to 2018-19, PSPCL has been achieving the target AT&C losses, as its AT&C losses were in fact lower than the prescribed targets<sup>2</sup>. As per the PSPCL's latest AT&C losses data of 2022-23, discussed in Section 7.6.1 of this chapter, the AT&C losses stand at 11.26%.

**Table 7.8: Improvement in Financial Parameters Post UDAY**

Parameter	Progress
Bonds Issued (in crore INR)	15,629
ACS-ARR gap	0.13/Unit

Source: UDAY Statistics accessed at <https://www.invetechcloud.com/health-card-discom.php?id=19>

### 7.8 Impact of Power Subsidy on Fiscal Health of the State

Power subsidy refers to financial assistance provided by the government to reduce the cost of electricity for consumers or specific sectors. Power subsidies can significantly impact the fiscal health of a state. They can widen the fiscal deficit if the costs of subsidies exceed the revenues generated. High subsidy bills may also limit the state's fiscal space, limiting its ability to respond to economic shocks and invest in new sectors and projects.

As noted in Table 7.9, the total amount of subsidies of Punjab in 2021-22, amounted to INR 14,516 crores, and the total amount power subsidy of the state was INR 13,443 crores. Power subsidy comprised of 92.61% of total subsidy of the state. The trend since 2017-18 suggests that power subsidy has been the most significant category of subsidy provided by the state.

**Table 7.9: Amount of Power Subsidy and Power Subsidy as a Percentage of Total Subsidy**

S.No.	Indicator	2017-18	2018-19	2019-20	2020-21	2021-22
1	Subsidies (₹ in crore)	6,982	13,361	10,161	9,748	14,516
2	Power Subsidy (₹ in crore)	6,578	9,036	9,394	9,657	13,443
3	Power Subsidy as percentage of total subsidy	94.21	67.63	92.45	99.07	92.61

Source: CAG State Finances Audit Report for the year ended 31<sup>st</sup> March 2022 (Published in March 2023)

Table 7.10 indicates power subsidy as a percentage of revenue expenditure and revenue deficit. It is noted that in 2021-22, power subsidy was 14.23% of revenue deficit, an increase of 3.05% from 2020-21, wherein it was 11.18% of revenue deficit. In terms of revenue deficit, the data

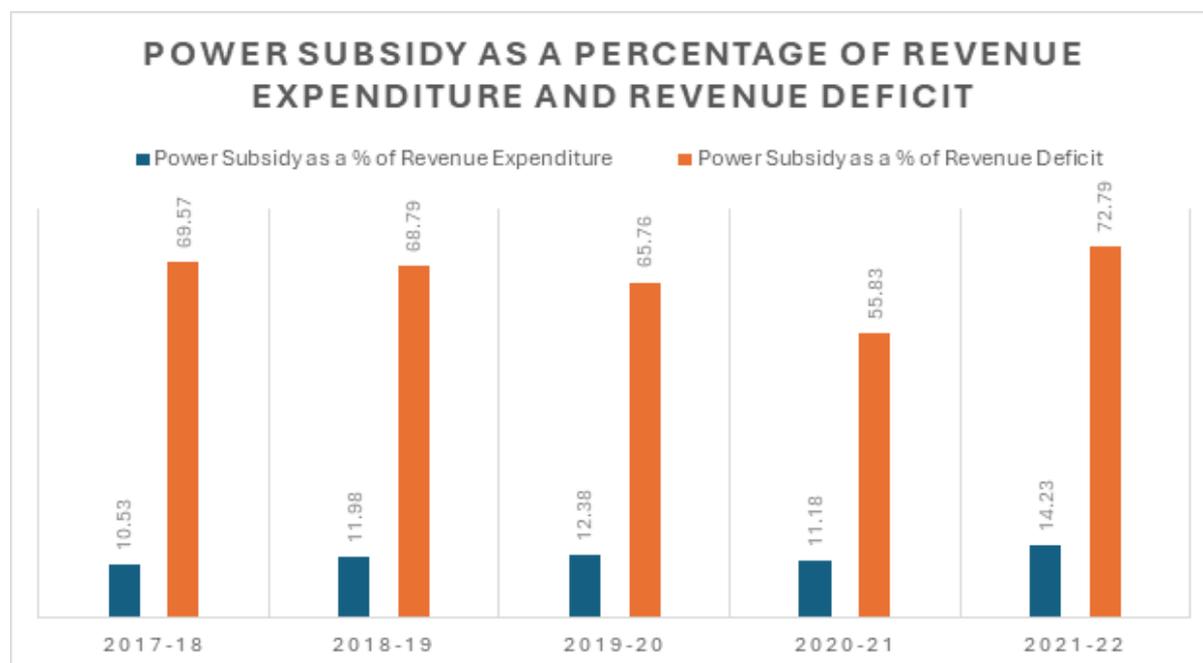
indicates that in 2021-22, power subsidy comprised of 72.79% of the total revenue deficit which is an increase of 16.96% from the previous financial year. Overall, since 2017-18, power subsidy as a percentage of revenue deficit has ranged between 55.83% to 72.79%. The trend indicated through 7.3 elucidates that power subsidy as a percentage of revenue expenditure has been in the range of 10.53% to 14.23%, and there is a growth trend noted. Power subsidy as a percent of revenue deficit has also consistently remained high, peaking in 2021-22.

**Table 7.10: Power Subsidy as a Percentage of Revenue Expenditure and Revenue Deficit**

<b>Year</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Power Subsidy</b>	6,578	9,036	9,394	9,657	13,443
<b>Total Revenue Expenditure</b>	62465	75404	75860	86345	94437
<b>Total Revenue Deficit</b>	(-)9,455	(-)13,135	(-)14,285	(-)17,296	(-)18,468
<b>Power Subsidy as a % of Revenue Expenditure</b>	10.53	11.98	12.38	11.18	14.23
<b>Power Subsidy as a % of Revenue Deficit</b>	69.57	68.79	65.76	55.83	72.79

Source: Collated from CAG State Finances Audit Report for the year ended 31<sup>st</sup> March 2022 (Published in March 2023)

**Graph 7.3: Trend of Power Subsidy as a Percentage of Revenue Expenditure and Revenue Deficit**



Source: Collated from Table 7.10

## Conclusion

### *Reforms and Fiscal Implications*

The power sector in Punjab has undergone significant reforms aimed at improving operational efficiency and financial sustainability, with key interventions through initiatives like the UDAY scheme. These reforms have led to notable improvements in operational parameters such as feeder metering, feeder segregation, and electricity access to unconnected households. Financially, the UDAY scheme facilitated the issuance of bonds, reducing the interest burden, and helped narrow the gap between the Average Cost of Supply (ACS) and Average Revenue Realized (ARR) to ₹0.13 per unit. Additionally, measures to address Aggregate Technical and Commercial (AT&C) losses have resulted in steady reductions, with the latest figures for PSPCL standing at 11.26%, lower than the national average. Despite these gains, high power subsidies remain a concern, comprising 14.23% of revenue expenditure and 72.79% of the revenue deficit in 2021-22. While subsidies support affordability, they pose significant fiscal stress, limiting Punjab's ability to allocate resources to other developmental needs.

### ***Analysis of Financial Health of PSPCL***

The financial health of Punjab State Power Corporation Limited (PSPCL) reflects both progress and challenges. Revenue from the sale of power has shown a steady increase over the years, driven by industrial demand and improved collection efficiency, which reached 100% in 2022-23. However, high Transmission and Distribution (T&D) losses, though reduced over time, continue to impact financial stability. Furthermore, the per-unit cost of electricity has risen steadily, but the growth in per-unit revenue has been faster, reflecting improved cost recovery. The dependence on power subsidies, which constitute a significant portion of PSPCL's financial inflows, raises concerns about sustainability. To achieve long-term financial health, PSPCL must focus on further reducing operational inefficiencies, enhancing cost recovery, and gradually rationalizing subsidies while maintaining affordability for consumers.

## CHAPTER 8

### SOLAR POLICY OF PUNJAB AND PRESENT STATUS

#### 8.1 Introduction

Solar energy, as a clean and renewable resource, plays a critical role in achieving the United Nations Sustainable Development Goals (SDGs). Solar energy is directly related to achieving two pertinent SDGs by providing clean and renewable power, thus supporting SDG 7 (Affordable and Clean Energy) and promotes SDG 13 (Climate Action) by reducing greenhouse gas emissions. A shift to solar energy is often associated with positive externalities, thus helping to achieve additional SDGs. These include enhancing SDG 1 (No Poverty) by creating jobs and stimulating economic growth, contributing to SDG 4 (Quality Education) through knowledge sharing in renewable energy technologies and achievement of SDG 3 (Good Health and Well-being) by reducing air pollution and its associated health risks.

India's climate is characterized by abundant sunshine throughout the year. With approximately 300 sunny days annually, the country's climate is highly conducive to solar energy generation. India has been aligned to achieving SDGs through its renewable energy goals and climate commitments. In a bid to move towards cleaner energy options, the National Solar Mission (NSM) was launched in 2010 as part of India's National Action Plan on Climate Change which aimed to establish India as a global leader in solar energy. The mission targeted the installation of 100 GW of solar power capacity by 2022, focusing on both solar photovoltaic (PV) and concentrated solar power (CSP) technologies. Key objectives of the mission included promoting sustainable growth, addressing India's energy security, reducing the cost of solar power generation, and fostering domestic manufacturing of solar components. The mission also aimed to create an enabling policy framework for the deployment of solar technologies and to increase research and development to improve efficiency and cost-effectiveness.

Solar energy is of paramount importance for Punjab due to its potential to significantly reduce the state's reliance on conventional energy sources, enhance energy security, and mitigate environmental impacts. The state, known as the land of five rivers, has immense solar potential and experiences 230 to 300 sunny days a year. By harnessing solar power, Punjab can capitalize on its abundant sunshine, lower greenhouse gas emissions, and promote sustainable development. Additionally, the adoption of solar energy fosters economic growth through the creation of green jobs, attracts investments, and provides cost-effective energy solutions for

both urban and rural communities. Solar energy thus plays a crucial role in Punjab's pursuit of a cleaner, more sustainable, and economically resilient future.

## **8.2 Punjab New and Renewable Sources of Energy (NRSE) Policy – 2012**

The Punjab New and Renewable Sources of Energy (NRSE) Policy – 2012 refers to a comprehensive framework established to promote the adoption and development of renewable energy sources within the state. The policy is a significant step towards sustainable energy practices and aims to transition Punjab towards a greener and more energy-secure future.

### **8.2.1 Punjab Energy Development Agency Projects/ Schemes**

Punjab Energy Development Agency, established in 1991 under the Department of New and Renewable Energy, Govt. of Punjab is the State Nodal Agency for promotion and development of New and Renewable Energy Projects and Energy Conservation measures. It is also a designated Nodal Agency for the purposes of the REC Regulations and monitoring of Renewable Purchase Obligation (RPO) in the State. In addition, PEDA is the State Designated Agency for Energy Efficiency and Conservation under the Energy Conservation Act 2001 by the Bureau of Energy Efficiency, Ministry of Power.

Punjab facilitates the setting up of Renewable Energy (RE) Projects on Build Own Operate basis under the NRSE Policy-2012. Several incentives are provided under the policy to the interested developers to invest and setup Renewable Energy (RE) projects. The major incentives include:

- 100% Stamp Duty exemption on both, land purchase/lease.
- CLU & EDC charges exempted.
- 100% Electricity Duty Exemption on power consumed during construction of NRSE Projects.
- 100% Exemption on Pollution & Environment Clearance on Solar Projects.
- Wheeling of RE power at a uniform charge of 2% of the energy fed to the grid under Intra-State Open Access.
- Panchayats land can be provided on lease for setting-up of NRSE projects.

### **8.2.2 The Punjab State Energy Vision - 2040<sup>4</sup>**

The Punjab State Energy Vision - 2040 emphasizes the role of solar energy as a key component of its renewable energy strategy. Here are the primary points related to solar energy from the document:

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<sup>4</sup> [https://www.peda.gov.in/media/Punjab\\_state\\_Energy\\_Vision\\_DesignedDoc.pdf](https://www.peda.gov.in/media/Punjab_state_Energy_Vision_DesignedDoc.pdf)

1. **Solarization of Agricultural Feeders:**
  - Targeting 25% of agricultural feeders to be solarized by 2040.
2. **Promotion of Microgrids Based on Solar:**
  - Encouraging the development of solar-powered microgrids, especially for areas that are difficult to reach.
3. **Transition of Pumping Energy Sources:**
  - Replacing 80% of the energy requirement for pumping from diesel to solar by 2040, aiming for a complete phase-out of diesel pumps by then.
4. **Solar Water Heating:**
  - Targeting an additional 74.5 million litres per day through solar water heating in the building sector above current levels.
5. **Renewable Energy Share:**
  - Increasing the share of renewable power generation capacity, including solar, to 100% by 2040, contributing to the national goal of achieving 40% non-fossil-based generation capacity by 2030.
6. **Energy Reduction in Agriculture:**
  - Aiming for a 65% reduction in overall energy consumption in the agriculture sector compared to a business-as-usual scenario by 2040.

Overall, the Punjab State Energy Vision 2040 outlines a comprehensive approach to integrate solar energy into Punjab's energy infrastructure, highlighting its role in agricultural, residential, and commercial sectors to achieve sustainability and energy efficiency goals.

### **8.3 Status of Solar Power in Punjab**

Punjab has increasingly been adopting solar power, as evidenced by its policy inclinations. The present section reflects upon the status of solar power in the state of Punjab.

#### **8.3.1 Solar Power Capacity and Generation**

Table 8.1 provides an overview of India's solar energy capacity and generation as of mid-2023. It is noted that as of June 30, 2023, the total installed solar power capacity in Punjab reached 1,190.58 megawatts (MW). This Graph reflects the cumulative amount of solar power installations across the state up to June 30. In 2022-2023, solar power generation in Punjab amounted to 2,778.66 million units (MU). This measurement indicates the total quantity of

electricity produced by solar power plants during this period, with one unit being equivalent to one kilowatt-hour (kWh).

**Table 8.1: Recent Statistics on Solar Capacity and Generation in Punjab**

S.No.	Description	Energy Units
1	Cumulative Solar Capacity till 30-06-2023 (MW)	1190.58
2	Solar Power Generated in 2022-23 (MU)	2778.66

Source: Press Information Bureau, Govt. of India accessed at <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1947140>

### 8.3.2 Roof Top Solar Capacity installations

The Ministry of New and Renewable Energy (MNRE) launched Rooftop Solar Programme Phase-II on 08.03.2019 with an objective to achieve 40 GW of rooftop solar (RTS). The Programme envisaged installation of 4,000 MW of RTS capacity in the residential sector by providing Central Financial Assistance (CFA).

As noted in Table 8.2, Punjab has installed 30.73 megawatts (MW) of solar power under the subsidy scheme of the Phase-II Programme. In total, the state has a cumulative solar capacity of 308.58 MW, indicating that the majority of solar installations were achieved through various other means beyond the Phase-II subsidy scheme.

**Table 8.2: Cumulative installed capacity under the Grid connected Solar Rooftop Programme as on 30.11.2023**

State	Capacity installed under subsidy scheme of Phase-II Programme (MW)	Cumulative capacity installed in overall Sector (MW)
Punjab	30.73	308.58

Source: Press Information Bureau, Govt. of India accessed at <https://pib.gov.in/PressReleasePage.aspx?PRID=1989806>

### 8.3.3 Central Financial Assistance (CFA) for Implementation of Various Schemes Pertaining to Solar Power

As noted in Table 8.3, the central financial assistance to the state of Punjab for implementing various schemes pertaining to solar power from 2018-19 to 2022-23 has noted a fluctuating trend. In 2018-19, INR 39.54 crore were provided to the state, which decreased to INR 25.94

crore in 2019-20. A substantial rise occurred in 2021-22, when a CFA of INR 65.60 crore was provided, followed by a slight decrease to INR 55.93 crore in 2022-23. Overall, it can be noted that the highest allocation was made in 2021-22.

**Table 8.3: CFA to Punjab for Implementation of Various Solar Power Schemes  
(Rs. in crores)**

Description	2018-19	2019-20	2020-21	2021-22	2022-23
CFA to Punjab for Implementation of Various Schemes	39.54	25.94	31.85	65.60	55.93

Source: Press Information Bureau, Govt. of India accessed at <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1947140>

## CHAPTER 9

### SUBSIDIES GIVEN BY PUNJAB

State-level subsidies, beyond those provided by the central government, are financial aids aimed at supporting specific sectors like agriculture, education, and healthcare. These subsidies can help stimulate economic growth and support vulnerable populations but often come at a high fiscal cost, potentially straining state budgets. Effective targeting and regular evaluation are crucial to ensure that these subsidies reach the intended beneficiaries and achieve their desired outcomes efficiently. Punjab's total expenditure on subsidies across all the sectors grew significantly from ₹974,759.49 lakhs in 2020-21 to ₹2,060,730.93 lakhs in 2022-23. In certain cases, funds have been disbursed under the same head in a given year.

#### 9.1 Evaluation of Expenditure on Agriculture related Subsidies

In Punjab, the highest amount of subsidy is allocated towards Agriculture sector. Table 15.1 provides a detailed account of the expenditure on various agriculture-related subsidy schemes in the fiscal years 2020-21, 2021-22, and 2022-23. The total expenditure has seen a consistent increase over these years, indicating the state's growing commitment to supporting farmers through various schemes. There is also a growing emphasis on sustainable practices, as shown by the expenditure trends.

##### 9.1.1 Analysing the Cost of Agriculture related Subsidies

###### 1. Total Expenditure Growth:

The overall expenditure on agricultural subsidies has risen from ₹611,852.68 lakhs in 2020-21 to ₹758,261.68 lakhs in 2021-22, and further to ₹926,779.51 lakhs in 2022-23. This reflects a significant increase of approximately 23.9% from 2020-21 to 2021-22 and an increase of 22.3% from 2021-22 to 2022-23.

###### 2. Major Scheme:

The scheme having the most significant amount of expenditure is the Scheme for Power Subsidy to Farmers and Debt Relief to Farmers. The scheme of Power Subsidy to Farmers received a subsidy of ₹725,103+18,276 lakhs in 2022-23 (under separate head

of accounts). In 2021-22, an expenditure of ₹539,605+134,901 lakhs was made on this subsidy (under separate head of accounts) and in 2020-21, an expenditure of INR 4,84,420+1,21,200 lakhs was made (under separate head of accounts) on power subsidy to farmers.

In 2021-22, a significant expenditure of ₹18,100+40,900 lakhs (under separate head of accounts) was made on debt relief to farmers.

### 3. Emerging Schemes:

The scheme of Assistance on Community and Individual Level Projects of Underground Pipeline for judicious use of available irrigation is noted to have an expenditure of ₹1880+120 lakhs (under separate head of accounts) in 2022-23. No expenditure was made on this scheme in 2020-21 and 2021-22.

The scheme on Incentivising Direct Seeding of Rice (DSR) is also noted to be an emerging scheme. An expenditure of ₹2,671.39+508.84 lakhs (under separate head of accounts) was made on this scheme in 2022-23, whereas no expenditure was made on this scheme in 2020-21 and 2021-22.

The Solar-Electric Hybrid Community Lift - Micro Irrigation Projects witnessed a notable increase in expenditure from ₹450.84+16.42 lakhs in 2021-22 to ₹1,175.87+78.64 lakhs in 2022-23.

### 4. Consistency and Variability in Schemes:

Expenditure on micro-irrigation projects under various initiatives by the National Bank for Agriculture and Rural Development (NABARD) shows variability but generally supports sustainable irrigation practices as expenditure has been made in 2020-21, 2021-22, and 2022-23. Assistance on community and individual level projects of underground pipeline exhibits consistent funding with moderate year-to-year variations.

Schemes such as the Subsidy Scheme for Cane Price Payment to the Cane Farmers and Debt Relief to Farmers have noted sporadic funding, reflecting targeted interventions.

### 9.1.2 Targeting and Benefit of Agriculture related Subsidies

Agriculture-related subsidies are primarily targeted to provide financial support to the most vulnerable farmers, enhancing agricultural efficiency and productivity. These subsidies also promote the adoption of sustainable practices and aim to transition agriculture towards more innovative and sustainable methods. In the case of Punjab, it has been noted that certain subsidies are targeted at specific groups such as cane farmers, mushroom cultivators, and those adopting direct seeding of rice, ensuring that the benefits reach those in need. Certain schemes for micro-irrigation and underground pipelines that encourage the adoption of efficient water usage practices among farmers are also targeted. Targeted debt relief measures help the most financially vulnerable farmers, preventing distress and potential loss of livelihoods.

In terms of benefits of such subsidies, they provide the required support to farmers and agriculture by promoting sustainable practices, such as micro-irrigation and direct seeding of rice, leading to water conservation and reduced environmental impact. Additionally, debt relief schemes alleviate financial burdens of debt-ridden farmers, thus, allowing farmers to invest in productive activities.

However, in the case of Punjab, subsidies are creating a tremendous fiscal burden and are detrimental to the financial health of the state. It is suggested that a cost-benefit analysis of subsidies be undertaken to assess the benefit of such subsidies.

**Table 9.1: Expenditure on Agriculture related Subsidy (in Lakh Rupees)**

S.No.	Description of the Scheme	2020-21	2021-22	2022-23
1	Scheme for Power Subsidy to Farmers	4,84,420.02	539,605.00	725,103.00
2	Subsidy Scheme for Cane Price Payment to the Cane Farmers	..	17,500.00	12,382.00
3	Financial Assistance for Mushroom Cultivation in the State	41.83	20.00	45.64
4	Financial Assistance for Mushroom Cultivation in the State	8.00	6.80	23.22
5	Debt Relief to Farmers	..	18,100.00	..
6	Scheme for Power Subsidy to Farmers	1,21,200.00	134,901.00	181,276.00

7	Incentivising Direct Seeding of Rice (DSR)		..	508.84
8	Debt Relief to Farmers		40,900.00	..
9	Incentivising Direct Seeding of Rice (DSR)		..	2,671.39
10	National Mission on Micro Irrigation	350.00	121.20	426.94
11	Assistance on community and individual level projects of underground pipeline for judicious use of available irrigation		..	1,880.00
12	Assistance on community and individual level projects of underground pipeline for judicious use of available irrigation		..	120.00
13	National Mission on Micro Irrigation	125.00	91.05	196.83
14	Project for promotion of Micro Irrigation in the State (National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XIII)	1,274	604.36	292.89
15	Project for promotion of Micro Irrigation in the State (National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XX)	83.82	38.58	17.31
16	Project for Underground Pipeline System for irrigation water in canal commands in 11 Districts (National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XXII)	2,322.08	5,033.55	..
17	Project for Underground Pipeline System for Irrigation Water in Canal Commands in 11 Districts of Punjab (National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XXII)	148.76	321.29	..
18	Solar-Electric Hybrid Community Lift - Micro Irrigation Projects from Canal Outlets in Punjab (National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XXIV)	..	450.84	1,175.87
19	Solar-Electric Hybrid Community Lift - Micro Irrigation Projects from Canal Outlets in Punjab	..	16.42	78.64

	(National Bank for Agriculture and Rural Development - Rural Infrastructure Development Fund - XXIV)			
20	Integrated Development and Management of Fisheries	585.17	..	167.86
21	Integrated Development and Management of Fisheries		..	18.00
22	Pradhan Mantri Matasya Sampada Yojana (PMMSY)		551.32	395.08
23	Save Water Earn Money Scheme of Direct Benefit Transfer for Electricity to Agriculture Consumers	500	..	..
24	Scheme for Providing Assured Irrigation Water through Underground Pipes	745.58	..	..
	<b>Total</b>	<b>6,11,852.68</b>	<b>7,58,261.68</b>	<b>926,779.51</b>

Source: CAG Finance Accounts Volume II 2022-23 and 2021-22, Government of Punjab

## 9.2 Evaluation of Expenditure on Subsidies in Other Sectors

Punjab has regularly been allocating subsidies in sectors such as school education, welfare of SCs and BCs, forest/wildfire preservation, food civil supplies and consumer welfare, power, new and renewable energy, industry and commerce, science technology and environment. These sectors form the backbone of the state's socio-economic development. From 2020-21 to 2022-23, significant increases in subsidy expenditure were seen in sectors such as Power, Industries and Commerce, and School Education, reflecting targeted investments in infrastructure, industrial growth, and educational support.

### 9.2.1 Analysing the Cost of Other Subsidies

Table 15.2 outlines the expenditure on various subsidy schemes across multiple sectors from 2020-21 to 2022-23, the detailed descriptive analysis of these is provided below:

#### 1. School Education

The expenditure on Free Books to Students from class 9 to 12 increased significantly from ₹1,000 lakh in 2020-21 to ₹3,950.12 lakh in 2021-22 and remained constant in 2022-23. This shows a substantial investment in providing educational resources to students.

## **2. Welfare of SCs and BCs**

The expenditure on free books to schedule castes students from class 1 to 10 remained steady at ₹2,500 lakh across all three years, 2020-21, 2021-22, and 2022-23, indicating a consistent commitment to supporting the education of Scheduled Castes students.

## **3. Forest and Wildlife Preservation**

The expenditure on Implementation of Sub-Mission on Agro-Forestry decreased from ₹227.13 lakh in 2020-21 to ₹150.08 lakh in 2021-22, with no expenditure recorded in 2022-23.

Under the Green Punjab Mission, there was no expenditure recorded for the first two years, 2020-21 and 2021-22 but ₹335.04 lakh was spent in 2022-23, suggesting a new or revitalized initiative in that year.

## **4. Food Civil Supplies and Consumer Affairs**

For the Prime Minister Formalisation of Micro Food Processing Enterprises scheme, the expenditure increased from ₹1,379.10 lakh in 2021-22 to ₹2,370.15 lakh in 2022-23, indicating growing support for micro food processing enterprises.

## **5. Power**

Subsidy under Rural Electrification of Punjab State Power Corporation Limited saw a significant increase from ₹161,030 lakh in 2020-21 to ₹822,589 lakh in 2022-23, reflecting a major significance of rural electrification over the years.

## **6. New and Renewable Energy**

The pilot project of Solarisation in Bathinda noted an expenditure of ₹10,000 lakh in 2021-22, highlighting a focused investment in the project in this particular year.

## **7. Industries and Commerce**

The expenditure on Power Subsidies to industries increased from ₹39,800 lakh in 2020-21 to ₹57,772 lakh in 2022-23 and the expenditure on incentives under various industrial policies rose from ₹160,848.88 lakh in 2020-21 to ₹244,416.25 lakh in 2022-23, reflecting a growing emphasis on industrial development and incentives.

## 8. Science Technology and Environment

Under this, a small expenditure was made in 2021-22 on the subsidy to students of government school visiting the Science City amounting to ₹18.76.

### 9.2.2 Targeting and Benefit of Other Subsidies

#### Targeting

Each category of subsidy is targeted towards critical stakeholder and sectors, encompassing the socio-economic core of the state. These subsidies aim to promote economic stability, enhance education, support sustainable practices, and improve infrastructure, driving overall socio-economic growth. The details of targeting for each category of subsidy are mentioned below:

1. **School Education:** Free books for students from 1 to 12, particularly targeting Scheduled Castes, to improve educational access.
2. **Welfare of SCs and BCs:** Educational support for Scheduled Castes students to ensure equitable learning opportunities.
3. **Forest and Wildlife Preservation:** Agro-forestry and Green Punjab Mission focus on sustainable agriculture and environmental conservation.
4. **Food Civil Supplies and Consumer Affairs:** Support for micro food processing enterprises to boost the local food industry and creation of jobs.
5. **Power:** Rural electrification subsidies aim to provide reliable electricity to rural areas, enhancing infrastructure.
6. **New and Renewable Energy:** Solarisation projects promote renewable energy use, reducing reliance on conventional power.
7. **Industries and Commerce:** Power subsidies and industrial incentives support industrial growth and economic development.
8. **Science Technology and Environment:** Subsidies for school students visiting the Science City to promote STEM education.

## Benefits

The subsidies enlisted above are aimed towards multi-target benefits. These subsidies are meant to provide assistance to students, industries, empowering rural economies, and improving the status of food processing in the state. Some of the major benefits of these subsidies include enhancement of education, promotion of environmental sustainability, improvement of infrastructure, economic development of the state.

**Table 9.2: Expenditure on Subsidy in Other Sectors (in Lakh Rupees)**

S.No.	Description of the Scheme	2020-21	2021-22	2022-23
	<b><i>School Education</i></b>			
1	Free Books to Students from 9 <sup>th</sup> to 12 <sup>th</sup> Class	800	3,160.00	3,160.00
2	Free Books to Students from 9 <sup>th</sup> to 12 <sup>th</sup> Class	200	790.00	790.12
	<b>Total</b>	<b>1,000</b>	<b>3,950.00</b>	<b>3,950.12</b>
	<b><i>Welfare of SCs and BCs</i></b>			
1	Direction and Administration		..	0.10
2	Free Books to Scheduled Castes Students from 1 <sup>st</sup> to 10 <sup>th</sup> Class	2,500.00	2,500.00	2,500.00
	<b>Total</b>	<b>2,500.00</b>	<b>2,500.00</b>	<b>2,500.10</b>
	<b><i>Forest and Wildlife Preservation</i></b>			
1	Implementation of Sub-Mission on Agro- Forestry	227.13	150.08	..
2	Green Punjab Mission	..	..	335.04
	<b>Total</b>	<b>227.13</b>	<b>150.08</b>	<b>335.04</b>
	<b><i>Food, Civil Supplies and Consumer Affairs</i></b>			
1	Prime Minister Formalisation of Micro Food Processing Enterprises	..	1,237.88	2,292.50
2	Prime Minister Formalisation of Micro Food Processing Enterprises	..	141.22	77.65
	<b>Total</b>		<b>1,379.10</b>	<b>2,370.15</b>
	<b><i>Power</i></b>			
1	Subsidy under Rural Electrification of Punjab State Power Corporation Limited	14,885.20	288,269.80	538,569.00

<b>2</b>	Subsidy under Rural Electrification of Punjab State Power Corporation Limited	1,46,145.60	150,028.20	284,020.00
	<b>Total</b>	<b>1,61,030</b>	<b>438,298.00</b>	<b>822,589.00</b>
	<i><b>New and Renewable Energy</b></i>			
<b>1</b>	Pilot Project of Solarisation in Bathinda	..	5,000.00	..
<b>2</b>	Pilot Project for Solarisation in Bathinda	..	5,000.00	..
	<b>Total</b>		<b>10,000.00</b>	..
	<b>Industries and Commerce</b>			
<b>1</b>	Power Subsidies to Industries	39,800	45,434.00	57,772.00
<b>2</b>	Incentives under various Industrial Policies	1,60,848.88	191,588.50	244,416.25
	<b>Total</b>	<b>2,00,648.88</b>	<b>237,022.50</b>	<b>302,188.25</b>
	<b>Science, Technology and Environment</b>			
<b>1</b>	Subsidy to Students of Government School visiting the Science City		..	9.38
<b>2</b>	Subsidy to Students of Government School visiting the Science City		..	9.38
	<b>Total</b>		..	<b>18.76</b>

Source: CAG Finance Accounts Volume II 2022-23 and 2021-22, Government of Punjab

## CHAPTER 10

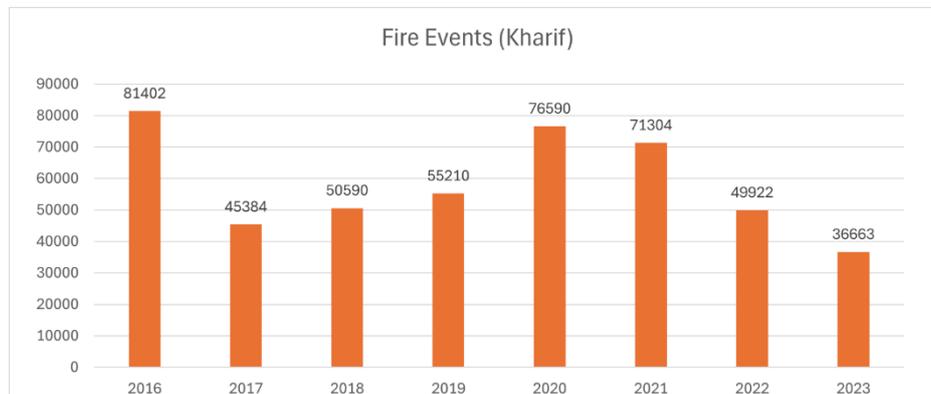
### STUBBLE BURNING IN PUNJAB

#### 10.1 Introduction

The areas of Punjab, Haryana, Delhi, and Uttar Pradesh, home to millions, have long suffered from the health and environmental consequences of stubble burning in Punjab. This decades-old agricultural practice significantly impacts air quality and public health, affecting a large population across the region. The economic and health repercussions of stubble burning have prompted the development and implementation of a range of policy measures aimed at mitigating crop residue burning. These policies include subsidizing crop residue management (CRM) machinery, providing incentives to small-scale farmers who abstain from burning crop residue and enforcing outright ban on the practice. Despite sustained efforts by various government agencies over the years, the incidence of stubble burning will surge in 2020. Reports indicated that over 50 per cent of the area sown with paddy was affected by crop residue burning during this period (CREAMS, 2020). This persistent and escalating issue highlights the ongoing challenges and serious concerns surrounding stubble burning in Punjab. Punjab has set a bold objective to eliminate farm fires entirely by the fiscal year 2024-25. Concurrently, the National Green Tribunal has mandated that these states formulate comprehensive action plans to address the issue of crop residue burning in 2024. Achieving this goal is a shared responsibility that demands close collaboration between the state and central government. Additionally, the successful implementation of these ambitious plans necessitates adequate financial backing and supportive policy measures from the central government.

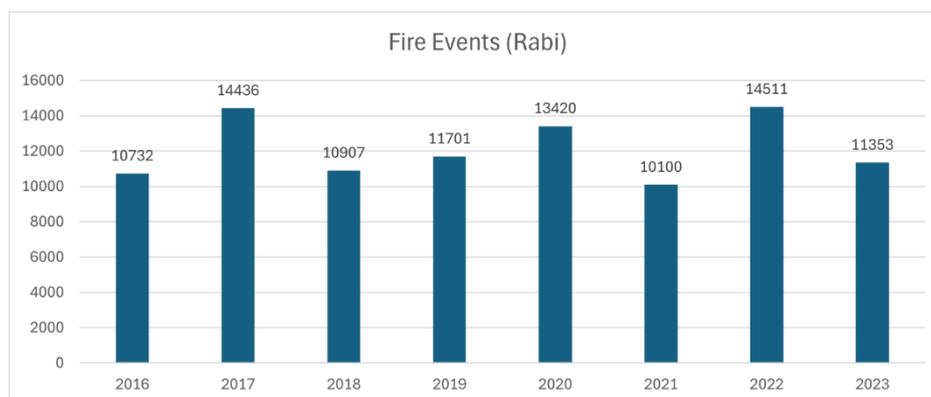
## 10.2 Fire Events in Punjab

**Graph 10.1: Fire Events in Punjab in the Kharif Season**



Source: Punjab Pollution Control Board, Government of Punjab

**Graph 10.2: Fire Events in Punjab in the Rabi Season**



Source: Punjab Pollution Control Board, Government of Punjab

As seen from Graphs 10.1 and 10.2, the Kharif season consistently experiences a higher number of fire incidents compared to the Rabi season, peaking at 81,402 events in 2016 and showing significant fluctuations, with another notable peak of 76,590 in 2020, followed by a steady decline to 36,663 in 2023. In contrast, the Rabi season's fire events remain relatively stable, peaking at 14,511 in 2022 but generally fluctuating within a narrower range, with the lowest recorded at 10,100 in 2021. This disparity is likely due to the extensive paddy cultivation during the Kharif season, which generates more residue than farmers traditionally burn. Despite various policy interventions aimed at reducing stubble burning, the intermittent peaks in fire events, particularly during the Kharif season, highlight ongoing challenges in policy enforcement and farmer compliance. The recent decline in fire events in both seasons suggests

a positive impact of more recent policies or interventions, though the data emphasizes the need for sustained and adaptive measures to effectively address the issue across different seasons.

### 10.3 Initiatives to Control Stubble Burning

**Table 10.1: Funds Received by GoP & CRM Machines Provided**

Sr. No.	Year	Funds Received (Rupees in Crores)	No. of CRM machines provided	No. of CHCs established/maintained
1	2018-19	269.38	27747	3888
2	2019-20	273.8	23068	5140
3	2020-21	272.5	25811	10808
4	2021-22	290.87	13796	3073
	<b>Total</b>	<b>1106.55</b>	<b>90422</b>	<b>13881</b>

Source: Action Plan for Control of Burning of Crop Residue in the State of Punjab, May 2022

Efforts to manage stubble burning in Punjab have focused on promoting agricultural diversification and enhancing mechanization for crop residue management. The predominant paddy-wheat rotation remains the most economically viable choice for farmers despite challenges faced by alternative rotations such as cotton-wheat and maize-wheat. Nonetheless, the state continues to sustain significant areas under cotton and maize cycle. The "Central Sector Scheme for Promotion of Agricultural Mechanization for In-situ Management of Crop Residue" has been implemented from 2018 to 2021, providing substantial subsidies for purchasing crop residue management (CRM) machinery—50% for individual farmers and 80% for groups and cooperatives. This initiative has resulted in the distribution of 76,626 CRM machines and the establishment of 19,836 custom hiring centres. In addition to machinery, the state has facilitated the collection and storage of paddy residue for use in biomass industries, cattle feed, and other purposes. Approximately, 10 million tons of paddy straw are now utilized annually for various applications, including biomass power generation, paper production, and fodder, which collectively represent about 50% of total paddy straw generation. Despite these measures, indiscriminate burning of the remaining crop residue continues to cause significant environmental pollution, soil nutrient loss, and health issues.

### 10.4 Legal Measures and Directives to Stop Stubble Burning

The key legal measures to prohibit crop residue burning in Punjab are:

1. **Air (Prevention & Control of Pollution) Act, 1981:** The Department of Science, Technology and Environment, Punjab, enforced a prohibition on agricultural residue burning under Section 19(5) of this Act, effective from October 22, 2013, with violations punishable by criminal complaints (Section 39).
2. **National Green Tribunal (NGT) Order, 2015:** This order, issued on December 10, 2015, specifically banned paddy straw burning and mandated environmental compensation for violators, scaled according to farm size (₹2,500 for <2 acres, ₹5,000 for 2-5 acres, and ₹15,000 for >5 acres).
3. **Punjab Pollution Control Board (PPCB) Order, 2018:** Enacted on February 7, 2018, this order requires all combine harvesters to be equipped with a Super Straw Management System (SMS) to promote in-situ straw management, with non-compliance punishable under Section 37 of the Air Act.
4. **PPCB Order on Environmental Compensation, 2020:** On September 25, 2020, PPCB empowered local authorities to impose fines and prosecute individuals burning paddy stubble or operating harvesters without Super SMS, in line with previous NGT and PPCB directives.
5. **Criminal Procedure Code (CrPC) Section 144 Orders:** District Magistrates routinely issue prohibitory orders under Section 144 CrPC to ban paddy straw burning during the harvest season, with violations subject to penalties under Section 188 of the CrPC.

The Punjab government has devised a comprehensive strategy involving multiple departments to curb the burning of crop residue, a significant contributor to air pollution. The Department of Agriculture spearheads an extensive awareness campaign, utilizing radio, TV, and print media, along with direct community engagement like school rallies and village meetings. The department also facilitates subsidies for paddy straw management machinery and promotes crop diversification to reduce reliance on paddy. Key stakeholders, including commission agents and cooperative societies, are urged to adhere to the ban on burning and explore alternative uses for crop residue. The plan mandates detailed monitoring and reporting mechanisms through the Punjab Remote Sensing Centre and a dedicated control room during the harvest season. District administrations are crucial, with Deputy Commissioners coordinating efforts and ensuring compliance at the village level through appointed nodal and cluster officers. These officials are responsible for identifying and managing hot spots, facilitating access to machinery, and enforcing

penalties for violations. The Revenue Department ensures that instances of burning are recorded in land registers, while the Rural Development and Panchayats Department mobilises local governance structures to support enforcement and awareness initiatives. The Power Department monitors burning incidents and promotes biomass co-firing in thermal power plants, while the Department of New and Renewable Energy encourages the use of paddy straw in biomass and biogas plants. The Punjab Pollution Control Board oversees the overall monitoring, using technology to track incidents and assess air quality. The Education Department is involved in educating students and ensuring that school staff comply with the ban. Law enforcement provides support for these efforts, particularly in high-risk areas. A multi-tier governance structure is established, with state, district, and sub-division level committees coordinating the implementation and monitoring of the plan. This structure is designed to ensure cohesive action across various levels of administration, leveraging local resources and authorities to achieve zero stubble burning and mitigate its environmental impact.

## CHAPTER 11

### EMPLOYMENT GENERATION AND SKILL DEVELOPMENT SCHEMES IN THE STATE

#### 11.1 Status of Employment and Employment Generation Schemes in the State

##### 11.1.1 Introduction

Employment generation holds paramount significance, driving social and economic development of a state. Gainful employment leads to higher household incomes and an improved standard of living, fostering economic stability. It encourages investment in education, enhancing career prospects and future opportunities. A society with high rates of employment leads to efficient utilization of resources, greater demand, consumption and production levels, leading to greater economic growth and development. Contrarily, high unemployment levels lead to underutilization of available resources, underproduction and a likely situation of low-level equilibrium trap. The subsequent sections shed light on the status of employment, followed by employment generation schemes in the state. After discussion on the employment generation schemes, skill development schemes have been discussed in detail.

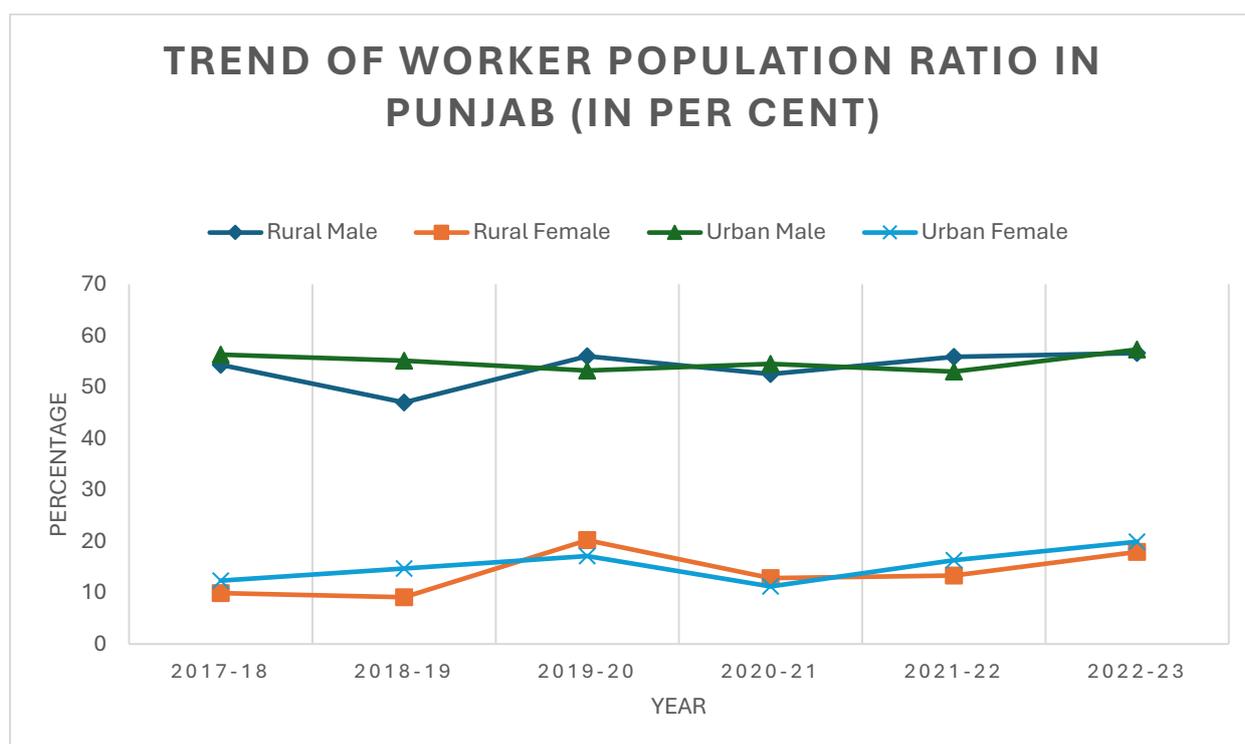
##### 11.1.2 Status of Worker Population Ratio (WPR) in Punjab

Worker Population Ratio (WPR) is the measure of the number of people employed in the working age group. It shows the share of the population which can get employed and work and the actual share of the population working/employed. As seen in the Graph 11.1, in the past six, years from the financial year of 2017-18 to 2022-23, WPR of males is considerably higher than females. It can also be noted from Table 11.1 that in both rural and urban areas of the state, the gender gap in WPR is stark. A noticeable feature is that the range of rural and urban worker population is not significantly different and at times overlaps with respect to both males and females. This indicates that irrespective of region, the gender gap in employment is huge. WPR for males in aggregate ranges between 50% to 56% while for women, it ranges between 10.8% to 19.1% for the period under study. This demonstrates major underutilization of human capital in the state, and the persistent gender gap in WPR.

**Table 11.1: Worker Population Ratio (WPR) (in per cent)**

Worker Population Ratio (WPR) (in per cent) of all ages						
	Rural		Urban		Rural+Urban	
Year	Male	Female	Male	Female	Male	Female
2017-18	54.3	9.9	56.3	12.3	55.1	10.8
2018-19	47	9.1	55.1	14.7	50.1	11.2
2019-20	56	20.2	53.2	17.1	55	19.1
2020-21	52.5	12.8	54.5	11.2	53.3	12.2
2021-22	55.9	13.3	53	16.3	54.9	14.2
2022-23	56.6	17.9	57.3	19.9	56.8	18.6

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

**Graph 11.1: Trend of Worker Population Ratio in Punjab (WPR) (in per cent)**

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

### 11.1.3 Labor Force Participation Rate (LFPR) in Punjab

The labor force participation rate (LFPR) is a measure of people employed or actively seeking employment in the working age population. It gives an overview of the number of people actively participating in the labor market. It has a wider scope than worker participation ratio

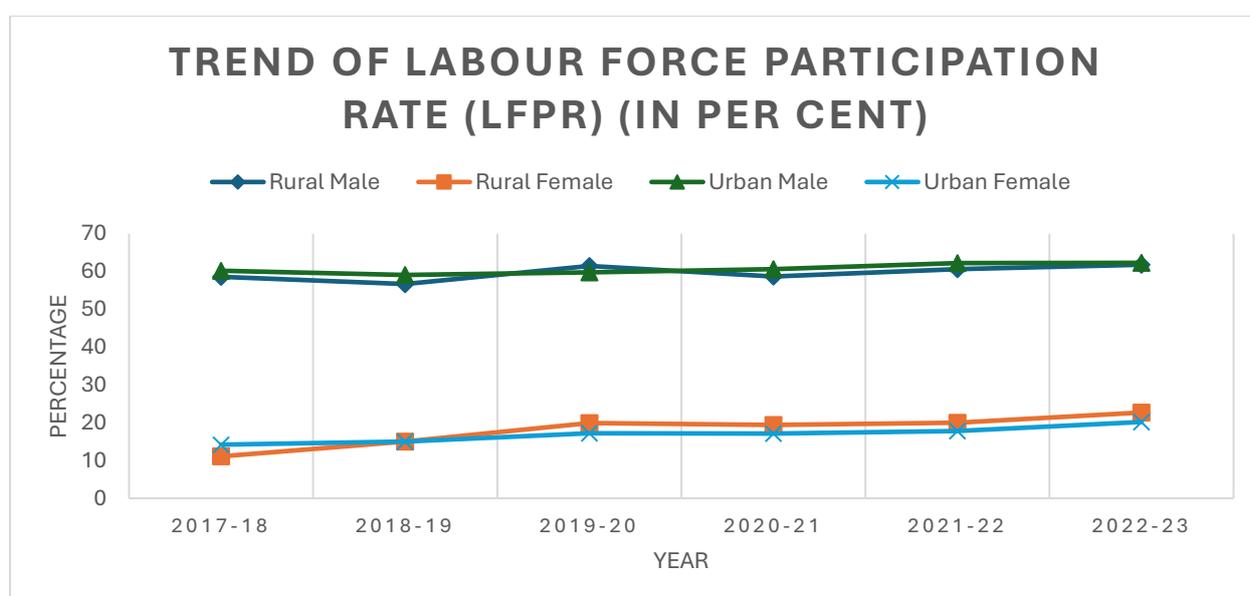
as it includes unemployed individuals actively looking for employment. As noted in Graph 13.2, in the past six years, like WPR, the LFPR of men and women has a huge gap in both rural and urban regions. The Graphs, presented in Table 11.2 indicate that the rate of participation of men in both rural and urban areas is largely the same, similarly the rate of participation of women in both areas is the same. From 2017-18 to 2022-23, it can be noted that the LFPR of males in the state stood between 57.7% to 61.1% and there has been an insignificant change in the LFPR trend of males. For females during the same time period, the LFPR ranges between 12.3% to 21.8%, and the LFPR of females has noted small but consistent increase in trend.

**Table 11.2: Labour force participation rate (LFPR) (in per cent)**

Labour force participation rate (LFPR) (in per cent) of all ages						
Year	Rural		Urban		Rural+Urban	
	Male	Female	Male	Female	Male	Female
2017-18	58.6	11.1	60.2	14.2	59.2	12.3
2018-19	56.7	15	59.1	15	57.7	15
2019-20	61.5	19.9	59.8	17.2	60.9	18.9
2020-21	58.7	19.4	60.6	17.1	59.5	18.5
2021-22	60.6	20	62.2	17.8	61.1	19.3
2022-23	61.8	22.7	62.3	20.2	60.2	21.8

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

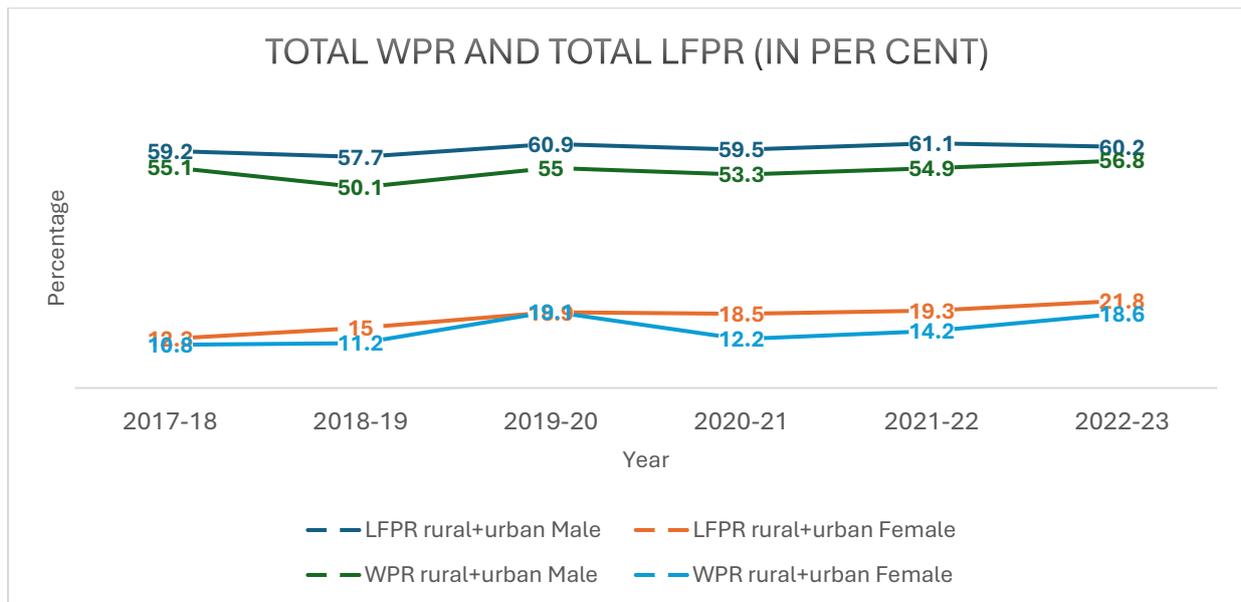
**Graph 11.2: Trend of Labour force participation rate (LFPR) (in per cent)**



Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

Graph 11.3 compares the difference between the two measures (WPR and LFPR) and finds a difference of approximately 5% between the two parameters. The overall participation of females is far lesser than males in both the indicators, indicating an urgent need to ensure convergence of this gender gap.

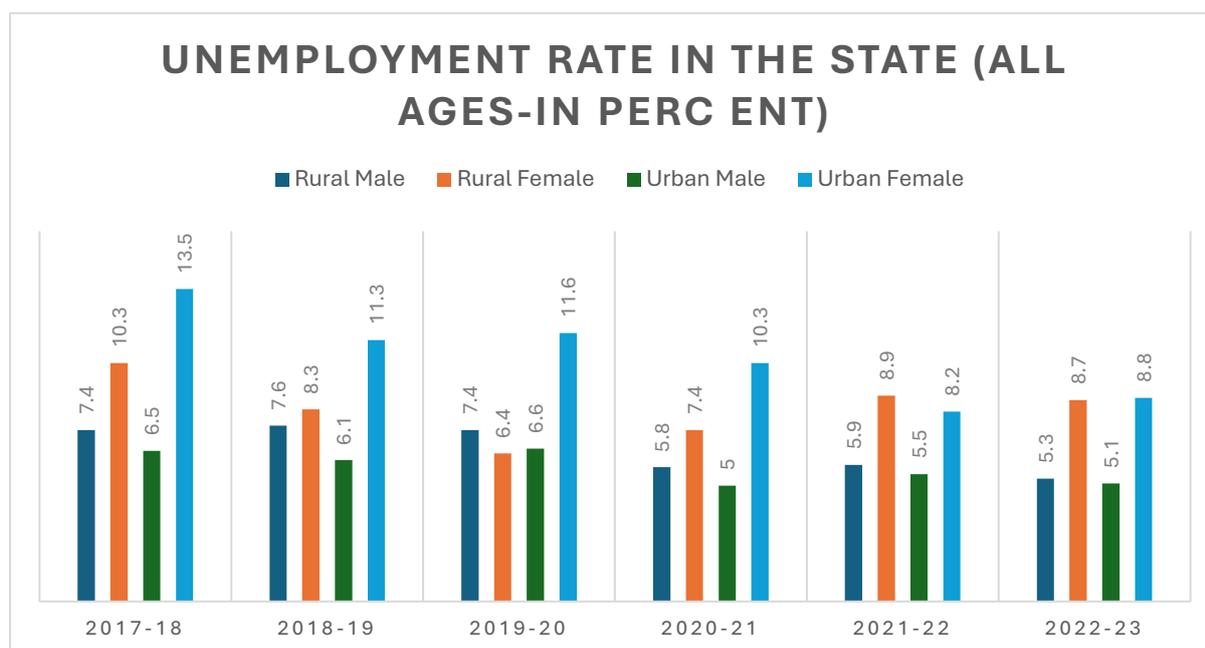
**Graph 11.3: Total WPR and Total LFPR in Punjab (in per cent)**



Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

### 11.1.4 Unemployment Rate in Punjab

Graph 11.4 depicts the unemployment rate in the state of Punjab across all age groups from 2017-18 to 2022-23. From Graph 11.4, it can be noted that there has been a gradual decline in unemployment in the past six years, albeit the rate of unemployment is the highest among urban females. This makes it evident that there is a need of a policy intervention to generate employment for urban women. The unemployment rate of rural women saw a decline in 2019-20 but went back up in 2021-22 at almost the same level as that of urban women and not far from what it was in 2017-18. The unemployment rate of rural and urban men has remained roughly the same. A noticeable feature is that in 2019-20, the year before Covid-19 pandemic and nation-wide lockdown, the unemployment rates of rural men and women and of urban men were nearly the same.

**Graph 11.4: Unemployment Rates in Rural and Urban Males and Females**


Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

**Table 11.3: Unemployment Rates in Rural and Urban Males And Females**

Unemployment Rate (All Ages)						
Year	Rural		Urban		Rural+Urban	
	Male	Female	Male	Female	Male	Female
2017-18	7.4	10.3	6.5	13.5	7	11.7
2018-19	7.6	8.3	6.1	11.3	7	9.4
2019-20	7.4	6.4	6.6	11.6	7.1	8.2
2020-21	5.8	7.4	5	10.3	5.5	8.4
2021-22	5.9	8.9	5.5	8.2	5.8	8.7
2022-23	5.3	8.7	5.1	8.8	5.2	8.7

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

## Comparing Employment Rates in Punjab vis a vis India

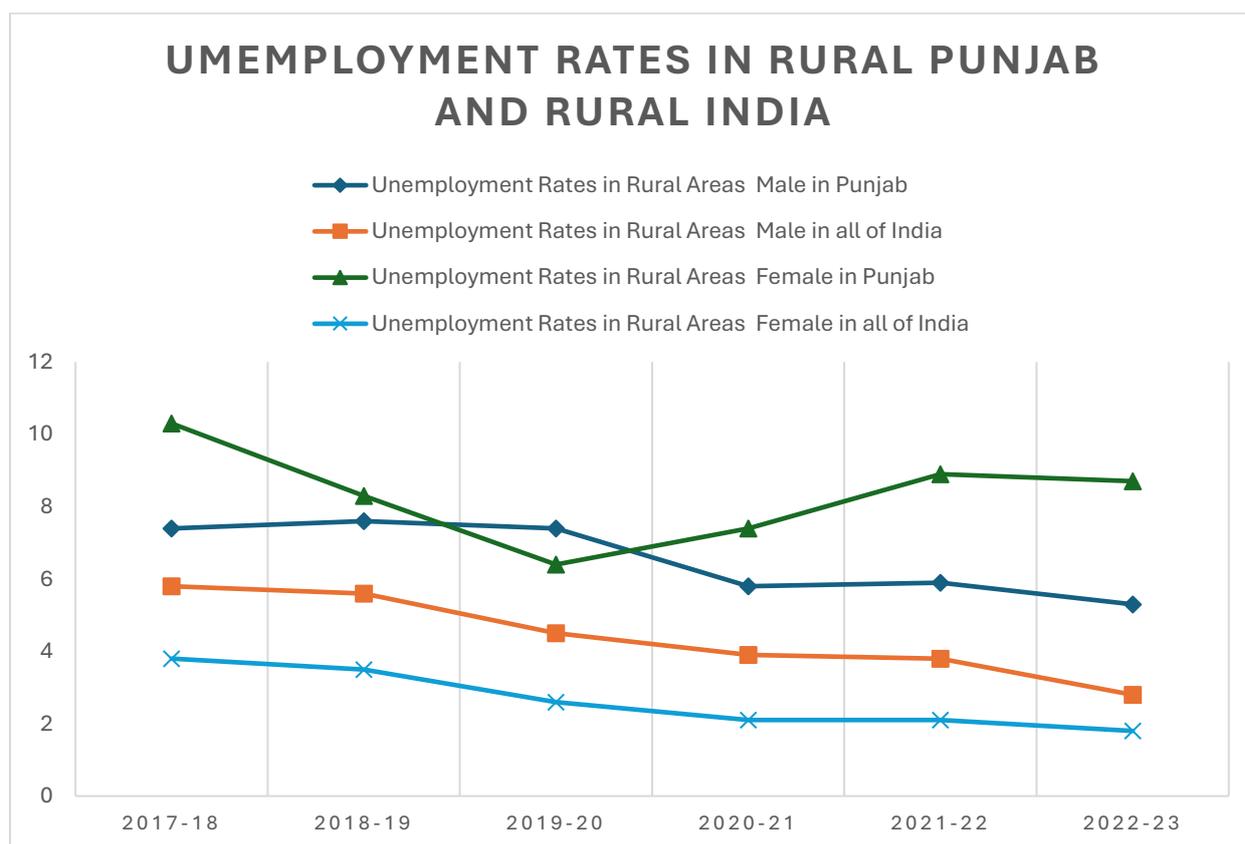
### Rural Punjab and Rural India: A Comparison

As noted in Table 11.4, which depicts unemployment rate in rural area of Punjab vis a vis India from 2017-18 to 2022-23, the unemployment rate of men and women in rural Punjab is higher than the rates unemployment for rural India. This shows that the state has not been performing well when it comes to providing employment in rural areas. In Graph 11.5, the unemployment rates for men and women in rural areas all over India has seen a gradual decline. The unemployment rate for men in rural areas of Punjab has been declining in the last six years however the same has witnessed an increase in case of women.

**Table 11.4: Unemployment Rates in Rural Areas**

Unemployment Rates in Rural Areas				
Year	Male in Punjab	Male in all of India	Female in Punjab	Female in all of India
2017-18	7.4	5.8	10.3	3.8
2018-19	7.6	5.6	8.3	3.5
2019-20	7.4	4.5	6.4	2.6
2020-21	5.8	3.9	7.4	2.1
2021-22	5.9	3.8	8.9	2.1
2022-23	5.3	2.8	8.7	1.8

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

**Graph 11.5: Unemployment Rates in Rural Punjab and Rural India (in percentage)**

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

### Urban Punjab and Urban India: A Comparison

Table 11.5 elucidates unemployment rates in urban Punjab and urban India from 2017-18 to 2022-23. It can be noted that the unemployment rate of males in urban areas of Punjab is lower than the national average across all the years. This is a positive indication, and depicts that on

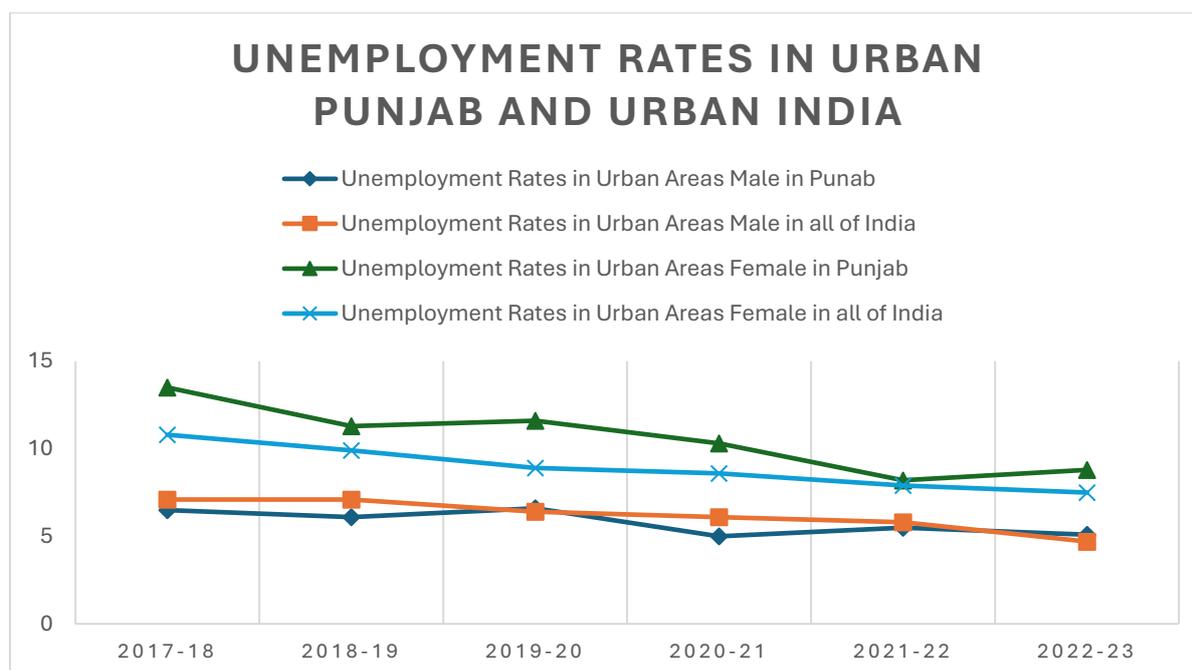
an average, Punjab has been performing better than all India average in terms of urban employment. However, the inverse of this is true in case of females. The unemployment rate of urban females is notably higher than the national average by approximately 1% to 3% across all the years studied.

**Table 11.5: Unemployment Rates in Urban Areas**

Unemployment Rates in Urban Areas				
Year	Male in Punjab	Male in all of India	Female in Punjab	Female in all of India
2017-18	6.5	7.1	13.5	10.8
2018-19	6.1	7.1	11.3	9.9
2019-20	6.6	6.4	11.6	8.9
2020-21	5	6.1	10.3	8.6
2021-22	5.5	5.8	8.2	7.9
2022-23	5.1	4.7	8.8	7.5

Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

**Graph 11.6: Unemployment Rates in Urban Areas**



Source- Annual Reports of Periodic Labor Force Survey from 2017-18 to 2022-23

### 11.1.5 Employment Generation Scheme in Punjab

- Punjab Ghar Ghar Rozgar and Karobar Mission

Punjab Ghar Ghar Rozgar and Karobar Mission (PGRKAM), was started by the Government of Punjab on October 25, 2018. The scheme focuses on developing wage and self-employment opportunities across the state. It has three main objectives which include- (1) creating a database for job postings for job seekers; (2) providing skill training to individuals to enhance employability; and (3) identifying sectors that have a high possibility of job creation. The scheme to improve employment rates promotes public private partnerships.

Currently, it lists 33,529 available government jobs, 8,114 private jobs, with 2,087,046 job seekers registered, and 18,312 employers registered. The number of registered job seekers are approximately four times the number of jobs showing a need to create more employment opportunities for the people of Punjab.

**Table 11.6- Overview of the scheme at Present**

Category	Numbers
Available Government Jobs	33,529
Available Private Jobs	8,114
Registered Job Seekers	20,87,046
Registered Employers	18,312

Source- Website for Punjab Ghar Ghar Rozgar and Karobar Mission (PGRKAM) <https://pgrkam.com/>

### **11.1.6 Overall analysis: Status of Employment and Employment Generation Schemes**

The above study demonstrates that there exists a significant gender gap in terms of employment in the state of Punjab. Females have not been actively participating in the labour market in the state. The rate of employment among males is far higher than females, as inferred through the various indicators studied. As compared to the whole of India in terms of unemployment, Punjab has been performing lower than all India aggregates, highlighting the needs to focus on employment generation programs for people belonging to rural areas as well as women in urban areas. Even though there is an overall decline in unemployment rates, more needs to be done to improve the metrics for the economy to function at its full potential. This could be through improving education, social variables and increase in job opportunities through incentivizing businesses and policy interventions. The subsequent section discusses the pertinent area of skill development schemes being undertaken by the state of Punjab.

### **11.2 Skill Development Schemes Undertaken by the State**

### 11.2.1 Introduction

Skill development is one of most significant steps a government can take to harness its demographic dividend. Developing skill sets in a population gives rise to self-sufficiency and self-employment. It also enhances employability by equipping individuals with the necessary competencies to meet the demands of a dynamic job market. Realising the significance of skill development, the Government of Punjab initiated the Punjab Skill Development Mission under which several programs and schemes run to ensure the youth is skilled and employable.

### 11.2.2 Schemes for Skill Development

- **Deendayal Antodaya Yojana National Urban Livelihood Mission (DAY-NULM)**  
This scheme is administered by Punjab Skill Development Mission to empower the youth from the age of 18 to 35 belonging to disadvantaged households through skill training. The scheme provides training that meet the needs of the industry and ensures that 70% of the candidates avail of DAY-NULM secure a job within three months of attaining their certification. 50% of the jobs secured are to be wage jobs. The scheme is jointly funded by the state and the central government.
- **The Employment Skill Training and Placement (ESTP)**  
This is a component of National Rural Livelihood Mission that trains urban underprivileged youth from centers spread across the state. As of today 45, centres are operational. Over 10,000 candidates have been trained, 2,500 have been placed in jobs or are self-employed. The training provided focuses on urban areas and semi-urban areas. The annual target set is 25,000 candidates. The cost of training, certification and placement activities goes up to INR18,000 per candidate. Eligible candidates are given free uniforms, books, computer access, and post-placement support.
- **Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)**  
The DDU-GKY is an initiative by the Ministry of Rural Development, Government of India. It aims at empowering rural youth through skill training. The program runs Rural Skill Centres in partnership with government schools and provides vocational training meeting the industry needs. The scheme has a target of training 15,000 candidates. It prioritizes disadvantaged groups including SCs, STs, minorities, and persons with disabilities. The scheme offers them free training, accommodation, and stipends.

Candidates that successfully complete their training are awarded certifications with job placements. The scheme also facilitates job retention incentives and career progression.

- **Pradhan Mantri Kaushal Vikas Yojana - II (PMKVY 2)**

The PMKVY 2 by the Ministry of Skill Development & Entrepreneurship provides skill training to dropouts and unemployed youth across the country. Punjab Skill Development Mission empanels training partners based on (1) experience categories; and (2) ensuring adherence to scheme norms. The payment of the training program is correlated to the milestones attained in the program and the placement outcomes. Candidates are provided free training and post-placement support. These facilities are also based on gender and location. Males receive support for one to two months, and females for two to three months.

- **The Asian Development Bank-supported Skill Development Programme**

The Punjab Skill Development Mission and Punjab Heritage and Tourism Development Board is running a Skill Development Programme with The Asian Development Bank. It aims to train candidates in crafts such as Phulkari, Punjabi Jutti, Dari/Khes, Wood Inlay, Crochet, Fabric Painting, and Terracotta across various districts of Punjab. The program strives to preserve and promote the traditional crafts and increase employment of local artisans of Punjab.

- **Capacity Building under the Border Area Development Programme**

The Punjab Skill Development Mission runs short term courses linked to placement in various sectors including retail, IT, and healthcare. These courses integrate modules on English and soft skills. A district-level project was launched in collaboration with the District Bureaus of Employment and Enterprises (DBEE) and Regional Institute of English (RIE), Chandigarh. It includes 120 hours of training and provides basic and advanced level courses for candidates ranging from Class 10 to diploma or graduation levels.

- **Pradhan Mantri Kaushal Kendras (PMKKs) in Punjab**

The Ministry of Skill Development & Entrepreneurship (MSDE) aims to establish multi-skill training centres called Pradhan Mantri Kaushal Kendras (PMKKs). Punjab has 17 PMKKs that are operational. They are present in all districts except Pathankot, Amritsar, Hoshiarpur, Gurdaspur, and Kapurthala.

- **Capacity Building under Border Area Development Programme**

Punjab Skill Development Mission (PSDM) has been providing capacity building initiative under the Border Area Development Programme (BADP) across six districts bordering the International Border. There are plans to run training programs by Border Security Force and C-Pyte Centers for security roles.

- **The National Apprenticeship Promotion Scheme (NAPS),**

The NAPS was initiated by the Ministry of Skill Development & Entrepreneurship. This scheme mandates that establishments with 30 or more employees engage apprentices annually, ranging from 2.5% to 15% of their workforce. Eligible candidates aged 14 years or older (18 for hazardous industries), with required educational qualifications and physical fitness, can undergo an apprenticeship training program. Stipends for the same ranges from INR 5000 to INR 9000 per month based on trade requirements.

- **Employment Guaranteed "Tech Bee" Program**

The Punjab Skill Development Mission (PSDM) offers this programme for 12th class graduates with Mathematics/Business in partnership with HCL Technologies. PSDM funds the fees for 200 candidates selected from Punjab's meritorious schools, covering full fees for 100 and 50% for the next 100. The program is for one year with six months of classroom training and six months of internship at HCL. The trainees are also given a stipend of INR 10,000 per month. The training is provided on future technologies and students work on live projects and are mentored by experienced trainers. The completion of the program guarantees employment at HCL as well as opportunities across 35 countries.

## CHAPTER 12

### HEALTH SECTOR INITIATIVES UNDERTAKEN BY THE STATE

#### 12.1 Introduction

The health sector is vital for the development of a state. A healthy population creates the foundation for economic growth and social stability. Quality healthcare reduces disease burden, enhances productivity, and improves quality of life. The present chapter delves into the various health sector initiatives undertaken by Punjab, highlighting the state's commitment to improving healthcare for its residents.

In 2022-23, INR150 crore was allocated towards opening of new medical colleges in the State. Some of the new initiatives by the State in the area of health and family welfare includes the Aam Aadmi Clinics, 142 Mohalla Clinics. In addition, INR 39 crore was allocated for strengthening of all secondary health care institutions (CHCs, SDHs and District Hospitals). For the establishment of seven new maternal and child health hospitals and for upgradation of five old MCH wings, INR 16 crore was allocated. For construction and completion of two 50 bedded integrated AYUSH hospitals at Dayalpur Sodian (SAS Nagar) and Duneke (Moga), INR18 crore was allocated. An amount of INR 40 crore was allocated to running and upgradation of drug management facilities and centres, for the procurement of PET scan and SPECT CT machines for Homi Bhabha Cancer Centre, INR 17 crore was allocated. Another INR 61 crore were allocated towards 24-hour emergency response services.

#### 12.2 Programs/Schemes being Run by Department of Health and Family Welfare, Govt. of Punjab

- **Cancer Control Program**

The Cancer Control Program in Punjab addresses the increasing incidence of cancer through a combination of prevention, early detection, and treatment strategies. The state has initiated mass screening and treatment camps to raise awareness and facilitate early diagnosis. Cancer registries have been established to collect data for effective planning and management. Specialized cancer treatment facilities have been developed, including hospitals in Mullanpur and Bathinda. Financial assistance is provided to patients through the Mukh Mantri Punjab Cancer Raahat Kosh Scheme, offering up to ₹1.5 lakhs per patient for treatment. These efforts aim to reduce cancer prevalence and improve survival rates by focusing on comprehensive cancer care.

- **Civil Registration System**

Civil Registration System (CRS) in India is the unified process of continuous, permanent, compulsory and universal recording of the vital events (births, deaths, stillbirths) and characteristics thereof. The Registration of Births and Deaths Act, 1969 (Act No. 18 of 1969) provides for the compulsory registration of births and deaths.

- **Drug and Cosmetic Act**

The Act is a regulatory framework designed to ensure the safety, efficacy, and quality of drugs and cosmetics sold within the state. This Act mandates the licensing of all entities involved in the manufacture, distribution, and sale of these products.

- **Family Planning**

The Family Welfare Program was introduced in the state during the year 1956 and is currently focussed on population stabilization strategy and RMNCH+A strategy to reduce maternal, infant and child mortality and morbidity. The program aims to ensure healthy timing and spacing of pregnancies, which significantly affects maternal, neonatal, child and adolescent health.

- **Integrated Disease Surveillance Program (IDSP)**

The Integrated Disease Surveillance Programme (IDSP) is a decentralized, state-based initiative in India aimed at monitoring communicable diseases. It identifies the prevalence of these diseases and detects early warning signals of outbreaks, enabling timely public health responses. Launched in Punjab on June 12, 2007, the IDSP ensures early disease reporting and outbreak identification. The program covers all communicable and notifiable diseases, such as Cholera and Dengue, with 6,202 reporting units established for disease surveillance in the state.

- **Implementation of PC & PNDT Act**

The implementation of the Pre-Conception and Pre-Natal Diagnostic Techniques (PC & PNDT) Act in Punjab is a critical effort to curb female feticide and ensure gender equity. This act prohibits sex selection before or after conception and regulates the use of prenatal diagnostic techniques to prevent their misuse.

- **Maternal & Child Health Program**

The Maternal & Child Health Program in Punjab is a comprehensive initiative aimed at improving the health and well-being of mothers and children in the state. This program focuses on reducing maternal and child mortality rates through a range of

interventions, including prenatal and postnatal care, immunization, nutrition support, and health education. It provides essential healthcare services to pregnant women, new mothers, and children, ensuring they receive timely medical attention and support. By addressing critical health issues and promoting healthy practices, the Maternal & Child Health Program plays a vital role in fostering a healthier future for families in Punjab.

- **Mukh Mantri Punjab Hepatitis C Relief Fund**

The Government of Punjab launched the Mukh Mantri Punjab Hepatitis-C Relief Fund (MMPHCRF) in 2016 to provide free treatment of Hepatitis-C to all infected residents of Punjab. Punjab was the first state in India to launch a program to combat Hepatitis C. The goal was to treat all infected patients, prevent hepatitis-C related deaths and thereby eliminating Hepatitis-C from Punjab by 2030.

- **National Iodine Deficiency Disorders Control Program**

Deficiency of Iodine can cause physical and mental retardation, cretinism, abortions, stillbirth, deaf mutism, squint & various types of goitre. In August 1992, the National Goitre Control Programme (NGCP) was renamed as National Iodine Deficiency Disorders Control Program (NIDDCP) with a view of wide spectrum of Iodine Deficiency Disorders like mental and physical retardation, deaf mutism, cretinism, still births, abortions etc. The program is being implemented in all the States/UTs for entire population.

- **National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases & Stroke**

India faces a rapid health transition with Non-Communicable Diseases (NCDs) like cardiovascular diseases, cancer, chronic respiratory diseases, and diabetes now accounting for around 60% of all deaths, surpassing communicable diseases. To address this, the National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases, and Stroke (NPCDCS) was launched in 2010. This program focuses on strengthening healthcare infrastructure, promoting health, and early diagnosis and treatment of NCDs. NCD Cells and Clinics are being established at various levels to provide diagnostic and treatment services. The program aimed to cover the entire country by March 2017, with substantial funding provided by both central and state governments. Additionally, the Tertiary Care Cancer Centers (TCCC) scheme supports the establishment of state cancer institutes and TCCCs for comprehensive cancer care.

- **National Viral Hepatitis Control Program**

National Viral Hepatitis Control Program was launched on 28<sup>th</sup> July, 2018 on the occasion of World Hepatitis Day by the hon'ble HFM with the aim to combat Hepatitis and achieve countrywide elimination of Hepatitis C by 2030, achieve significant reduction in the infected population, morbidity and mortality associated with Hepatitis A, B, C<sub>2</sub> and E.

By prioritizing screening, vaccination, and treatment, this program endeavors to reduce the burden of Hepatitis infections across the nation, fostering healthier communities and a brighter future for all.

- **National Vector Borne Disease Control Program**

The National Vector Borne Disease Control Program is an umbrella programme for prevention and control of six vector borne diseases: Malaria, Dengue, Chikungunya, Japanese Encephalitis, Filariasis, and Kala Azar. The Department of Local Government actively collaborates with the Department of Health for the implementation of this program and prevent outbreaks.

- **Tobacco Control Program**

The program is aimed at reducing tobacco use and its associated health risks among the population. This program enforces the Cigarettes and Other Tobacco Products Act (COTPA), which includes prohibiting smoking in public places, banning tobacco advertising, and restricting the sale of tobacco products to minors.

### 12.3 Recent Healthcare Initiatives in Punjab

- **Aam Aadmi Clinics**

The 'Aam Aadmi Clinics' have emerged as the flagship initiative of Punjab's healthcare transformation. The scheme boasts of over one crore beneficiaries as of February 2024. These clinics represent a paradigm shift in healthcare delivery. These clinics offer a wide range of free medicines and diagnostic tests, and ensure that quality healthcare is not a privilege but a right of every resident of Punjab, regardless of their economic status.

- **Mental Health Initiatives**

In November 2023, the state launched a mental health intervention program for inmates across four major jails, a pioneering step towards addressing the often-neglected issue of mental health in correctional facilities.

- **Promotion of Yoga**

The Government of Punjab has launched the C.M. Di Yogshala (CMDY), an initiative to provide Yoga education for the citizens of the state free of cost. Under CMDY, a team of certified yoga instructors has been established in Punjab to help yoga reach every doorstep, and to transform it into a mass movement by facilitating yoga instructors reach the public. The aim is to highlight the importance of meditation and yoga in improving the physical and mental health of citizens.

## CHAPTER 13

### TRANSPORT SECTOR OF PUNJAB

#### 13.1 Introduction

The transport sector in Punjab is a vital component of the state's infrastructure and plays a crucial role in its economic and social development. Punjab boasts of an extensive road network which caters to its mobility needs, including national and state highways. The state is well-connected by rail, with major railway lines linking it to other parts of India, enhancing trade, travel and interconnectedness. Additionally, Punjab's transport sector includes robust bus services operated by both public and private entities, providing accessible and affordable transportation for its residents. The state is also home to two international airports, Sri Guru Ram Dass Jee International Airport located in Amritsar, and Shaheed Bhagat Singh International Airport located in SAS Nagar.

#### 13.2 Transport Undertakings of Punjab

- **Punjab Roadways**

Punjab Roadways was established in 1948 as an omnibus service with a fleet of 13 buses. The fleet reached its peak strength in 1985 with 2,407 buses. However, due to the lack of new additions, the fleet size began to decline. The last major government-funded addition was in 1997-98 when 534 buses were added; subsequent new buses have been incorporated under PUNBUS. Notably, Punjab Roadways operates a Volvo bus service on the Amritsar-Lahore and Amritsar-Nankana Sahib routes. Punjab Roadways, along with PUNBUS, received the 1st and 2nd prizes for the lowest accident rate in the country for the years 2008-09 and 2009-10.

- **PUNBUS**

The Punjab State Bus Stand Management Company Limited or (PUNBUS) as it is known, was established in 1995 to manage bus stands across Punjab. In 2006, its scope expanded to include operating commercial vehicles, augmenting the state's transport fleet, and utilizing surplus Punjab Roadways staff. PUNBUS oversees 20 bus stands, with key locations in Amritsar, Jalandhar, and Ludhiana built under the BOT model, and others managed via contracts or by Punjab Roadways staff. It has implemented

advanced systems like the Passenger Information System and online ticketing. Operating both interstate and within Punjab, PUNBUS covers around 400,000 kilometers. PUNBUS is a wholly owned government entity, and its primary objectives are the construction and maintenance of bus stands and the operation of commercial vehicles across India, reflecting the Punjab Government's vision for modern, efficient public transport.

- **PEPSU Road Transport Corporation (PRTC)**

PEPSU Road Transport Corporation (PRTC) is a state-run bus operator of Punjab, headquartered in Patiala. Originally formed as the Road Transport Corporation for the erstwhile state of PEPSU, it became the transport corporation for the entire state of Punjab following PEPSU's merger into Punjab in 1956. In 1966, after the creation of Haryana and Himachal Pradesh from Punjab, these new states established their own transport companies.

PRTC was established on October 16, 1956, under the Road Transport Corporations Act, 1950, with the goal of providing efficient, adequate, economical, and well-coordinated road transport services. It began operations with a modest investment of ₹25.00 lakh, a fleet of 60 buses, and 345 employees, covering 11,107 daily kilometers on 15 routes. At present, PRTC operates covers a daily mileage of 349,928 kilometers and significantly added to its fleet of buses across all categories.

### **13.3 Performance of State Road Transport Undertakings**

Table 13.1 provides an overview of the State Road Transport Undertakings (SRTUs) in Punjab as of March 2019. As of March 2019, there are three SRTUs operating within the state. During the fiscal year 2018-19, these SRTUs maintained an average fleet of 3,009 buses. This translates to each SRTU bus serving approximately 9,220 people. Furthermore, there are 108 buses available for every 10 lakh people in Punjab. This data highlights the extensive public transport infrastructure in place to serve the state's population, ensuring accessibility and mobility for its residents.

**Table 13.1: Status of Punjab SRTUs**

Population (As per Census 2011)	Number of SRTUs as on March 2019	Average Fleet held by SRTUs during 2018-19	Number of Persons per SRTU bus	Number of Buses per 10 lakh population
2,77,43,338	3	3,009	9,220	108

Source: Review of the Performance of State Road Transport Undertakings for 2017-18 & 2018-19 (The latest available)

Table 13.2 sheds light on the physical performance of the State Road Transport Undertakings (SRTUs) in Punjab for the year ending March 2019, highlighting fleet size, fleet operated and utilization rates. PEPSU RTC maintained and operated an average fleet of 1138 buses, achieving a 100% fleet utilization rate. PUNBUS held an average fleet of 1395 buses, with 1280 buses in operation, resulting in a fleet utilization rate of 91.76%. The State Transport Punjab had an average fleet of 476 buses, with 400 buses in operation, leading to a fleet utilization rate of 84.03%. This data indicates that fleet utilization of three SRTUs of Punjab is notably high. PEPSU RTC fully utilized its fleet, while PUNBUS and State Transport Punjab had slightly lower utilization rates, reflecting different levels of operational efficiency among the SRTUs.

**Table 13.2: Physical Performance of SRTUs for the year ending March 2019**

S.No.	Name of State Road Transport Undertaking	Average Fleet Held (Number)	Average Fleet Operated (Number)	Fleet Utilization (%)
1	PEPSU RTC	1138	1138	100
2	PUNBUS	1395	1280	91.76
3	State Transport Punjab	476	400	84.03

Source: Review of the Performance of State Road Transport Undertakings for 2017-18 & 2018-19 (The latest available)

Table 13.3 provides financial performance indicators for three State Road Transport Undertakings (SRTUs) in Punjab: PEPSU, PUNBUS, and State Transport Punjab.

For revenue from passengers, PEPSU leads with INR 49,473.50 lakh, followed closely by PUNBUS with INR 49,404.48 lakh, and State Transport Punjab at INR 16,641.07 lakh. Traffic revenue is almost identical to passenger revenue, showing PEPSU and PUNBUS at INR 49,473.50 lakh and INR 49,404.48 lakh respectively, while State Transport Punjab has slightly higher traffic revenue of INR 17,998.86 lakh. Income from advertisements for PEPSU and

PUNBUS, both stand at around INR 84 lakh, while State Transport Punjab shows no revenue from this source.

PEPSU and PUNBUS generated moderate income from the sale of scraps, at INR 111.86 lakh and INR 256.5 lakh respectively, whereas State Transport Punjab generated significantly higher revenue of INR 1,052.5 lakh in this category. Receipts from penalties and fines were recorded only for PUNBUS at INR 377.1 lakh. Other receipts amounted to INR 1,843.37 lakh for PEPSU and INR 3,456.8 lakh for PUNBUS, with no such income for State Transport Punjab.

The total non-traffic revenue, combining all non-passenger related income sources, is highest for PUNBUS at INR 4,174.95 lakh, followed by PEPSU at INR 2,039.37 lakh, and State Transport Punjab at INR 1,052.5 lakh. Total subsidies and reimbursements received were substantial for PEPSU at INR 20,431 lakh, while PUNBUS and State Transport Punjab received INR 4,856.75 lakh and INR 1,847.97 lakh respectively.

In terms of total revenue, PEPSU has the highest total revenue of INR 71,943.87 lakh, PUNBUS follows with INR 58,436.18 lakh, and State Transport Punjab has a total revenue of INR 20,899.30 lakh. When looking at total costs, PEPSU and PUNBUS have a total cost of INR 62,309.04 lakh and INR 57,922.50 lakh, while State Transport Punjab's costs are higher than its revenue at INR 23,159.36 lakh.

Net profit/loss Graphs show that PEPSU earned a profit of ₹9,634.83 lakh, PUNBUS made a small profit of ₹513.68 lakh, and State Transport Punjab incurred a loss of ₹2,260.06 lakh.

**Table 13.3 Financial Indicators of SRTUs for the year ending March 2019**

S.No.	Indicator Description	PEPSU	PUNBUS	State Transport Punjab
1	Revenue from Passengers (Lakh)	49,473.50	49,404.48	16,641.07
2	Traffic Revenue (Lakh)	49,473.50	49,404.48	17,998.86
3	Income from Advertisements (Lakh)	84.14	84.52	0
4	Sale Proceeds from Scraps (Lakh)	111.86	256.5	1,052.5
5	Receipt from imposition of penalties/fines (Lakh)	--	377.1	0
6	Other Receipts	1,843.37	3,456.8	0

7	Total Non-Traffic Revenue (Lakh) (2+3+4+5+6)	2,039.37	4,174.95	1,052.5
8	Total Subsidies/Reimbursements (Lakh)	20,431.00	4,856.75	1,847.97
9	Total Revenue (Lakh)	71,943.87	58,436.18	20,899.30
10	Total Cost (Lakh)	62,309.04	57,922.50	23,159.36
11	Net Profit/Loss (Lakh)	9,634.83	513.68	-2,260.06

Source: Review of the Performance of State Road Transport Undertakings for 2017-18 & 2018-19 (The latest available)

## CHAPTER 14

### CASH CREDIT LIMIT ACCOUNTS

#### 14.1 Punjab as the Granary of India

Punjab holds a pivotal role in ensuring food security in India and is often referred to as the "Granary of India" due to its significant contribution to the country's agricultural output, particularly in wheat and rice production. With one of the highest agricultural productivity rates in the nation, Punjab benefits from fertile soil, extensive irrigation networks, and modern farming techniques. The Green Revolution of the 1960s and 70s dramatically increased crop yields in Punjab, transforming it into a model of agricultural development through innovations like high-yielding seed varieties, and inputs like chemical fertilizers, and advanced irrigation practices. As a leading producer of wheat and rice, Punjab significantly contributes to the central pool of food grains, essential for the Public Distribution System (PDS) that ensures food availability across India. During the ongoing RMS 2024-25 procurement of wheat, 124.26 LMT wheat has been procured so far from Punjab, the highest among all other wheat producing states.<sup>5</sup>

#### 14.2 Cash Credit Limit

In the context of procurement in Punjab, the cash credit limit refers to the maximum amount of credit that procurement agencies, such as state procurement corporations or agencies involved in agricultural procurement, can draw from banks to finance their purchase of goods, primarily agricultural produce like wheat and rice.

Before each procurement season, the Department of Food & Public Distribution (DFPD), Government of India, issues a "provisional cost sheet" covering MSP, statutory charges and taxes, labor, transportation, handling, custody, maintenance, interest, milling, administrative charges, and the cost of gunny bags. The Food Corporation of India (FCI) uses this sheet to pay State Procuring Agencies (SPAs) for delivered food grains. Except for MSP, statutory charges, and milling charges, actual procurement expenses incurred by SPAs are partially

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<sup>5</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=2021458>

reimbursed by FCI based on this provisional cost sheet. SPAs use the CCL account for procurement expenses as they have no other funding source.

The provisional cost sheet often does not match the actual expenses, leading to concerns about valuation norms. Previously, the Government of India reimbursed actual procurement costs, but since 2003-04, only the difference between actual expenditure and the provisional cost sheet is reimbursed upon submission of audited accounts. Despite this, the Government of India has not fully reimbursed SPAs for their expenses, resulting in a growing financial gap due to compounded interest and unresolved issues.

Delays in finalizing cost sheets and accounts exacerbate the problem, with a widening gap between the outstanding CCL and the stocks held by SPAs. Since 2004, a mismatch between cash credit availed and recorded food grain stocks has led to banks adjusting previous crop accounts with receipts from the next crop's CCL, creating persistent gaps. This cycle of adjustment has continued, causing confusion and lack of clarity in settling specific crop year accounts. Neither the SPAs nor the banks have been able to resolve this issue, as the provisional cost sheets provided by the Government of India do not account for clearing specific season accounts.

### **14.3 Cash Credit Limit Gap**

The cash credit limit gap in the procurement of foodgrain refers to the shortfall between the credit limit sanctioned by banks and the actual funds required by procurement agencies to purchase foodgrains from farmers. This gap can significantly impact the procurement process and overall food security. State procurement agencies, such as the Food Corporation of India (FCI) and state-level agencies, rely on cash credit limits extended by banks to finance their purchases during peak procurement seasons. Factors contributing to this gap include underestimation of requirements, delayed sanctions, rising procurement costs, and sudden policy changes. The consequences of this gap include delayed payments to farmers, procurement inefficiencies, and disruptions in the supply chain, potentially affecting the availability and distribution of foodgrains through the Public Distribution System (PDS). Addressing the cash credit limit gap requires accurate estimation of procurement needs, timely sanctioning and enhancement of credit limits, and efficient management of procurement costs to ensure adequate funding for foodgrain procurement, maintaining agricultural stability, supporting farmers, and securing the nation's food supply.

#### 14.4 Cash Credit Limit Gap Conversion into Long Term Loan for the State

Due to a gap in the cash credit limit, Punjab's state exchequer has been burdened with converting a significant CCL gap of ₹30,584.11 crore into a clean term loan, comprising a principal amount of ₹12,161 crore and ₹18,423 crore as bank interest. This long-term CCL debt was imposed on the State Government at an interest rate of 8.25%, higher than the average market borrowing costs of 7.38% in 2016-17 and 7.69% in 2017-18. After persistent negotiations with a consortium of banks, the interest rate on the CCL long-term loan was reduced to 7.35% in March 2022.<sup>6</sup>

This debt places an unsustainable burden on the State, with an annual debt servicing liability of ₹3,240 crore until September 2034, totalling ₹57,358 crore over the loan's repayment period. This also inflates the state's fiscal deficit. Additionally, the State Government must also finance future gaps arising from such operations each season before seeking authorization from the Reserve Bank of India (RBI) for the next season's Cash Credit Limit (CCL).

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<sup>6</sup> White Paper on State Finances, Govt of Punjab, Department of Finance (June 2022)

## CHAPTER 15

### RECOMMENDATIONS OF 14<sup>TH</sup> AND 15<sup>TH</sup> FINANCE COMMISSION: AN OUTCOME EVALUATION

#### 15.1 The 14<sup>th</sup> Finance Commission

The 14th Finance Commission (FC), chaired by Y.V. Reddy, made significant recommendations regarding the financial relations between the central and state governments for the period 2015-20. One of the major recommendations was increasing the states' share in central taxes from 32% to 42%, marking a significant shift towards greater fiscal federalism. This increase in devolution aimed to enhance the states' autonomy and financial strength, allowing them to cater more effectively to local needs and priorities.

To address the additional budgetary needs of states, the Commission recommended grants-in-aid. The total revenue deficit grant for states during the 2015-20 period was set at ₹1,94,821 crore. The formula for calculating the states' share of taxes was also revised, with weights assigned to various indicators: 1971 population (17.5%), 2011 population (10%), area (2% for smaller states, 15% for general weight), forest cover (7.5%), and income distance (50%).

Fiscal discipline was another key focus. The Commission recommended that states aim for a fiscal deficit of 3% of their Gross State Domestic Product (GSDP) from 2015 to 2020. States with a debt-GSDP ratio of less than or equal to 25% and interest payments below or equal to 10% of their revenue receipts in the previous year were granted flexibility to borrow an additional 0.25% of their GSDP.

For the implementation of the Goods and Services Tax (GST), the Commission proposed setting up an autonomous GST Compensation Fund to ensure states are compensated for revenue losses due to the new tax regime. Compensation was recommended to be 100% for the first three years, 75% in the fourth year, and 50% in the fifth year.

The 14th FC also emphasized the importance of strengthening local governance. It recommended a total grant of ₹2,87,436 crore to local governments for 2015-20, with ₹2,00,292 crore allocated to panchayats and ₹87,144 crore to municipalities. The grants were divided into basic and performance grants, with a higher proportion of performance grants for municipalities to encourage better fiscal management and increased revenue generation.

Additionally, the Commission suggested amendments to the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, to remove the definition of effective revenue deficit and to create an independent fiscal council to evaluate the fiscal policy implications of budget proposals. Alternatively, it proposed replacing the FRBM Act with a Debt Ceiling and Fiscal Responsibility Legislation to enhance fiscal management legitimacy.

In summary, the 14th Finance Commission's recommendations aimed at enhancing state autonomy, ensuring fiscal discipline, improving local governance, and facilitating a smooth transition to the GST regime, thereby promoting a more balanced and effective fiscal federalism in India.

## **15.2 The 15<sup>th</sup> Finance Commission**

The 15th Finance Commission (FC), chaired by Mr. N.K. Singh, was constituted to make recommendations on the distribution of tax revenues between the central and state governments for the period 2021-26. One of the primary outcomes was maintaining the states' share in central taxes at 41%, a slight reduction from the 42% recommended by the 14th FC, to account for the newly formed union territories of Jammu and Kashmir and Ladakh. The criteria for tax devolution included income distance (45%), area (15%), population (2011) (15%), demographic performance (12.5%), forest and ecology (10%), and tax and fiscal efforts (2.5%).

The Commission recommended various grants-in-aid to address specific needs and encourage performance improvements. These included revenue deficit grants to bridge the gap between revenue and expenditure. In this regard, 17 states were given grants worth Rs 2.9 lakh crore to eliminate revenue deficit. Sector-specific grants were allocated for sectors such as health, education, agriculture, and rural development, and state-specific grants to address unique challenges faced by individual states. Additionally, grants to local bodies were allocated to strengthen local governance and enhance service delivery.

To address defence and internal security, the Commission proposed a dedicated non-lapsable fund amounting to Rs 2.4 lakh crore over five years, aimed at bridging budgetary gaps in these critical areas. The recommendations also included performance-based incentives for states to encourage improvements in various sectors, including the power sector, agriculture, and public health. Moreover, the creation of a National and State Disaster Risk Management Fund was recommended to improve disaster preparedness and response.

Emphasis was placed on fiscal consolidation and discipline, urging states to manage their finances prudently and reduce debt levels. The Commission also focused significantly on the health sector, recommending increased funding and reforms to improve health outcomes across states. Additionally, measures to promote sustainable development and address environmental concerns were recommended, including specific grants for forest and ecology management.

Overall, the 15th Finance Commission's recommendations aimed at achieving balanced fiscal federalism, enhancing state capacities, and addressing sector-specific challenges to ensure comprehensive and sustainable development across India.

### **15.3 Analysis of The Flow of Resources from Centre to States Through Various Schemes and Their Impact on Development Spending**

The financial relationship between the Central Government and Punjab is shaped by tax devolution, grants-in-aid, centrally sponsored schemes (CSS), and special assistance programs. Over the years, Punjab has received a significant portion of its revenue from Central transfers, which include both untied funds (tax devolution) and tied funds (CSS grants and sectoral allocations).

#### **1. Trends in Central Transfers to Punjab**

- The share of Punjab in Central taxes has increased, rising from ₹4,059 crores in 2012-13 to ₹17,163 crores in 2022-23.
- Grants-in-aid from the Centre saw significant growth, increasing from ₹2,776 crores in 2012-13 to ₹21,976 crores in 2022-23, with a peak in 2020-21 due to COVID-19 relief measures.
- The reliance on centrally sponsored schemes (CSS) has been increasing, particularly in sectors such as agriculture, health, and education.

#### **2. Expenditure by Punjab on Central Schemes**

Punjab's spending on centrally sponsored schemes (CSS) is crucial, as many of these schemes require state co-funding. Some key trends include:

- **Agriculture & Rural Development:** A large share of Central grants has gone to agriculture-related subsidies and rural employment programs (e.g., MGNREGA, PM-KISAN).

- **Health & Social Welfare:** Expenditures on Ayushman Bharat, ICDS (Integrated Child Development Services), and PM Poshan (Mid-Day Meal Scheme) have increased in recent years.
- **Infrastructure & Urban Development:** Punjab has received grants for Smart Cities, PMAY (Pradhan Mantri Awas Yojana), and AMRUT (Atal Mission for Rejuvenation and Urban Transformation), but utilization rates remain a concern due to bureaucratic delays.

### 3. State Resources Channeled Towards These Schemes

- **Matching Contributions:** Many CSS require state co-funding, leading Punjab to allocate a significant share of its budget to match Central funds.
- **Debt-Financed Expenditure:** Due to fiscal constraints, Punjab often borrows funds to meet its share in Central schemes, further increasing the state's debt burden.
- **Sectoral Prioritization:** Punjab diverts state resources primarily towards agriculture and power subsidies, which limits fiscal space for other critical areas like education, health, and industrial development.

### 4. Impact on Development Spending

- **Increased Dependency on Central Transfers:** With rising Central grants, Punjab's development spending is increasingly tied to Central priorities, reducing its financial autonomy.
- **Higher Spending in Social Sectors:** The expansion of CSS-funded programs has improved healthcare, rural employment, and infrastructure, but slow fund utilization and leakages remain challenges.
- **Limited Capital Investment:** Due to the focus on subsidies and recurrent expenditures, Punjab lags in capital-intensive sectors like industrial infrastructure, logistics, and digital transformation, restricting long-term economic growth.

## 15.4 State's Own Schemes for Different Development Objectives

While Punjab relies heavily on Central grants, it also implements its own development schemes, tailored to regional needs. The state's own schemes focus on agriculture, employment generation, urban infrastructure, and welfare programs.

### 1. Agriculture & Farmer Welfare

Punjab, as India's agricultural hub, has developed multiple state-funded schemes to support farmers:

- Free Power Subsidy for Farmers: The state provides heavily subsidized electricity for agricultural irrigation, though this has significantly strained Punjab's finances.
- Punjab Crop Diversification Program (PCDP): Encourages farmers to shift from wheat and rice to horticulture and pulses to promote sustainable farming and soil conservation.
- State Market Intervention Schemes: Punjab offers price support for crops not covered under Central MSP policies, helping farmers secure stable incomes.

## 2. Employment & Skill Development

To address high unemployment, Punjab has introduced state-level employment and skill development programs:

- Punjab Ghar Ghar Rozgar and Karobar Mission (PGRKAM): Focuses on job creation and entrepreneurship support, with job fairs, MSME incentives, and startup incubation centers.
- Punjab Skill Development Mission (PSDM): Offers vocational training programs in agritech, manufacturing, and digital services, aiming to bridge the education-employment gap.

## 3. Urban Development & Infrastructure

Punjab's urbanization is increasing, and state initiatives complement Central urban development programs:

- Mukhya Mantri Nagroday Yojana: Supports municipal infrastructure projects, smart city initiatives, and waste management in smaller cities.
- Punjab Urban Development Mission (PUDM): Funds housing, sanitation, and road connectivity projects, particularly in rapidly growing towns like Mohali and Ludhiana.

## 4. Social Welfare & Public Services

- Mukhya Mantri Punjab Hepatitis-C Relief Fund (MMPHCRF): Provides free Hepatitis-C treatment, addressing a serious public health challenge in the state.
- Aashirwad Scheme: Offers financial assistance for the marriage of girls from economically weaker sections, supporting women's empowerment.
- Mata Tripta Mahila Yojana: Provides microfinance and skill training for women entrepreneurs, helping them achieve financial independence.

## 5. Digital & Financial Inclusion

- E-Governance & Digital Services: Punjab has implemented e-district portals, digital payment systems for taxes, and online property registration services to improve transparency and efficiency.

- Punjab Fintech Hub: Aims to attract fintech startups and expand digital financial services, particularly in rural areas.

### **Conclusion**

Punjab's fiscal position remains highly dependent on Central transfers, with Centrally Sponsored Schemes (CSS) playing a major role in social sector spending. While these schemes have improved healthcare, rural employment, and urban infrastructure, Punjab's own revenue constraints have led to fiscal stress in meeting co-funding requirements.

At the same time, the state has implemented several homegrown schemes, particularly in agriculture, employment, and social welfare, to address region-specific challenges. However, over-reliance on subsidies (particularly power and agriculture) has limited investment in industrial growth and digital transformation.

Going forward, Punjab must balance its reliance on Central transfers with stronger revenue generation strategies and better fiscal management. A greater focus on industrialization, trade expansion, and private sector-driven infrastructure development will be critical for ensuring sustainable economic growth and financial stability.

## CHAPTER 16

### RECOMMENDATIONS FOR ESTABLISHING A SUSTAINABLE DEBT ROADMAP

#### 16.1 Introduction

A sustainable debt roadmap is essential for a state government as it ensures fiscal stability and discipline by keeping borrowing and debt levels within manageable limits. This stability prevents fiscal crises and supports the government's ability to deliver essential services. A well-planned debt strategy also allows for financial flexibility and strategic investments in infrastructure and public services, driving economic growth and development. Additionally, sustainable debt management promotes intergenerational equity, balancing the need for current public investments with the responsibility of not overburdening future generations. It ensures effective resource allocation by linking debt management with budgetary processes, prioritizing high-impact projects.

Effective debt management further supports social and political stability by enabling the government to meet its obligations and deliver public services without resorting to austerity measures, thereby maintaining public confidence and social cohesion.

Punjab's debt-to-GSDP ratio has risen from 23% in 2012-13 to 38% in 2021-22, and total outstanding debt has increased from ₹92,282 crores (2012-13) to ₹3,14,220 crores (2022-23).

#### 16.2 Recommendations for a Sustainable Debt Roadmap for the State of Punjab

##### 1. Strengthen Adherence to FRBM Targets and MTFP Projections

- **Compliance:** As highlighted by the study, Punjab has consistently missed its revenue deficit and fiscal deficit targets. Compliance to targets will be a critical parameter for Punjab to maintain fiscal discipline.
- **Flexible Limits:** Implementation of statutory flexible limits on the fiscal deficit can be undertaken to accommodate economic fluctuations while maintaining overall fiscal discipline.
- **MTFP Projection:** The study also highlights a high variation in MTFP projections vis a vis actuals. In 2022-23, there was a (-)107.46% variation in projected vs actuals of revenue deficit. Similarly, in fiscal deficit, there was a variation of (-)42.35%.

## 2. Strategic Borrowing and Debt Management

- **Debt Service Optimization:** Considering Punjab's increasing debt and debt-GSDP ratio, the state can regularly review and refinance existing debt to take advantage of lower interest rates and better terms, reducing the overall debt servicing burden.
- **Contingency Planning:** Establish a contingency fund to manage unforeseen economic shocks and avoid excessive borrowing during downturns.

## 3. Enhance Debt Transparency and Reporting

- **Comprehensive and Standardized Reporting:** Adopting a standardized template for comprehensive debt analysis and reporting as recommended by the Finance Commission is required enhance debt reporting by the state.
- **Public Disclosure:** Increase transparency by regularly publishing detailed reports on the state's debt situation, including sources, uses, and repayment schedules of borrowed funds.

## 4. Monitor and Review Debt Strategy

- **Regular Assessments:** It is crucial for the state to conduct regular assessments of the debt strategy to ensure alignment with economic conditions and fiscal objectives.

## 5. Improve Revenue Generation and Collection

- **Expand Revenue Base:** The state can consider and increasing service charges for utilities to diversify the state's revenue sources. The state can also explore new revenue streams, such as public-private partnerships and monetizing state assets, to diversify income sources. The state can identify and provide support to industries that can act as a catalyst in revenue generation. Exporting of goods in key sectors such as hosiery can be undertaken with governmental support.

It is also essential for the state to increase its non-tax revenue. The analysis suggests that the state's non-tax revenue has not been increasing with time.

- **Enhance Tax Compliance and Increase Tax-GSDP Ratio:** Punjab's Tax-GSDP ratio fell to 7.5% in 2019-20 but improved to 9% in 2021-22. The state can implement an advanced electronic tax filing and payment system to reduce tax evasion, coupled with regular audits and incentives for timely tax payments.

## 6. Prudent Expenditure Management

- **Performance-Based Budgeting:** Implement performance-based budgeting to ensure that expenditures are linked to measurable outcomes and efficiency improvements.
- **Capital Expenditure Focus:** Prioritize capital expenditures that promote long-term economic growth over recurring operational expenditures.

## 7. Foster Economic Growth

- **Infrastructure Development:** Invest in infrastructure projects that stimulate economic activity and create jobs, thereby increasing the state's revenue base and reducing reliance on debt.
- **Business Environment:** Improve the ease of doing business to attract investment, enhance productivity, and drive economic growth.
- **Skill Development:** Enhance human capital through education and skill development programs to build a more resilient and competitive economy. Additionally, as reflected by the study, there is a critical need for employment generation schemes in the state. Employment generation evidently leads to multiplier effect, leading to an overall upliftment of the state's economy.

## 8. Cost-Benefit Analysis of Subsidies

- **Power Subsidy:** As highlighted by the study, power subsidy has been putting pressure on state finances for a substantial period. Such subsidies, for example the power subsidy provided to farmers in Punjab has been a pivotal contribution for Punjab in providing food security to India. If such subsidy is withdrawn by the state government, it will lead to rise in input cost of agriculture. Punjab, being one of the key states in procurement of foodgrain will be significantly impacted, and production volume may be impacted. As per the latest estimates, Punjab's Power Subsidy for the 2023-24 financial year is 20,243 crores, and it is expected to grow steadily during 2026-31.

## 9. Tax Concessions for Industries

- **Border State:** Punjab, being a border state is not considered as the ideal avenue for setting up large industries, as there are external factors impacting the economy of Punjab. Hence, if tax concession is provided to the industries, it will act as an impetus for setting up industrial base in the state. The industrial base

will subsequently add to the revenue base of the state and give the much-needed push in improving the state of debt. One such example of industrial development due to tax concession/tax holiday is that of Himachal Pradesh, wherein a package was announced in 2003 that included a 100% exemption from Central Excise Duty for 10 years and a 100% income tax exemption for 5 years. This intervention led to significant industrial growth, particularly in Baddi-Barotiwala, which has now become a hub for pharmaceutical industry. It is contributing significantly to state's economy.

### **16.3 Forecasting for a Sustainable Debt Roadmap (2026-31)**

Punjab's rising debt burden is a serious fiscal challenge, with the debt-to-GSDP ratio increasing from 23% in 2012-13 to 38% in 2021-22, and total outstanding liability reaching ₹2,93,729 crores in 2022-23. Given this trend, a data-driven debt sustainability roadmap is essential. This analysis includes forecasting debt growth based on historical trends and recommendations for long-term fiscal stability.

#### **1. Debt Forecasting for 2026-31**

##### **A. Debt-to-GSDP Ratio Forecast**

The debt to GSDP ratio has been forecasted based on trend of growth of debt and GSDP in the last decade, wherein the data source for Debt and GSDP Data is the State Finances Audit Reports (various issues). Based on CAGR calculations, debt has grown at 13.9% in the past decade, while GSDP CAGR has been 7.9%. Based on these calculations (mentioned below), Table 16.1 on Debt-GSDP forecast has been prepared, which suggests that if the historical CAGR Debt and CAGR GSDP continues, Punjab could have a Debt-GSDP ratio of 46.8% in 2025-25, and a Debt-GSDP ratio of 62.5% in 2030-31. This suggests that if the past trend continues, the state's fiscal stress will worsen. With targeted reforms mentioned in section 16.2, this can be lowered, ensuring debt sustainability and economic stability. The recommended policies (tax reforms, subsidy rationalization, industrial growth, and trade expansion) will help achieve a debt reduction path while maintaining economic growth.

#### **Forecasting Step 1: Computing Historical Debt Growth Rate**

Punjab's total outstanding debt:

- **2012-13:** ₹71,211 crore
- **2021-22:** ₹2,24,799 crore

- **CAGR Calculation:**  $Debt\ CAGR\ (\%) = \left(\frac{224799}{71211}\right)^{\frac{1}{9}} - 1 = 13.9\%$
- Assuming the current scenario, Debt could grow to 7,00,000 crores by 2030-31.

### Forecasting Step 2: Compute Historical GSDP Growth Rate

Punjab's GSDP:

- **2012-13:** ₹2,97,734 crore
- **2021-22:** ₹5,84,042 crore
- **CAGR Calculation:**  $GSDP\ CAGR\ (\%) = \left(\frac{584042}{297734}\right)^{\frac{1}{9}} - 1 = 7.9\%$
- Assuming the current scenario, GSDP could grow to 11,20,000 crores by 2030-31.

### Forecasting Step 3: Compute Debt-to-GSDP Ratio $\left(\frac{Debt}{GSDP}\right) \times 100$

For 2025-26:  $\frac{380000}{800000} \times 100 = 46.8\%$

For 2030-31:  $\frac{700000}{1120000} \times 100 = 62.5\%$

Table 16.1: Debt-GSDP Ratio Forecast

Year	Debt (₹ crore)	GSDP (₹ crore)	Debt-to-GSDP Ratio (%)
2012-13	71,211	2,97,734	23.1
2021-22	2,24,799	5,84,042	38.0
2025-26 (Projected)	3,75,000	8,00,000	<b>46.8</b>
2030-31 (Projected)	7,00,000	11,20,000	<b>62.5</b>

Source: Author's calculations based on historical data

## B. Debt Servicing Burden

- Interest payments on outstanding debt currently account for approximately 20-25% of Punjab's revenue receipts. If the current borrowing pattern continues, Punjab's annual debt servicing could exceed ₹80,000 crore by 2030, significantly restricting development spending.

### 16.4 Determination of a Sustainable Debt Roadmap for 2026-31 Taking into Account Tax and Non-Tax Trend Forecasts

To ensure Punjab follows a sustainable debt trajectory, an integrated approach involving tax revenue growth and enhanced non-tax revenue mobilization is essential.

## A. Tax Revenue Growth Projections

- **Historical Tax-to-GSDP Ratio:** Punjab's tax revenue as a percentage of GSDP was **7.5% in 2019-20** and improved to **9% in 2021-22**.
- **Projected Growth:** With enhanced compliance and digital tax administration, tax revenue could reach **11% of GSDP by 2030**.
- **Policy Actions:**
  - Strengthen **GST compliance** and minimize exemptions, especially in **agriculture-related transactions**.
  - Expand **property tax and commercial tax base** through digital records and AI-driven assessments.

## B. Non-Tax Revenue Enhancements

- **Historical Trends:** Non-tax revenue declined post-COVID, from **₹6,654 crore (2019-20)** to **₹4,152 crore (2020-21)**. In 2022-23, it was 6,231.9 crores, indicating that non-tax revenue has still not reached the pre-covid level.
- **Projected Growth:** A target of **₹12,000 crore in non-tax revenue by 2030** is achievable with asset monetization and better fee structures.
- **Policy Actions:**
  - Monetize **government land and infrastructure** through commercial leasing.
  - Introduce **rationalized user charges** for public utilities such as transport and water supply.

Overall, the analysis suggests that for Punjab to have a growth-oriented and debt-sustainable fiscal future, certain interventions as suggested in the recommendations are necessary.

## CHAPTER 17

### SUGGESTIONS FOR IMPROVING FINANCIAL POSITION OF PUNJAB

#### 17.1 Introduction

Punjab, historically one of India's most prosperous states, is facing significant fiscal challenges due to rising debt, stagnant revenue growth, and a high subsidy burden. While the state has witnessed an increase in revenue receipts over the past decade, its debt-to-GSDP ratio has surged to 38% (2021-22), and the fiscal deficit continues to widen. Additionally, structural issues such as low tax-GSDP ratio, declining non-tax revenues, low performance of public sector enterprises (SPSEs), and an over-reliance on agricultural subsidies have strained Punjab's financial sustainability.

To ensure long-term fiscal stability, Punjab must undertake comprehensive reforms focusing on enhancing revenue mobilization, optimizing expenditure efficiency, rationalizing debt, and promoting industrial and trade growth. Strengthening cross-border trade with Pakistan and Central Asia, revitalizing the agriculture and manufacturing sectors, and leveraging digital financial inclusion can play a transformative role in improving the state's financial health.

This chapter explores key policy recommendations aimed at strengthening Punjab's financial position by addressing its fiscal imbalances, unlocking new revenue streams, and fostering economic resilience. By implementing these strategies, Punjab can transition towards a more sustainable, diversified, and growth-oriented fiscal framework.

#### 17.2 Suggestions for Improving Financial Position of the State

##### 1. Enhancing Revenue Generation

Punjab's revenue receipts have increased over time, but the state's Tax-GSDP ratio remains below its potential, ranging between 7.5-9% over the last decade, and non-tax revenues have still not recovered to pre-COVID levels. To address this, the following measures should be implemented:

##### A. Strengthening Tax Revenue Collection

- **Expand the GST Base:** Punjab has faced revenue losses under GST, particularly due to the exemption of agricultural produce. The state should advocate for an extended GST compensation period and explore innovative tax measures on agri-processing and logistics services. The state can press the GST council for taxing agri-

logistics/processing services that are currently outside the GST ambit. This will help the state to mobilise additional tax-revenue.

- Improve Tax Compliance & Administration:
  - Strengthen digital tax enforcement mechanisms to reduce evasion.
  - Use data analytics and AI to track high-risk tax evaders.
  - Increase property tax compliance through regular reassessments and linking property databases with Aadhaar.

## B. Enhancing Non-Tax Revenue

- Monetize State-Owned Assets:
  - The study suggests that non-tax revenue of the state has not been growing with time, which is a concerning trend. The state can boost its non-tax revenue through leveraging land monetization by auctioning unused government land for commercial development.
  - Explore public-private partnerships (PPPs) in infrastructure and urban services.
- Restructuring SPSE's
  - The study finds that dividends and profits from states' public sector enterprises have remained minimal, ranging from 1.2 to 6.6 crores over the past decade. In light of the same, a minimum dividend criterion can be curated for profit-making enterprises. The enterprises that have continuously been making losses can be put on a disinvestment calendar.
- Increase User Charges on Services:
  - Implement rationalized pricing for electricity, water, and public transport to recover operational costs.
  - Review royalty rates on mining, sand extraction, and industrial licenses.
- Auction Idle Urban and Industrial Land:
  - The report supports monetization of government-owned plots via commercial leases or joint ventures, particularly near city centres or along industrial corridors

- Broaden Vehicle and Stamp Duty Coverage:

The study finds that Vehicle taxes and stamp duty contributed ₹1,911 crore and ₹2,135 crore respectively in 2021–22, together forming over 13% of own tax revenue. Revising rate slabs, plugging registration leakages, and incentivizing digital registrations can expand these bases.

- **Public-Private Partnerships (PPPs) in Service Delivery:** The report notes potential for PPP models in urban services like waste management and e-mobility, which can yield both service efficiency and non-tax lease or concession fees

## 2. Fiscal Consolidation & Debt Management

Punjab's debt-to-GSDP ratio has increased sharply from 23% in 2012-13 to 38% in 2021-22, making fiscal sustainability a critical concern.

### A. Sustainable Debt Management

- **Reduce Reliance on High-Interest Borrowings:** Shift towards low-cost borrowings from multilateral institutions (e.g., World Bank, ADB) for long-term infrastructure investments.
- **Improve Debt Maturity Profile:** Restructure existing debt to extend repayment periods and reduce annual liabilities.

### B. Rationalizing Expenditures

- **Curb Rising Subsidy Burden:**
  - Implement Direct Benefit Transfers (DBT) for power and agricultural subsidies to improve targeting and reduce leakage.
  - Gradually reduce free electricity for large farmers while ensuring small and marginal farmers receive support.
- **Enhance Public Expenditure Efficiency:**
  - Introduce performance-based budgeting to prioritize high-impact projects.
  - Strengthen financial audits for urban local bodies (ULBs) and Panchayati Raj Institutions (PRIs) to reduce fiscal leakages.

## 3. Industrial & Trade Growth

Punjab's industrial growth has lagged the services sector, and cross-border trade potential with Pakistan and Central Asia remains untapped.

### A. Boosting Cross-Border Trade

- **Strengthen Border Infrastructure:**
  - Modernize Wagah-Attari Integrated Check Post (ICP) with automated cargo clearance and better logistics.
  - Develop dry ports and warehousing zones near border districts.
- **Policy Reforms for Regional Trade:**
  - Engage with the central government to negotiate trade relaxations with Pakistan and Afghanistan.

- Establish bilateral trade agreements for agricultural and textile exports.

#### B. Strengthening Industrial Growth

- Enhance Special Economic Zones (SEZs) & Industrial Corridors:
  - Develop textile parks in Ludhiana and Amritsar, and integrate with Delhi-Mumbai Industrial Corridor (DMIC) to attract FDI.
  - Building of dry-ports in Amritsar and Ferozepur.
- Investment Promotion & Ease of Doing Business:
  - Reduce red tape and streamline business approvals through a single-window clearance system.
  - Provide tax incentives for MSMEs and agri-processing industries.

#### 4. Agriculture & Rural Development

Agriculture remains Punjab's backbone, but over-dependence on wheat and rice has led to declining farm incomes and environmental stress.

##### A. Diversifying Agriculture for Higher Revenue

- Promote High-Value Crops & Agri-Exports:
  - Encourage horticulture, floriculture, and organic farming for global markets.
  - Strengthen agri-export zones and facilitate market linkages with Middle Eastern and Central Asian countries.
  - Push crop-diversification incentives and micro-irrigation.
- Expand Food Processing Industry:
  - Invest in cold storage chains and logistics hubs.
  - Incentivize private investment in food processing units through tax breaks.

##### B. Sustainable Farming Practices

- Address Water & Environmental Challenges:
  - Reduce groundwater depletion by promoting micro-irrigation and crop diversification.
  - Phase out stubble burning through subsidies for crop residue management (CRM) machinery.
- Digital & Financial Inclusion for Farmers:
  - Expand mobile-based agri-platforms for direct market access.
  - Strengthen farmer credit schemes via digital Kisan Credit Cards (KCCs).

## 5. Digital & Financial Inclusion

The digital economy and fintech can play a transformative role in improving revenue mobilization and financial efficiency.

### A. Strengthening Digital Governance

- E-Governance for Revenue Collection:
  - Implement blockchain-based property registration to reduce tax evasion.
  - Expand e-payment systems for municipal taxes and fees.
- Digital Auditing for Public Expenditure:
  - Introduce AI-powered financial audits to reduce corruption and fiscal leakages.

### B. Expanding Financial Inclusion

- Enhance MSME & Rural Credit Access:
  - Strengthen state-level fintech initiatives to support small businesses.
  - Collaborate with private banks & NBFCs to improve credit availability.
- Promote Digital Payments & Fintech Solutions:
  - Encourage UPI and mobile banking adoption in rural Punjab.
  - Expand digital subsidy disbursement to eliminate leakages.

## Conclusion

Punjab's fiscal landscape, marked by a low and stagnant Tax-to-GSDP ratio, underperforming non-tax revenue streams, and rising debt obligations, underscores the urgent need for a comprehensive and evidence-based reform strategy. This chapter has drawn extensively from the diagnostic analysis of revenue, expenditure, and debt trends presented throughout the report to propose a multi-pronged framework aimed at restoring fiscal sustainability, enhancing revenue generation, and promoting economic resilience.

Strengthening tax administration through digital compliance systems, expanding the GST base, and rationalising property tax are critical to tapping unrealised tax potential. Simultaneously, monetisation of state-owned assets, restructuring of SPSEs, and revision of user charges present immediate opportunities to bolster non-tax revenues. Institutional reforms, such as the creation of a Non-Tax Revenue Cell and the introduction of performance-based budgeting, are necessary to improve fiscal governance and expenditure efficiency.

On the expenditure front, phasing out regressive subsidies and prioritising targeted support through Direct Benefit Transfers (DBTs) can contain fiscal pressures while safeguarding equity. A gradual shift from high-cost market borrowings to concessional financing from multilateral institutions, along with improved debt structuring, will strengthen debt

sustainability. Finally, unlocking Punjab's industrial and trade potential—particularly through logistics infrastructure, SEZ development, and regional trade integration—can catalyse long-term revenue growth.

If implemented in a sequenced and coordinated manner, the recommendations in this chapter can help Punjab transition from a fiscally constrained to a fiscally empowered state. This transformation will not only improve the state's creditworthiness and developmental capacity but also create the fiscal space needed for investments in human capital, infrastructure, and inclusive economic growth.

## Concluding Remarks

Punjab's financial landscape stands at a pivotal juncture. The state is grappling with rising debt levels, a growing subsidy burden, and structural revenue constraints—all of which require a multi-pronged and forward-looking fiscal strategy. This report has presented a comprehensive analysis of Punjab's revenue and expenditure patterns, debt profile, sectoral performance, and inter-state fiscal positioning. The policy recommendations outlined are not just technical fixes, but a strategic blueprint for achieving fiscal consolidation, accelerating growth, and ensuring long-term financial sustainability.

A key insight of this analysis is the urgent need to enhance Punjab's revenue generation capacity. While the state's own tax revenue has grown from ₹22,587 crore in 2012–13 to ₹42,243 crore in 2022–23, and the tax-to-GSDP ratio improved to 9% in 2021–22, this growth remains insufficient to meet its expanding expenditure needs. Punjab must prioritize broadening its tax base, strengthening enforcement mechanisms, and leveraging technology—such as data analytics and AI—to detect tax evasion and improve compliance. Structural reforms in non-tax revenue mobilisation, including rational pricing of public services and improved returns from state enterprises, are equally essential.

Debt management, too, requires immediate attention. The state's outstanding debt has tripled over the past decade—from ₹92,282 crore in 2012–13 to ₹2,93,729 crore in 2022–23—raising the debt-to-GSDP ratio from 23% to 38%. Notably, Punjab also has the highest debt-to-GSDP ratio among non-special category states (46.4% in 2021–22), reflecting significant fiscal stress. Moving forward, Punjab must pursue a shift towards low-cost borrowing, strategic debt restructuring, and rationalizing subsidies through Direct Benefit Transfers (DBTs) to relieve fiscal pressure. The conversion of the ₹30,584 crore Cash Credit Limit (CCL) gap into a high-interest long-term loan has further intensified debt servicing obligations—this too demands urgent resolution through better planning and financial restructuring.

At the heart of a successful fiscal transformation lies economic revitalization. Punjab must unlock new engines of growth by diversifying its agriculture—through high-value crops, export-oriented production, and agri-logistics—and by modernizing its industrial base via SEZs, industrial corridors, and ease-of-doing-business reforms. The state's services sector, already contributing nearly 46% to the GSDP, should be further strengthened by deepening financial inclusion, especially for MSMEs and rural entrepreneurs.

Importantly, the use of technology in financial governance must be scaled up. Implementing blockchain-based property systems, AI-driven audit tools, and expanding digital payments will reduce leakages, enhance transparency, and increase administrative efficiency. Strengthening fiscal oversight mechanisms for Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) is equally critical for sound decentralised financial governance.

Punjab's growing subsidy bill and fixed liabilities underscore the need to align fiscal planning with sustainable development goals (SDGs). Investments must be redirected towards human capital and infrastructure, with a focus on education, healthcare, and clean energy. Ensuring better targeting of subsidies and enhancing efficiency in public spending will help free up resources for development priorities.

The path ahead calls for bold action. Drawing on the Big Push theory, Punjab must undertake coordinated, large-scale public investments that create a critical mass of economic momentum—spurring private investment, job creation, and higher revenues. Fiscal consolidation alone will not suffice; Punjab must simultaneously pursue revenue reform, public investment, and technological innovation to trigger a self-reinforcing cycle of growth and fiscal resilience.

Ultimately, the vision must be to make Punjab self-reliant—not by shrinking the state's developmental role, but by equipping it with the revenue, tools, and institutions to finance its own future. The success of this transformation will depend on strong political will, sustained institutional reform, and effective on-ground implementation. With the right mix of prudence, innovation, and investment, Punjab can emerge from its current debt trap and chart a path toward a financially empowered and prosperous future.

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<b>Glossary Of Terms Used in The Report</b>	
<b>Term</b>	<b>Description</b>
<b>73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments</b>	The 73rd and the 74th Constitutional Amendment Acts, 1992 enjoin upon the states to establish a three-tier system of Panchayats at the village, intermediate and. district levels and Municipalities in the urban areas respectively.
<b>Alluvial plain</b>	A level or gently sloping flat or a slightly undulating land surface resulting from extensive deposition of alluvial materials by running water.
<b>Budget Estimates</b>	Budget estimates represent the government's wishes and ambitions for their budget.
<b>Capital Receipts</b>	Capital receipts come from sources such as the sale of assets, borrowing, and capital grants.
<b>Central Transfers</b>	Funds transferred by the Central Government to the states
<b>Centrally Sponsored Schemes</b>	Centrally Sponsored Schemes (CSS) are those schemes which are implemented by the state government but sponsored by the central government with a defined shareholding.
<b>Comptroller and Auditor General of India</b>	Comptroller and Auditor General of India is the apex authority responsible for external and internal audits of the expenses of the National and state governments.
<b>Data Analytics</b>	Data analysis is the process of inspecting, cleansing, transforming, and modelling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.
<b>Decentralisation</b>	Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.
<b>District Bureaus of Employment and Enterprises</b>	An organ of Punjab Government that oversees and ensures effective coordination in various schemes.
<b>Examiner Local Fund Accounts and Punjab</b>	Conducts day to day examination and audit of the Corporation accounts and furnishes a monthly report.

<b>Fiscal Consolidation</b>	Fiscal consolidation refers to the government's efforts to reduce its budget deficit and stabilize its debt levels relative to the size of the economy.
<b>Goods and Services Tax</b>	The goods and services tax (GST) is a value-added tax (VAT) levied on most goods and services sold for domestic consumption.
<b>Gram Panchayat</b>	The executive committee of the Gram Sabha is known as Gram Panchayat which consists of the representatives elected by the Sabha.
<b>Gram Panchayat Development Plan</b>	Gram Panchayat Development Plan (GPDP) brings together both the citizens and their elected representatives in the decentralized planning processes.
<b>Green Revolution</b>	The Green Revolution was a period that began in the 1960's during which agriculture in India was converted into a modern industrial system by the adoption of technology, such as the use of high yielding variety (HYV) seeds, mechanised farm tools, irrigation facilities, pesticides, and fertilizers.
<b>Gross State Domestic Product</b>	GSDP is defined as the total market value of all final goods and services produced within the state in a given period of time, usually a year.
<b>Interest Receipts</b>	Interest which the Government earns on the money lent by it to external or internal borrowers.
<b>Internal Debt</b>	In public finance, internal debt or domestic debt is the component of the total government debt in a country that is owed to lenders within the country.
<b>Literacy Rate</b>	The literacy rate is defined by the percentage of the population of a given age group that can read and write.
<b>Municipal Councils</b>	Municipal council, also known as nagar palika or nagar parishad, is a self-governing Urban Local Body that administers a smaller urban area.
<b>Nagar Panchayat</b>	A nagar panchayat or town panchayat or Notified Area Council in India is a settlement in transition from rural to urban and therefore a form of an urban political unit comparable to a municipality.

<b>National Solar Mission</b>	The Jawaharlal Nehru National Solar Mission (JNNSM), or the National Solar Mission, is an initiative of the Government of India and State Governments to promote solar power in India.
<b>NITI Aayog</b>	NITI Aayog or the National Institution for Transforming India is a policy think tank of the Indian government which provides inputs regarding the different programmes and policies of the government.
<b>Non tax revenue</b>	Non-tax revenue refers to the income earned from sources apart from taxes.
<b>Panchayat Samitis</b>	Panchayat Samiti is the intermediate or the middle tier of the Panchayati Raj System.
<b>Panchayati Raj Institutions</b>	Panchayati Raj Institution (PRI) is a system of rural local self-government in India.
<b>Perennial rivers</b>	A perennial stream is a stream that has continuous flow of surface water throughout the year
<b>Public Distribution System</b>	The Public Distribution System is a food security system that was established by the Government of India under the Ministry of Consumer Affairs, Food and Public Distribution to distribute food and non-food items to India's poor at subsidised rates.
<b>Public private partnership</b>	A public–private partnership is a long-term arrangement between a government and private sector institutions.
<b>Public Sector Undertakings</b>	Public Sector Undertakings are companies owned by either the Central Government, any State Government, or both.
<b>Revenue Receipts</b>	Revenue receipts of a government include Tax Revenues and Non-Tax Revenues like Interest Receipts, Dividends and Profits from Public enterprises and fees/charges levied for providing various services.
<b>Risk Evaluation</b>	Risk evaluation attempts to define what the estimated risk means to people concerned with or affected by the risk.
<b>Sex Ratio</b>	Sex ratio in India, is defined as the number of females per 1000 males.
<b>State Finance Commission</b>	A State Finance Commission reviews the financial position of a state's panchayats and makes recommendations to the governor.

<b>State Public Sector Enterprises</b>	The term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 per cent or more and the subsidiaries of such Government companies.
<b>Statutory Corporations</b>	Statutory corporations are defined as autonomous corporate bodies that are created by a special act of Parliament or state legislature having predefined functions, duties, powers and immunities as defined by the act of the legislature.
<b>Sustainable Development Goals</b>	The 2030 Agenda for Sustainable Development, adopted by all United Nations members in 2015, created 17 world Sustainable Development Goals. They were created with the aim of "peace and prosperity for people and the planet"
<b>Tax revenue</b>	Tax revenue is defined as the revenues collected from taxes
<b>Ujjwal DISCOM Assurance Yojana</b>	Ujjwal DISCOM Assurance Yojana is the financial turnaround and revival package for electricity distribution companies of India initiated by the Government of India
<b>Urban Local Bodies</b>	the Urban Local Bodies, also called municipalities, are self-government institutions responsible for the administration of cities, towns, and transitional areas within a state or Union Territory
<b>Zila Parishads</b>	The zila parishad is the top tier of the raj panchayat system and represents an entire district. They work directly with the state government, but they are not part of the state government