

Executive Summary

Executive Summary

Background

This Report on the finances of the Government of Punjab is brought out to assess the financial performance of the State during the year 2020-21 *vis-à-vis* the Budget Estimates and the targets as recommended by the Fifteenth Finance Commission (15th FC). The report analyses the dominant trends and structural profile of Government's receipts and disbursements. Recommendations of the Fourteenth Finance Commission (14th FC) have also been referenced, wherever required.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2021 and additional data collated from several sources such as the Economic Survey brought out by the State Government and Census, this report provides an analytical review of the Annual Accounts of the State Government and financial performance of the State Public Sector Enterprises (SPSE) in five Chapters.

Chapter I: Overview

During the year 2020-21, the Government was unable to contain the revenue deficit, fiscal deficit and debt to GSDP ratio within the targets fixed in the Fiscal Consolidation Roadmap (FCR).

The State continued to be a revenue deficit State. The revenue deficit increased to ₹ 17,296 crore (3.27 *per cent* of GSDP) in the current year from ₹ 7,311 crore (1.71 *per cent* of GSDP) in the year 2016-17. However, fiscal deficit decreased to ₹ 22,584 crore (4.26 *per cent* of GSDP) in 2020-21 from ₹ 47,071 crore (11.02 *per cent* of GSDP) in 2016-17 though it had been increasing since 2017-18 (₹ 12,494 crore i.e. 2.65 *per cent* of GSDP). Primary deficit decreased from ₹ 35,429 crore (8.30 *per cent* of GSDP) during 2016-17 to ₹ 4,432 crore (0.84 *per cent* of GSDP) during 2020-21 though there was primary surplus during the previous three years i.e. 2017-18, 2018-19 and 2019-20.

[Paragraph 1.5]

Chapter II: Finances of the State

During the period 2016-17 to 2020-21, revenue receipts increased from ₹ 47,985 crore to ₹ 69,048 crore and capital receipts decreased from ₹ 55,415 crore to ₹ 42,436 crore. The revenue receipts increased at an annual average growth rate of 10.91 *per cent* during the same period.

[Paragraphs 2.3.2.1 and 2.3.3]

The revenue expenditure increased from ₹ 55,296 crore (12.95 *per cent* of GSDP) in 2016-17 to ₹ 86,344 crore (16.30 *per cent* of GSDP) in 2020-21. It continued to constitute a dominant proportion (80 to 95 *per cent*) of the total expenditure during 2016-21 except for the year 2016-17 when it was 55 *per cent* of the total expenditure, and grew at an annual average growth rate of 11.70 *per cent* during this period. The capital outlay, on the other hand, constituted three to five *per cent* during the same period except for the year 2019-20 when it was 19 *per cent* due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL).

[Paragraphs 2.4 and 2.4.1]

Share of committed expenditure in revenue expenditure of the State has been high, which constituted 66.52 *per cent* of the revenue expenditure during the current year.

[Paragraph 2.4.1.2]

Subsidies constituted 10.53 *per cent* to 17.72 *per cent* of the revenue expenditure and contributed 56 *per cent* to 102 *per cent* to the revenue deficit during 2016-21. Power subsidy constituted major portion of the total subsidies ranging between 68 *per cent* and 99 *per cent* during the same period.

[Paragraph 2.4.1.3]

During 2020-21, the return on investment was ₹ 1.26 crore (0.01 *per cent*) (on historical cost basis) from Co-operative Banks and Societies and Government Company. The return was only between 0.01 *per cent* and 0.11 *per cent* during 2016-21 while the average rate of interest paid by the State Government on its borrowings was between 6.80 *per cent* and 8.36 *per cent* during the same period.

[Paragraph 2.4.2.2(i)]

The total outstanding loans advanced by the State Government increased by ₹ 906 crore from ₹ 35,394 crore in 2019-20 to ₹ 36,300 crore in the year 2020-21. Recovery of loans decreased by 99.69 *per cent* in 2020-21 as compared to 2019-20 mainly due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited (PSPCL) during 2019-20.

[Paragraph 2.4.2.2(iii)]

Ninety-six projects scheduled for completion up to 31 March 2021 were incomplete. The expenditure of ₹ 1,209.12 crore incurred on these incomplete projects was yet to yield the intended benefits.

[Paragraph 2.4.2.2(iv)]

The ratio of expenditure on education and health to total expenditure in Punjab went up from 8.94 *per cent* and 2.86 *per cent* in 2016-17 to 13.25 *per cent* and 4.20 *per cent* in 2020-21 respectively while the ratio of total expenditure to GSDP and capital expenditure to total expenditure decreased from 23.66 *per cent* to 17.31 *per cent* and 45.25 *per cent* to 5.82 *per cent* respectively during the same period.

[Paragraph 2.4.3]

The State Government had not invested funds of ₹ 7,334.00 crore lying in balance under State Disaster Response Fund (SDRF) as on 31 March 2021.

[Paragraph 2.5.2.2]

Outstanding total debt of the State was ₹ 2,49,673 crore (47.13 *per cent* of GSDP) as on 31 March 2021.

[Paragraph 2.6.1]

Outstanding public debt increased by 39.84 *per cent* from ₹ 1,53,773 crore in 2016-17 to ₹ 2,15,035 crore in 2020-21. The percentage of debt repayments to debt receipts increased from 38.79 *per cent* in 2016-17 to 62.59 *per cent* in 2020-21. The ratio of interest payments to revenue receipts ranged between 20.26 *per cent* and 25.08 *per cent* during 2016-21. Availability of net debt to State decreased from ₹ 41,462 crore in 2016-17 to ₹ 4,597 crore in 2020-21.

[Paragraph 2.7]

The general cash balance at the close of the year was ₹ 6,904.65 crore. The closing cash balance for the year 2020-21 was not even equal to the earmarked reserve funds of ₹ 8,583.57 crore, which means that reserve funds were used for other than intended purposes.

[Paragraph 2.7.3]

Chapter III: Budgetary Management

The State Government's budgetary process has not been sound during the year and there were savings under several grants. Expenditure of ₹ 754.80 crore was incurred without making budget provision. In 20 cases, augmentation of provision of funds by re-appropriation orders proved unnecessary because expenditure did not come even to the level of the budget provisions. Anticipated savings of ₹ 13,645.98 crore were not surrendered leaving no scope for utilising these funds for other developmental purposes. Excess expenditure of ₹ 37,737.49 crore incurred during 2015-20 required regularisation.

[Paragraphs 3.3.1, 3.3.4, 3.3.5 and 3.3.6.3]

During 2020-21, expenditure of ₹ 1,27,409.41 crore was incurred against total budget provision of ₹ 1,61,328.97 crore resulting in total savings of ₹ 33,919.56 crore. Out of the total savings an amount of ₹ 20,273.58 crore (59.77 per cent of savings) was surrendered during the year and out of total surrender, an amount of ₹ 19,954.12 crore (98.42 per cent) was surrendered on the last day of the year.

[Paragraph 3.4.1]

Chapter IV: Quality of Accounts and Financial Reporting Practices

As many as 281 utilisation certificates in respect of grants amounting to ₹ 1,421.11 crore were pending for submission by the Departments. The State Government may review whether they should continue to give more grants to the departments with high pendency of utilisation certificates.

[Paragraph 4.5]

As many as 1,039 Abstract Contingent bills for ₹ 2,626.63 crore were awaiting adjustment as on 31 March 2021. Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/ malfeasance, etc.

[Paragraph 4.6]

The State Government has not complied with Indian Government Accounting Standards (IGAS)-I: Guarantees Given by the Government, IGAS-2: Accounting and Classification of Grants-in-Aid; and IGAS-3: Loans and Advances made by Government. Disclosures regarding class wise guarantee given by the Government, total value of the Grants-in Aid given in kind and loans sanctioned without specific terms and conditions could not be made, as the requisite information was not provided by the State Government.

[Paragraph 4.11]

There were delays in submission of 23 annual accounts by six Autonomous Bodies to Audit.

[Paragraph 4.12]

Eighteen instances of misappropriation, losses, theft, etc. involving an amount of ₹ 39.37 crore were pending for taking appropriate action

[Paragraph 4.15]

Chapter V: State Public Sector Enterprises

As on 31 March 2021, there were 49 SPSEs in Punjab, including four Statutory Corporations and 42 Government Companies (including 16 inactive government companies) and three Government Controlled Other Companies (GCOCs) under the audit jurisdiction of the CAG.

[Paragraph 5.3]

Out of total profit of ₹ 1,819.73 crore earned by 13 SPSEs, 96.87 *per cent* was contributed by only three SPSEs. Out of total loss of ₹ 446.35 crore incurred by 16 SPSEs, loss of ₹ 399.79 crore was contributed by three SPSEs.

[Paragraphs 5.5.1 and 5.8.1]

SPSEs were not adhering with the prescribed timeline regarding submission of their Financial Statements. As a result, 191 accounts of 38 SPSEs were in arrears.

[Paragraphs 5.11.2 and 5.11.3]

The impact of CAG's comments on the Financial Statements of the SPSEs amounted to ₹ 623.63 crore on the profitability and ₹ 348.00 crore on financial position.

[Paragraph 5.13.4]

