Chapter I

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 2013-14 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 the 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 82 sub divisions, 146 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 551 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 ₹ 3,17,054 crore during 2013-14 which is 3.03 *per cent* of the country's estimated Gross Domestic Product for the year (₹ 1,04,72,807 crore). At current prices, per capita income has been steadily rising; ₹ 86,698 (Provisional), ₹ 95,706 (Quick) and ₹ 1,04,476 (Advance) for the years 2011-12, 2012-13 and 2013-14 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 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. The trends in the annual growth of India's GDP at current prices and Punjab's GSDP at current prices are indicated in **Table 1.1.**

Table 1.1: Trends in Gross State Domestic Product

Year	2009-10	2010-11	2011-12 (P)	2012-13 (Q)	2013-14 (A)
India's GDP (₹ in crore)	6108903	7248860	8391691	9388876	10472807
Growth rate of GDP (*per cent*)	15.18	18.66	15.77	11.88	11.54
State's GSDP (₹ in crore)	197500	226204	256374	285165	317054
Growth rate of GSDP (*per cent*)	13.48	14.53	13.34	11.23	11.18

Source: Ministry of Statistics and Programme Implementation, Government of India.
P=Provisional; Q=Quick and A=Advance.

1.1.4 Summary of fiscal transactions in 2013-14

Table 1.2 presents the summary of the Government of Punjab's fiscal transactions during the year 2013-14 vis-à-vis those of 2012-13. ***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 2014.

Table 1.2: Summary of the fiscal transactions

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
Section A: Revenue							
				Total	**Non-Plan**	**Plan**	**Total**
Revenue receipts	**32051.15**	**35103.54**	**Revenue expenditure**	**39457.94**	**38505.32**	**3135.35**	**41640.67**
Tax revenue	22587.56	24079.20	**General services**	**18572.15**	20180.83	11.36	20192.19
Non-tax revenue	2629.21	3191.49	**Social services**	**11189.97**	8908.86	2410.23	11319.09
Share of Union taxes/ duties	4058.81	4431.47	**Economic services**	**9152.09**	8885.97	713.76	9599.73
Grants from Government of India	2775.57	3401.38	**Grants-in-aid and Contributions**	**543.73**	529.66	0.00	529.66
Section B: Capital							
Misc. Capital Receipts	**0.21**	**0.51**	**Capital Outlay**	**1915.82**	**189.53**	**2011.08**	**2200.61**
Recoveries of Loans and Advances	**174.09**	**112.30**	**Disbursement of Loans and Advances**	**197.53**	**165.13**	**0.00**	**165.13**
Public Debt receipts*	**10724.42**	**11107.51**	**Public Debt repayments***	**3673.71**	**3649.97**	**0.00**	**3649.97**
Contingency Fund	**0.00**	**0.00**	**Contingency Fund**	**0.00**	**0.00**	**0.00**	**0.00**
Public Account receipts#	**35701.02**	**36261.15**	**Public Account disbursements#**	**33531.20**	**33994.60**	**0.00**	**33994.60**
Opening Cash Balance	**-178.30**	**-303.61**	**Closing Cash Balance**	**-303.61**	**630.42**	**0.00**	**630.42**
TOTAL	**78472.59**	**82281.40**	**TOTAL**	**78472.59**	**77134.97**	**5146.43**	**82281.40**

Source: Finance Accounts of the respective years

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

 # Public Account receipts/disbursements have been shown in the table as gross figures and at other places in the Report, net of disbursement. Further, 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 2013-14 over the previous year:

- Revenue receipts increased by ₹ 3,053 crore (9.53 *per cent*) as tax revenue increased by ₹ 1,492 crore (6.60 *per cent*), non-tax revenue increased by ₹ 563 crore (21.41 *per cent*), share of Union taxes and duties increased by ₹ 373 crore (9.19 *per cent*) and grants from GoI increased by ₹ 626 crore (22.55 *per cent*).

- Revenue expenditure increased by ₹ 2,183 crore (5.53 *per cent*), whereas Capital expenditure increased by ₹ 285 crore (14.87 *per cent*).

- Public debt receipts increased by ₹ 383 crore (3.57 *per cent*) and public debt disbursements decreased by ₹ 24 crore (0.65 *per cent*).
- Net cash balances increased by ₹ 934 crore (307.64 *per cent*).

1.1.6 Review of the fiscal situation

The State Government has prepared a Fiscal Consolidation Roadmap (FCR) for the State for the period 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	2013-14						
	Targets Proposed in the			Actual	Percentage Variation of Actual over targets of		
	FRBM Act	Budget	Five Year Fiscal consolidation Roadmap		FRBM Act	Budget	Five Year Fiscal consolidation Roadmap
Ratio of Revenue Deficit to GSDP *(per cent)*	(-)0.60	(-)0.57	(-)0.60	(-)2.06	(-)1.46	(-)1.49	(-)1.46
Ratio of Fiscal Deficit to GSDP *(per cent)*	(-)3.00	(-)3.00	(-)3.00	(-)2.77	Ratios within prescribed limit		
Ratio of total outstanding debt to GSDP *(per cent)*	(+)39.80	(+)33.13	(+)39.80	(+)32.24	Ratios within prescribed limit		

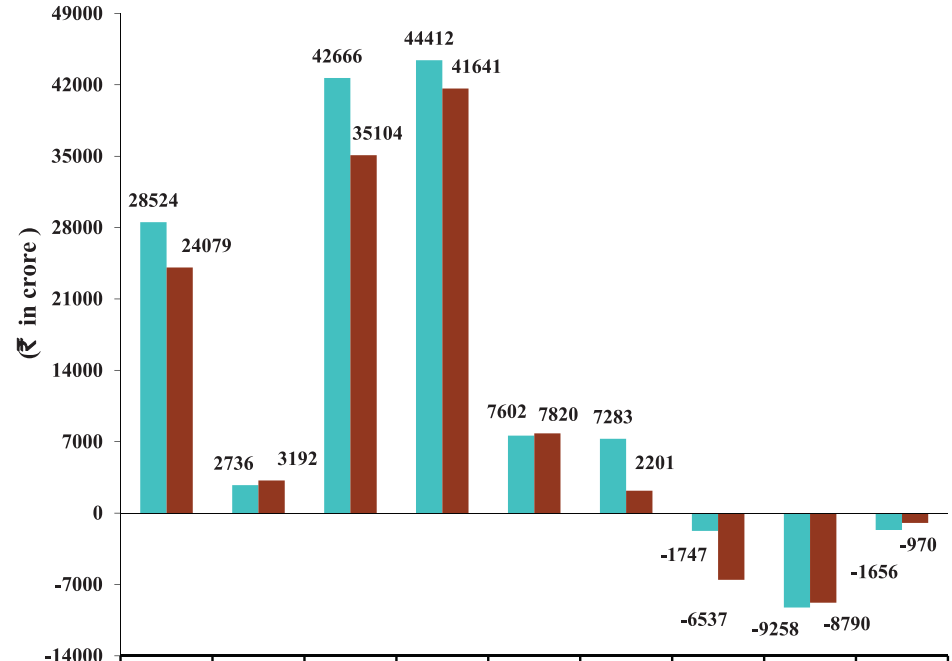
Source: FRBM Act 2011, Budget at a glance (2014-15) and Finance Accounts (2013-14).

The Government contained the fiscal deficit and total outstanding debt to prescribed limits. However, the targets fixed in FRBM Act, budget estimates and FCR during 2013-14 to bring down the revenue deficit at 0.60 *per cent,* 0.57 *per cent* and 0.60 *per cent,* respectively of the GSDP could not be achieved.

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 1.1**.

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



	Tax Revenue	Non-tax Revenue	Revenue Receipts	Revenue Expenditure	Interest Payments	Capital Expenditure	Revenue Deficit	Fiscal Deficit	Primary Deficit
BE 2013-14	28524	2736	42666	44412	7602	7283	-1747	-9258	-1656
Actuals 2013-14	24079	3192	35104	41641	7820	2201	-6537	-8790	-970

The revenue deficit was higher by ₹ 4,790 crore (274.18 *per cent*) than the budget estimates of the current year whereas the fiscal deficit and primary deficit remained lower than budget estimates by ₹ 468 crore (5.06 *per cent*) and ₹ 686 crore (41.43 *per cent*), respectively. Total revenue receipts remained lower than budget estimates by ₹ 7,562 crore (17.72 *per cent*), tax revenue remained lower than budget estimates by ₹ 4,445 crore (15.58 *per cent*) whereas non-tax revenue was higher than budget estimates by ₹ 456 crore (16.67 *per cent*). The capital expenditure incurred during 2013-14 amounted to only 30.22 *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 speech 2013-14 and status of their implementation is given in the **Table 1.4.**

Table 1.4: Status of implementation of major policy announcements during 2013-14

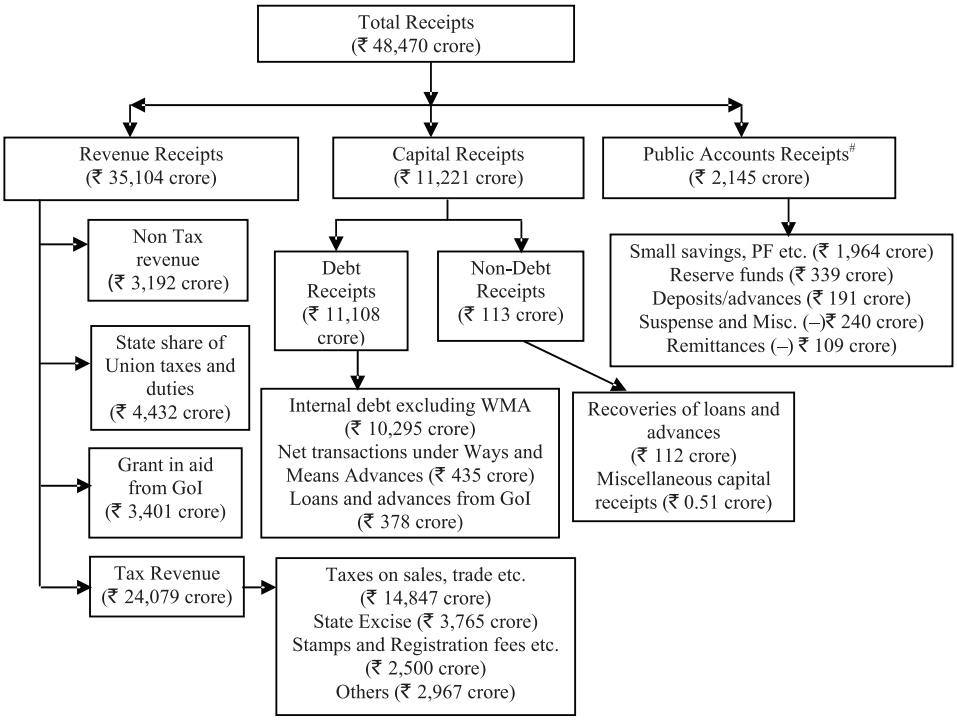
Announcement	Status of implementation (March 2014)
Heavy metal contamination in ground water is an emerging challenge for the State. To provide safe drinking water, 1804 ROs have already been set up. The State Government has a proposal to install ROs in all the problem villages during 2013-14.	Necessary funds for the project are under receipt from the Government of India and the work will be completed by 31.03.15 on receipts of funds.
An ambitious plan to make Punjab a power surplus state by March 2014 was reiterated.	92 *per cent* of 1980 MW Talwandi Sabo Thermal Power Plant is completed. 91 *per cent* work of the 2 x 270 MW Goindwal Sahib Thermal Power Project is completed. The work relating to 1400 MW Rajpura Thermal power plant is under progress.
Rashtriya Swasthya Bima Yojna (RSBY) was launched by Government of India (April 2008) to provide health insurance coverage to Below Poverty Line (BPL) families with the objective to provide them protection from financial liabilities arising out of health shocks that involve hospitalization. In Punjab, only 5.23 lakh BPL families out of the 15.4 lakh families were provided medical cover under the RSBY. The State Government launched a new Bhagat Puran Singh Medical Insurance Scheme to provide a medical cover to the remaining 10 lakh families on the lines of the RSBY. Thereby all 15.40 lakh poor families identified under the Atta Dal Scheme would have a secure, reliable medical cover.	Under the new scheme, 15.40 lakh families have been given the benefits.
A Rapid Rural Police Response System under which police assistance will be available to the remotest rural areas in less than 20 minutes of call on a separate dedicated number.	Under this scheme ₹ 1.95 crore has been released and the work is in progress.
Free Tablets to students of Class XI.	Technical specifications for Tablets are being finalized by Punjab Information Technology Department.

Source: Annual Financial Statement (2014-15) prepared by the State Government in July 2014.

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 2009-10 to 2013-14. The **Chart 1.3** depicts the composition of receipts of the State during current year. The position of total receipts of the State is depicted in the flow-chart:



Source: Finance accounts
 # These figures are net of disbursements out of Public Account.

Chart 1.2: Trends in receipts

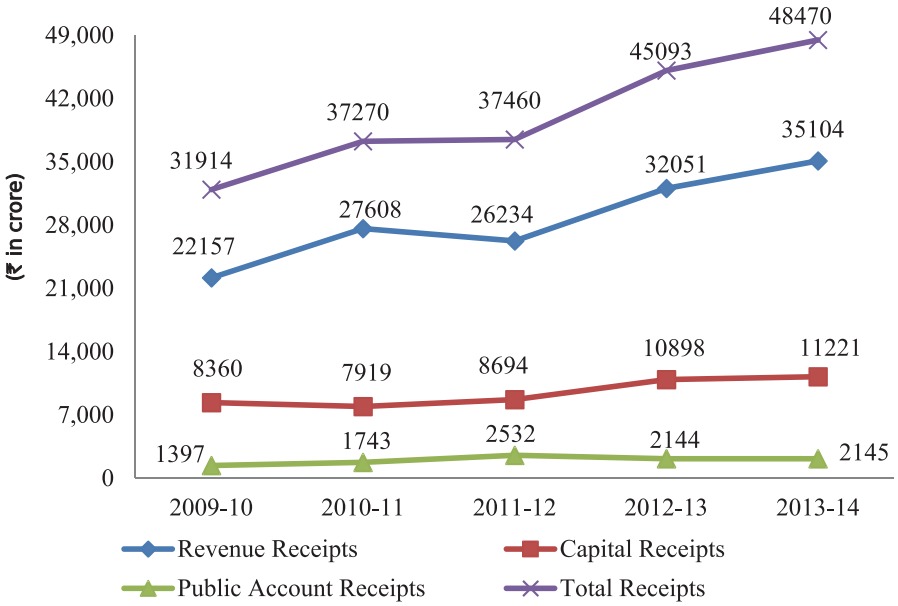
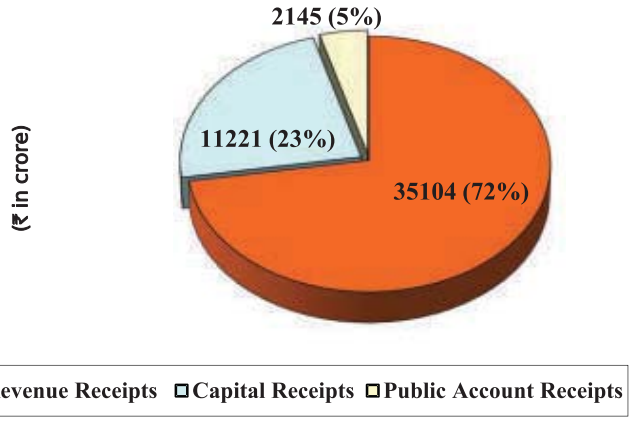


Chart 1.2 shows that out of the total receipts of ₹ 48,470 crore in the year 2013-14, the revenue receipts were ₹ 35,104 crore. The balance of total receipts came from capital receipts (₹ 11,221 crore) and net Public Account receipts (₹ 2,145 crore). The total receipts of the State increased from ₹ 31,914 crore in 2009-10 to ₹ 48,470 crore in 2013-14.

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

Chart 1.3: Composition of receipts during 2013-14



The above chart shows that out of the total receipts of ₹ 48,470 crore, the revenue receipts were ₹ 35,104 crore (72 *per cent),* and the capital receipts were ₹ 11,221 crore (23 *per cent)* and net Public Account receipts were ₹ 2,145 crore (five *per cent).*

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".

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

(i) Maintenance of Cattle Fair Fund outside Government account

As per Section 16 of the Punjab Cattle Fairs (PCF) (Regulation) Act, 1967, all fees, rents, donations or grants given by the State Government or other sums of money received or realized under the provisions of the Act was to be credited into Cattle Fair Fund (CFF) in Personal Ledger Account (PLA). Mention was also made in paragraph 2.9 in the Report of Comptroller and Auditor General of India (Civil)-Government of Punjab for the year ended 31 March 2006 regarding retention of Cattle Fair Funds amounting to ₹ 5.32 crore as on 31 March 2006 outside budgetary control of State Legislature.

Audit of records (April 2013) of the Director, Rural Development and Panchayats Department, Punjab showed that during 2006-14, a sum of ₹ 222.22 crore[1] realized as cattle fair fee (along with interest earned thereupon) was kept into saving banks accounts outside the Government account, in contravention of the provisions *ibid*. Of which, the Department incurred an expenditure of ₹ 194.62 crore leaving a balance of ₹ 27.60 crore as of March 2014.

The Finance Department stated (November 2014) that the Department had been directed to deposit the receipts of Cattle Fair Funds, lying in Saving Bank accounts, in the 'Consolidated Fund of the State'.

(ii) Retention of receipts on account of traffic challans outside Consolidated Fund

Audit of records of the Director General of Police, Punjab (April 2014) showed that an amount of ₹ 7.44 crore (including interest) collected (between December 2013 and August 2014) on account of receipts from traffic challans was kept lying in the bank accounts of the respective district police Headquarters, outside the Consolidated Fund of the State in contravention of the constitutional provisions *ibid.*

On this being pointed out (April 2014), the DGP stated (June 2014) that, as per directions of the State Government, instructions had been issued (June 2014)

[1] It includes opening balance of ₹ 5.32 crore.

to all the units to deposit the amount so collected through traffic challans in relevant Receipt Head. Subsequently, an amount of ₹ 6.95 crore (out of ₹ 7.44 crore) was reported to have been deposited into treasury between May 2014 and August 2014 leaving a balance of ₹ 0.49 crore[2] in the accounts of the respective district police Headquarters.

(iii) Retention of Change of Land Use charges outside Government account

The Greater Mohali Area Development Authority (GMADA) developed residential plots, group housing and commercial land on 1754 acre at *Knowledge Park*. An amount of ₹ 65.27 crore was payable (March 2013) to GoP on account of Change of Land Use (CLU) charges. It was noticed that instead of depositing the amount in Government account, an amount of ₹ 55 crore[3] was irregularly transferred to the Executive Engineer (Buildings and Roads), Provincial Division, Mohali for construction of District Administrative Complex (DAC) and ₹ 0.50 crore to Punjab Freedom Movement Memorial Foundation in January 2013 for Jung-E-Azade memorial. The balance amount of ₹ 9.77 crore was lying with GMADA as of March 2014. Although GMADA had requested Principal Secretary (Finance) (October 2013) for giving consent/approval for the expenditure of ₹ 40 crore incurred upto October 2013 on construction of DAC, but no response has so far been received (April 2014). However, GMADA further transferred an amount of ₹ 15 crore to Executive Engineer between January 2014 to March 2014.

The Finance Department stated (November 2014) that the Department of Housing and Urban Development had been directed to deposit CLU charges in the Consolidated Fund of the State.

(iv) Retention of suvidha fees outside consolidated fund

Government of Punjab, Department of Revenue & Rehabilitation (Consolidation Branch) issued directions (July 2011) for making entries regarding the factum of equitable mortgage (by deposit of title deed) in the revenue records. The State Government further decided (September 2012) to charge suvidha fees from the mortgagee for making such entries in the revenue records. As per notification *ibid,* a register was to be maintained by the office Kanugo and the concerned Patwari (Patwari Halqua) to make entries in the jamabandi records. The prescribed fee was assigned to the Punjab Land Records Society (PLRS).

Audit noticed (May and June 2014) from the records of 15 SRs/JSRs[4] that 22154 agreements by deposit of title deeds were executed against which an

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2 As per information supplied by the respective units and DGP office between April 2014 and October 2014.

3 ₹ 25 crore (1.3.2013), ₹ 5 crore (29.8.2013), ₹ 5 crore (10.9.2013), ₹ 5 crore (29.10.2013), ₹ 5 crore (17.1.2014), ₹ 5 crore (6.3.2014), ₹ 5 crore (29.3.2014) = ₹ 55 crore.

4 Amritsar-I, Amritsar-II, Bathinda, DeraBassi, Jalandhar-I, Jalandhar-II, Kharar, Maloud, Patiala, Payal, Phagwara, RampuraPhool, Rajpura, Talwandi Sabo and Zira.

amount of ₹ 4.58 crore ***(Appendix 1.7)*** were charged as Suvidha Fee and whole amount of fee was retained by PLRS which was irregular as the entire exercise is being carried out by the revenue officials in the revenue records. The prescribed fee should have been deposited in the consolidated fund of the State.

The matter was reported to the Government/Department (July 2014); their replies were awaited (October 2014).

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. 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**.

Table 1.5: Funds transferred directly to the State implementing agencies

(₹ in crore)

Sr. No.	Government of India Scheme	Implementing Agency	Government of India Releases	
			2013-14	2012-13
1	**Sarva Shiksha Abhiyan (SSA)**	Sarva Shiksha Abhiyan Authority, Punjab	383.24	494.73
2	**Mahatma Gandhi National Rural Employment Guarantee Scheme**	The Punjab State Rural Employment Guarantee Society	226.15	114.21
3	**National Rural Health Mission Centrally Sponsored**	State Health Society, Punjab	220.44	191.84
4	**National Rural Drinking Water Programme**	SWSM Punjab, Chandigarh	147.95	144.26
5	**Pradhan Mantri Gram Sadak Yojana (PMGSY)**	Punjab Road and Bridges Development Board, Chandigarh	117.68	169.66
6	**MPs Local Area Development Scheme (MPLADS)**	Deputy Commissioners	104.50	94.50
7	**Rashtriya Madhyamik Shiksha Abhiyan (RMSA)**	Rashtriya Madhyamik Shiksha Abhiyan (RMSA), Punjab	92.61	258.44
8	**Support to Indian Institute of Technology (IITs)**	Indian Institute of Technology, Ropar	49.99	....
9	**National Food Security Mission**	Sustainable Agriculture Development Agency	37.56	37.94
10	**Human Resources for Health**	Government Medical College, Patiala	30.92	....
11	**Support to National Institute of Technology (NITS) including Ghani Khan Institute**	Dr. B.R. Ambedkar National Institute of Technology, Jalandhar	29.00	75.00
12	**Rural Housing- IAY**	District Rural Development Agencies	27.40	6.59
13	**Autonomous R and D Institution**	Centre of Innovative and Applied Bioprocessing, Mohali	27.10	20.62

Sr. No.	Government of India Scheme	Implementing Agency	Government of India Releases	
			2013-14	2012-13
14	**Assistance to Other Institutes including SLIET, NERIST, NIFFT, Ranchi, CIT Kokrajhar**	Sant Longowal Institute of Engineering and Technology	17.59	8.59
15	**Assistance to Training Institutions**	Central Tool Room, Ludhiana	14.83	6.45
16	**Scheme for Infrastructure Development FPI**	B.D Agro Foods, Supreme Agrofoods Private Limited and Pagro Frozen Foods Private Limited	13.67	1.02
17	**Renewable Energy for Rural Applications for all Villages**	Punjab Energy Development Agency	13.58	7.96
18	**Scheme for Integrated Textile Park (SITP)**	Ludhiana Integrated Textile Park Limited	12.00	17.10
19	**DRDA Administration**	District Rural Development Agencies	10.79	9.96
20	**Other Schemes having a release below ₹ 10.00 crore in each case (Base Year: 2013-14)**	Miscellaneous Agencies	174.30	227.17
	Grand Total		**1751.30**	**1886.04**

Source: Finance Accounts

It may be seen that as compared to the previous year, there was decrease of ₹ 134.74 crore (7.14 *per cent*) in funds transferred directly to the State implementing agencies. The major decrease was under Rashtriya Madhyamik Shiksha Abhiyan (₹ 165.83 crore: 64.17 *per cent*) and Sarv Shiksha Abhiyan (₹ 111.49 crore: 22.54 *per cent*).

In reply, the Finance Department stated (November 2014) that previously, these schemes were direct release schemes of the Government of India till 2013-14 and State Government was unable to interfere in that matter. However, from 2014-15 onwards, all such amount would be routed through the State Budget.

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 2009-14 are presented in ***Appendix 1.8*** and also depicted in **Charts 1.4** and **1.5** respectively.

Chart 1.4 Trends in Revenue Receipts

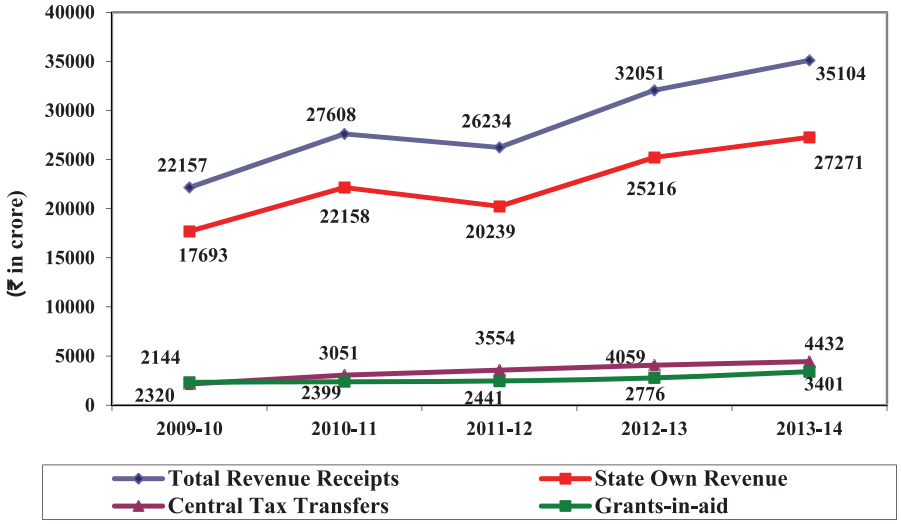
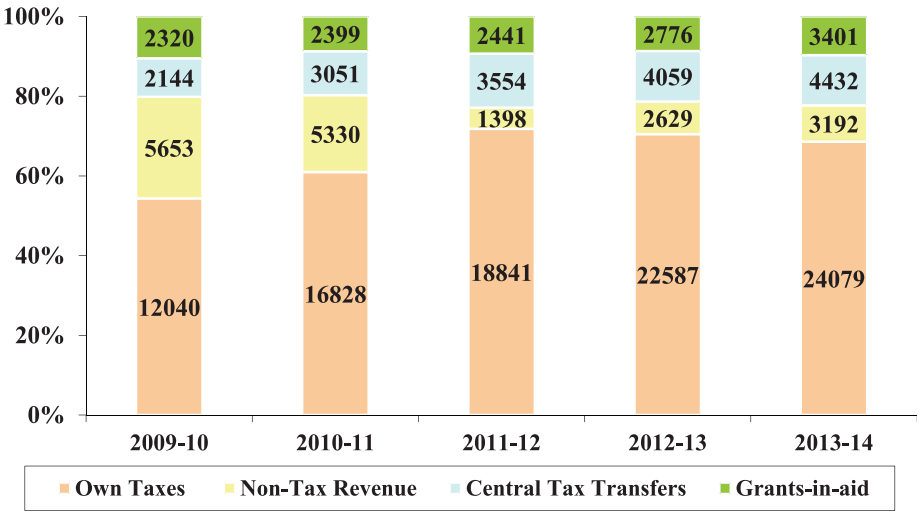


Chart 1.5: Composition of Revenue Receipts during 2009-14



The revenue receipts increased by ₹ 3,053 crore (9.53 *per cent*) in 2013-14 over the previous year which was due to increase in non-tax revenue (₹ 563 crore: 21.41 *per cent*) and tax revenue (₹ 1,492 crore: 6.60 *per cent*) as compared to previous year. The revenue receipts (₹ 35,104 crore) was less by 12.66 *per cent* as compared to projections in the FCR (₹ 40,194 crore) for the year 2013-14 ***(Appendix 1.5)***.

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

Table 1.6: Trends in Revenue receipts

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	**22157**	**27608**	**26234**	**32051**	**35104**
Rate of growth of RR (*per cent*)	6.97	24.61	-4.98	22.17	9.53
RR/GSDP (*per cent*)	11.22	12.21	10.23	11.24	11.07
Buoyancy Ratios					
Revenue buoyancy w.r.t GSDP	0.52	1.69	-0.37	1.97	0.85
State's own tax buoyancy w.r.t GSDP	0.59	2.74	0.90	1.77	0.59
Revenue buoyancy w.r.t. State's own taxes	0.87	0.62	-0.42	1.12	1.44

Source: Finance Accounts

The revenue receipts increased from ₹ 22,157 crore in 2009-10 to ₹ 35,104 crore in 2013-14 at an annual average growth rate of 11.69 *per cent*. The ratio of revenue receipts to GSDP increased from 11.22 in 2009-10 to 12.21 *per cent* in 2010-11 and came down to 11.07 *per cent* in 2013-14. The revenue buoyancy with reference to GSDP increased from 0.52 in 2009-10 to 1.69 in 2010-11 and it came down to minus 0.37 in 2011-12 and again went up to 0.85 in 2013-14. The State's own tax buoyancy with reference to GSDP increased from 0.59 in 2009-10 to 2.74 in 2010-11 and came down to 0.59 in 2013-14.

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 2013-14 vis-à-vis assessment made by Thirteenth Finance Commission (ThFC) and Fiscal Consolidation Roadmap (FCR) are given in **Table 1.7.**

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	25551	28524	26170	24079	(-)5.76	(-)15.58	(-)7.99
Non-tax revenue	4348	2736	3439	3192	(-)26.59	16.67	(-)7.18

The Government could not achieve the targets fixed in ThFC projections, budget estimates and FCR of the State in respect of tax revenue. In case of non-tax revenue the Government was able to achieve the targets fixed in budget estimates only. However, targets fixed in ThFC projections and FCR projections could not be achieved.

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	2009-10	2010-11	2011-12	2012-13	2013-14
Taxes on Sales, Trade etc.	7577 (18)	10017 (32)	11172 (12)	13218 (18)	14847 (12)
State Excise	2101 (16)	2373 (13)	2755 (16)	3332 (21)	3765 (13)
Taxes on Vehicles	555 (6)	654 (18)	850 (30)	995 (17)	1146 (15)
Stamp Duty and Registration fees	1551 (-10)	2318 (49)	3079 (33)	2920 (-5)	2500 (-14)
Land Revenue	15 (-6)	19 (27)	25 (32)	37 (48)	42 (14)
Taxes and Duties on Electricity	230 (-64)	1423 (518)	928 (-35)	2035 (119)	1710 (-16)
Other taxes and duties on commodities and services	10 (233)	24 (140)	32 (33)	50 (56)	69 (38)
Total Own Tax Revenue	**12039** **(8)**	**16828** **(40)**	**18841** **(12)**	**22587** **(20)**	**24079** **(7)**

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

The State's own tax revenue during the current year was ₹ 24,079 crore, which was less by ₹ 1,472 crore (5.76 *per cent)* compared to the norms of ₹ 25,551 crore fixed by ThFC and less by ₹ 2,091 crore (7.99 *per cent)* against ₹ 26,170 crore projected in the FCR for the State.

1.3.1.2 Cost of collection

The figures of gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection from 2009-10 to 2013-14 alongwith All India Average percentage of expenditure are given in ***Appendix 1.9***. The percentage of expenditure on collection to gross collection in respect of all the components of state's own tax revenue is lower than the All India averages except in taxes on Sales, trades etc. for the years 2010-11 to 2012-13.

1.3.1.3 Non-tax revenue

In the current year, the share of non-tax revenue in total revenue receipts went up to 9.09 *per cent* from 8.20 *per cent* in the previous year. The percentage increase in non-tax revenue during the current year was 21.41 *per cent* over the previous year. The composition and growth in State's non-tax revenue is given in **Table 1.9.**

Table 1.9: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14
Interest Receipts	164.69 (-10)	169.37 (3)	170.16 (0)	170.47 (0)	174.68 (2)
Dividends and Profits	0.91 (17)	0.62 (-32)	1.73 (179)	0.33 (-81)	1.46 (342)
Misc General Services	4780.12 (5)	4277.23 (-11)	323.71 (-92)	1420.73 (339)	1640.32 (15)
Road Transport	114.55 (-1)	150.39 (21)	183.35 (22)	222.51 (21)	199.68 (10)
Other non-tax receipts	592.43 (-35)	732.56 (24)	719.50 (-2)	815.17 (13)	1175.35 (44)
Total Non-Tax revenue	**5652.70 (-2)**	**5330.17 (-6)**	**1398.45 (-74)**	**2629.21 (88)**	**3191.49 (21)**

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

1.3.1.4 Grants-in-aid

(i) The position of Grants-in-aid received during the period 2009-10 to 2013-14 are presented in **Table 1.10.**

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

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-plan Grants	390.31	720.81	874.11	894.91	1064.11
Total non-plan grants	**390.31**	**720.81**	**874.11**	**894.91**	**1064.11**
Plan Grants *of which*					
Grants for State Plan Schemes	1279.25	954.65	694.06	684.19	1058.26
Grants for Central Plan Schemes	38.20	64.40	5.68	60.63	7.67
Grants for Centrally Sponsored Schemes	612.54	659.39	866.79	1135.84	1271.34
Total plan grants	**1929.99**	**1678.44**	**1566.53**	**1880.66**	**2337.27**
Grand total	**2320.30**	**2399.25**	**2440.64**	**2775.57**	**3401.38**
Percentage of increase over previous year	36.92	3.40	1.73	13.72	22.55
Revenue Receipts	22156.58	27608.47	26234.41	32051.15	35103.54
Percentage increase of Revenue Receipts	6.97	24.61	-4.98	22.17	9.53
Percentage of total grants with Revenue receipts	10.47	8.69	9.30	8.66	9.69

Source: Finance Accounts

Table 1.10 shows that grants-in-aid from GoI increased at an annual average rate of 9.32 *per cent* during the period 2009-10 to 2013-14. It increased by 22.55 *per cent* over the previous year. During this period on an average 9.36 *per cent* of the revenue receipts were contributed by the grants-in-aid from the GoI.

(ii) Refusal to Central assistance

The Government of Punjab launched emergency ambulance services through 240 ambulances in Punjab between April and November 2011. The capital cost of ₹ 35.11 crore towards 240 ambulances was provided by GoI and the operational expenses were to be shared with GoI and GoP. During 2013-14, GoI was to contribute ₹ 9.32 crore out of the total operational expenses of ₹ 37 crore on these ambulances. On being asked by GoI in January 2013 to adopt uniform colour coding, the Government of Punjab decided to forego the financial support of ₹ 23.80[5] crore receivable from GoI during the period 2013-14 to 2015-16 without taking cognizance of difficult financial position[6] of the State which led to an additional financial burden on state exchequer.

The Finance Department stated (November 2014) that it was prerogative of the State to take up central assistance. The task of the State Government was to implement the scheme, which had not led to financial loss. The reply is not tenable as the State should have also taken cognizance of its difficult financial position while refusing Central assistance.

1.3.1.5 Central tax transfer

The actual release of share in Union taxes and duties to Punjab during 2010-11 to 2013-14 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
2013-14		5278	4432	(-) 846

Source: Fiscal consolidation roadmap of the State, Finance Accounts and Report of ThFC

1.4 Capital receipts

The capital receipts are non-debt capital receipts such as proceeds from disinvestment of equity in Government companies/corporations; 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

[5] 2013-14:₹ 9.32 crore, 2014-15: ₹ 7.28 crore and 2015-16: ₹ 7.20 crore.

[6] Revenue deficit: ₹ 6,537 crore; and Fiscal deficit: ₹ 8,790 crore during 2013-14.

Government was negligible and capital receipts were 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	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts	**11384.37**	**11532.26**	**14965.61**	**22340.80**	**24253.30**
Miscellaneous Capital Receipts	0.51	0.44	0.24	0.21	0.51
Recovery of Loans and Advances	1276.02	597.45	94.50	174.09	112.30
Public Debt Receipts	10107.84	10934.37	14870.87	22166.50	24140.49
Internal Debt	*10036.44*	*10741.44*	*14721.37*	*21944.56*	*23762.52*
Growth rate	*63.07*	*7.02*	*37.05*	*49.07*	*8.28*
Loans and advances from GoI	*71.40*	*192.93*	*149.50*	*221.94*	*377.97*
Growth rate	*-74.29*	*170.21*	*-22.51*	*48.45*	*70.30*
Rate of growth of debt Capital Receipts	57.14	8.18	36.00	49.06	8.90
Rate of growth of non-debt capital receipts	1520.99	-53.16	-84.15	83.98	-35.28
Rate of growth of GSDP	13.48	14.53	13.34	11.23	11.18
Rate of growth of Capital Receipts (*per cent*)	74.85	1.30	29.77	49.28	8.56

Source: Finance Accounts

Public debt receipts from internal sources i.e. market loans/borrowings from financial institutions, bank, etc. registered annual average growth rate of 27.77 *per cent* during 2009-10 to 2013-14.

1.5 Public Account 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 net Public Account receipts

(₹ in crore)

Source of State Receipts	Public Account Receipts		Disbursement from Public Account		Excess of receipts over disbursements	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Small Savings, Provident Funds, etc.	3205.99	3340.96	1640.74	1376.93	1565.25	1964.03
Reserve Funds	645.57	576.80	13.16	237.53	632.41	339.27
Deposits and advances	3882.13	3860.12	3947.82	3668.57	-65.69	191.55
Suspense and Miscellaneous	34468.37	37940.13	34450.68	38180.99	17.69	-240.86
Remittances	1505.09	-38.86	1511.00	70.59	-5.91	-109.45
Total	**43707.15**	**45679.15**	**41563.40**	**43534.61**	**2143.75**	**2144.54**

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 1.6 presents the trends of total expenditure over a period of the last five years (2009-14) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.7** and **1.8** respectively.

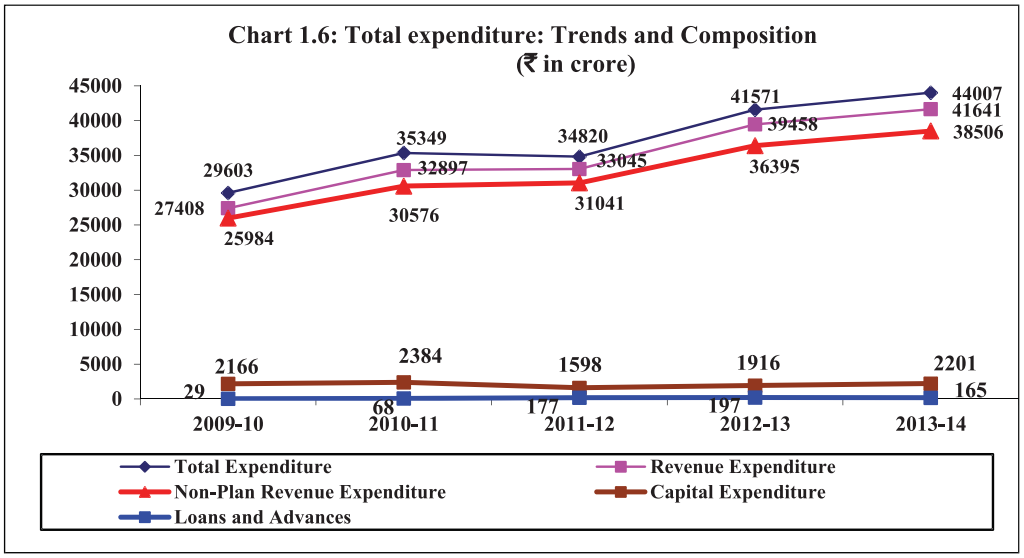
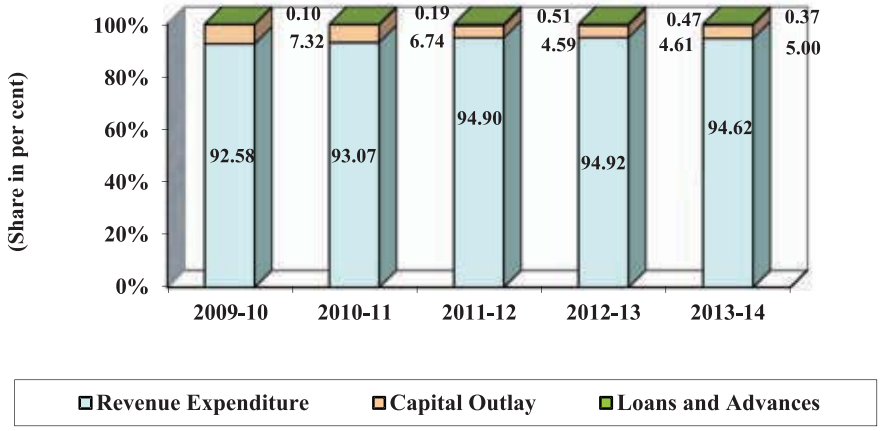


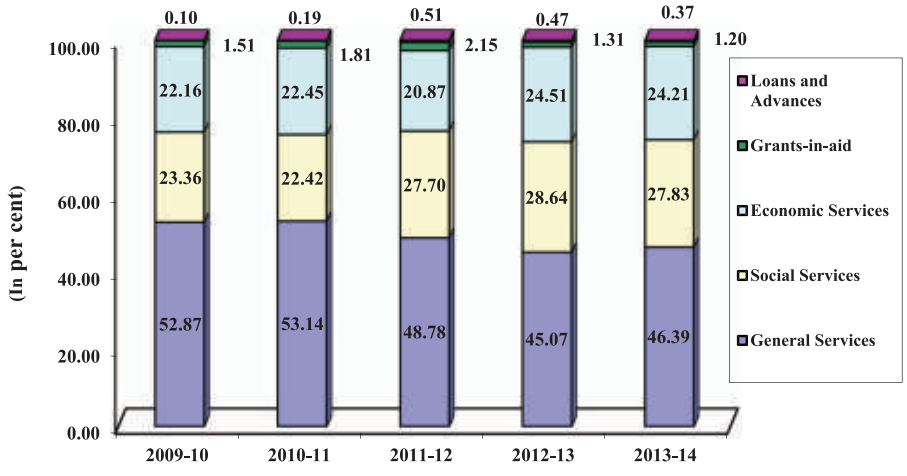
Chart 1.7: Total Expenditure: Trends in share of its components



The total expenditure of the State increased by 48.66 *per cent* from ₹ 29,603 crore in 2009-10 to ₹ 44,007 crore in 2013-14. It increased by ₹ 2,436 crore (5.86 *per cent)* over the previous year. The revenue expenditure increased by ₹ 2,183 crore (5.53 *per cent*), the capital expenditure increased by ₹ 285 crore (14.87 *per cent*) and disbursement of loans and advances decreased by ₹ 32 crore (16.24 *per cent*) during the current year over the previous year.

Similarly, the non-plan revenue expenditure (NPRE) increased by ₹ 2,111 crore (5.80 *per cent)* in 2013-14 as compared to the previous year. The NPRE also exceeded the normative assessment made by ThFC (₹ 29,160 crore) by 32.05 *per cent.*

Chart 1.8: Total Expenditure: Expenditure by activities



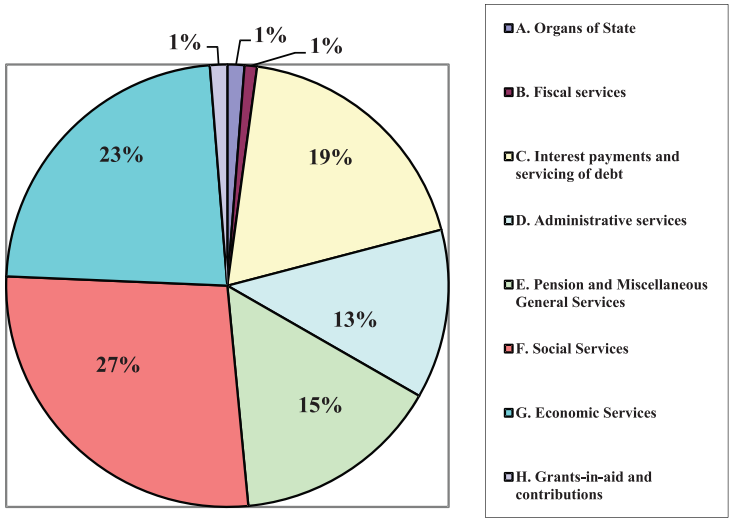
The movement of relative share of various components of expenditure **(Chart 1.8)** indicates that the share of General Services in total expenditure decreased from 52.87 *per cent* in 2009-10 to 46.39 *per cent* in 2013-14, Social services increased from 23.36 *per cent* to 27.83 *per cent* and Economic Services increased from 22.16 *per cent* to 24.21 *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 2009-14.

The revenue expenditure continued to constitute a dominant proportion (93 to 95 *per cent*) of the total expenditure during the years 2009-14 **(Chart 1.7 and *Appendix 1.8)***. During this period, it grew at an annual average growth rate of 10.39 *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 2009-14 ***(Appendix 1.8)***.

The revenue expenditure increased by ₹ 2,183 crore (5.53 *per cent*) from ₹ 39,458 crore in 2012-13 to ₹ 41,641 crore in 2013-14. The overall increase is the result of prominent increase under the heads 'Interest payments' (₹ 989.20 crore: 14.48 *per cent*), 'Pensions and other retirement benefits' (₹ 310.98 crore: 5.21 *per cent)*, 'Welfare of Scheduled Castes, Scheduled Tribes, other backward classes and Minorities' (₹ 278.66 crore: 70.27 *per cent*), 'Police' (₹ 254.46 crore: 7.07 *per cent*), 'Housing' (₹ 176.88 crore: 100 *per cent*) and 'Other rural development programmes' (₹ 169.23 crore: 32.02 *per cent*).

The revenue expenditure was higher by ₹ 530 crore (1.26 *per cent*) than the projections in FCR (₹ 42,171 crore) for the year 2013-14. The sector-wise distribution of revenue expenditure is shown in **Chart 1.9**.

Chart 1.9: Sectoral distribution of revenue expenditure



During the current year the Capital Expenditure increased by ₹ 285 crore (14.87 *per cent*) over the previous year. The increase was mainly under capital outlay on Roads and Bridges (₹ 170.95 crore: 81.57 *per cent*), capital outlay on Education Sports, Art and Culture (₹ 169.83 crore: 90.87 *per cent*), capital outlay on Housing (₹ 96.62 crore: 1118.93 *per cent*) partly offset by decrease mainly under capital outlay on Medium irrigation (₹ 126.12 crore: 70.51 *per cent*) and capital outlay on other general economic services (₹ 68.25 crore: 47.54 *per cent*).

The capital expenditure during the current year (₹ 2,201 crore) was only 28.21 *per cent* of the projections made in the FCR (₹ 7,802 crore). This shows that due priority was not accorded to capital expenditure.

In reply, the Finance Department stated (November 2014) 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. Private Sector was also investing in creation of physical infrastructure in the State. The fact remains that expenditure is not in line with the projections made in the Fiscal Consolidation Roadmap for the State.

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 2009-10 to 2013-14.

Table 1.14: Trends in components of committed expenditure

(₹ in crore)

Sr. No	Components of committed expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
						BE	Actuals
1	**Salaries and Wages[$], of which**	8225 (37)	9750 (35)	12403 (47)	14120 (44)	15582 (37)	14852 (42)
	Under Non-Plan Head	*8034*	*9525*	*12081*	*13727*	*15011*	*14496*
	Under Plan Head*	*191*	*225*	*322*	*393*	*571*	*356*
2	**Interest Payments**	5011 (23)	5515 (20)	6280 (24)	6831 (21)	7602 (18)	7820 (22)
3	**Pensions**	3357 (15)	5309 (19)	5657 (22)	5966 (19)	5168 (12)	6277 (18)
4	**Subsidies**	2919 (13)	3480 (13)	3215 (12)	5132 (16)	6539 (15)	4904 (14)
	Total Committed Expenditure	**19512**	**24054**	**27555**	**32049**	**34891**	**33853**
	Total Revenue expenditure[#]	**27408**	**32897**	**33045**	**39458**	**44412**	**41641**
	Revenue Receipts	**22157**	**27608**	**26234**	**32051**	**42666**	**35104**

Source: Finance Accounts

Figures in the parenthesis indicate percentage to Revenue Receipts

[$] Salaries (2013-14): ₹14580.34 crore + Wages (2013-14): ₹271.46 crore

** Plan Head includes centrally sponsored schemes*

[#] includes expenditure other than committed expenditure.

1.6.2.1 Salaries

Table 1.15 presents the targets of various components of committed expenditure vis-à-vis targets during 2013-14.

Table 1.15: Committed expenditure vis-à-vis targets during 2013-14

(₹ in crore)

Item	ThFC	FCR for State	2012-13	2013-14	
				BE	Actuals
Salaries	10273	13391	13867	15269	14580
Interest payments	7138	7630	6831	7602	7820
Pensions	4869	5835	5966	5168	6277
Subsidies	--	--	5132	6539	4904
of which Power subsidy	*--*	*4520*	*5059*	*6324*	*4815*

Source: Finance Accounts

Table 1.15 shows that the expenditure on salaries exceeded the projections of ThFC and FCR by ₹ 4,307 crore (41.93 *per cent*) and ₹ 1,189 crore (8.88 *per cent*) respectively.

1.6.2.2 Interest payments

Table 1.15 shows that the interest consumed 22 *per cent* of revenue receipts as against 21 *per cent* during the previous year. Interest payments exceeded the projections of ThFC, FCR and budget estimates by ₹ 682 crore (9.55 *per cent*), ₹ 190 crore (2.49 *per cent*) and ₹ 218 crore (2.87 *per cent*) respectively.

1.6.2.3 Subsidies

Table 1.15 shows that the subsidies during the current year came down by ₹ 228 crore (4.44 *per cent*) over the previous year. The actual expenditure on subsidies (₹ 4,904 crore) was less than the projection made in the BE (₹ 6,539 crore). However, payment of Power subsidy (₹ 4,815 crore) exceeded the norm of FCR (₹ 4,520 crore) by ₹ 295 crore (6.53 *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 2013-14 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)**	40.00
2.	**Reimbursement to Transport department in respect of facility to physically handicap and blind in Government/ PRTC buses**	9.04
3	**Reimbursement to Transport department in lieu of free concessional travel facility to women above the age of 60 years in Government/PRTC buses**	0.84

Sr. No.	Scheme	Amount
4	**Shagun to Scheduled Castes girls/widows/divorcees and daughters of widows at the time of their marriage**	120.26
5	**Shagun to Backward classes and Christian girls/widows/divorcees and daughters of widows**	0.95
6	**Mai Bhago free bi-cycle to all girl students studying in class 9th to 12th**	20.63
7	**Mai Bhago vidya scheme free bi-cycle to all girl students studying in class 9th to 12th (Special component plan for Scheduled Castes)**	12.20
	Total	**203.92**

Source: Detailed Appropriation Accounts

1.6.2.4 Pension payments

Table 1.15 shows that the pension payments recorded a growth of ₹ 311 crore (5.21 *per cent*) during the current year over the previous year. Pension payments exceeded the projections of ThFC and FCR by ₹ 1,408 crore (28.92 *per cent*) and ₹ 442 crore (7.57 *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	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	748.02	683.84	905.58	921.18	495.95	564.95
Municipal Corporations and Municipalities	18.87	155.05	71.90	43.13	106.00	109.10
Zila Parishads and Other Panchayati Raj Institutions	116.93	87.02	131.48	132.39	132.33	99.27
Development Agencies	10.41	3.59	0.43	127.67	838.78	754.92
Hospitals and Other Charitable Institutions	46.45	63.27	90.14	105.06	116.60	98.15
TOTAL	**940.68**	**992.77**	**1199.53**	**1329.43**	**1689.66**	**1626.39**
Assistance as percentage of RE	3.43	3.62	3.63	3.37	3.80	3.91

Source: Finance Accounts

The financial assistance to the local bodies and other institutions increased by ₹ 296.96 crore (22.34 *per cent*) over the previous year. This increase was mainly due to increase in assistance to the Development agencies (₹ 627.25 crore: 491.31 *per cent*); Municipal Corporations and Municipalities (₹ 65.97 crore: 152.96 *per cent*) off-set by decrease in assistance to educational institutions (₹ 356.23 crore: 38.67 *per cent*).

The overall quantum of financial assistance to the local bodies and other institutions remained between 3.37 and 3.91 *per cent* of the revenue expenditure during 2009-14.

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. The fiscal priority of the State Government with regard to development expenditure, expenditure on social sector and capital expenditure etc. is shown in **Table 1.18**.

Table 1.18: Fiscal priority of the State in 2010-11 and 2013-14

(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) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Punjab (Ratio) 2010-11	15.63 (99.05)	44.95 (69.06)	22.42 (60.79)	6.74 (49.96)	12.28 (70.25)	3.48 (79.63)
General Category States Average* (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Punjab (Ratio) 2013-14	13.88 (87.19)	52.30 (78.71)	27.83 (74.09)	5.00 (36.71)	15.41 (89.59)	4.47 (99.11)

Source: Finance Accounts

Figures in parenthesis indicate percentage to General Category States Average

*General category States represents States other than 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

All India Average is worked out on the basis of figures of expenditure and GSDP of 16 General Category States (excluding 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 2010-11 and 2013-14:

- Public expenditure, as indicated by the ratio of aggregate expenditure to GSDP, was lower in 2010-11 in the State as compared to the General Category States and the trend continues in the year 2013-14.

The ratio of public expenditure incurred by Punjab to that incurred by General Category States has come down from 99.05 *per cent* in 2010-11 to 87.19 *per cent* in 2013-14 which indicates that gap between the expenditure incurred by Punjab and the average expenditure incurred by General Category States is widening.

- 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 was spent under this head. However, the ratio of expenditure incurred by Punjab to the average expenditure incurred by General Category States has gone up from 69.06 *per cent* in 2010-11 to 78.71 *per cent* in 2013-14.
- 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 2013-14. In the case of education, the ratio of expenditure incurred by the Government of Punjab to average expenditure incurred by General Category States has gone up from 70.25 *per cent* in 2010-11 to 89.59 *per cent* in 2013-14 whereas in the case of health, it has gone up from 79.63 *per cent* in 2010-11 to 99.11 *per cent* in 2013-14.
- 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 lower as compared to the General Category States. The ratio of Capital expenditure incurred by Punjab to the average capital expenditure incurred by General Category States has come down from 49.96 *per cent* in 2010-11 to 36.71 *per cent* in 2013-14 which indicates that gap between capital expenditure incurred by Punjab and that incurred by General Category States 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 and merit goods. Apart from improving the allocation towards development expenditure, 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.

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	20460.08	19572.03	95.66	218.36	1.07
Social Services	12249.42	7246.11	59.15	930.33	7.59
Economic Services	10767.24	7045.72	65.44	1051.92	9.77

Source: Finance Accounts

Table 1.20: Development expenditure

(₹ in crore)

Components of Development expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actual
Total Development expenditure (a to c)	**13476 (45.52)**	**15890 (44.95)**	**17042 (48.94)**	**22241 (53.50)**	**30914 (59.37)**	**23017 (52.30)**
a. Development Revenue expenditure	11436 (38.63)	13660 (38.64)	15511 (44.54)	20342 (48.93)	24628 (47.30)	20919 (47.54)
b. Development Capital expenditure	2041 (6.89)	2199 (6.22)	1402 (4.03)	1754 (4.22)	5993 (11.51)	1982 (4.50)
c. Development Loans and Advances	0 (Nil)	31 (0.09)	129 (0.37)	145 (0.35)	293 (0.56)	116 (0.26)

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

Table 1.20 shows that the total development expenditure increased by ₹ 9,541 crore (70.80 *per cent*) during 2009-10 to 2013-14 and by ₹ 776 crore (3.49 *per cent*) during the current year over the previous year.

The development revenue expenditure increased from ₹ 11,436 crore in 2009-10 to ₹ 20,919 crore in 2013-14. The development revenue expenditure increased by ₹ 577 crore (2.84 *per cent*) during the current year over the previous year, whereas it was less by ₹ 3,709 crore (15.06 *per cent*) when compared with the BE of the State for the year 2013-14.

The development capital expenditure decreased from ₹ 2,041 crore in 2009-10 to ₹ 1,982 crore in 2013-14. The less development capital expenditure during 2013-14 as compared to 2009-10 implies that the State Government was

giving less priority to capital expenditure for development as only 4.50 *per cent* of the aggregate expenditure as against 6.89 *per cent* in 2009-10 was incurred on development capital expenditure.

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

(In per cent)

Social/Economic Infrastructure	2012-13		2013-14	
	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	2.84	71.95	5.13	75.74
Health and Family Welfare	5.75	82.17	4.20	81.83
WS, Sanitation, HUD	42.41	59.74	46.02	63.55
Total (SS)	**6.01**	**62.38**	**7.59**	**63.66**
Economic Services (ES)				
Agri. and Allied Activities	1.08	54.16	5.49	51.78
Irrigation & Flood Control	32.16	75.67	21.18	67.59
Power and Energy	0.00	0.02	0.00	0.02
Transport	24.32	29.34	36.00	31.76
Total (ES)	**10.04**	**22.08**	**9.77**	**22.63**
Total (SS+ES)	**7.88**	**44.25**	**8.61**	**44.83**

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 2013-14, the ratio of the capital expenditure (CE) to the total expenditure (TE) on the Social Services (SS) increased by 1.58 and that of the capital expenditure to the total expenditure on Economic Services (ES) decreased by 0.27 *per cent*.

The share of salaries and wages components in revenue expenditure on SS increased from 62.38 to 63.66 *per cent* and in case of ES from 22.08 to 22.63 *per cent* during the current year over the previous year.

The combined ratio of CE to TE on SS and ES increased by 0.73 during 2013-14 over the previous year, while the share of salaries and wages in revenue expenditure on SS and ES increased from 44.25 to 44.83 *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[7] major irrigation projects involving a capital expenditure of ₹ 495.53 crore at the end of March 2014 showed that revenue realised from these projects during 2013-14 (₹ 11.40 crore) was only 2.30 *per cent* of the capital expenditure. This return was not sufficient to cover even the total working expenses and maintenance during the year 2013-14 (₹ 355.38 crore). After meeting the direct working expenditure and interest charges of ₹ 380.48 crore, the projects suffered a net loss of ₹ 369.08 crore.

1.8.2 Incomplete projects

The department-wise information pertaining to the incomplete projects as on 31 March 2014 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
Irrigation	4	2508.42	NA	410.28	NA
	1	1.68	NA	NA	NA
	1	58.15	74.14	26.57	15.99
Buildings and Roads	1	1.78	NA	NA	NA
	33	254.80	NA	150.70	NA
Total	**40**	**2824.83**	**74.14**	**587.55**	**15.99**

Source: Finance Accounts
NA stands for Not Available

Out of total 40 incomplete projects, six projects were in Irrigation Department and 34 projects were in Public Works (B&R) Department.

On this being pointed out (September 2014), the Finance Department stated (November 2014) that all out efforts were being made to release funds to complete these incomplete projects.

[7] (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 Jalandhar 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.

1.8.3 Investment and return

The investment and return on investment is given in **Table 1.23**.

Table 1.23: Return on investment

Investment/return/ cost of borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	3832.41	3831.96	3831.73	3832.65	3862.16
Return (₹ in crore)	0.91	0.62	1.73	0.33	1.46
Return (*per cent*)	0.02	0.02	0.05	0.01	0.04
Average rate of interest on Government Borrowing (*per cent*)	7.72	7.73	7.96	7.79	8.04
Difference between interest rate and return (*per cent*)	7.70	7.71	7.91	7.78	8.00

Source: Finance Accounts

The return on investment from Co-operative Banks and Societies; Joint Stock Companies; and Government companies was ₹ 0.03 crore, ₹ 0.18 crore and ₹ 1.25 crore, respectively aggregating to ₹ 1.46 crore (0.04 *per cent*). The return was only between 0.01 and 0.05 *per cent* during 2009-14, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.72 and 8.04 *per cent* during the same period.

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 2014, 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	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Balance of loans outstanding	4100	2853	2324	2406	2429
Amount advanced during the year	29	68	177	197	165
Amount recovered during the year	1276	597	95	174	112
Closing Balance of the loans outstanding	2853	2324	2406	2429	2482
Interest received	42	51	40	44	48
Interest received as *per cent* to the outstanding Loans and Advances	1.47	2.19	1.66	1.83	1.93
Rate of Interest paid as *per cent* to the outstanding fiscal liabilities of the Government	7.72	7.03	7.96	7.79	8.04
Difference between the rate of, interest paid and interest received (*per cent*)	(-)6.25	(-)5.54	(-)6.30	(-)5.96	(-) 6.11

Source: Finance Accounts

During 2013-14, ₹ 165 crore were advanced as loans against ₹ 197 crore during previous year. Further, recovery of loans amounting to ₹ 112 crore was made as against ₹ 174 crore during previous year. The total outstanding loan increased from ₹ 2,429 crore (31 March 2013) to ₹ 2,482 crore (31 March 2014). The interest receipts of ₹ 48 crore during the current year increased by ₹ four crore (9.09 *per cent)* over the previous year. While the interest payment during 2013-14 was 8.04 *per cent* of its outstanding fiscal liabilities, the interest received was only 1.93 *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 2013-14. Total investment out of cash balances during 2013-14 were ₹ 102.03 crore. On these investments, the Government earned interest of ₹ 4.30 crore during the current year. The cash balances at the close of the current year increased from ₹ (-)303.63 crore of the previous year to ₹ 630.42 crore mainly due to decrease in *minus* balance of Deposits with Reserve Bank of India from ₹ 881.21 crore to ₹ 69.18 crore.

Table 1.25: Cash balances and investment of cash balances

(₹ in crore)

	Overall Cash Position of the Government	As on 31st March 2013	As on 31st March 2014	Increase(+)/ Decrease(-)
(A)	**General Cash Balances-**			
1	**Deposits with Reserve Bank of India**	**(-)881.21**	**(-)69.18**	**812.03**
2	**Investment held in the Cash balance Investment Account**	**102.03**	**102.03**	**0.00**
	Total (A)	**(-)779.18**	**32.85**	**812.03**
(B)	**Other Cash Balances and Investments-**			
1	**Cash with departmental officers viz; Forest and Public Works**	474.65	596.67	122.02
2	**Permanent advances for contingent expenditure with departmental officers**	0.22	0.22	0.00
3	**Investments of earmarked fund**	0.70	0.68	(-)0.02
	Total (B)	**475.57**	**597.57**	122.00
	Total (A) and (B)	**(-)303.61**	**630.42**	934.03
	Interest realised on investment	3.88	4.30	0.42

Source: Finance Accounts

The Finance Department stated (November 2014) that the Heads of the Departments had been instructed (September 2013) not to deposit the PLA money in private bank accounts, not to withdraw money through LOC for keeping in cash chest or in separate bank accounts and to deposit unutilized cash withdrawn through LOC in the treasury. However, the fact remains that inspite of issuance of instructions by the Finance Department, an amount of ₹ 596.67 crore was lying in cash with departmental officers viz. Forest and Public Works as on 31 March 2014.

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, ₹ 158.07 crore were outstanding as ways and means advances at the end of the year 2012-13. During 2013-14, the Government obtained ₹ 7,244.06 crore as ways and means advances from Reserve Bank of India on 89 occasions, out of which ₹ 6,855.24 crore were repaid during the year leaving a balance of ₹ 546.89 crore. An amount of ₹ 15.58 crore was paid as interest on these advances.

There was no outstanding balance at the end of the year 2012-13 as shortfall/ overdraft. During 2013-14, the Government had availed shortfall of ₹ 17.16 crore on 11 occasions and overdraft of ₹ 6,206.30 crore on 57 occasions. During the year, ₹ 6,177.73 crore were repaid leaving balance of ₹ 45.73 crore. An amount of ₹ 7.89 crore was paid as interest on these shortfalls/overdrafts.

Minimum cash balance was maintained for 119 days without taking any advance from the RBI.

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 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 2014, compared with the corresponding position as on 31 March 2013. The liabilities consist mainly of internal borrowings; loans and advances from the GoI; receipts from the Public Account; and Reserve Funds. The assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

In real terms, during 2013-14, the assets grew by ₹ 3,194.41 crore (9.76 *per cent*) whereas the liabilities increased by ₹ 9,731.55 crore (10.52 *per cent*) over the previous year. The ratio of Financial Assets to Liabilities came down to 35.13 *per cent* in 2013-14 from 40.82 *per cent* in 2009-10 which was 35.37 *per cent* in the previous year.

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 2009-14 are presented in **Table 1.26.**

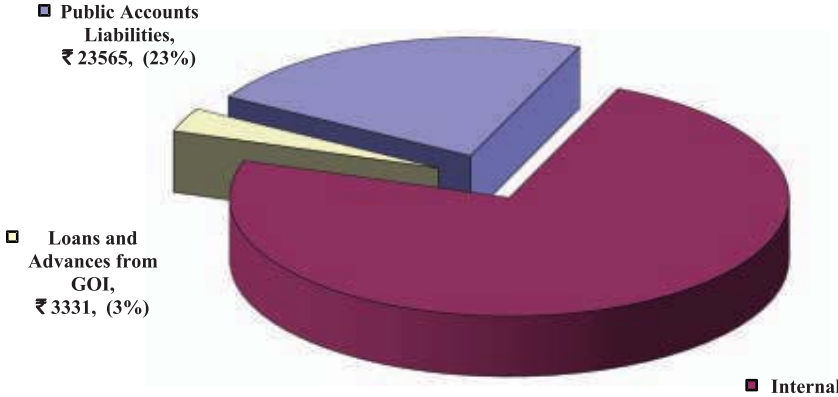
Table 1.26: Fiscal liabilities – Basic Parameters

	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities (₹ in crore)	67967	74784	83099	92282	102234
Rate of Growth (*per cent*)	9.89	10.03	11.12	11.05	10.78
Ratio of Fiscal liabilities to					
GSDP (*per cent*)	34.41	33.06	32.41	32.36	32.24
Revenue receipts (*per cent*)	306.75	270.87	316.76	287.92	291.23
Own resources (*per cent*)	384.16	337.50	410.59	365.95	374.88
Buoyancy of Fiscal liabilities to					
GSDP (ratio)	0.73	0.69	0.83	0.98	0.96
Revenue receipts (ratio)	1.42	0.41	-2.23	0.50	1.13
Own resources (ratio)	2.21	0.40	-1.28	0.45	1.32

Source: Finance Accounts

The composition of outstanding fiscal liabilities as on 31 March 2014 is presented in **Chart 1.10.**

Chart 1.10: Composition of outstanding Fiscal Liabilities as on 31 March 2014 (₹ in crore)



The overall fiscal liabilities of the Government had been on the rise and it increased from ₹ 67,967 crore in 2009-10 to ₹ 1,02,234 crore in 2013-14. The Consolidated Fund liabilities (₹ 78,669 crore) comprised of internal debt of ₹ 75,338 crore and loans of ₹ 3,331 crore from GoI. The Public Account liabilities (₹ 23,565 crore) comprises of small savings, provident fund

(₹ 16,526 crore) and interest bearing obligations and non-interest bearing obligations like deposits and other earmarked funds (₹ 7,039 crore).

1.9.3 Management of Reserve Funds

Table 1.27: Position of Reserve Funds

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Reserve Funds Bearing Interest					
1. Closing Balance, of which	2280	2292	2607	3240	3579
Investments	Nil	Nil	Nil	Nil	Nil
2. Funds Utilised for Intended Purposes	35	188	160	13	238
3. Interest Paid on Interest-Bearing Reserve Funds	8	85	245	276	311
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	**2289**	**2301**	**2616**	**3249**	**3588**
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 2014 was ₹ 3,588 crore. Out of which ₹ 68 lakh were invested. As per Finance Accounts, Reserve Funds not bearing interest have been inoperative since 1982-83.

1.9.4 Non-investment of State Disaster Response Funds

The GoI, Ministry of Home Affairs constituted (September 2010) the State Disaster Response Fund (SDRF) at state level for providing immediate relief to the victims of natural calamities and issued guidelines for administration of this fund. As per paragraph 19 of the guidelines, the accretions to the SDRF together with the income earned on the investment of the SDRF is required to be invested in one or more of the instruments viz. (a) Central Government dated Securities; (b) Auctioned Treasury Bills; and (c) Interest earning deposits and certificates of deposits with Scheduled Commercial banks.

Mention was made in paragraph 3.1.3.2 of the Comptroller and Auditor General of India's Report on Social, General and Economic Sectors (Non-PSUs) for the year ended 31 March 2012 regarding non-investment of funds.

As per Finance Accounts, the balance in SDRF account was ₹ 3,140.95 crore and ₹ 3,472.58 crore as on 31 March 2013 and 31 March 2014, respectively. But no investment out of these funds was made and the funds were merged with the general cash balance of the State Government. This shows that the State Government utilized these funds for other purposes as is evident from

the cash balance of ₹ (-)303.63 crore and ₹ 630.42 crore as on 31 March 2013 and 31 March 2014, respectively.

1.9.5 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	2009-10	2010-11	2011-12	2012-13	2013-14
Outstanding amount of guarantees at the end of the year	32528	40333	45714	58102	58802

Source: State Finance Accounts of the respective years

The outstanding amount of ₹ 58,802 crore of guarantees as on 31 March 2014, was in respect of banks and financial institutions (₹ 866.37 crore); cash credit facilities (₹ 30,559.63 crore); and working capital to companies, corporations, co-operative societies and banks (₹ 27,376.17 crore).

The State Government set up a Guarantee Redemption Fund in December 2007. Despite large outstanding guarantees (₹ 58,802 crore), the State Government has not contributed any amount to the Fund since its inception. No guarantee was invoked during the year 2013-14.

On this being pointed out (September 2014), the Finance Department stated (November 2014) 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 is not convincing as the Guarantee Redemption Fund was constituted on the recommendations of the Twelfth Finance Commission for sudden discharge of State's obligations on guarantees and guarantee fees was to be credited to this fund.

1.9.6 Off-budget borrowings

(i) 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 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 subsidized rates to the poor families of the State every month. As on 31 March 2014, PUNSUP had ₹ 1,814.62 crore (pertaining to the period August 2007 to March 2014) receivable from the State Government in respect of this scheme.

(ii) The Government of Punjab, in order to avoid routing the borrowing through the Accounts of the State Government, directed Punjab Urban Development Authority (PUDA)[8] to borrow from the banks/financial institutions by mortgaging the Government property transferred to PUDA under OUVGL[9] scheme, with responsibility of repaying the loans of PUDA by the State Government, and to deposit the same in Government Account. Accordingly, the Punjab Urban Planning and Development Authority (PUDA) raised a loan of ₹ 2,000 crore from various banks by mortgaging the Government property transferred to PUDA under OUVGL scheme and deposited the same (2012-13: ₹ 1,000 crore and 2013-14: ₹ 1,000 crore) in Government Account '0075–Miscellaneous General Services'.

The repayment of principal and interest on these 'Off Budget Borrowings' of the Government is being done by way of assistance to PUDA. In 2013-14, the State Government incurred an expenditure of ₹ 176.88 crore under the Head 2216-Housing, 02-Urban Housing, 190-Assistace to Public Sector and Other Undertakings, 01-Assistance to Punjab Urban Development Authority, 36-Grants-in-Aid and 50-Other Charges.

This resulted into overstatement of revenue receipts (2012-13: ₹ 1,000 crore and 2013-14: ₹ 1,000 crore) and revenue expenditure (2013-14: ₹ 176.88 crore) and understatement of revenue deficit (2012-13: ₹ 1,000 crore and 2013-14: ₹ 823.12 crore).

On this being pointed out (September 2014), the Finance Department stated (November 2014) that PUDA deposited the amount of ₹ 2,000 crore against the land transferred by the State Government to PUDA. It was correctly accounted for as per the accounting system and the heads provided thereunder. The Government was well within its rights to provide grants-in-aid to PUDA to tide over its financial stress.

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[8] PUDA was constituted under the Punjab Regional and Town Planning and Development Act, 1995 with the objective to promote and secure better planning and development of any area of the State.

[9] Under the Optimum Utilisation of Vacant Government Land (OUVGL) scheme approved in June 1997, vacant, unutilised, underutilised and surplus land of the Government is transferred to PUDA for optimum utilisation of these lands. Under the scheme, PUDA has been vested with absolute authority by the Government to sell, lease, mortgage and otherwise dispose of the properties in whatsoever manner deemed fit. The revenue generated from the optimum utilisation of these lands is deposited in the Consolidated Fund of the State.

The reply is not acceptable as the orders issued by the Department of Finance directing PUDA to deposit ₹ 2,000 crore in Government account did not mention that the amount was against the lands transferred by the State Government to PUDA. Rather, these orders clearly stated that amount would be raised as a loan by PUDA against OUVGL property and that in order to make repayment of the loan, the State Government would release funds as per repayment schedule to PUDA for onward repayment to the concerned bank.

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	2009-10	2010-11	2011-12	2012-13	2013-14
1. Internal Debt	**49966**	**54940**	**60902**	**68001**	**75338**
(i) Market Loans (*Percentage of market loans to total public debt*)	22235 (42)	26764 (46)	34504 (54)	43063 (60)	50318 (64)
(ii) Ways & Means Advances from RBI	0	368	107	158	593
(iii) Loans from Financial Institutions	5278	4662	4069	3061	3047
(iv) Special Securities issued to NSSF	22453	23146	22222	21719	21380
2. Loans from Government of India	**3286**	**3297**	**3259**	**3210**	**3331**
Total Public debt	**53252**	**58237**	**64161**	**71211**	**78669**

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

During 2009-10 to 2013-14 total public debt increased from ₹ 53,252 crore in 2009-10 to ₹ 78,669 crore in 2013-14 registering annual average growth rate of 9.55 *per cent*. The share of market borrowings in total public debt went up from 42 *per cent* in 2009-10 to 64 *per cent* in 2013-14. During current year, total public debt increased by 10.47 *per cent* over previous year.

(ii) Maturity profile of debt

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

Table 1.30: Maturity profile of repayment of State debt as on 31 March 2014

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	4371.89	5.56
1 – 3	6902.71	8.78
3 – 5	12747.69	16.20
5 – 7	13211.37	16.79
7 and above	40309.88	51.24
Others[10]	1125.66	1.43
TOTAL	**78669.20**	**100.00**

Source: Finance Accounts

The Maturity profile of the State's debt during the current year **(Table 1.30)** indicates that 5.56 *per cent* of the debt is payable in the next year, 8.78 *per cent* in 1-3 years' time, 16.20 *per cent* in 3-5 years' time, 16.79 *per cent* in 5-7 years and 51.24 *per cent* is payable after seven years.

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 of the State. Sustainability of debt of the Government can be measured in terms of debt stabilization, sufficiency of non-debt receipts, net availability of borrowed funds, 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 2009-14.

Table 1.31: Debt sustainability

(₹ in crore)

Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilization (Quantum Spread + Primary Deficit)	3975	3102	(-)409	2803	1928
Sufficiency of Non-debt receipts (Resource Gap)	521	(-)975	(-)1348	(-)855	556
Net availability of borrowed funds	1114	1299	2042	2360	2143
Burden of Interest Payments (Interest Payments/ Revenue Receipts Ratio)	23	20	24	21	22

Source: Finance Accounts

[10] Represents ₹ 1,125.28 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 ₹ 6.69 lakh representing market loans not bearing interest for which maturity profile was not available.

An analysis showed the following:

➢ During the current year the sum of quantum spread and primary deficit came down 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 2010-11 to 2012-13. During current year, this gap turned positive indicating improvement in the capacity to sustain the debt.

➢ The net funds available from the internal debt; loans and advances from GoI; and other sources after providing for repayments (including interest) increased from ₹ 1,114 crore in 2009-10 to ₹ 2,143 crore in 2013-14.

1.10.3 Market borrowings

Of all the constituents of outstanding liabilities of the Government, the market loans need special attention because the interest rates thereon are not administered and may go up if in the market perception the Government debt is not sustainable. **Table 1.32** shows the key indicators in the context of market loans.

Table 1.32: Key indicators in the context of market loans

(₹ in crore)

Description	2009-10	2010-11	2011-12	2012-13	2013-14
Total Liabilities as on 31 March	67967	74784	83099	92282	102234
Total public debt as on 31 March	53252	58237	64161	71212	78669
Total market loans as on 31 March	22235	26764	34504	43063	50318
Percentage of market loans to total liabilities	32.71	35.79	41.52	46.66	49.22
Percentage of market loans to total public debt	41.75	45.96	53.78	60.47	63.96
Interest paid on market loans	1512.48	1838.46	2303.41	2995.29	3731.13
Ratio of interest payments to revenue Receipts	23	24	24	21	22

Source: Finance Accounts of the respective years

From the above table, it is evident that percentage of market loans to total liabilities has increased from 32.71 *per cent* in 2009-10 to 49.22 *per cent* in 2013-14, which indicates that dependence of the Government on market loans has been increasing year by year.

1.10.4 Raising of loans in excess of net borrowing limit fixed by the Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of the Government of India if any part of a loan, which has been made to the State by the Government of India, is still outstanding.

The Government of India, Ministry of Finance, Department of Expenditure fixed the net borrowing ceiling of the Government of Punjab for the financial year 2013-14 as ₹ 9,111 crore and instructed the State Government to ensure that its incremental borrowings remain within this ceiling. This ceiling covered all sources of borrowings of the State Government.

As per Statement 6 of the Finance Accounts viz. Statement of Borrowings and other Liabilities, incremental borrowings of the Government of Punjab were ₹ 9,952.40 crore during the financial year 2013-14 which resulted into violation of the net borrowing limit by ₹ 841.40 crore.

In reply, the Finance Department stated (November 2014) that the amount of ₹ 9,952.40 crore shown as incremental borrowings is incorrect as ways and means advances and overdrafts had also been accounted for, whereas, ways and means advances and overdraft were not accounted for outstanding debt even by GoI. The reply of the State Government is not acceptable as the Government of India, Ministry of Finance, while conveying the annual borrowing ceiling, made it explicit that the ceiling covered all sources of borrowings as reflected in Statement 6 of the State's Finance Accounts. As the ways and means advances (₹ 434.56 crore) had been accounted for in Statement 6, the same were also accounted for computing the incremental borrowings.

1.10.5 Arrangement for amortization of debt

The Government of Punjab has constituted (December 2006) a Sinking Fund for loans raised by it in the open market. In terms of the guidelines of the RBI, the State Government is to contribute @ 0.50 *per cent* of the outstanding liabilities at the end of the previous financial year. As on 31 March 2013, the outstanding liabilities of the Government of Punjab ₹ 92,282.08 crore (i.e. Public Debt plus Public Accounts Liabilities). The State Government, however, has not made any contribution to the said fund since its inception. Had the contribution been made to the said funds, there would have been consequential impact on the Revenue Expenditure as well as Revenue Deficit during 2013-14.

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

(₹ in crore)

Year	Total borrowings during the year	Repayments during the year
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)
2013-14	24140.49	16682.93 (69.11)

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

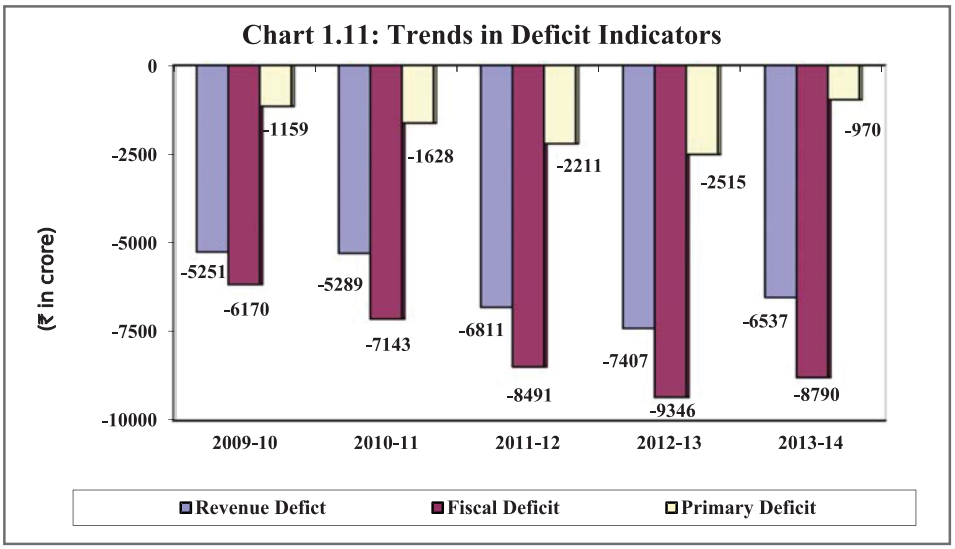
It is clear from the above table that 69.11 *per cent* of current borrowings was utilized for repayment of earlier debt during 2013-14. The percentage of utilisation of current borrowings for repayment of earlier debt is increasing year by year. It went up from 52.52 *per cent* in 2009-10 to 69.11 *per cent* in 2013-14.

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 2013-14.

1.11.1 Trends in deficits

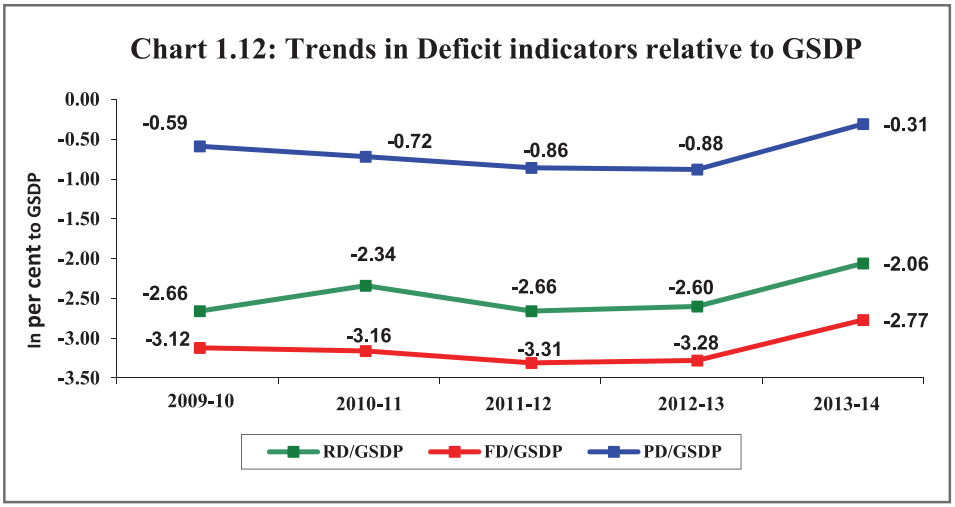
(i) **Charts 1.11** and **1.12** present the trends in deficit indicators over the period 2009-14.



The revenue deficit which indicates the excess of revenue expenditure over the revenue receipts rose to the level of ₹ 7,407 crore (2.60 *per cent* of GSDP) in 2012-13 from ₹ 5,251 crore (2.66 *per cent* of GSDP) in 2009-10 though it came down to ₹ 6,537 crore (2.06 *per cent* of GSDP) in the current year. The State Government did not contain the revenue deficit within the limits prescribed in the FRBM Amendment Act, 2011 (0.60 *per cent*) and FCR (0.60 *per cent*).

The fiscal deficit, which represents the total borrowing of the State i.e. its total resource gap, increased from ₹ 6,170 crore (3.12 *per cent* of GSDP) in 2009-10 to ₹ 9,346 crore in 2012-13 (3.28 *per cent* of GSDP) and came down to ₹ 8,790 crore (2.77 *per cent* of GSDP) in 2013-14. However, the fiscal deficit as percentage of GSDP in the current year was within the target of 3.00 *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 ₹ 1,159 crore (0.59 *per cent* of GSDP) in 2009-10 and came down to the level of ₹ 970 crore (0.31 *per cent* of GSDP) in the current year.



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.

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		2009-10	2010-11	2011-12	2012-13	2013-14
Components of Fiscal Deficit (1+2+3)		6170 (3.12)	7143 (3.16)	8491 (3.31)	9346 (3.28)	8790 (2.77)
1	**Revenue Deficit**	5251 (2.66)	5289 (2.34)	6811 (2.66)	7407 (2.60)	6537 (2.06)
2	**Net Capital Expenditure**	2166 (1.10)	2383 (1.05)	1598 (0.62)	1916 (0.67)	2200 (0.69)
3	**Net Loans and Advances**	-1247 -(0.63)	-529 -(0.23)	82 (0.03)	23 (0.01)	53 (0.02)
Financing Pattern of Fiscal Deficit*						
1	**Market Borrowings**	4361	4529	7740	8559	7255
2	**Loans from GoI**	-103	8	-37	-49	121
3	**Special Securities issued to NSSF**	1004	693	-924	-503	-339
4	**Loans from Financial Institutions**	-463	-248	-855	-956	421
5	**Small Savings, PF etc**	849	1174	1640	1565	1964
6	**Deposits and Advances**	264	642	436	-66	192
7	**Suspense and Miscellaneous**	-34	8	105	44	-119
8	**Remittances**	39	-19	11	-6	-110
9	**Reserve Fund**	208	12	315	632	339
10	**Increase/Decrease in cash balance**	44	344	60	126	-934
11	**Overall Deficit**	**6170**	**7143**	**8491**	**9346**	**8790**

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

The fiscal deficit of the State increased from ₹ 6,170 crore in 2009-10 to ₹ 8,790 crore in 2013-14. It was mainly met from market borrowings (₹ 7,255 crore), small savings, provident funds, etc. (₹ 1,964 crore).

The net capital expenditure (**Table 1.34**) as *per cent* of GSDP declined from 1.10 in 2009-10 to 0.69 *per cent* in the current year, which shows 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)
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)
2013-14	24140.49	16682.93 (69.11)	2200.61 (9.11)	5256.95 (21.78)

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

The **Table 1.35** shows that major portion of borrowings was utilized for repayment of earlier borrowings. The percentage of utilisation of borrowings for repayment of earlier borrowings is increasing year by year. It went up from 52.52 *per cent* in 2009-10 to 69.11 *per cent* in 2013-14, whereas the percentage of utilisation of borrowings for capital expenditure came down to 9.11 *per cent* in 2013-14 from 21.43 *per cent* in 2009-10. The balance amount was utilized for meeting revenue expenditure.

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 State 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 79.25 *per cent* in 2012-13 to 74.37 *per cent* in 2013-14 ***(Appendix 1.8)***.

The bifurcation of the factors resulting into primary deficit or surplus of the Government during the period 2009-14 **(Table 1.36)** reveals that the primary deficit during this period was on account of slow rise in non-debt receipts as compared to primary expenditure. Therefore, non-debt receipts of the State were not enough to meet the primary 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 1.36: Details of primary deficit during 2009-14

(₹ 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)
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
2013-14	35217	33821	2201	165	36187	(-)970

Source: Finance Accounts

1.12 Conclusions

GoI directly transferred ₹ 1,751.30 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.

During 2009-10 to 2013-14 the revenue receipts grew at an annual average rate of 11.69 *per cent* whereas revenue expenditure grew at an annual average rate of 10.39 *per cent*. The revenue expenditure continued to constitute a dominant portion (93 to 95 *per cent*) of the total expenditure during this period.

During the current year the Capital Expenditure increased by ₹ 285 crore (14.87 *per cent*) over the previous year. The capital expenditure during the current year (₹ 2,201 crore) was only 28.21 *per cent* of the projections made in the Fiscal Consolidation Roadmap (₹ 7,802 crore). This shows that due priority was not accorded to capital expenditure.

Forty projects, which were scheduled to be completed between 2008-09 and 2013-14, were lying incomplete (June 2014). An amount of ₹ 587.55 crore was blocked in these incomplete projects.

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 2009-10 to 2013-14, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.72 and 8.04 *per cent* during the same period.

The ratio of financial assets to liabilities came down to 35.13 *per cent* in 2013-14 from 40.82 *per cent* in 2009-10.

During 2009-10 to 2013-14 total public debt increased from ₹ 53,252 crore in 2009-10 to ₹ 78,669 crore in 2013-14 registering annual average growth of 9.55 *per cent*. The share of market borrowings in total public debt went up from 42 *per cent* in 2009-10 to 64 *per cent* in 2013-14.

Though the debt-GSDP ratio at 32.24 *per cent* was within the target fixed (39.80 *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 22 *per cent* of the revenue receipts were used to meet the burden of interest payments.

During 2012-13 revenue deficit rose to the level of ₹ 7,407 crore (2.60 *per cent* of GSDP) from a deficit of ₹ 5,251 crore (2.66 *per cent* of GSDP) in 2009-10. During current year it came down to ₹ 6,537 crore (2.06 *per cent* of GSDP). The State Government did not contain the revenue deficit within the limits prescribed in the FRBM Amendment Act, 2011 (0.60 *per cent*) and FCR (0.60 *per cent*).

1.13 Recommendations

The Government may consider:

- *according due priority to capital expenditure, obtaining better value for the investments and utilizing the debt receipts for asset creation; and*
- *making all out efforts to meet the target fixed under the Fiscal Responsibility and Budget Management Act.*