CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter provides an overview of the finances of the State Government during the financial year 2012-13 by benchmarking against past trends of major fiscal aggregates. ***Appendix 1.1*** contains profile of Punjab and the development indicators relating to the major infrastructure and ***Appendix 1.2*** contains the structure and layout of the Finance Accounts of the State Government on which this Report is based.

1.1.1 Profile of the State

Punjab is an agrarian state. The State is located in north western corner of India. It spreads over a geographical area of 50,362 sq kms. and ranks 19th among states in terms of area. It has been organized into 22 districts. The districts have further been divided into 81 sub divisions, 145 blocks and 12581 villages.

As per 2011 census, the State's population increased from 2.44 crore in 2001 to 2.77 crore in 2011 recording a decadal growth of 13.52 *per cent.* The population of the State accounts for 2.29 *per cent* of the country's population and ranks 15th among States in terms of population. The population density of the State increased from 484 persons per sq. km in 2001 to 550 persons per sq km in 2011 which is higher than the population density of 382 persons per sq km at national level.

The Gross State Domestic Product (GSDP) of a State measures the value of goods and services produced within the State. At current market prices, the GSDP is estimated to be ₹ 2,93,815 crore during 2012-13 which is 3.11 *per cent* of the country's estimated Gross Domestic Product for the year (₹ 94,61,013 crore). At current prices, per capita income has been steadily rising (₹ 69,837 (Provisional), ₹ 78,594 (Quick) and ₹ 89,345 (Advance) for the years 2010-11, 2011-12 and 2012-13 respectively).

1.1.2 Salient features of financial management of the State Government

All receipts of the State Government are required to be accounted for in the Consolidated Fund of the State constituted under Article 266(1) of the Constitution of India. Expenditure therefrom is authorised by the State Legislature through Appropriation Act. Money so authorised by the Appropriation Act is spent as per provisions contained in the Punjab Financial Rules and the Departmental Financial Rules and instructions issued by the Finance Department from time to time. The Punjab Financial Rules contain the financial regulations of general nature issued by the Finance Department for the guidance of various offices and departments. The Departmental Financial Rules are the Rules relating to the Public Works and Forest Departments. The accounts of the State Government are kept in three parts viz. (i) Consolidated fund (ii) Contingency fund and (iii) Public account. The annual accounts of the State Government consist of Finance Accounts and

Appropriation Accounts. The Finance Accounts of the Government of Punjab are laid out in nineteen statements.

In May 2003, the Government of Punjab enacted the Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003 to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudential debt management. Subsequently, in March 2011, the State Government amended the FRBM Act on the recommendations of Thirteenth Finance Commission (ThFC) and enacted FRBM (Amendment) Act, 2011. The salient features of the FRBM Act, 2003 (amended upto March 2011) are given in ***Appendix 1.3***.

1.1.3 Gross State Domestic Product

The Gross State Domestic Product (GSDP) of a State measures the value of goods and services produced within the State. Assuming that GSDP is a good indicator of the performance of the State's economy the major fiscal aggregates like tax and non-tax revenue, capital and revenue expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices (New Series 2004-05). The trends in the annual growth of India's GDP and Punjab's GSDP at current prices are indicated in **Table 1.1.**

Table 1.1: Trends in Gross State Domestic Product

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	5303567	6108903	7266967	8353495	9461013
Growth rate of GDP (*per cent*)	15.75	15.18	18.96	14.95	13.26
State's GSDP (₹ in crore)	174039	197500	226204	258006	293815
Growth rate of GSDP (*per cent*)	14.32	13.48	14.53	14.06	13.88

Source: Ministry of Statistics and Programme Implementation, Government of India.

1.1.4 Summary of Fiscal transactions in 2012-13

Table 1.2 presents the summary of the Government of Punjab's fiscal transactions during the year 2012-13 vis-à-vis those of 2011-12. ***Appendix 1.4*** provides the details of receipts and disbursements as well as the summarized financial position of the Government of Punjab as on 31 March 2013.

Table 1.2: Summary of the Fiscal transactions

(₹ in crore)

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
Section A: Revenue							
				Total	Non-Plan	Plan	Total
Revenue receipts	26234.41	32051.15	Revenue expenditure	**33045.32**	36394.85	3063.09	**39457.94**
Tax revenue	18841.01	22587.56	General services	**16787.95**	18501.29	70.86	**18572.15**
Non-tax revenue	1398.45	2629.21	Social services	**9246.50**	8689.87	2500.10	**11189.97**
Share of Union taxes/ duties	3554.31	4058.81	Economic services	**6264.07**	8659.96	492.13	**9152.09**
Grants from Goverument of India	2440.64	2775.57	Grants-in-aid and Contributions	**746.80**	543.73	0.00	**543.73**
Section B: Capital							
Misc. Capital Receipts	0.24	0.21	Capital Outlay	**1598.12**	179.20	1736.62	**1915.82**
Recoveries of Loans and Advances	94.50	174.09	Disbursement of Loans and Advances	**176.61**	167.53	30.00	**197.53**
Public Debt receipts*	8598.85	10724.42	Public Debt repayments*	**2675.22**	3673.71	0.00	**3673.71**
Contingency Fund	0.00	0.00	Contingency Fund	**0.00**	0.00	0.00	**0.00**
Public Account receipts#	31278.88	35701.02	Public Account disbursements#	**28771.75**	33531.20	0.00	**33531.20**
Opening Cash Balance	-118.16	-178.30	Closing Cash Balance	**-178.30**	-303.61	0.00	**-303.61**
TOTAL	**66088.72**	**78472.59**	TOTAL	**66088.72**	**73642.88**	**4829.71**	**78472.59**

Source: Finance Accounts of the respective years

** Excluding net transactions under ways and means advances.*

 # These exclude transactions of investment of cash balances and departmental cash chests. The net effect of these transactions is included in the opening and closing cash balances in the row next below.

1.1.5 Significant changes over the previous year

The following are the major changes in fiscal transactions during 2012-13 over the previous year:

Revenue receipts increased by ₹ 5,817 crore (22.17 *per cent*) as tax revenue increased by ₹ 3,747 crore (19.89 *per cent*), non tax revenue increased by ₹ 1,231 crore (88 *per cent*), share of union taxes and duties increased by ₹ 505 crore (14.20*per cent*) and grants from GoI increased by ₹ 335 crore (13.72 *per cent*).

Revenue expenditure increased by ₹ 6,413 crore (19.41 *per cent*) as a result of increase in plan expenditure by ₹ 1,059 crore (52.79 *per cent*) and non-plan expenditure by ₹ 5,354 crore (17.25 *per cent*).

Capital expenditure increased by ₹ 318 crore (19.90 *per cent*) mainly on account of increase in expenditure on Social services by ₹ 318 crore (79.78 *per cent*).

Public debt receipts increased by ₹ 2,126 crore (24.72 *per cent*) and public debt disbursements increased by ₹ 998 crore (37.32 *per cent*) resulting in net increase of ₹ 1,128 crore.

Public account receipts increased by ₹ 4,422 crore (14.14 *per cent*) and public account disbursements increased by ₹ 4,759 crore (16.54 *per cent*).

Net cash balances decreased by ₹ 125 crore (70.28 *per cent*).

1.1.6 Review of the fiscal situation

The State Government has prepared a Fiscal Consolidation Roadmap (FCR) for the State for financial year 2010-11 to 2014-15 (***Appendix 1.5***) as per the recommendation of the Thirteenth Finance Commission (ThFC). Targets *vis-à-vis* achievements in respect of major fiscal aggregates are as under:

Table 1.3 Targets vis-à-vis achievements in respect of major fiscal aggregates

Fiscal Variables	2012-13						
	Targets Proposed in the				Percentage Variation of Actual over targets of		
	FRBM Act	Budget	Five Year Fiscal consolidation Roadmap	Actual	FRBM Act	Budget	Five Year Fiscal consolidation Roadmap
Ratio of Revenue Deficit to GSDP *(per cent)*	(-)1.20	(-)1.06	(-)1.20	(-)2.52	(-)1.32	(-)1.46	(-)1.32
Ratio of Fiscal Deficit to GSDP *(per cent)*	(-)3.50	(-)3.01	(-)3.50	(-)3.18	Ratio within pres-cribed limit	(-)0.17	Ratio within prescribed limit
Ratio of total outstanding debt to GSDP *(per cent)*	(+)41.00	(+)31.69	(+)41.00	(+)31.41	Ratios within prescribed limit		

Source: FRBM Act 2011, Budget at a glance (2013-14), Annual Financial Statement (2013-14) and Finance Accounts (2012-13).

The reason for not achieving the target of revenue deficit is that actual revenue receipts were less and actual revenue expenditure was more than the projections made in the Fiscal Consolidation Roadmap (FCR). The revenue receipts (₹ 32,051 crore) fell short of projected receipts (₹ 35,631 crore) by ₹ 3,580 crore. Prominent decrease was under the following heads:

(₹in crore)

	Projections	Actual	Variation
Share of Central taxes	4398	4059	339
State's own taxes and duties	23103	22587	516
Non-tax revenue	3277	2629	648
Grants from Central Government	4853	2776	2077

Source: Finance Accounts

The revenue expenditure (₹ 39,458 crore) exceeded the projection (₹ 38,882 crore) by ₹ 576 crore. Prominent increase was under the following heads:

(₹in crore)

	Projections	Actual	Variation
Pensions and other Retirement Benefits	5304	5966	662
Power subsidy	4020	5059	1039

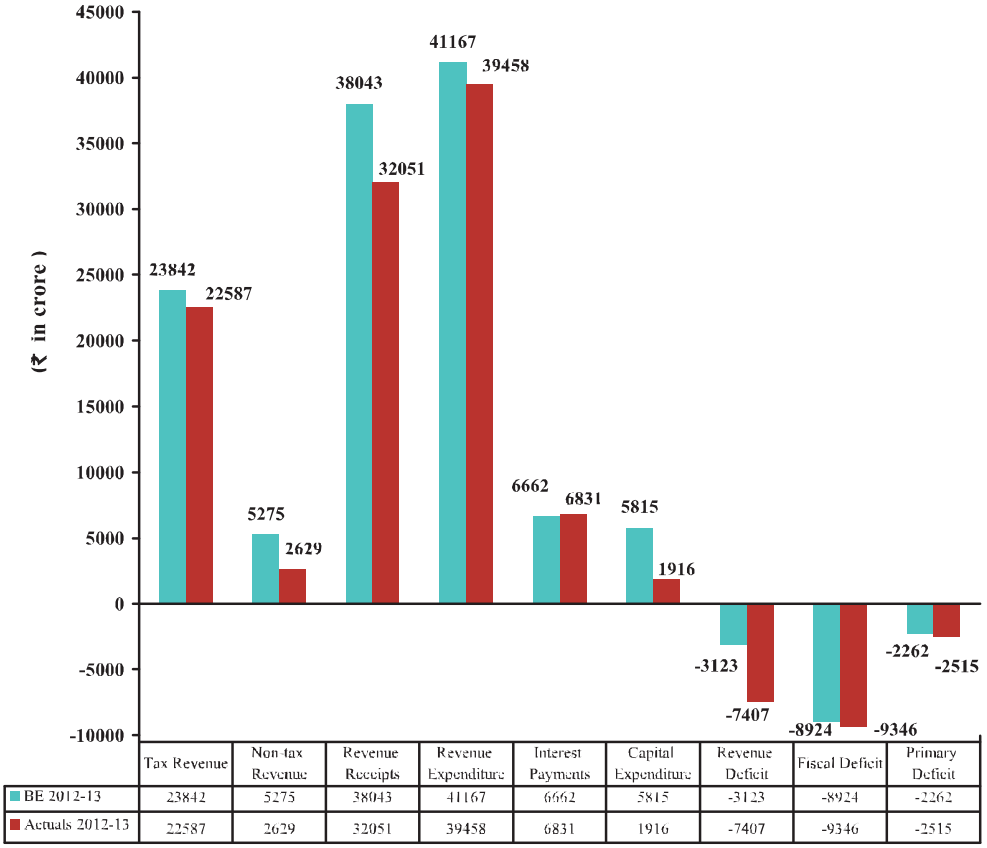
Source: Finance Accounts

Besides, the GSDP estimates (₹ 2,93,815 crore) exceeded the projections in FCR (₹ 2,90,621 crore) by ₹ 3,194 crore (1.10 *per cent*).

1.1.7 Budget Estimates and Actuals

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The budgeted and the actual figures of various fiscal parameters are given in ***Appendix 1.6.*** However, the budgeted and the actual figures of important fiscal parameters are given in Chart below:-

Chart 1.1: Important Fiscal Parameters: Budget Estimates vis-à-vis Actuals



The revenue deficit at ₹ 7,407 crore increased by ₹ 4,284 crore (137.18 *per cent*) whereas the fiscal deficit and primary deficit at ₹ 9,346 crore and ₹ 2,515 crore respectively increased by ₹ 422 crore (4.73 *per cent*) and ₹ 253 crore (11.18 *per cent*) respectively over the budget estimates of the current year. Total revenue receipts decreased by ₹ 5,992 crore (15.75 *per cent*). There was huge difference between the budgeted and actual figures of non-tax revenue. Actual receipts under non-tax revenue amounted to 49.84 *per cent* of budgeted receipts. The capital expenditure incurred during 2012-13 amounted to only 32.95 *per cent* of budgeted capital expenditure which indicates that asset creation was not given as much priority as intended in the budget estimates.

1.1.8 Major policy initiatives in the budget

Major policy announcements made in the budget and status of their implementation is given in the **Table 1.4:** -

Table 1.4: Status of implementation of major policy announcements

Announcement	Status of implementation (March 2013)
Development of Mohali and Amritsar as IT and knowledge hub.	1600 acres of land acquired in Mohali only for developing IT City.
Construction of Civil enclave at Air Force Station at Bathinda.	Civil enclave at Air Force Station at Bathinda completed.
Free Akash tablets to all students of Class XII.	Necessary budget provision for the purchase of the latest version of Akash tablets has been made in the Budget estimates for the year 2013-14.

Source: Annual Financial Statement (2013-14) prepared by the State Government.

1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Accounts. The receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts are indicated in the **Table 1.2** while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2008-09 to 2012-13. The **Chart 1.3** depicts the composition of resources of the State during current year. The position of total receipts of the State is depicted in the flow-chart:

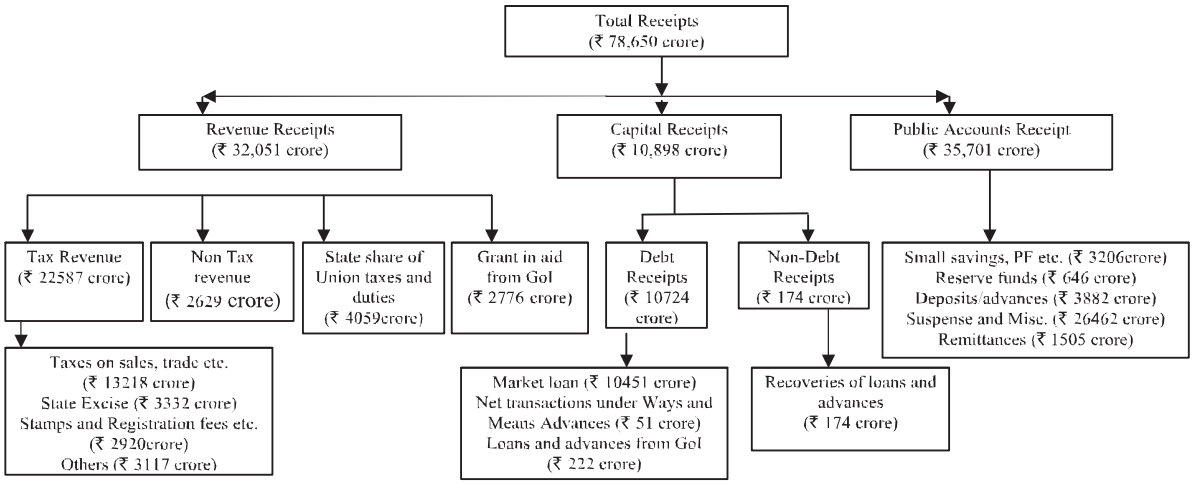


Chart 1.2: Trends in Receipts

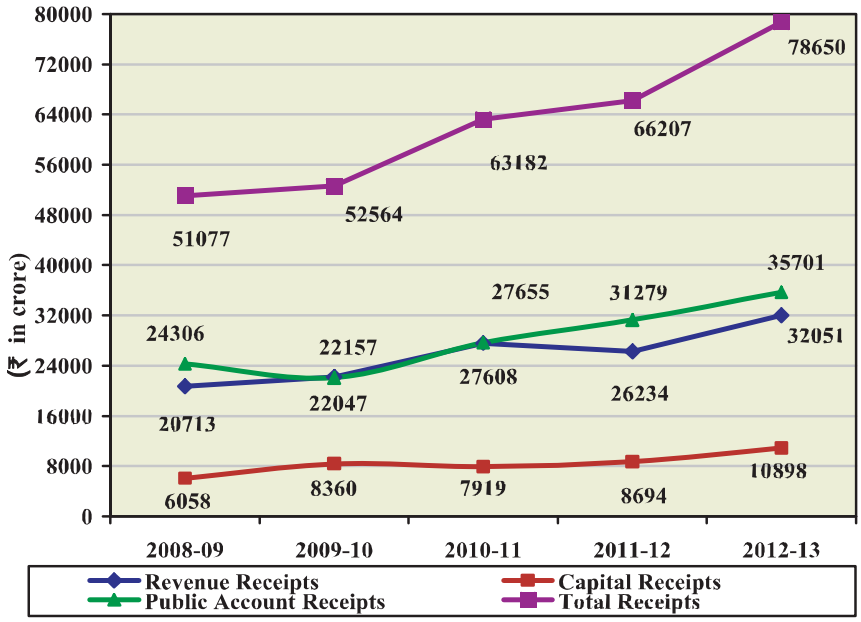
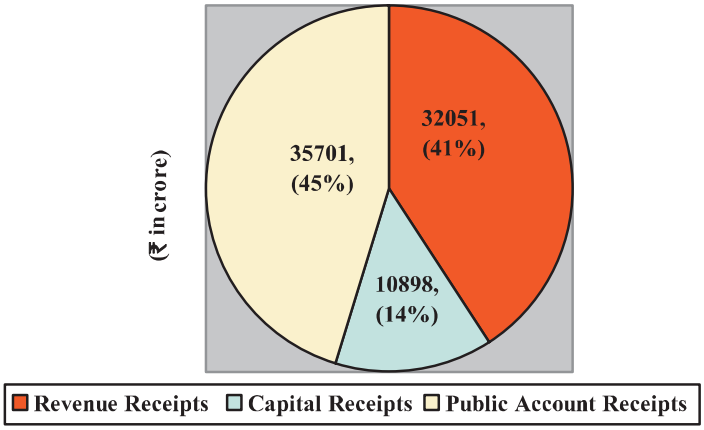


Chart 1.2 shows that out of the total receipts of ₹ 78,650 crore in the year 2012-13, the revenue receipts were ₹ 32,051 crore. The balance of total receipts came from capital receipts (₹ 10,898 crore) and Public Account receipts (₹ 35,701 crore). The total receipts of the State increased from ₹ 51,077 crore in 2008-09 to ₹ 78,650 crore in 2012-13.

The composition of resources of the State during the current year is given in **Chart 1.3.**

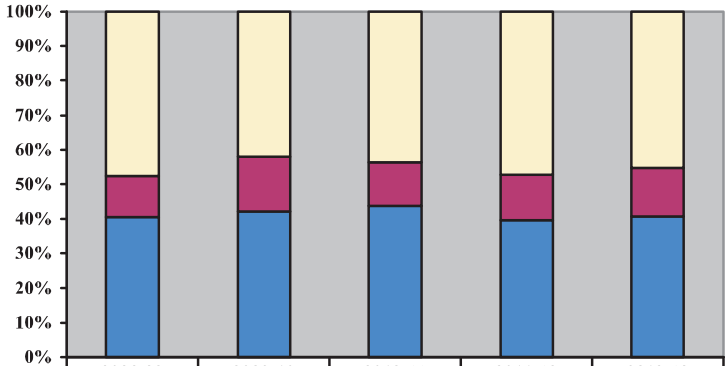
Chart 1.3: Composition of Receipts during 2012-13



The above chart shows that out of the total receipts of ₹ 78,650 crore, the Revenue receipts were ₹ 32,051 crore (41 *per cent),* Public Account receipts were ₹ 35,701 crore (45 *per cent)* and the Capital receipts were ₹ 10,898 crore (14 *per cent).*

The trends in composition of receipts is given in chart below:

Chart 1.4: Trends in composition of Receipts



	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts	24306	22047	27655	31279	35701
Capital Receipts	6058	8360	7919	8694	10898
Revenue Receipts	20713	22157	27608	26234	32051

The above chart shows that contribution of Revenue receipts, Capital receipts and Public Accounts receipts towards total receipts of the State ranged between 40 and 44 *per cent*, 12 and 16 *per cent* and 42 and 48 *per cent* respectively during 2008-09 to 2012-13.

1.2.2 Non-deposit of revenue receipts into the Consolidated Fund of the State

Article 266 (1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by the issue of

treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be entitled "the Consolidated Fund of the State". The Thirteenth Finance Commission also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the legislature and recommended that the expenditure incurred through these irregular arrangements not only bypassed the oversight of the State Legislature but also the audit of the Comptroller and Auditor General of India and hence should be discouraged.

Audit noticed following irregularities in non-depositing of revenue receipts into the Consolidated Fund of the State:

(i) Establishment of Funds outside Government Accounts

The Government of Punjab established various Funds as mentioned in ***Appendix 1.7*** through enactment of Acts/issuance of notifications. The revenue receipts collected under these Acts by various bodies were credited to these Funds. During 2012-13, revenue receipts amounting to ₹ 1,154.57 crore[1] were credited to these Funds and an expenditure of ₹ 1,169.49 crore was incurred from the accumulated receipts of these Funds which is in violation of the constitutional provisions.

On being pointed out (September 2013), the Finance Department stated (November 2013) that these funds had been established by State Government through various Acts and Executive Notifications issued by State Government. No Court of Law had held these Acts/Notifications illegal or in violation of the Constitutional provisions. The reply of the Finance Department was not in line with the provisions under Article 266 (1) of the Constitution of India which provided that all revenues received by the State Government, all loans raised by the Government by the issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans would form Consolidated Fund of the State.

(ii) Retention of receipts collected under Kutchery Compound Fund Rules, 2003 out of the Consolidated Fund of the State

Kutchery Compound Fund Rules, 2003 (Rules) governs the accountal of income from the licencees for the conveniences[2] provided in the compounds of district courts and *tehsils* being realized by the Deputy Commissioners (DC) of each district. Rule 6(2) of the Rules provide that these receipts are part of the general revenues of the State and would be deposited into

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1 Total revenue receipts and expenditure during the year do not include the revenue receipts and the expenditure of Punjab Rural Development Fund as the same were not furnished by the Department.

2 Petitioner writers, stamp vendors, typists, lawyers, printed form sellers, Photostat machine operators, juice bars, STD and PCO owners in the shape of licence fees and leasing of confectioners' shops, bicycle/scooter/motorcycle/car stands and culturable area of compound.

Government Account[3] and for any expenditure therefrom, budget provision would have to be made under proper head of account[4].

Audit observed (March 2011-May 2013) that an amount of ₹ 25.29 crore collected during August 2007 and March 2013 as *Kutchery* compound fee by the DCs in 21 districts were credited to the accounts of societies established (July 2007) for operation and maintenance of administrative complexes. An expenditure of ₹ 14.67 crore was also incurred out of the above receipts against the constitutional provisions of Article 266. An audit enquiry to Finance Department regarding the basis of crediting the above receipts into the accounts of the society instead of Government treasury elicited no response till November 2013.

(iii) Retention of Application fee collected in respect of recruitment of constables

An amount of ₹ 4.79 crore received by the Police Department towards application fee for recruitment of constables for the period from November 2009 to December 2011 was kept out of Government accounts and an expenditure of ₹ 3.35 crore was incurred out of above receipts. Of the remaining amount of ₹ 1.44 crore, an amount of ₹ 0.77 crore was transferred in the Punjab Police Miscellaneous Fund maintained by the DGP office. The department did not produce the records pertaining to this fund as such the accountal of this amount could not be verified in audit. On being pointed out the irregularities of not crediting the above receipts into Government account, the department stated that since no budget was allocated for the purpose of recruitment expenditure, the application money was utilized for the same.

Thus, total Government receipts of ₹ 1,184.65[5] crore was kept outside the Consolidated Fund of the State. Neither the receipts of these funds form part of revenue receipts of Consolidated Fund of the State nor the expenditure is made out of the same.

1.2.3 Funds transferred to State Implementing Agencies outside the State Budget

The Government of India has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes/ programmes in the social and economic sectors. In the present mechanism these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources under the control of the State Government. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies for programmes assisted by Government of India is presented in **Table 1.5**.

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3 0070-Other Administrative Services-60-Other Services-800-Other Receipts-03-Kutchery Compound Receipts

4 Major Heads "2059-Public Works; and 2053-District Administration-01-District Establishments".

5 (i) ₹ 1,154.57 crore, (ii) ₹ 25.29 crore and (iii) ₹ 4.79 crore

Table 1.5: Funds transferred directly to the State implementing agencies

(₹ in crore)

Sr. No.	Programme/Scheme	Implementing agency in the State	2012-13
1	**Mahatma Gandhi National Rural Employment Guarantee Scheme**	Joint Development Commissioner, Rural Development, Punjab, SAS Nagar	32.46
2	**Swaranjayanti Gram Swarozgar Yojana**		2.80
3	**District Rural Development Agency (Administration)**		11.84
4	**Member Parliament Local Area Development Scheme**	Deputy Director, Urban Local Bodies, Amritsar, Bathinda, Ferozepur, Jalandhar, Ludhiana and Patiala	2.38
5	**National Rural Health Mission (NRHM)Reproductive Child Health-II**	State Health Society- Director, Health and Family Welfare, Punjab, Chandigarh	88.38
6	**National Rural Health Mission (NRHM)-Additionalities**		87.84
7	**National Programme for control of Blindness**		2.95
8	**National Leprosy Eradication Programme**		1.50
9	**Revised National Tuberculosis Control Programme**		4.02
10	**Sarv Shiksha Abhiyan**	Director, Sarv Shiksha Abhiyan, Punjab, Chandigarh	598.40
11	**Pradhan Mantri Gram Sadak Yojana**	Punjab Roads and Bridges Development Board, SAS Nagar	169.65
		Total	**1002.22**

Source: Finance Accounts

In order to ensure proper accounting of these funds, a system may be evolved by the State Government. Moreover, from the above table it was observed that significant funds were transferred under Sarv Shiksha Abhiyan. A brief on the implementation and effectiveness of the programme is given below:

Sarv Shiksha Abhiyan

Sarv Shiksha Abhiyan was started in 2000-01. Under Sarv Shiksha Abhiyan, 228 new primary schools, 815 new upper primary schools and 21,362 additional class rooms have been completed. 15,752 teachers have been appointed so far (March 2013). 19 new Kasturba Gandhi Balika Vidyalaya hostels were sanctioned under SSA by Government of India in educationally backward blocks of the State. Out of these 19 hostels, 16 have been operationalized in temporary accommodations enrolling 778 girls. The State's literacy rate increased from 69.65 *per cent* (as per 2001 census) to 76.70 *per cent* (as per 2011 census).

1.2.4 Non-release of Central grant received under centrally sponsored– Mid day Meal scheme

With a view to enhancing enrollment, retention and attendance and simultaneously improving nutritional levels among children, the Government of India launched Mid Day Meal scheme as a Centrally Sponsored Scheme for the primary and upper primary school children in the entire country. Under this scheme, students are provided cooked Mid Day Meal in the schools.

GoI released ₹ 165.70 crore, ₹ 125.61 crore and ₹ 134.85 crore to the State Government during the years 2010-11 to 2012-13. However, the State Government did not release the GoI funds to implementing agency. As per the funding pattern of the scheme, the State Government was required to contribute ₹ 200.00 crore, ₹ 218.90 crore and ₹ 253.00 crore respectively during the years 2010-11, 2011-12 and 2012-13 against which it released only ₹ 80.12 crore, ₹ 161.55 crore and ₹ 313.79 crore. Thus, the GoI funds meant for Mid Day Meal schemes were retained by the State Government and state share was also not released as per funding pattern of the scheme.

1.3 Revenue receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2008-13 are presented in ***Appendix 1.8*** and also depicted in **Charts 1.5** and **1.6** respectively.

Chart 1.5 Trends in Revenue Receipts

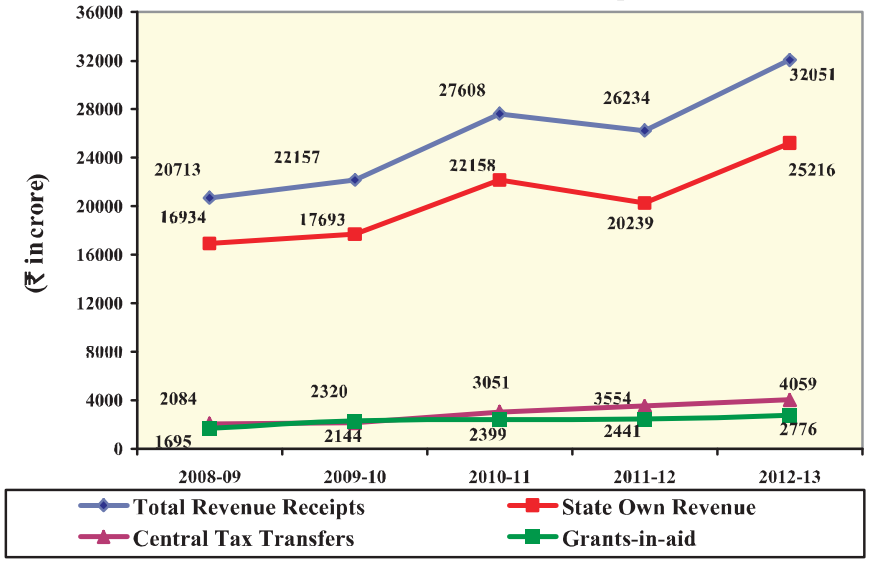
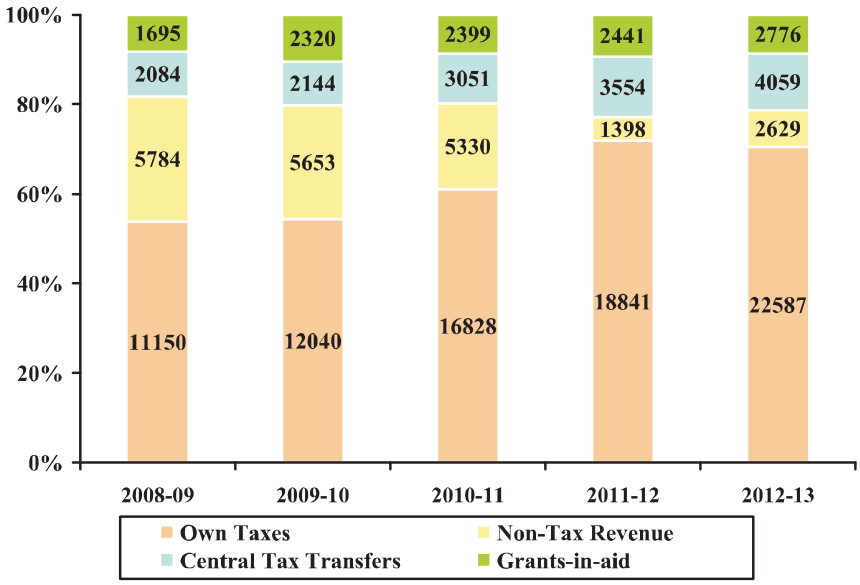


Chart 1.6: Composition of Revenue Receipts during 2008-13



The revenue receipts increased by ₹ 5,817 crore (22.17 *per cent*) in 2012-13 over the previous year which was due to increase in non-tax revenue (₹ 1,231 crore: 88 *per cent*) as compared to previous year. Significant increase in revenue receipts was noticed under 0075-Miscellaneous General Services–101–Unclaimed Deposits (₹ 1,174.55 crore: 4,004.05 *per cent* increase over the previous year). The revenue receipts (₹ 32,051 crore) was less by 10.05 *per cent* as compared to projections in the Fiscal Consolidation Roadmap for the State (FCR) (₹ 35,631 crore) for the year 2012-13 ***(Appendix 1.5)***.

The trends in revenue receipts relative to GSDP are presented in **Table 1.6.**

Table 1.6: Trends in Revenue receipts

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	**20713**	**22157**	**27608**	**26234**	**32051**
Rate of growth of RR (*per cent*)	7.67	6.97	24.61	-4.98	22.17
RR/GSDP (*per cent*)	11.90	11.22	12.21	10.17	10.91
Buoyancy Ratios[6]					
Revenue buoyancy w.r.t GSDP	0.54	0.52	1.69	-0.35	1.60
State's own tax buoyancy w.r.t GSDP	0.88	0.59	2.74	0.85	1.43
Revenue buoyancy w.r.t. State's own taxes	0.61	0.87	0.62	-0.42	1.12

Source: Finance Accounts

[6] Buoyancy ratios indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instances, revenue buoyancy at 0.60 implies that revenue receipts tend to increase by 0.60 percentage points, if the GSDP increases by one *per cent*.

The revenue receipts increased from ₹ 20,713 crore in 2008-09 to ₹ 32,051 crore in 2012-13 at an annual average growth rate of 10.95 *per cent*. The ratio of revenue receipts to GSDP decreased from 11.90 to 10.91 *per cent* during the same period. The revenue buoyancy with reference to GSDP increased from 0.54 in 2008-09 to 1.69 in 2010-11 and it came down to minus 0.35 in 2011-12 and again went up to 1.60 in 2012-13. *The State's own tax buoyancy with reference to GSDP increased from 0.88 in 2008-09 to 2.74 in 2010-11 and fell down to 1.43 in 2012-13.*

1.3.1 State's own resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non tax receipts for the year 2012-13 vis-à-vis assessment made by ThFC and Fiscal Consolidation Roadmap are given in the table below:-

Table 1.7: Tax and Non-tax receipts vis-à-vis Projections

	13th FC projections	Budget Estimates	FCR Projections	Actual	Percentage variation of actual over		
					13th FC projections	Budget estimates	FCR projections
Tax revenue	22916	23842	23103	22587	(-)1.44	(-)5.26	(-)2.23
Non tax revenue	3910	5275	3277	2629	(-)32.76	(-)50.16	(-)19.77

The Government could not achieve the targets fixed in ThFC projections, budget estimates and FCR of the State.

1.3.1.1 Tax revenue

The collection in respect of major taxes and duties are given in **Table 1.8**:

Table 1.8: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Receipt	2008-09	2009-10	2010-11	2011-12	2012-13
Taxes on Sales, Trades etc.	6436 (20)	7577 (18)	10017 (32)	11172 (12)	13218 (18)
State Excise	1810 (-3)	2101 (16)	2373 (13)	2755 (16)	3332 (21)
Taxes on Vehicles	524 (5)	555 (6)	654 (18)	850 (30)	995 (17)
Stamp Duty and Registration fees	1730 (10)	1551 (-10)	2318 (49)	3079 (33)	2920 (-5)
Land Revenue	16 (-6)	15 (-6)	19 (27)	25 (32)	37 (48)
Taxes and Duties on Electricity	631 (5)	230 (-64)	1423 (518)	928 (-35)	2035 (119)
Other taxes and duties on commodities and services	3 (-57)	10 (233)	24 (140)	32 (33)	50 (56)
Total Own Tax Revenue	**11150 (13)**	**12039 (8)**	**16828 (40)**	**18841 (12)**	**22587 (20)**

Source: Finance Accounts
Figures in parenthesis show rate of growth over previous year

The State's own tax revenue during the current year was ₹ 22,587 crore, which was less by ₹ 329 crore (1.44 *per cent)* compared to the norms of ₹ 22,916 crore fixed by ThFC and less by ₹ 516 crore (2.23 *per cent)* against ₹ 23,103 crore projected in the FCR for the State.

1.3.1.2 Non-tax revenue

In the current year, the share of non-tax revenue in total revenue receipts went up to eight *per cent* from five *per cent* in the previous year. The percentage increase in non-tax revenue during the current year was 88 *per cent* over the previous year.

Table 1.9: Components of State's Non-Tax Revenue

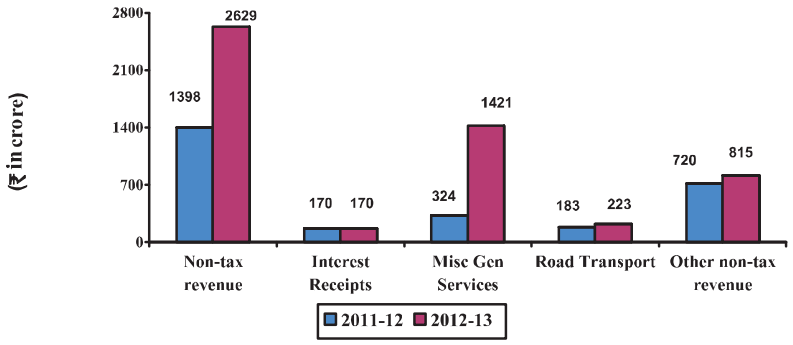
(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13
Interest Receipts	181.98 (-48)	164.69 (-10)	169.37 (3)	170.16 (0)	170.47 (0)
Dividends and Profits	0.78 (95)	0.91 (17)	0.62 (-32)	1.73 (179)	0.33 (-81)
Misc General Services	4567.80 (9)	4780.12 (5)	4277.23 (-11)	323.71 (-92)	1420.73 (339)
Road Transport	115.86 (-25)	114.55 (-1)	150.39 (21)	183.35 (22)	222.51 (21)
Other non-tax receipts	917.49 (64)	592.43 (-35)	732.56 (24)	719.50 (-2)	815.17 (13)
Total Non-Tax revenue	**5783.91 (10)**	**5652.70 (-2)**	**5330.17 (-6)**	**1398.45 (-74)**	**2629.21 (88)**

Source: Finance Accounts
Figures in parenthesis show rate of growth over previous year

The decrease in non-tax revenue in the year 2011-12 was due to decrease under State lotteries under the head Miscellaneous General Services whereas during 2012-13 there was increase of ₹ 1,230.76 crore (88 *per cent*) in non-tax revenue receipts over previous year. Prominent increase was under 0075-Miscellaneous General Services-101-unclaimed deposits -₹ 1,174.55 crore.

Chart 1.7 Components of Non-tax revenue



Note: Amount of 'Dividends and Profits' is too small to be depicted in the Chart.

Table 1.10: Grants-in-aid from Government of India

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-plan Grants	491.79	390.31	720.81	874.11	894.91
Total non-plan grants	**491.79**	**390.31**	**720.81**	**874.11**	**894.91**
Plan Grants *of which*					
Grants for State Plan Schemes	629.45	1279.25	954.65	694.06	684.19
Grants for Central Plan Schemes	29.28	38.20	64.40	5.68	60.63
Grants for Centrally sponsored Schemes	544.16	612.54	659.39	866.79	1135.84
Total plan grants	**1202.89**	**1929.99**	**1678.44**	**1566.53**	**1880.66**
Grand total	**1694.68**	**2320.30**	**2399.25**	**2440.64**	**2775.57**
Percentage of increase over previous year	-19.66	36.92	3.40	1.73	13.72
Revenue Receipts	20712.79	22156.58	27608.47	26234.41	32051.15
Percentage increase of Revenue Receipts	7.67	6.97	24.61	-4.98	22.17
Percentage of total grants with Revenue receipts	8.18	10.47	8.69	9.30	8.66

Source: Finance Accounts

Table 1.10 shows that grants-in-aid from GoI increased at an annual average rate of 12.76 *per cent* during the period 2008-09 to 2012-13. It increased by 13.72 *per cent* over the previous year. During this period on an average 9.06 *per cent* of the revenue receipts were contributed by the grants-in-aid from the GoI.

1.3.1.3 Central Tax transfer

The actual release of share in Union taxes and duties to Punjab during 2010-11 to 2012-13 vis-à-vis projections made by the commission is tabulated in **Table 1.11:**

Table 1.11: State's share in Union taxes and duties: Actual devolution vis-à-vis 13th Finance Commission projections

(₹ in crore)

Year	13th Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	1.389 *per cent* of net proceeds of all shareable taxes excluding service tax and 1.411 *per cent* of net proceeds of sharable service tax	3207	3051	(-) 156
2011-12		3665	3554	(-) 111
2012-13		4398	4059	(-) 339

Source: Fiscal consolidation roadmap of the State and Finance Accounts

1.4 Capital receipts

The capital receipts are non-debt capital receipts such as proceeds from disinvestment of equity in government companies/corporations and recoveries of loans and advances and debt capital receipts, credited under public debt section of the Consolidated Fund. The public debt receipts fall broadly under

two categories (a) loans/advances from the Union government and (b) borrowings from banks, financial institutions through negotiated loans or open market borrowings through issue of State Development Loans. The share of non-debt capital receipts and loans/advances from the Union government is negligible and capital receipts are mainly borrowing from banks, financial institutions and open market, as detailed in **Table 1.12**.

Table 1.12: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts	**6511.00**	**11384.37**	**11532.26**	**14965.61**	**22340.80**
Miscellaneous Capital Receipts	1.12	0.51	0.44	0.24	0.21
Recovery of Loans and Advances	77.63	1276.02	597.45	94.50	174.09
Public Debt Receipts	6432.25	10107.84	10934.37	14870.87	22166.50
Internal Debt	*6154.53*	*10036.44*	*10741.44*	*14721.37*	*21944.56*
Growth rate	*9.49*	*63.07*	*7.02*	*37.05*	*49.07*
Loans and advances from GoI	*277.72*	*71.40*	*192.93*	*149.50*	*221.94*
Growth rate	*-35.36*	*-74.29*	*170.21*	*-22.51*	*48.45*
Rate of growth of debt Capital Receipts	6.31	57.14	8.18	36.00	49.06
Rate of growth of non-debt capital receipts	-94.55	1520.99	-53.16	-84.15	83.98
Rate of growth of GSDP	14.32	13.48	14.53	14.06	13.88
Rate of growth of Capital Receipts (*per cent*)	-13.15	74.85	1.30	29.77	49.28

Source: Finance Accounts

Miscellaneous capital receipts during the period 2008-09 to 2012-13 ranged between ₹ 0.21 crore and ₹ 1.12 crore. Total amount of outstanding loan as on 31 March 2013 stood at ₹ 2,429.39 crore in comparison to an amount of ₹ 2,405.95 crore as on 1 April 2012 registering an increase of ₹ 23.44 crore.

Public Debt Receipts from internal sources i.e. market loans borrowings from financial institutions, bank, etc. registered annual average growth rate of 51.31 *per cent* during 2008-09 to 2012-13.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the consolidated fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use as given in **Table 1.13**:

Table 1.13: Detail of balances in Public Account

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund etc.	9333.63	10182.44	11357.09	12997.26	14562.50
b. Reserve Funds	2080.85	2289.20	2300.87	2616.00	3248.41
c. Deposits and Advances	1982.06	2245.74	2881.59	3324.44	3258.75
d. Suspense and Miscellaneous	11.25	-22.57	-14.95	90.12	133.89
e. Remittances	76.55	115.93	97.26	107.91	102.00
Total	**13484.34**	**14810.74**	**16621.86**	**19135.73**	**21305.55**

Source: Finance Accounts of respective years

1.6 Application of resources

The Government raises resources to perform their sovereign functions, to maintain the existing level of delivery in social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.6.1 Growth and composition of expenditure

Chart 1.8 presents the trends of total expenditure over a period of the last five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.9** and **1.10** respectively.

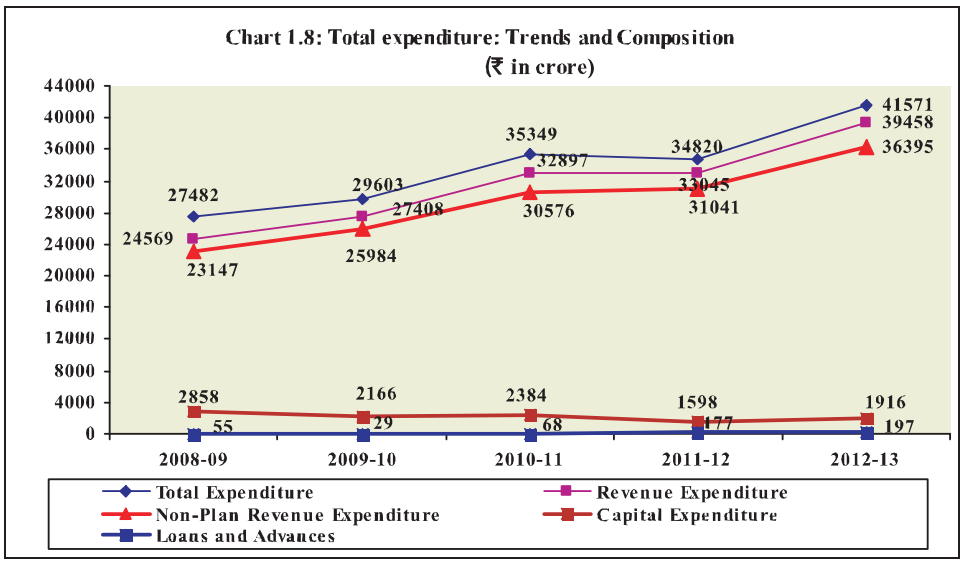
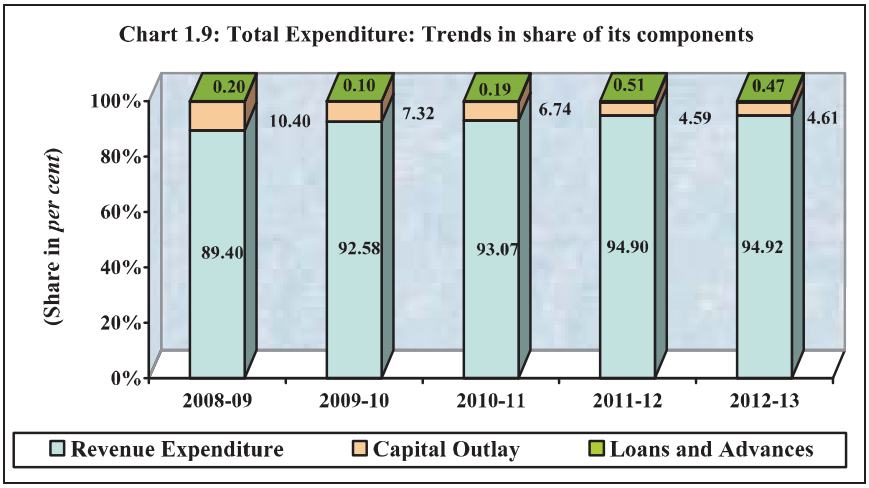


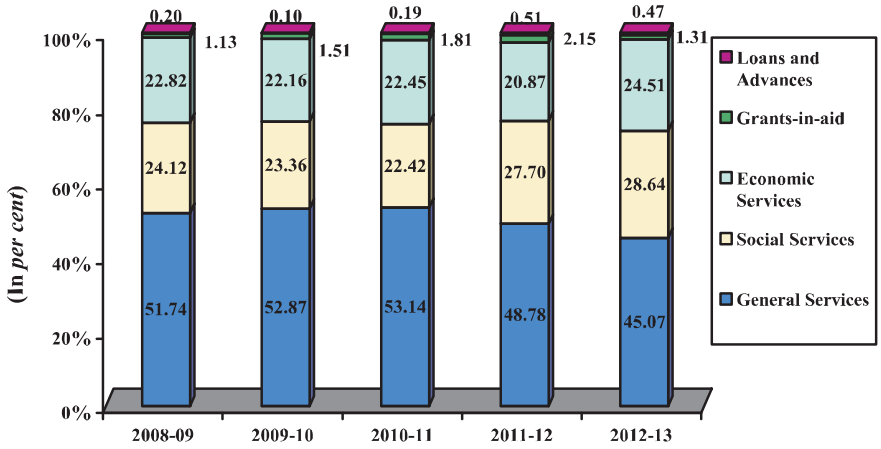
Chart 1.9: Total Expenditure: Trends in share of its components



The total expenditure of the State increased by 51.27 *per cent* from ₹ 27,482 crore in 2008-09 to ₹ 41,571 crore in 2012-13. It increased by ₹ 6,751 crore (19.39 *per cent)* over the previous year. The revenue expenditure increased by ₹ 6,413 crore (19.41 *per cent*), the capital expenditure increased by ₹ 318 crore (19.90 *per cent*) and disbursement of loans and advances increased by ₹ 20.00 crore (11.30 *per cent*) during the current year over the previous year.

Similarly, the non-plan revenue expenditure (NPRE) at ₹ 36,395 crore in 2012-13 increased by ₹ 5,354 crore (17.25 *per cent)* as compared to the previous year. The NPRE also exceeded the normative assessment made by ThFC at ₹ 27,198 crore by 33.81 *per cent.*

Chart 1.10: Total Expenditure: Expenditure by activities



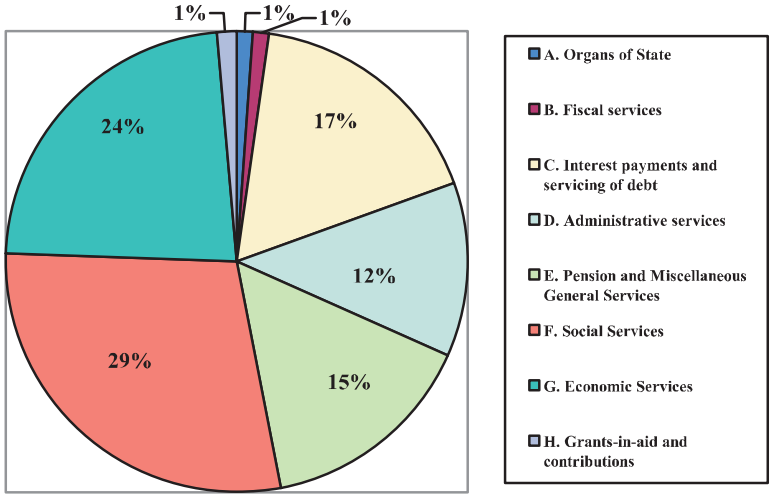
The movement of relative share of various components of expenditure **(Chart 1.10)** indicates that the share of General Services in total expenditure decreased from 51.74 *per cent* in 2008-09 to 45.07 *per cent* in 2012-13, Social services increased from 24.12 *per cent* to 28.64 *per cent* and Economic Services increased from 22.82 *per cent* to 24.51 *per cent* during the same period. The development expenditure i.e. 'expenditure on social and

economic services' together remained between 45 and 53 *per cent* during the period 2008-13.

The revenue expenditure continued to constitute a dominant proportion (89 to 95 *per cent*) of the total expenditure during the years 2008-13 **(Chart 1.9 and *Appendix 1.8)***. During this period, it grew at an annual average growth rate of 12.12 *per cent*. The plan revenue expenditure contributed just five to eight *per cent* of the total revenue expenditure, whereas the non-plan revenue expenditure was 92 to 95 *per cent* during the period 2008-13 ***(Appendix 1.8)***.

The revenue expenditure increased by ₹ 6,413 crore (19.41 *per cent*) over the previous year. Prominent increase was under Power (₹ 1,859.32 crore: 58.10 *per cent*), General Education (₹ 1,310.62 crore: 25.79 *per cent*), Police (₹ 744.02 crore: 26.07 *per cent*), Other Rural Development Programme (₹ 397.47 crore: 303.24 *per cent*), Pension and other Retirement benefits (₹ 309.07 crore: 5.46 *per cent*) and Medical and Public Health (₹ 224.46 crore: 16.05 *per cent*). *The revenue expenditure was higher by ₹576 crore (1.48 per cent) than the projections in FCR (₹38,882 crore) for the year 2012-13.* The sector-wise distribution of revenue expenditure is shown in **Chart 1.11**.

Chart 1.11: Sectoral distribution of revenue expenditure



During the current year the Capital Expenditure increased by ₹ 318 crore (19.90 *per cent*) over the previous year. The increase was mainly under capital outlay on Urban Development (₹ 130.31 crore: 365.42 *per cent*), capital outlay on Water Supply and Sanitation (₹ 67.22 crore: 42.23 *per cent*), capital outlay on Medical and Public Health (₹ 61.77 crore: 129.80 *per cent*), capital outlay on Education, Sports, Art and Culture (₹ 40.06 crore: 27.28 *per cent*), capital outlay on Welfare of SCs, STs, OBCs and minorities (₹ 5.78 crore: 100 *per cent*) and capital outlay on Other Social Services (₹ 4.32 crore: 76.73 *per cent*). *The capital expenditure during the current year (₹1916 crore) was only 29.47 per cent of the projections made in the FCR*

(₹6,502 crore). This shows that due priority was not accorded to capital expenditure.

On being pointed out (September 2013), the Finance Department stated (November 2013) that Punjab was a developed State, where most of the physical infrastructure for providing various social and economic services to people of the State such as Schools, Colleges, Hospitals, Roads and Bridges, etc. had already been built by the State Government. The maintenance expenditure of these assets was on revenue side. Therefore, in a State like Punjab, revenue expenditure would be high and capital expenditure on lower side. The reply of the State Government was not in line with the projections made by the State Government in its FCR.

1.6.2 Committed expenditure

The committed expenditure of the Government on revenue account consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.14** presents the trends in expenditure on these components during 2008-09 to 2012-13.

Table 1.14: Trends in components of committed expenditure

(₹ in crore)

Sr. No	Components of committed expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
						BE	Actuals
1	**Salaries and Wages[$], of which**	6835 (33)	8225 (37)	9750 (35)	12403 (47)	14513 (38)	14120 (44)
	Under Non-Plan Head	*6677*	*8034*	*9525*	*12081*	*13921*	*13727*
	Under Plan Head*	*158*	*191*	*225*	*322*	*592*	*393*
2	**Interest Payments**	4902 (24)	5011 (23)	5515 (20)	6280 (24)	6662 (18)	6831 (21)
3	**Pensions**	2830 (14)	3357 (15)	5309 (19)	5657 (22)	4753 (12)	5966 (19)
4	**Subsidies**	2806 (14)	2919 (13)	3480 (13)	3215 (12)	5980 (16)	5132 (16)
	Total Committed Expenditure	**17373**	**19512**	**24054**	**27555**	**31908**	**32049**
	Total Revenue expenditure [#]	**24569**	**27408**	**32897**	**33045**	**41167**	**39458**
	Revenue Receipts	**20713**	**22157**	**27608**	**26234**	**38043**	**32051**

Source: Finance Accounts
Figures in the parenthesis indicate percentage to Revenue Receipts
[$] *Salaries (2012-13): ₹13867.17 crore + Wages (2012-13): ₹253.18 crore*
* *Plan Head includes centrally sponsored schemes*
[#] *includes expenditure other than committed expenditure.*

1.6.2.1 Salaries and Wages

Table 1.14 shows that the expenditure on salaries and wages increased from 33 *per cent* of revenue receipts in 2008-09 to 44 *per cent* in 2012-13 and it increased by ₹ 1,717 crore (13.84 *per cent*) in 2012-13 over the previous year.

Table 1.15: Committed expenditure vis-à-vis targets during 2012-13

(₹ in crore)

Item	ThFC	FCR for State	2011-12	2012-13	
				BE	Actuals
Salaries	9763	12174	12204	14191	13867
Interest payments	6618	7130	6280	6662	6831
Pensions	4427	5304	5657	4753	5966
Subsidies	-	-	3215	5980	5132
of which Power subsidy	--	*4020*	*3200*	*5732*	*5059*

Source: Figures of actual expenditure from Finance Accounts

Table 1.15 shows that the expenditure on salaries exceeded the projections of ThFC and FCR by ₹ 4,104 crore (42.04 *per cent*) and ₹ 1,693 crore (13.91 *per cent*) respectively.

1.6.2.2 Interest payments

Table 1.14 shows that the interest payments increased by 8.77 *per cent* from ₹ 6,280 crore in 2011-12 to ₹ 6,831 crore in 2012-13 and consumed 21 *per cent* of revenue receipts which was mainly due to increase of ₹ 419 crore (8.64 *per cent*) under 'Interest on internal debt'. Interest payments exceeded the projections of ThFC (₹ 6,618 crore), but these were lower by ₹ 299 crore (4.19 *per cent*) than the projections of FCR.

1.6.2.3 Subsidies

Table 1.14 shows that the subsidies during the current year increased by ₹ 1,917 crore (59.63 *per cent*) over the previous year. The actual expenditure on subsidies (₹ 5,132 crore) was less than the projection made in the BE (₹ 5,980 crore). However, payment on Power subsidy exceeded the norm of FCR by ₹ 1,039 crore (25.85 *per cent*). The subsidies present a partial picture as these are exclusive of the implicit subsidies. Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or take the shape of concessions. Some implicit subsidies extended during 2012-13 are detailed in the **Table 1.16**

Table 1.16: Details of implicit subsidies

(₹in crore)

Sr. No.	Scheme	Amount
1	**Free books to scheduled caste Students (Ist to Xth Class).**	10.00
2	**Reimbursement to Transport department in respect of facility to physically handicap and blind in Government/ PRTC buses in the state of Punjab.**	4.69
3	**Reimbursement to Transport department in lieu of free concessional travel facility to women above the age of 60 years in Government/PRTC buses in the state of Punjab.**	0.59
4	**Free coaching and allied scheme for candidates belonging to minority.**	9.74
5	**Provision of free text books and tool kits to the scheduled castes & other weaker sections of the society.**	0.23
6	**Grant-in-aid to BPL/SC students for purchase of school uniforms, shoes and school bags etc.**	6.24
7	**Shagun to SCs/Christian girls and daughters of widows at the time of their marriage.**	118.46
	Total	**150.13**

Source: Detailed Appropriation Accounts

1.6.2.4 Pension payments

Table 1.14 shows that the pension payments recorded a growth of ₹ 309 crore (5.46 *per cent*) during the current year over the previous year. Pension payments exceeded the projections of ThFC and FCR by ₹ 1,539 crore (34.76 *per cent*) and ₹ 662 crore (12.48 *per cent*) respectively.

1.6.3 Financial assistance to the local bodies/other institutions

The quantum of assistance provided by way of grants and loans to the local bodies and other institutions during the current year and the previous years is presented in **Table 1.17.**

Table 1.17: Financial assistance to local bodies, etc.

(₹ in crore)

Institutions	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	452.12	748.02	683.84	905.58	681.42	921.18
Municipal Corporations and Municipalities	1.93	18.87	155.05	71.90	100.00	43.13
Zila Parishads and Other Panchayati Raj Institutions	73.34	116.93	87.02	131.48	740.33	132.39
Development Agencies	28.21	10.41	3.59	0.43	165.69	127.67
Hospitals and Other Charitable Institutions	55.00	46.45	63.27	90.14	126.40	105.06
TOTAL	**610.60**	**940.68**	**992.77**	**1199.53**	**1813.84**	**1329.43**
Assistance as percentage of RE	2.49	3.43	3.62	3.63	4.41	3.37

Source: Finance Accounts

The financial assistance to the local bodies and other institutions increased by ₹ 129.90 crore (10.83 *per cent*) over the previous year. This increase was mainly due to increase in assistance to the educational institutions (₹ 15.60 crore: 1.72 *per cent*), Development agencies (₹ 127.24 crore) and Hospitals and other charitable institutions (₹ 14.92 crore: 16.55 *per cent*).
Against the total budget provision of ₹ 1,813.84 crore, financial assistance of ₹ 1,329.43 crore only was released. In case of Zila Parishads and other Panchayati Raj Institutions the decrease in the actual release vis-à-vis the BE was ₹ 607.94 crore. The overall quantum of financial assistance to the local bodies and other institutions remained between 2.49 and 3.63 *per cent* of the revenue expenditure during 2008-13.

1.7 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves adequacy and efficiency of the expenditure.

1.7.1 Adequacy of public expenditure

Adequacy of public expenditure means whether there are enough provisions for providing public services. The responsibilities to incur expenditure on social sector and economic infrastructure are largely assigned to the State

Governments. For enhancing the levels of human development, the States are required to step up their expenditure on key social services like education, health etc. The fiscal priority (ratio of expenditure on a particular category to the aggregate expenditure) to a particular sector is considered low, if it is below the respective national average. In **Table 1.18,** the fiscal priority of the State Government with regard to development expenditure, expenditure on social sector and capital expenditure etc. is shown.

Table 1.18: Fiscal Priority of the State in 2009-10 and 2012-13

(In per cent)

Fiscal Priority by the State	AE/ GSDP	DE#/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States Average* (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Punjab (Ratio) 2009-10	14.99 (87.87)	45.52 (68.92)	23.36 (65.38)	7.32 (48.93)	12.64 (78.07)	3.02 (71.23)
General Category States Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47
Punjab (Ratio) 2012-13	14.15 (88.83)	53.50 (81.32)	28.64 (87.40)	4.61 (34.85)	16.11 (93.50)	4.17 (93.29)

Figures in parenthesis indicate percentage to General Category States Average

* General Category States exclude three states i.e. Delhi, Goa and Puducherry.

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

From the **Table 1.18,** it is clear that during the years 2009-10 and 2012-13:

- Public expenditure as indicated by the ratio of aggregate expenditure to GSDP was lower in 2009-10 in the state as compared to the General Category States Average and the trend continues in the year 2012-13. The ratio of expenditure incurred by Punjab to the General Category States average has gone up from 87.87 *per cent* in 2009-10 to 88.83 *per cent* in 2012-13 which indicates that gap between expenditure by Punjab and General Category States average is decreasing.

- Development expenditure refers to the expenditure on economic and social sector. Increased priority to Development expenditure will result in better human and physical asset formation which will further increase the growth prospects of the State. In the case of Punjab, lower priority was given to the Development expenditure, as lower proportion of the aggregate expenditure as compared to General Category States Average was spent under this head. However, the ratio of expenditure incurred by Punjab to the General Category States average has gone up from 68.92 *per cent* in 2009-10 to 81.32 *per cent* in 2012-13.

- Similarly, lower priority had been given to the expenditure in Social Sector as lower proportion of aggregate expenditure was spent on this sector as compared to the General Category States in the country. However, priority to expenditure on education and health, which are main constituents of Social Sector, has improved during the year 2012-13. In the case of education, the ratio of expenditure incurred by

the Government of Punjab with General Category States Average has gone up from 78.07 *per cent* in 2009-10 to 93.50 *per cent* in 2012-13 whereas in the case of health, it has gone up from 71.23 *per cent* in 2009-10 to 93.29 *per cent* in 2012-13.

- Capital expenditure increases the asset creation which will generate opportunities for higher growth. In Punjab, the ratio of capital expenditure to the aggregate expenditure was also low as compared to the General Category States Average. The ratio of expenditure incurred by Punjab to the General Category States Average has come down from 48.93 *per cent* in 2009-10 to 34.85 *per cent* in 2012-13 which indicates that gap between expenditure by Punjab and General Category States Average is widening.

1.7.2 Efficiency of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves adequacy of the expenditure (i.e. adequate provisions for providing public services) and efficiency of expenditure (use). In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public[7] and merit goods[8]. Apart from improving the allocation towards development expenditure[9], particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.19** presents the expenditure incurred in various sectors, **Table 1.20** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years.

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7 Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

8 Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

9 The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Table 1.19: Expenditure incurred in various sectors

(₹ in crore)

Sector	Total Expenditure	Amount of Committed expenditure	Per cent spent on committed expenditure	Amount of Capital expenditure	Per cent spent on Capital expenditure
General Services	18786	17915	95.36	162	0.86
Social Services	11906	6993	58.73	716	6.01
Economic Services	10335	7141	69.10	1038	10.04

Source: Finance Accounts

Table 1.20: Development expenditure

(₹ in crore)

Components of Development expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Total Development expenditure (a to c)	**12929 (47.04)**	**13476 (45.52)**	**15890 (44.95)**	**17042 (48.94)**	**26931 (57.23)**	**22241 (53.50)**
a. Development Revenue expenditure	10227 (37.21)	11436 (38.63)	13660 (38.64)	15511 (44.54)	22345 (47.48)	20342 (48.93)
b. Development Capital expenditure	2671 (9.72)	2041 (6.89)	2199 (6.22)	1402 (4.03)	4573 (9.72)	1754 (4.22)
c. Development Loans and Advances	31 (0.11)	0 (Nil)	31 (0.09)	129 (0.37)	13 (0.03)	145 (0.35)

(Figures in parenthesis indicate percentage to aggregate expenditure)
Source: Finance Accounts

Chart 1.12: Trends in Development expenditure

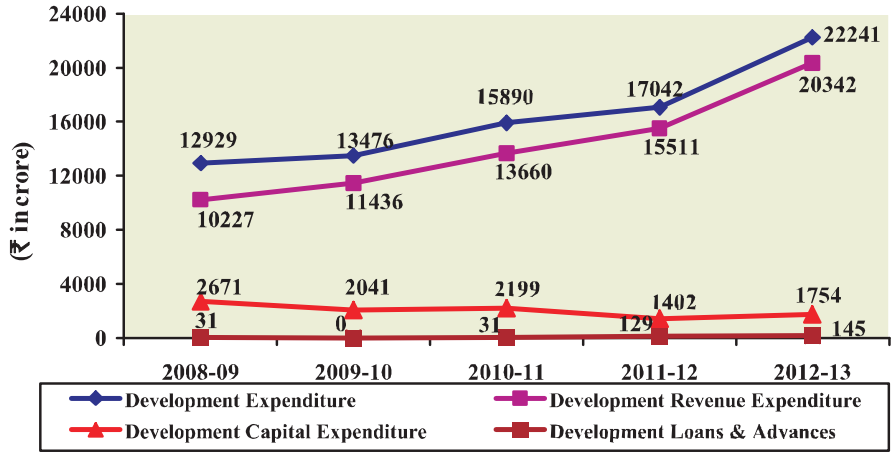


Table 1.20 and **Chart 1.12** show that the total development expenditure increased by ₹ 9,312 crore (72.02 *per cent*) during 2008-13 and by ₹ 5,199 crore (30.51 *per cent*) during the current year over the previous year.

The development revenue expenditure increased from ₹ 10,227 crore in 2008-09 to ₹ 20,342 crore in 2012-13. The development revenue expenditure increased by ₹ 4,831 crore (31.15 *per cent*) during the current year over the

previous year, whereas it was less by ₹ 2,002 crore (8.96 *per cent*) when compared with the BE of the State for the year 2012-13.

The development capital expenditure decreased from ₹ 2,671 crore in 2008-09 to ₹ 1,754 crore in 2012-13. It increased by ₹ 352 crore (25.11 *per cent*) during the current year over the previous year and was less by ₹ 2,819 crore (61.64 *per cent*) as compared to the BE. The less development capital expenditure during 2012-13 as compared to 2008-09 implies that the State Government was giving less priority to capital expenditure for development as only 4.22 *per cent* of the aggregate expenditure as against 9.72 *per cent* in 2008-09 was incurred on development capital expenditure.

On this being pointed out (September 2013), the Finance Department stated (November 2013) that the State Government had achieved significant success in improving its development expenditure over the last few years. However, the fact is that though there was marginal increase in development expenditure but the department did not explain the reasons for development expenditure remaining lower than the budget estimates.

Table 1.21: Expenditure on selected Social and Economic Services vis-à-vis respective total expenditure

(In per cent)

Social/Economic Infrastructure	2011-12		2012-13	
	Ratio of CE to TE	In RE, the share of S&W	Ratio of CE to TE	In RE, the share of S&W
Social Services (SS)				
General Education	2.26	81.78	2.84	71.95
Health and Family Welfare	2.98	86.87	5.75	82.17
WS, Sanitation, HUD	31.62	69.58	42.41	59.74
Total (SS)	**4.13**	**68.22**	**6.01**	**62.38**
Economic Services (ES)				
Agri. and Allied Activities	0.11	69.88	1.08	54.16
Irrigation & Flood Control	23.36	76.20	32.16	75.67
Power and Energy	0.00	0.02	0.00	0.02
Transport	36.36	30.38	24.32	29.34
Total (ES)	**13.81**	**29.37**	**10.04**	**22.08**
Total (SS+ES)	**8.29**	**52.53**	**7.88**	**44.25**

WS: Water Supply, HUD: Housing and Urban Development; Agri: Agriculture; CE: Capital Expenditure; TE: Total Expenditure; RE: Revenue Expenditure; S&W: Salary and Wages.

Source: Finance Accounts

Table 1.21 shows that in 2012-13, the ratio of the capital expenditure (CE) to the total expenditure (TE) on the Social Services (SS) increased by 1.88 and that of the capital expenditure to the total expenditure on Economic Services (ES) decreased by 3.77 *per cent*.

The share of salaries and wages components in revenue expenditure on SS decreased from 68.22 to 62.38 *per cent* and in case of ES from 29.37 to 22.08 *per cent* during the current year over the previous year.

The combined ratio of CE to TE on SS and ES decreased by 0.41 during 2012-13 over the previous year, while the share of salaries and wages in revenue expenditure on SS and ES decreased from 52.53 to 44.25 *per cent*.

1.8 Analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low level but also meet its capital expenditure/ investment including loans and advances. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital works undertaken by the Government during the current year vis-à-vis the previous years.

1.8.1 Financial results of Irrigation works

The financial results of nine[10] major irrigation projects involving a capital expenditure of ₹ 490.43 crore at the end of March 2013 showed that revenue realised from these projects during 2012-13 (₹ 45.73 crore) was only 9.32 *per cent* of the capital expenditure. This return was not sufficient to cover even the total working expenses and maintenance during the year 2012-13 (₹ 323.55 crore). After meeting the direct working expenditure and interest charges of ₹ 348.47 crore, the projects suffered a net loss of ₹ 302.75 crore.

1.8.2 Incomplete projects

The department-wise information pertaining to the incomplete projects as on 31 March 2013 is given in the **Table 1.22.**

Table 1.22: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Expenditure	Cost Overrun
Water Supply and Sanitation	2	43.31	NA	28.56	NA
	2	6.62	6.38	5.16	-0.24
Irrigation	3	2488.23	NA	351.38	NA
	2	71.17	92.14	43.22	20.97
Public Works (B & R)	14	94.18	NA	57.86	NA
	2	13.99	17.27	14.09	3.28
TOTAL	**25**	**2717.50**		**500.27**	

Source: Finance Accounts
NA stands for Not Available

[10] (i) Upper Bari Doab Canal; (ii) Sirhind canal; (iii) Sutlej valley project (Eastern canal); (iv) Shah Nahar Canal Project; (v) Madhopur Beas Link Project; (vi) Harike Project; (vii) Installation of 96 tubewells in Shahkot block of Jullandhar district; (viii) Installation of 150 tubewells along main branch to augment Irrigation supplies from Upper Bari Doab Canal tracts and (ix) Installation of 108 tubewells in Mahilpur block of Hoshiarpur district.

There were four incomplete projects in Water Supply and Sanitation Department on which an expenditure of ₹ 33.72 crore had been incurred (March 2013). Out of these four projects, cost of two projects was revised downward by ₹ 0.24 crore. Information regarding revision of cost of remaining two projects was not available.

There were five incomplete projects in Irrigation department on which an expenditure of ₹ 394.60 crore had been incurred (March 2013). Out of these five projects, cost of two projects was revised upward by ₹ 20.97 crore. Information regarding revision of cost of remaining three projects was not available. There were 16 incomplete projects in Public Works (B & R) Department. Out of these 16 projects cost of two projects was revised upward by ₹ 3.28 crore. Information regarding revision of cost of remaining 14 projects was not available.

These incomplete projects which were scheduled to be completed between 2008-09 and 2012-13, were lying incomplete as of June 2013. An amount of ₹ 500.27 crore was blocked in these incomplete projects.

1.8.3 Investment and return

The investment and return on investment is given in the table below:

Table 1.23: Return on investment

Investment/return/ cost of borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	3841.36	3832.41	3831.96	3831.73	3832.65
Return (₹ in crore)	0.78	0.91	0.62	1.73	0.33
Return (*per cent*)	0.02	0.02	0.02	0.05	0.01
Average rate of interest on Government Borrowing (*per cent*)	8.32	7.72	7.73	7.96	7.79
Difference between interest rate and return (*per cent*)	8.30	7.70	7.71	7.91	7.78

Source: Finance Accounts

As per statement 14 of the Finance Accounts for 2012-13, out of total amount invested (₹ 3,832.65 crore), ₹ 168.42 crore were invested in nine Statutory Corporations (four working and five non-working), ₹ 3,435.40 crore in 24 Government Companies (14 working and 10 non-working), ₹ 227.44 crore in 7653 Co-operative Banks and Societies and ₹ 1.39 crore in 15 Joint Stock Companies. The return on investment from Co-operative Banks and Societies, Joint Stock Companies and Government companies was ₹ 4.22 lakh (0.02 *per cent*), ₹ 16.70 lakh (11.97 *per cent*) and ₹ 12.50 lakh (0.004 *per cent*) respectively aggregating to ₹ 33.42 lakh (0.01 *per cent*). The return was between only 0.01 and 0.05 *per cent* during 2008-13, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.72 and 8.32 *per cent* during the same period.

Punjab State Electricity Board was unbundled (April 2010) into two companies viz. Punjab State Power Corporation Limited (PSPCL) for managing Generation and Distribution of electricity and Punjab State Transmission Corporation Limited (PSTCL) for managing transmission of electricity.

At the time of unbundling (April 2010) of Punjab State Electricity Board (PSEB), the State Government did not restructure the Liabilities of the Board which were simply divided between the two successor companies viz. PSPCL and PSTCL.

As per Statement 14 of the Finance Accounts for the year 2012-13, investment of ₹ 2,946 crore[11] was made by the Punjab Government in Punjab State Power Corporation Limited, Patiala and Punjab State Transmission Corporation Limited. Accumulated losses of these corporations (upto year 2010-11 upto which accounts of these corporations have been finalized) were ₹ 1,696 crore.

1.8.4 Loans and advances by the Government of Punjab

In addition to the investments in Co-operative Societies, Corporations and Companies, the Government of Punjab has also been providing loans and advances to many institutions/organizations. **Table 1.24** presents the position of outstanding loans and advances as on 31 March 2013, interest receipts vis-à-vis interest payments by the State Government on its borrowings during last five years.

Table 1.24: Position of outstanding loans and advances and interest received/paid

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
Opening Balance of loans outstanding	4123	4100	2853	2324	--	2406
Amount advanced during the year	55	29	68	177	61	198
Amount recovered during the year	78	1276	597	95	75	174
Closing Balance of the loans outstanding	4100	2853	2324	2406	--	2430
Interest received	46	42	51	40	--	44
Interest received as *per cent* to the outstanding Loans and Advances	1.12	1.47	2.19	1.66	--	1.83
Rate of Interest paid as *per cent* to the outstanding fiscal liabilities of the Government	8.32	7.72	7.03	7.96	--	7.79
Difference between the rate of, interest paid and interest received (*per cent*)	(-)7.20	(-)6.25	(-)5.54	(-)6.30	--	(-)5.96

Source: Finance Accounts

[11] As per Audited Annual Accounts of the companies for the year ended 31 March 2011, the investment of Government in Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited is ₹ 6,687 crore. The difference is on account of allotment of new shares.

During 2012-13, ₹ 198 crore were advanced as loans against the BE of ₹ 61 crore. Further, recovery of loans amounting to ₹ 174 crore was made against the BE of ₹ 75 crore. The interest receipt of ₹ 44 crore during the current year increased by ₹ four crore (10 *per cent)* over the previous year. While the interest payment during 2012-13 was 7.79 *per cent* of its outstanding fiscal liabilities, the interest received was only 1.83 *per cent* of the outstanding loans and advances.

1.8.5 Cash balances and investment of cash balances

Table 1.25 depicts the cash balances and investments made by the Government of Punjab out of the cash balances during the year 2012-13. Total investment out of cash balances during 2012-13 were ₹ 102.03 crore, major portion of which was in Government of India Securities (₹ 101.99 crore). On these investments, the Government earned interest of ₹ 3.88 crore during the current year. The cash balances at the close of the current year decreased from ₹ (-)178.30 crore of the previous year to ₹ (-)303.61 crore mainly due to increase in *minus* balance of Deposits with Reserve Bank of India from ₹ 729.82 crore to ₹ 881.21 crore. Huge amount of ₹ 474.65 crore cash was lying with departmental officers. Had this amount been deposited into treasury, the minus deposits would have been reduced to that extent.

Table 1.25: Cash balances and investment of cash balances

(₹in crore)

	Overall Cash Position of the Government	As on 31st March 2012	As on 31st March 2013	Increase(+)/ Decrease(-)
(A)	General Cash Balances-			
1	Deposits with Reserve Bank of India	(-)729.82	(-)881.21	(-)151.39
2	Investment held in the Cash balance Investment Account (a to c)	102.03	102.03	0.00
a.	GoI Treasury Bills	0.00	0.00	0.00
b.	GoI Securities	101.99	101.99	0.00
c.	Punjab State Power Corporation Bonds	0.04	0.04	0.00
	Total (A)	**(-)627.79**	**(-)779.18**	**(-) 151.39**
(B)	Other Cash Balances and Investments -			
1	Cash with departmental officers viz. Forest and Public Works	448.57	474.65	26.08
2	Permanent advances for contingent expenditure with departmental officers	0.22	0.22	0.00
3	Investments of earmarked fund	0.70	0.70	0.00
	Total (B)	**449.49**	**475.57**	**26.08**
	Total (A) and (B)	**(-)178.30**	**(-)303.61**	**(-) 125.31**
	Interest realised on investment	9.95	3.88	6.07

Source: Finance Accounts

On being pointed out (September 2013), the Finance Department stated (November 2013) that the detailed instructions in this regard had already been issued to all heads of departments.

Under an agreement with the Reserve Bank of India, the Government of Punjab has to maintain with the bank a minimum balance of ₹ 1.56 crore on all days. If the balance falls below the agreed minimum balance on any day, the deficiency is made good by taking ways and means advances/overdraft from the Reserve Bank of India.

As per statement 6 of the Finance Accounts, ₹ 106.75 crore were outstanding as ways and means advances at the end of the year 2011-12. During 2012-13, the Government obtained ₹ 6,205.02 crore as ways and means advances from RBI on 60 occasions out of which ₹ 6,153.70 crore were re-paid during the year leaving a balance of ₹ 158.07 crore. ₹ 12.81 crore were paid as interest on these advances.

There was no outstanding balance at the end of the year 2011-12 as shortfall/ overdraft. During 2012-13, the Government had availed shortfall of ₹ 20.28 crore on 13 occasions and overdraft of ₹ 5,268.10 crore on 74 occasions. During the year, ₹ 5,288.38 crore were repaid leaving nil balance. ₹ 7.04 crore were paid as interest on these shortfalls/overdrafts.

Thus, minimum cash balance for 239 days was maintained by taking ordinary and special ways and means advances/overdraft.

1.9 Assets and liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts capture the fiscal liabilities[12] and the assets created out of the expenditure incurred. ***Appendix 1.4–Part B*** gives an abstract of such liabilities and the assets as on 31 March 2013, compared with the corresponding position as on 31 March 2012. The liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

In real terms, during 2012-13, the assets grew by ₹ 1,813.84 crore (5.87 *per cent*) whereas the liabilities increased by ₹ 9,220.63 crore (11.07 *per cent*) over the previous year. The ratio of Financial Assets to Liabilities came down to 35.37 *per cent* in 2012-13 from 43.42 *per cent* in 2008-09 which was 37.04 *per cent* in the previous year which indicates that most of the debt was spent for purpose other than asset creation.

On being pointed out (September 2013), the Finance Department stated (November 2013) that the entire revenue expenditure of the State could not be

[12] Internal debt (market loans, loans from NSSF and loans from other financial institutions), loans and advances from GoI, the liabilities arising from the transactions in the Public Account of the State.

classified as unproductive. The revenue expenditure on social services and economic services was classified as developmental expenditure of the State. The reply of the Government was not convincing as it was against the recommendations of the Thirteenth Finance Commission that as a prudent fiscal policy, borrowings should not be used for consumption expenditure.

1.9.2 Fiscal liabilities

There are two sets of liabilities namely, Public Debt and Other Liabilities. The Public Debt consists of Internal Debt of the State and is accounted for under the Consolidated Fund. It includes market loans, special securities issued to National Small Savings Fund and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may, from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. The Other liabilities, which are part of the Public Account, include deposits under small savings scheme, provident funds and other deposits. The trends in outstanding fiscal liabilities, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts of the State and State's own resources as also the buoyancy of fiscal liabilities with respect to these parameters during the period 2008-13 are presented in **Table 1.26.**

Table 1.26: Fiscal liabilities – Basic Parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities (₹ in crore)	61850	67967	74784	83099	92282
Rate of Growth (*per cent*)	10.48	9.89	10.03	11.12	11.05
Ratio of Fiscal liabilities to					
GSDP (*per cent*)	35.54	34.41	33.06	32.21	31.41
Revenue receipts (*per cent*)	298.61	306.75	270.87	316.76	287.92
Own resources (*per cent*)	365.24	384.16	337.50	410.59	365.95
Buoyancy of Fiscal liabilities to					
GSDP (ratio)	0.73	0.73	0.69	0.79	0.80
Revenue receipts (ratio)	1.37	1.42	0.41	-2.23	0.50
Own resources (ratio)	0.89	2.21	0.40	-1.28	0.45

Source: Finance Accounts

The compositions of fiscal liabilities at the end of the current year vis-à-vis the previous year are presented in **Charts 1.13** and **1.14.**

Chart 1.13: Composition of outstanding Fiscal Liabilities as on 31 March 2012

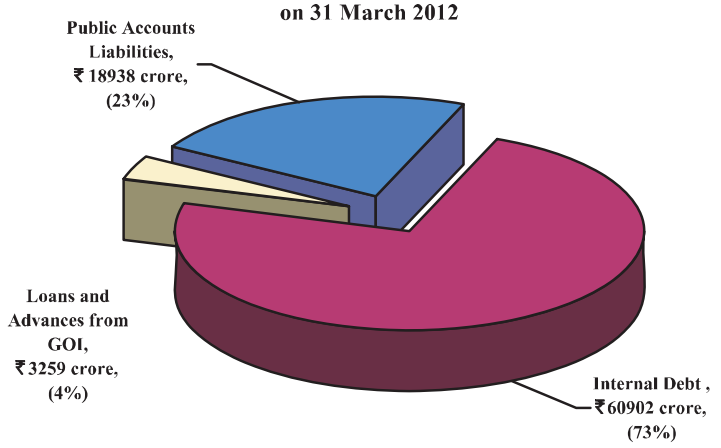
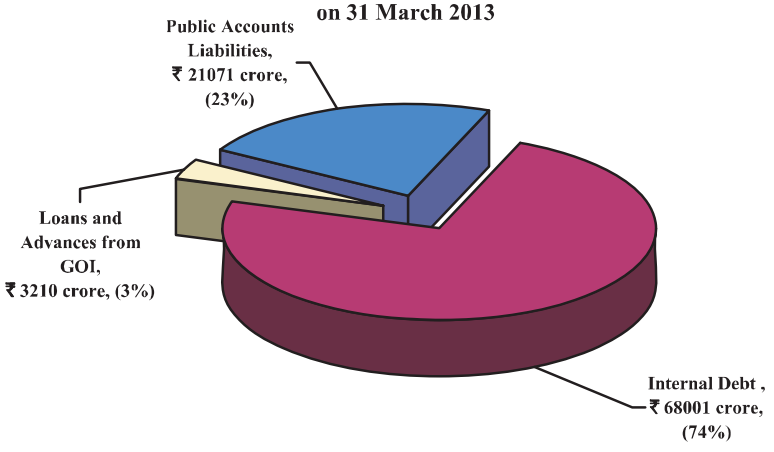


Chart 1.14: Composition of outstanding Fiscal Liabilities as on 31 March 2013



The overall fiscal liabilities of the Government had been on the rise and it increased from ₹ 61,850 crore in 2008-09 to ₹ 92,282 crore in 2012-13. The Consolidated Fund liabilities (₹ 71,211 crore) comprised of internal debt of ₹ 68,001 crore and loans of ₹ 3,210 crore from GoI. The Public Account liabilities (₹ 21,071 crore) comprises of small savings, Provident fund (₹ 14,563 crore) and interest bearing obligations and non-interest bearing obligations like deposits and other earmarked funds (₹ 6,508 crore). The fiscal liabilities of the Government have increased by ₹ 9,183 crore (11.05 *per cent*) during 2012-13 over the previous year mainly due to increase of ₹ 7,100 crore (11.66 *per cent*) in the internal debt.

1.9.3 Management of Reserve funds

Table 1.27: Position of Reserve Funds

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Reserve Funds Bearing Interest					
1. Closing Balance, of which	2072	2280	2292	2607	3240
Investments	Nil	Nil	Nil	Nil	Nil
2. Funds Utilised for Intended Purposes	151	35	188	160	13
3. Interest Paid on Interest-Bearing Reserve Funds	237	8	85	245	276
Reserve Funds not bearing interest					
Closing Balance, of which	9	9	9	9	9
Investments	0.68	0.68	0.68	0.68	0.68
Cumulative aggregate balance	**2081**	**2289**	**2301**	**2616**	**3249**
Inoperative Reserve Funds					
No. of Inoperative Funds	4	4	4	4	4
Amount	9	9	9	9	9

Source: Finance Accounts of respective years

Table 1.27 shows that the cumulative aggregate balance in Reserve funds as on 31 March 2013 was ₹ 3,249 crore. Out of which ₹ 68 lakh were invested. As per Statement 18 of the Finance Accounts Reserve Funds not bearing interest were dormant having no transaction.

1.9.4 Status of Guarantees

Government of Punjab gives guarantees for repayments of loans raised by statutory corporations/boards, local bodies, cooperative banks and societies etc. Guarantees, in case of defaults by borrowers for whom the guarantees have been extended, are liabilities contingent on the Consolidated Fund of the State As per Statement 9 of the Finance Accounts, details of the guarantees given by the Government of Punjab for the last five years is given in **Table 1.28**.

Table 1.28: Guarantees given by the Government of Punjab

(₹in crore)

Guarantees	2008-09	2009-10	2010-11	2011-12	2012-13
Maximum amount guaranteed	46815	51357	NA	48382	59166
Outstanding amount of guarantees at the end of the year	25758	32528	40333	45714	58102

Source: State Finance Accounts of the respective years
NA stands for Not available

The outstanding amount of ₹ 58,102 crore of guarantees on 31 March 2013, was in respect of banks and financial institutions (₹ 818 crore), cash credit facilities (₹32,565 crore) working capital to companies, corporations and co-operative societies and banks (₹24,719 crore). However, no guarantee was invoked during the year 2012-13.

The State Government set up a Guarantee Redemption Fund in December 2007 but did not contribute any amount to the Fund since its inception.

On being pointed out (September 2013), the Finance Department stated (November 2013) that Punjab was a revenue deficit State and therefore, any investment in "Guarantee Redemption Fund" would be out of borrowings, which would further increase the debt burden of the State Government. The reply was not convincing as the Guarantee Redemption Fund had been constituted on the recommendations of the Twelfth Finance Commission for sudden discharge of the State's obligations on guarantees and guarantee fee was to be credited to this fund.

1.9.5 Off-budget borrowing

The term 'off-budget borrowings' refers to incurring liabilities by Government without bringing them into government accounts. These may also arise when government does not fully pay moneys it owes to government companies/ corporations. While a reasonable amount of unpaid bills are always there in the system due to time taken in passing the claims, these become a cause of concern when the magnitude is sizeable and non-payment could be attributed to lack of budget provision. A significant item of 'off-budget borrowings' by the Government pertains to non-clearance of bills submitted by Punjab State Civil Supplies Corporation Limited (PUNSUP) for differential cost (i.e. difference between purchase cost and the issue price to beneficiaries, fixed by the State Government under Atta Dal Scheme. Atta Dal scheme was introduced by the Government of Punjab in March 2007 to provide Wheat and Dal at the subsidised rates to the poor families of the State every month. As on 31 March 2013, PUNSUP had ₹ 1,593.40 crore (pertaining to the period August 2007 to March 2013) receivable from the State Government in respect of this scheme.

The matter was referred to Government; reply was awaited (November 2013).

1.10 Debt Management

Public Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other debt management goals that the Government might have set. The debt profile, debt sustainability and management of market borrowings of the State Government have been discussed in the succeeding paragraphs:

1.10.1. Debt profile

(i) Growth of debt

Table: 1.29: Debt Growth Rate

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1. Internal Debt	**45064**	**49966**	**54940**	**60902**	**68001**
(i) Market Loans (*Percentage of market loans to total public debt*)	17874 (37)	22235 (42)	26764 (46)	34504 (54)	43063 (60)
(ii) Ways & Means Advances from RBI	0	0	368	107	158
(iii) Loans from Financial Institutions	5741	5278	4662	4069	3061
(iv) Special Securities issued to NSSF	21449	22453	23146	22222	21719
2. Loans from Government of India	**3389**	**3286**	**3297**	**3259**	**3210**
Total Public debt	**48453**	**53252**	**58237**	**64161**	**71211**
Population	2.70	2.74	2.77	2.80	2.83
Per Capita debt (₹)	17946	19435	21024	22915	25163

Source: Finance Accounts and Registrar General & Census Commissioner of India

During 2008-09 to 2012-13 total public debt increased from ₹ 48,453 crore in 2008-09 to ₹ 71,211 crore in 2012-13 (47 *per cent)* registering annual average growth rate of 9.40 *per cent*. The share of market borrowings in total public debt went up from 37 *per cent* in 2008-09 to 60 *per cent* in 2012-13. Total public debt increased by 11 *per cent* and the per capita public debt increased by 10 *per cent* over the previous year.

(ii) Maturity profile of debt

The maturity profile of the State debt is shown in **Table 1.30 and Chart 1.15**.

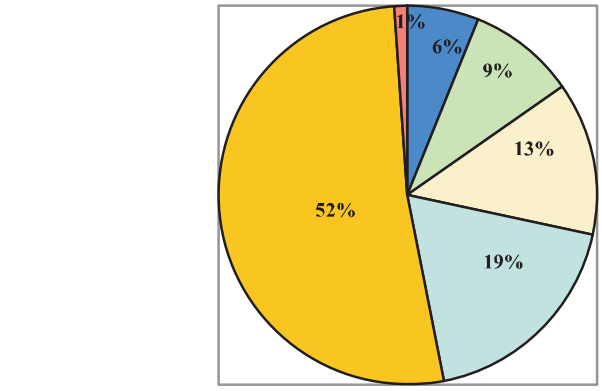
Table 1.30: Maturity profile of repayment of State debt as on 31 March 2013

Period of repayment (Years)	Amount (₹ in crore)	Percentage
0 – 1	4271.08	6.00
1 – 3	6687.39	9.39
3 – 5	9200.73	12.92
5 – 7	13193.30	18.53
7 and above	37036.50	52.01
Others[13]	822.65	1.16
TOTAL	**71211.65**	**100.00**

Source: Finance Accounts

[13] Represents ₹ 822.20 crore representing loans of back to back basis, recoveries of which are being made by Central Government itself, ₹ 31.92 lakh repayment of which is on the basis of actual recoveries and ₹ 13.05 lakh representing market loans not bearing interest for which maturity profile was not available.

Chart 1.15 Maturity profile of State debt (₹ in crore)



The Maturity profile of the State's debt during the current year **(Table 1.30)** indicates that six *per cent* of the debt is payable in the next year, 9.39 *per cent* in 1-3 years' time, 12.92 *per cent* in 3-5 years' time, 18.53 *per cent* in 5-7 years and 52.01 *per cent* is payable after seven years. Thus, there would be a bunching of repayments around 5-7 years' time.

1.10.2 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability[14] of the State. Sustainability of debt of the Government can be measured in terms of debt stabilization[15], sufficiency of non-debt receipts[16], net availability of borrowed funds[17], burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the Government debt. **Table 1.31** analyses the debt sustainability of the Government according to these indicators for the years 2008-13.

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[14] The Debt sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

[15] A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the Debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, Debt-GSDP ratio would be rising and in case it is positive, Debt-GSDP ratio would eventually be falling.

[16] Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

[17] Ratio of the debt redemption (Principal + Interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table 1.31: Debt sustainability

(₹in crore)

Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilization (Quantum Spread + Primary Deficit)	1845	3975	3102	(-)409	2803
Sufficiency of Non-debt receipts (Resource Gap)	(-)2087	521	(-)975	(-)1348	(-)855
Net availability of borrowed funds	971	1114	1299	2042	2360
Burden of Interest Payments (Interest Payments/Revenue Receipts Ratio)	24	23	20	24	21

Source: Finance Accounts

An analysis showed the following:

- The sum of quantum spread and primary deficit has improved over the previous year.
- The negative resource gap indicates the non-sustainability of debt, while the positive resource gap indicates the capacity to sustain the debt. There has been negative resource gap during 2008-09 to 2012-13, though this gap has improved a bit during current year, yet it remained negative during current year indicating non-sustainability of debt.
- The net funds available from the internal debt and loans and advances from the GoI and other sources after providing for repayments (including interest) increased from ₹ 971 crore in 2008-09 to ₹ 2,360 crore in 2012-13. The expenditure pattern of the State Government indicated that the borrowed funds were mostly used for redemption of past debts leaving only small fund for other purposes.

1.10.3 Market borrowings

Table 1.32 shows the position of market borrowings raised by the Government of Punjab during the period 2008-09 to 2012-13.

Table 1.32: Key indicators in the context of market loans

(₹in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Total Liabilities as on 31 March	61850	67967	74784	83099	92282
Total public debt as on 31 March	48453	53253	58237	64161	71212
Total market loans as on 31 March	17874	22235	26764	34504	43063
Percentage of market loans to total liabilities	28.90	32.71	35.79	41.52	46.66
Percentage of market loans to total public debt	36.89	41.75	45.96	53.78	60.47
Interest paid on market loans	1151.92	1512.48	1838.46	2303.41	2995.29
Ratio of interest payments to revenue Receipts	24	23	24	24	21
Primary deficit	-1788	-1159	-1628	-2211	-2515
Revenue deficit	-3856	-5251	-5289	-6811	-7407
Fiscal deficit	-6690	-6170	-7143	-8491	-9346
Percentage of total liabilities to GSDP	35.54	34.41	33.06	32.21	31.41
GSDP	174039	197500	226204	258006	293815

Note:- As per the definition of the term 'total liabilities', off budget borrowings through public sector undertakings are to be included. However, these are not included in the figures shown above for want of information.

From the above table it is evident that total liabilities have increased at an annual average rate of 9.84 *per cent* during the period 2008-09 to 2012-13. Total public debt has increased at an annual average rate of 9.39 *per cent* during the period 2008-09 to 2012-13.

1.10.4 Arrangement for amortization of debt

(i) Government has constituted a Sinking Fund for loans raised by it in the open market. This Fund consists of two components i.e. Sinking Fund (Depreciation) and Sinking Fund (Amortization). The rate of contribution to these two components of sinking fund was prescribed by the State Government as under:

(a) **Sinking Fund (Depreciation)-**A sum not exceeding 1.5 *per cent* of the total amount of loans could, if necessary, be set apart from the revenue each year to a depreciation Fund for purchasing securities to be redeemed for payment of loans.

(b) **Sinking Fund (Amortization)-**In addition to the annual contribution to the respective depreciation fund, annual contributions are to be made to the Sinking fund from revenues for amortization of loans at such rates as Government may decide from time to time.

No contributions were made in sinking fund during 2012-13 and there were no balances in these two components of the sinking fund at the commencement and end of 2012-13. In the absence of these funds, the Government has no option but to raise new debt every year to repay the debt of earlier years, as shown in **Table 1.33**.

Table 1.33: Details of debt raised during the year and its utilisation for repayment

(₹in crore)

Year	Debt raised during the year	Repayments during the year
2008-09	6432.25	2288.52 (35.58)
2009-10	10107.84	5308.36 (52.52)
2010-11	10934.37	5952.88(54.44)
2011-12	14870.88	8947.23 (60.17)
2012-13	22166.50	15115.79 (68.19)

Source: Finance Accounts
Note: Figures in brackets indicate the percentage to total debt raised during the year

It is clear from the above table that 68.19 *per cent* of current debt was utilized for repayment of earlier debt during 2012-13. The percentage of utilisation of debt for repayment of earlier debt is increasing year by year. It went up from 35.58 *per cent* in 2008-09 to 68.19 *per cent* in 2012-13.

(ii) Non-inclusion of pre-payment clause

Audit scrutiny of records of the Finance Department, Punjab revealed that the State Government raised market borrowings of ₹ 64,511.84 crore during the period from 2008-09 to 2012-13. However, the State Government did not include any clause as to prepayment in terms and conditions of borrowings.

Thus, the Government, in the improved budgetary conditions, would not be able to mitigate its market loan liabilities.

On being pointed out (September 2013), the Finance Department stated (November 2013) that the revenue deficit of the State was structural in nature and was likely to persist for long period. The cash position of the State was also not healthy. Therefore, it would not be a wise strategy to include "Call and Put" option in state development loans. The reply of the Government that revenue deficit of the State was likely to persist for long period was not correct as the State Government had committed in the Punjab FRBM Act to bring down its revenue deficit to zero or surplus in 2014-15 and maintain surplus thereafter.

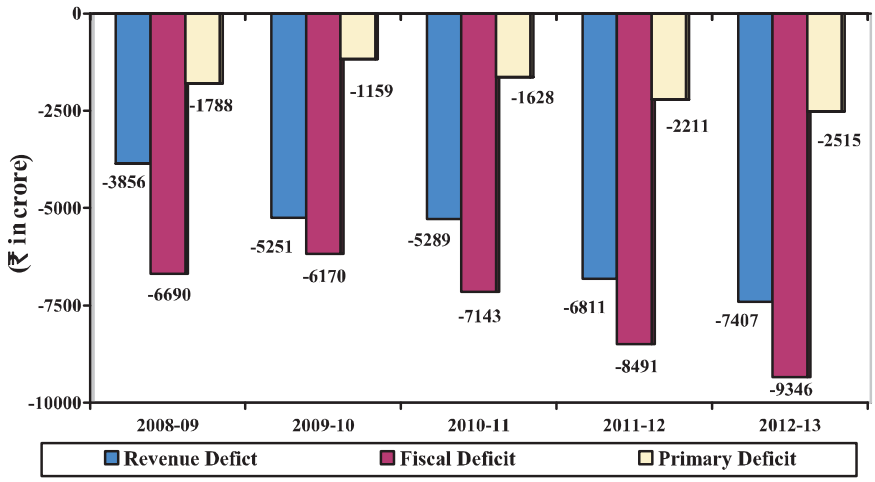
1.11 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis the targets set under the FRBM Act/Rules for the financial year 2012-13.

1.11.1 Trends in deficits

Charts 1.16 and **1.17** present the trends in deficit indicators over the period 2008-13.

Chart 1.16: Trends in Deficit Indicators



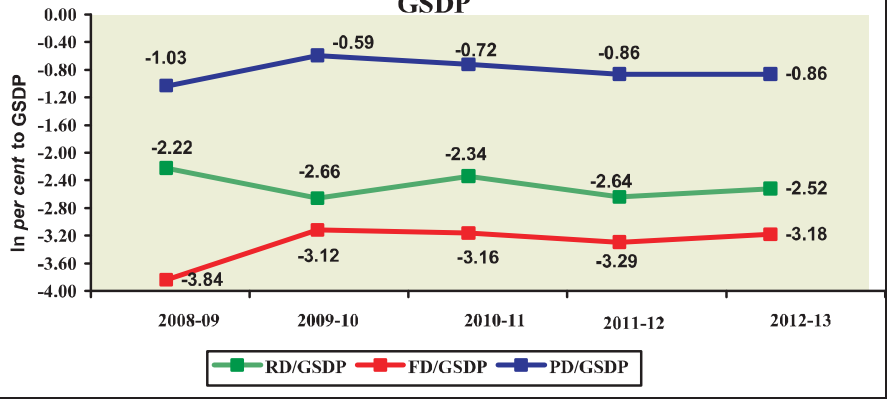
The revenue deficit which indicates the excess of revenue expenditure over the revenue receipts rose to the level of ₹ 7,407 crore (2.52 *per cent* of GSDP) in 2012-13 from a deficit of ₹ 3,856 crore (2.22 *per cent* of GSDP) in 2008-09. It shows that the revenue receipts in the State were not enough to meet the

burgeoning and structurally rigid revenue expenditure. The State Government did not contain the revenue deficit within the limits prescribed in the FRBM Amendment Act, 2011 (1.20 *per cent*) and FCR (1.20 *per cent*).

The fiscal deficit, which represents the total borrowing of the State and its total resource gap, increased from ₹ 6,690 crore (3.84 *per cent* of GSDP) in 2008-09 to ₹ 9,346 crore (3.18 *per cent* of GSDP) in 2012-13. However, the fiscal deficit as percentage of GSDP in the current year was within the target of 3.50 *per cent* fixed by FRBM (Amendment) Act, 2011.

The primary deficit, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipt, was ₹ 1,788 crore (1.03 *per cent* of GSDP) in 2008-09 and increased to the level of ₹ 2,515 crore (0.86 *per cent* of GSDP) in the current year.

Chart 1.17: Trends in Deficit Indicators relative to GSDP



Thus, the State Government should work in the direction to bring down its revenue deficit to zero by the year 2014-15 as per target fixed under the FRBM (Amendment) Act, 2011.

On being pointed out (September 2013), the Finance Department stated (November 2013) that low level of devolution from Central Government, industrial concessions to neighbouring States, high burden of debt accumulated during the period of militancy and implementation of recommendations of pay commission on Central Government's pattern had made the task of State Government difficult. Even then, the State Government had been successful in bringing down revenue deficit as percentage of GSDP from 2.91 during 2002-03 to 2006-07 to 2.47 during 2007-08 to 2011-12. The reply of the Finance Department was not convincing as the State Government should work in the direction to bring down its revenue deficit to 0.6 *per cent* in the financial year 2013-14 and zero *per cent* or surplus by the year 2014-15 as per targets fixed under the Punjab FRBM (Amendment) Act, 2011.

1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit is reflected in the **Table 1.34.**

Table 1.34: Components of Fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2008-09	2009-10	2010-11	2011-12	2012-13
Components of Fiscal Deficit (1+2+3)		6690 (3.84)	6170 (3.12)	7143 (3.16)	8491 (3.29)	9346 (3.18)
1	**Revenue Deficit**	3856 (2.22)	5251 (2.66)	5289 (2.34)	6811 (2.64)	7407 (2.52)
2	**Net Capital Expenditure**	2857 (1.64)	2166 (1.10)	2383 (1.05)	1598 (0.62)	1916 (0.65)
3	**Net Loans and Advances**	-23 -(0.01)	-1247 -(0.63)	-529 -(0.23)	82 (0.03)	23 (0.01)
Financing Pattern of Fiscal Deficit*						
1	**Market Borrowings**	4645	4361	4529	7740	8559
2	**Loans from GoI**	105	-103	8	-37	-49
3	**Special Securities issued to NSSF**	-213	1004	693	-924	-503
4	**Loans from Financial Institutions**	-393	-463	-248	-855	-956
5	**Small Savings, PF etc**	720	849	1174	1640	1565
6	**Deposits and Advances**	645	264	642	436	-66
7	**Suspense and Miscellaneous**	2	-34	8	105	44
8	**Remittances**	-11	39	-19	11	-6
9	**Reserve Fund**	359	208	12	315	632
10	**Increase/Decrease in cash balance**	831	44	344	60	126
11	**Overall Deficit**	**6690**	**6170**	**7143**	**8491**	**9346**

Source: Finance Accounts
Figures in brackets indicate the percent to GSDP.
**All these figures are net of disbursements/outflows during the year.*

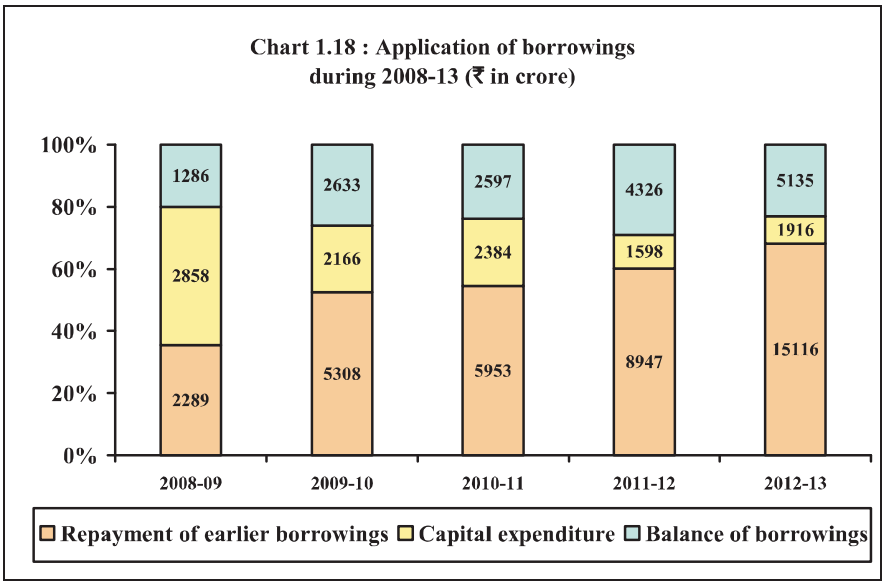
The fiscal deficit of the State increased from ₹ 6,690 crore in 2008-09 to ₹ 9,346 crore in 2012-13. It was mainly met from market borrowings (₹ 8,559 crore) and small savings, provident funds, etc. (₹ 1,565 crore). **Table 1.34** indicates that inspite of increasing trend of fiscal deficit in the last five years, the net capital expenditure as *per cent* of GSDP declined from 1.64 in 2008-09 to 0.65 *per cent* in the current year, which indicates that the borrowed money was used to meet the revenue expenditure instead of using it for creation of assets. **Table 1.35** gives the details as to how the borrowed money was utilized.

Table 1.35: Application of borrowings

(₹in crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal portion)	Capital expenditure	Balance
1	2	3	4	5=2-(3+4)
2008-09	6432.25	2288.52 (35.58)	2857.93 (44.43)	1285.80 (19.99)
2009-10	10107.84	5308.36 (52.52)	2166.41 (21.43)	2633.07 (26.05)
2010-11	10934.37	5952.88 (54.44)	2384.09 (21.80)	2597.40 (23.75)
2011-12	14870.88	8947.24 (60.17)	1598.12 (10.75)	4325.52 (29.09)
2012-13	22166.50	15115.79 (68.19)	1915.82 (8.64)	5134.89 (23.17)

(Figures in parenthesis indicate the percentage to total borrowings)
Source: Finance Accounts



The **Table 1.35 and chart 1.18** shows that major portion of borrowings was utilized for repayment of earlier borrowings. The percentage of utilisation of borrowing for repayment of earlier borrowings is increasing year by year. It went up from 35.58 *per cent* in 2008-09 to 68.19 *per cent* in 2012-13, whereas the percentage of utilisation of borrowings for capital expenditure came down to 8.64 *per cent* in 2012-13 from 44.43 *per cent* in 2008-09. The balance amount was utilized for meeting revenue expenditure.

Table 1.36 shows the detail of receipts and disbursements of components financing the fiscal deficit during 2012-13.

Table 1.36: Receipts and disbursements under components of financing the fiscal deficit during 2012-13

(₹in crore)

S.No.	Particulars	Receipts	Disbursements	Net Balance
1	Market Borrowings	9700	1141	8559
2	Loans from GoI	222	271	-49
3	Special Securities issued to NSSF	561	1064	-503
4	Loans from Financial Institutions	11683	12639	-956
5	Small Savings, Provident Fund etc.	3206	1641	1565
6	Deposits and Advances	3882	3948	-66
7	Suspense and Miscellaneous	26462	26418	44
8	Remittances	1505	1511	-6
9	Reserve Funds	645	13	632
10	**Total (1 to 9)**	**57866**	**48646**	**9220**
11	Increase(-)/Decrease (+) in Cash Balance	-	-	126
12	**Overall deficit (10 + 11)**	**57866**	**48646**	**9346**

Source: Finance Accounts

1.11.3 Quality of deficit/surplus

The ratio of Revenue deficit to Fiscal deficit and the decomposition of Primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The ratio of revenue deficit to fiscal deficit decreased from 80.22 *per cent* in 2011-12 to 79.25 *per cent* in 2012-13 ***(Appendix 1.8)***.

The bifurcation of the factors resulting into primary deficit or surplus of the Government during the period 2008-13 **(Table 1.37)** reveals that the primary deficit during this period was on account of slow rise in non-debt receipts as compared to primary revenue expenditure. Therefore, non-debt receipts of the State were not enough to meet the primary revenue expenditure requirements. If this trend continues, debt sustainability will be in serious jeopardy as ideally incremental non-debt receipts every year should cover not only the incremental primary expenditure but also incremental interest burden.

Table 1.37: Details of Primary deficit during 2008-13

(₹ in crore)

Year	Non-debt receipts	Primary Revenue expenditure	Capital expenditure	Loans and advances disbursed	Primary expenditure	Primary deficit (-)
1	2	3	4	5	6 (3+4+5)	7 (2-6)
2008-09	20792	19667	2858	55	22580	-1788
2009-10	23433	22397	2166	29	24592	-1159
2010-11	28206	27382	2384	68	29834	-1628
2011-12	26329	26765	1598	177	28540	-2211
2012-13	32225	32627	1916	197	34740	-2515

Source: Finance Accounts

1.12 Conclusions

Pattern of revenue receipts and expenditure: During 2008-09 to 2012-13 the revenue receipts grew at an annual average rate of 10.95 *per cent* whereas revenue expenditure grew at an annual average rate of 12.12 *per cent*. The revenue expenditure continued to constitute a dominant portion (89 to 95 *per cent*) of the total expenditure during this period.

Capital expenditure: During the current year the Capital Expenditure increased by ₹ 318 crore (19.90 *per cent*) over the previous year. The capital expenditure during the current year (₹ 1916 crore) was only 29.47 *per cent* of the projections made in the FCR (₹ 6,502 crore). This shows that due priority was not accorded to capital expenditure.

Trends in deficits: During the current year revenue deficit increased to ₹ 7,407 crore from ₹ 3,856 crore in 2008-09. It was 2.52 *per cent* of GSDP as against the target of 1.20 *per cent* of GSDP fixed by the FRBM (Amendment) Act, 2011. The fiscal deficit of ₹ 9,346 crore (3.18 *per cent* of GSDP) was within the target of 3.50 *per cent* fixed by the FRBM (Amendment) Act, 2011.

Debt sustainability: Though the debt-GSDP ratio at 31.41 *per cent* was within the target fixed (41 *per cent*) under Fiscal Responsibility and Budget Management Act, yet the borrowed funds were mostly used for redemption of past debts leaving relatively a smaller portion for other purposes. As much as 21 *per cent* of the revenue receipts were used to meet the burden of interest payments.

Non-deposit of revenue receipts into the Consolidated Fund of the State: The Government of Punjab established various funds through enactment of Acts/ issuance of notifications. The revenue receipts collected under these Acts by various bodies were credited to these Funds. Neither the receipts of these funds form part of revenue receipts of Consolidated Fund of the State nor the expenditure was incurred out of the same.

Return on Government investment: The return on investment made by the Government in Statutory corporations, Government Companies and Cooperative banks and Societies was between 0.01 and 0.05 *per cent* during 2008-09 to 2012-13, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.72 and 8.32 *per cent* during the same period. At the time of unbundling (April 2010) of Punjab State

Electricity Board, the State Government did not restructure the Liabilities of the Board which were simply divided between the two successor companies viz. Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited.

Ratio of financial assets to liabilities: The ratio of financial assets to liabilities came down to 35.37 *per cent* in 2012-13 from 43.42 *per cent* in 2008-09 which indicates that most of the debt was spent for purposes other than asset creation.

Off-budget borrowings: As on 31 March 2013, the State Government owes ₹ 1,593.40 crore (pertaining to the period August 2007 to March 2013) to Punjab State Civil Supplies Corporation Limited on account of payment of differential cost (i.e. difference between purchase cost and the issue price to beneficiaries) under Atta Dal scheme.

Funds transferred to State Implementing Agencies outside the State Budget: GoI directly transferred ₹ 1,002.22 crore to State implementing agencies during the current year. Since these funds do not pass through the State Budget, the Annual Finance Accounts of the State do not present a complete picture of fund flow of Central Government resources into the State.

Incomplete projects: Twenty five projects, which were scheduled to be completed between 2008-09 and 2012-13, were lying incomplete (June 2013). An amount of ₹ 500.27 crore was blocked in these incomplete projects. Time overruns of incomplete projects need to be reduced.

Growth of debt: During 2008-09 to 2012-13 total public debt increased by ₹ 22,758 crore (47 *per cent*) registering annual average growth of 9.40 *per cent*. The share of market borrowings in total public debt went up from 37 *per cent* in 2008-09 to 60 *per cent* in 2012-13.

1.13 Recommendations

The Government may consider:

- *making concerted efforts to reduce gap between revenue receipts and revenue expenditure.*
- *ensuring utilization of debt receipts for asset creation; use the borrowed funds towards capital expenditure and endeavour to obtain better value for the investments.*
- *making all out efforts to meet the target fixed under the Fiscal Responsibility and Budget Management (Amendment) Act, 2011.*
- *keeping revenue receipts collected under various Acts in the Consolidated Fund of the State.*