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Additional Grant for State Security

Police Infrastructure in Border districts – The Police buildings (including Police Stations, Police Posts, Police Lines, Residential accommodation etc) in border districts are highly vulnerable to attacks from terrorists and cross-border infiltrators. The State has witnessed two Fidayeen attacks in border districts of Gurdaspur and Pathankot. Regular inputs are being received in this regard. Second line of defence comprising 1,200 Police personnel has been deployed. However, commensurate infrastructure is not available. The Police Buildings in border districts namely Fazilka, Ferozepur, Taran Taran, Amritsar Commissionerate, Amritsar Rural, Batala, Gurdsapur and Pathankot are in dilapidated conditions and need urgent overhaul. The component of Police Housing was earlier available in Border Area Development Programme and Modernisation of Police Forces. However, the same has been discontinued in both the programmes/ schemes. The Fifteenth Finance Commission is requested to grant an assistance of Rs. 200 crore for construction of new buildings and renovation of existing ones in the border districts.

Separation of investigation from Law & Order – Punjab has taken the lead and prepared blueprint of separation of investigation from law & order. One of the important features of the separation is providing forensic and law officers at Police Station level. Effective implementation of separation requires setting up of new offices, providing mobility, equipping officers with technology, equipment and latest updates on case laws etc. It is requested that the Fifteenth Finance Commission may grant Rs. 100 crore for this purpose.

Tackling drug menace – Punjab faces the problem of drug trafficking due to its geographical location on international border and concerted efforts of Pak ISI to push drugs into India. The State has set-up Special Task Force (STF) for tackling drug menace in comprehensive manner. The STF has made a good beginning and started work in the fields of law enforcement, de-addiction and prevention. There is urgent need for capacity building of STF. The Fifteenth Finance Commission is requested to grant Rs.100 crore to STF to equip itself with latest weaponry, new technology, communication and mobility.

Improving Police mobility – Police mobility needs to be upgraded to effectively deal with criminals moving in latest high speed vehicles. The old vehicles fit for condemnation need to be replaced by latest fast moving vehicles for improving Police mobility for emergency and non-emergency situations, which will, in turn, lead to greater citizen satisfaction. The Fifteenth Finance Commission may grant Rs. 150 crore for improving police mobility. This component was earlier available in Police modernisation funds but has been discontinued.

Revitalizing Punjab

"When the going gets tough, the tough get going"

Punjab is an epitome of hope, courage and glory for the nation, be it on the border or on the farms. The State has always remained dedicated to the service of our motherland through the times of prosperity as well as turbulence. The State has contributed significantly to the nation's growth and has fostered it to become self-reliant in food production.

The Government of Punjab acknowledges the daunting challenges before the State and is also conscious & committed to the welfare of its people. In the wake of a conscious realization of challenges & responsibilities towards the various stakeholders, the present Government has taken several measures to ensure efficient use of available resources, minimizing wastage and improving accountability in addition to generating additional revenue resources for the State. The State Government remains focused in its aim to gradually reduce the crushing burden of debt, to restore the fiscal health of the State and to revitalize the economy of Punjab.

The State is actively engaged in undertaking various initiatives and has brought in multiple administrative and policy reforms in order to restore the economy back on the path of fiscal prudence and a high growth trajectory.

1. Financial Reforms

1.1. Prudent Debt Management: The State has taken proactive steps to manage its debt profile by forming a dedicated "Debt Management Unit" in the Department of Finance. Key reforms undertaken by the Unit are enlisted below:

1.1.1 Diversification of the tenors: Beginning July 2018, Punjab has actively aligned its debt borrowing from the markets to the interest rate outlooks. Punjab has, therefore, been successful in raising funds with a maturity bucket of 6-15 years at competitive yields, generally lower than the average cut-off yields for the corresponding states in the auctions thereafter.

Table 1.1: Tenor Diversification in SDLs

Date of auction	Auction Amount (Rs. crore)	Cut-off yield	Tenure Issued (Years)	Auction Results of other select states
10-Jul-18	1,700	8.5000%	15	AP 10Y (563.40) – 8.56% RJ 10Y (1000 Cr) – 8.57%
11-Sep-18	700	8.8366%	12	JH 10Y (500 Cr) – 8.84% RJ 10Y (2000 Cr) – 8.84% TN RI 10Y (1000 Cr) – 8.8401%
09-Oct-18	1000	8.6992%	10	UP 10Y (3000 Cr) – 8.73% WB 10Y (2000 Cr) – 8.73%
15-Jan-19	500	8.2007%	7	UP 10Y (3000 Cr) – 8.22% BH 10Y (2000 Cr) – 8.21% MP 9Y (1000 Cr) – 8.2092%

Source: Debt Management Unit, Finance Department

1.1.2. Reissuance of Securities: As a first, Punjab successfully reissued 8.50% Punjab SDL 2033. In the last ten years, there was a predictable borrowing trend in terms of tenure and no reissuances. Thus, breaking the monotony, the State fetched a premium over the face value of the securities in the latest auctions of its reissued securities. Reissuance of securities in favorable buckets is now actively considered by the State in all its auctions to create a liquid market for its securities.

Table 1.2: Reissuance of Securities

Date of auction	Auction Amount (Rs. crore)	Cut-off yield/ Tenure	Auction Results of other select states	Remarks
07-Aug-18	800	8.4498% (15Y)	PB 15Y (700 Cr) - 8.49% KL 12Y (2500 Cr) - 8.48%	By opting for Long-term issuance, the state ended up getting a better rate as compared to fresh issuance.
03-Sep-18	700	8.6478% (15Y)	TG 25Y (1968 Cr) - 8.75% AP 13Y (1000 Cr) - 8.65%	The State fetched a better rate than a 25-Y security which fetched higher rates due to an upward sloping nature of the yield curve and a lower rate compared to 13-Year issuance courtesy its reissuance.
11-Sep-18	700	8.8366% (12Y)	JH 10Y (500 Cr) - 8.84% RJ 10Y (2000 Cr) - 8.84% TN RI 10Y (1000 Cr) - 8.8401%	While the yields on benchmark indices peaked during these times, the State was swift to shift to slightly lower tenors and opt for reissuance of lower interest rate securities and was able to maintain its borrowing rate close to other states.
09-Oct-18	1,000	8.6992% (10Y)	UP 10Y (3000 Cr) - 8.73% WB 15Y (2000 Cr) - 8.73%	During this auction, similar large states fetched higher interest rates as compared to reissuance of our securities and we continued to add more float to our existing issuances to ensure lower illiquidity premium.

Date of auction	Auction Amount (Rs. crore)	Cut-off yield/ Tenure	Auction Results of other select states	Remarks
16-Oct-18	400	8.6301% (15Y)	TN RI 5Y (1000 Cr) - 8.55% UP 10Y (2000 Cr) - 8.71%	Given the shape of yield curve, the State opted to reissue its long-term security that eventually fetched a lower rate as compared to 10Y issuance by other states and also secured very competitive rates as compared to short-term reissuances.
05-Nov-18	600	8.5917% (12Y)	RJ 10Y (2000 Cr) - 8.60% KA 7Y (2000 Cr) - 8.59%	As the interest rates in the economy headed downwards from its year-highs, the State again went for the reissuance of its medium-to-long term security, thereby, fetching competitive rates similar to that of short-term issuances and lower rates as compared to some of the fresh 10-Y issuances.
11-Dec-18	1,200	8.41% (10Y)	WB 15Y (4000 Cr) - 8.42%	The shape of yield curve along with the possibility of fetching better returns in the 10-Y reissuance bracket resulted in lower rates compared to long-term issuances.
15-Jan-19	500	8.2007% (7Y)	AP 15Y (1039.80 Cr) - 8.25% MP RI 10Y (1000 Cr) - 8.21% UP 10Y (3000 Cr) - 8.22% WB 15Y (3500 Cr) - 8.25%	As yield curve approached a normal shape, the State swiftly reduced tenor of reissuance to 8-Y from 11-Y in the previous auction. The move was immensely beneficial and led to lower yield compared to almost all states and tenors.

Source: Debt Management Unit, Finance Department

1.1.3. Consolidated Sinking Fund: The State is actively considering to invest in its Consolidated Sinking Fund to pre-emptively mitigate the rollover risk or reinvestment risk. The State has already identified the buckets where the risk is predominant and is taking proactive measures to manage it.

1.1.4. Timing the market: The state has been able to time the market properly by issuing securities in the range of tenors wherever any anomaly is observed. The State thus ended up getting a much favorable rate compared to other states despite the market sentiment of high benchmark rates.

1.2. Proactive Cash Management:

1.2.1. The Department of Finance has manually built its own cash forecasting methodology for better management of State Finances. The State by proactively managing its cash flows has been able to reduce its Ways and Means Advances and Overdraft Days.

1.2.2. The present Government took over at the time when the RBI shut down the State Treasury, that too, at the end of Financial Year i.e. from 29-03-2017 to 31-03-2017. The State in the face of such a daunting challenge has successfully reduced the number of days for which the treasury remained in overdraft from 179 days in 2016-17 to 98 days in 2017-18, thereby, locking in interest savings of nearly Rs. 5 crore. While the State had remained in Double Overdraft for 29 days in 2016-17, it did not go into Double Overdraft for even a single day in 2017-18. The State during the current fiscal year (up to 31-12-2018) has remained in Overdraft for 50 days and has not gone into Double Overdraft for even a single day.

1.2.3. This does not mean that State has either reduced its capital expenditure or is not clearing the bills. The capital expenditure of the State during the corresponding period has risen from Rs. 1,278 crore to Rs. 1,696 crore, i.e. an increase of 33%.

1.3. Additional Resource Mobilization Measures:

(A) Own Tax Revenue Reforms:

1.3.1. The Punjab State Development Tax Act 2018: The Government in pursuance of the powers under Article 276 of the Constitution of India has notified the "Punjab State Development Tax Act 2018" in April'18 levying a nominal development tax @ Rs. 200 per month only on the income tax payees engaged in profession, trades, callings and employments. The State has been able to generate revenue to the tune of Rs. 56 crore up to December 2018 and expects to raise revenue of Rs. 200 crore in 2018-19.

The State would also like to reiterate the recommendation of Fourteenth Finance Commission with regard to raising the ceiling of professional tax from Rs. 2,500 to Rs. 12,000 per annum by recommending a necessary amendment to Article 276(2) of the Constitution of India to the Government of India. This would become a good source of income for the states/local self-bodies of the State by augmenting their resource pool.

1.3.2. Punjab Social Security Fund Act 2018: The State has constituted a Punjab Social Security Fund under its newly notified Act – the "Punjab Social Security Act, 2018" with an objective to provide for social services to the eligible beneficiaries under the relevant schemes of the State of Punjab, in the form of pensions to senior citizens, widows, destitute women, physically challenged persons; health and accident insurance; scholarships for education of children belonging to deprived sections; and such other financial assistance to poor and needy as may be considered necessary. The State has notified a social security surcharge @ 1% on value of motor vehicle registered in State of Punjab and @ 10% of the tax on the transportation vehicles, w.e.f. – 22 October 2018.

1.3.3. Tax on Motor Vehicles: The taxes imposed by the State government on motor vehicles have been rationalized & notified under the following items:

- MVT on Local Carrier (goods vehicles)
- Stage Carriage charges
- MVT on four wheeler and two wheelers
- Reserve price of auction of fancy numbers reduced by 50%
- Rates of stage carriage buses having less than 32 seats

These measures have resulted in a substantial growth of 23.45% in the revenue collected from Motor Vehicle Tax i.e. Rs. 1,911.20 crore in 2017-18 over Rs. 1,548.12 crore in 2016-17.

1.3.4. Electricity Duty: Electricity Duty in rural areas has also been revised from 13% to 15%. It is expected to generate additional revenue of Rs. 150 crore per annum.

1.3.5. The Fees charged by Electricity Department for services has been revised and the expected rise in inspection fees and licensing fees is pegged at Rs. 15 crore and Rs. 20 crore, respectively.

1.3.6. Stamp Duty: In order to provide impetus to the real estate sector, stamp duty on urban property registration has been rationalized from 9% to 6%. This has helped to foster an increase of 4.48% in revenue from stamps & registration from Rs. 2,043.61 crore in 2016-17 to Rs. 2135.13 crore in 2017-18, despite an otherwise prevalent sluggishness in the real estate sector.

(B) Non-Tax Revenue Reforms

1.3.7. Punjab State Sand and Gravel Mining Policy 2018: The Government has taken several major policy changes to enable grant of contracts by e-auction of mining blocks in strategically established clusters through progressive bidding replacing the previous methodology of auction of individual mines through reverse bidding. The new policy is aimed at helping the State in not only achieving better revenue mobilization but also in controlling sand prices & curbing illegal mining. The Policy also envisages the usage of new technology like QR code, RFID, CCTV camera and IT integration of mining sites.

Due to the adoption of a progressive bidding policy, replacing the previous reverse bidding policy, the revenue from auction of mining sites has nearly tripled from Rs. 42 crore in 2016-17 to Rs. 122 crore in 2017-18.

1.3.8. Affordable Colony Policy 2018:

- The State Government has notified Affordable Colony Policy to facilitate affordable housing for lower income groups and check the mushrooming growth of unauthorized colonies.
- The Policy will protect the buyers of plots in unauthorized colonies.

Nearly 11 licenses have already been granted to establish such colonies in Jalandhar and Ludhiana, and generate additional revenue for the Urban Development Authorities.

1.3.9. One Time Settlement Scheme (OTS): A One Time Settlement Scheme has been launched to provide for the following purposes:

- For regularization of unauthorized water and sewerage connections and recovery of arrears of water and sewerage charges, besides settling pending dues of house/property tax for urban local bodies.
- For regularization of unauthorized commercial establishments in Amritsar.
- Amendments in building rules to provide OTS of non-compoundable violations.

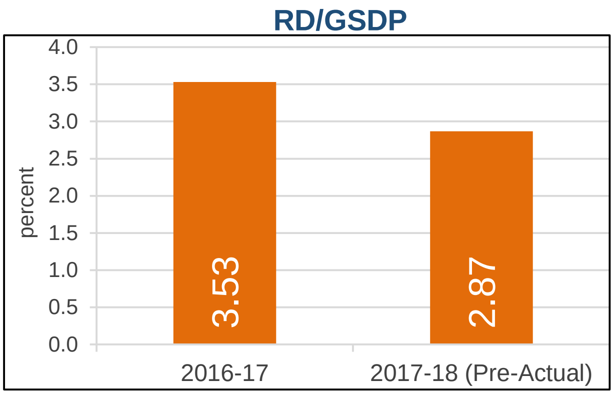
1.3.10. Water Supply and Sanitation: The Government has revised the Water Tariff Structure for piped water supply connections in rural households and other rural establishment w.e.f. October 2017. Thereafter, the monthly tariff rate per connection will be revised by 10% every year beginning October 2018. As a result of these measures, the tariff collections have increased from Rs.50 crore in 2016-17 to Rs. 86 crore in 2017-18.

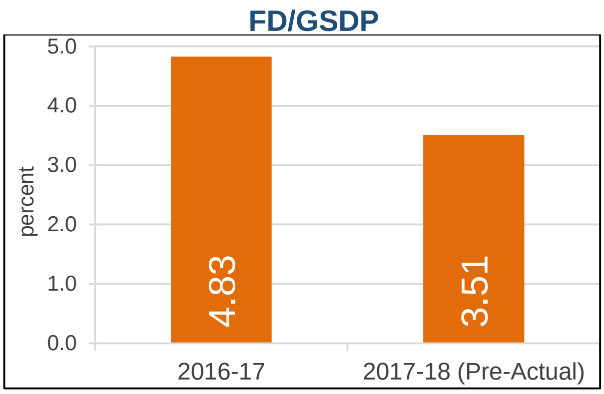
1.3.11. Disinvestment: The Government has already approved the disinvestment of its loss making entities - PUNCOM, PSIDC and PFC. The disinvestment of PUNCOM alone is expected to generate – Rs. 35 - 40 crore.

1.3.12. Fees for Agriculture & Rural Development: The Mandi Fees and Rural Development Fees levied by the State Marketing Board under the respective statutes have been revised from 2% to 3%. It is expected to generate revenue to the tune of Rs. 1,400 crore per annum which is being used to strengthen the agricultural marketing network in the State.

2. Fiscal Reforms:

2.1. In an attempt to anchor its Fiscal Deficit to the targets set under the FRBM Act, the Punjab Government has successfully notified the rules for implementation of Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003. In order to cap its stock of outstanding debt, the State has resolved to borrow funds to the extent of its net borrowing limit permissible under the FRBM norms. Consequently, the State has been able to contain its RD and FD at lower levels despite being burdened by windfall debt servicing liabilities in the recent past.





Source: Finance Department Calculation
Note: RD/GSDP and FD/GSDP have been calculated excluding borrowing on account of UDAY Scheme & CCL gap and including lapsed bills.

2.2. The State has gradually limited its expenditure incurred through extra budgetary resources and further continues to regulate the same.

2.3. Off Budget Receipts: The Punjab Infrastructure Development Board (PIDB) Act has been amended to reorient the Board's focus to larger infrastructural projects through Public Private Partnership (PPP) mode. PIDB has received a mandate of 16 projects through PPP mode. To ensure financial transparency, receipts of PIDB are now routed through the Consolidated Fund of the State.

2.4. Taking the lead, the present Government not only shunned the VIP culture by voluntarily giving up the "red beacons", but also the practice of State exchequer paying for the Income Tax of Chief Minister and Cabinet Ministers has been discontinued from March, 2018.

3. Structural Reforms in the Food Sector

Facing a burden of servicing the long term debt @ Rs. 3,240 crore per annum for legacy gap on account of the CCL for food procurement, the State Government is actively engaged in making all possible efforts to reduce the gap arising on account of food procurement and prevent the recurrence of that situation. A brief summary of the initiatives taken by the State in this regard is:

3.1. Mandi Labour Charges (MLC):

3.1.1. Till now GoI used to fix the MLC on Indexation basis, however, now the GoI has acceded to the repeated requests of State Government to amend its procurement incidentals (PPIs) as per the rate notified by State Agriculture Marketing Board for Weighing & Filling, Stitching and Loading.

3.1.2. The CCL gap on account of MLC alone is, therefore, expected to come down from Rs. 45 crore to Rs. 25 crore in RMS and in case of KMS from Rs. 52 crore to Rs. 35 crore, whenever the amendment is affected.

3.2. Gunny Cost:

3.2.1. A Policy to use 50% old gunny/millers bags for filling of paddy has been out in place from Kharif 2017-18.

3.2.2. This alone will help to reduce the CCL gap by nearly Rs. 50 crore.

3.3. Transportation Charges:

3.3.1. In a major policy initiative, the present Government, after assuming the charge, took a strong step and banned the truck unions in the State, thus, breaking the cartelization & "group think" of the unions that was existing to the disadvantage of the State.

3.3.2. The tender process for transportation has been reformed, making it transparent & competitive. Further, Tractor Trolley have also been allowed for transportation of food grains, thus, encouraging competition. The premium over SOR on transportation has been capped at 120%, thereby, eliminating the scope of artificial hikes in transportation often resorted to by the unions.

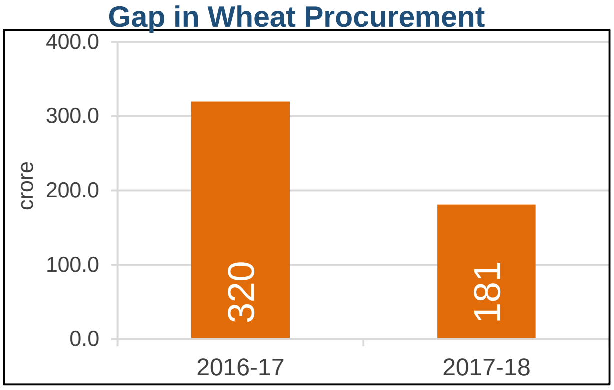
3.3.3. Resultantly, the CCL gap due to Transportation is expected to come down from Rs. 175 crore to Rs. 80 crore, w.e.f. KMS 2017-18 onwards.

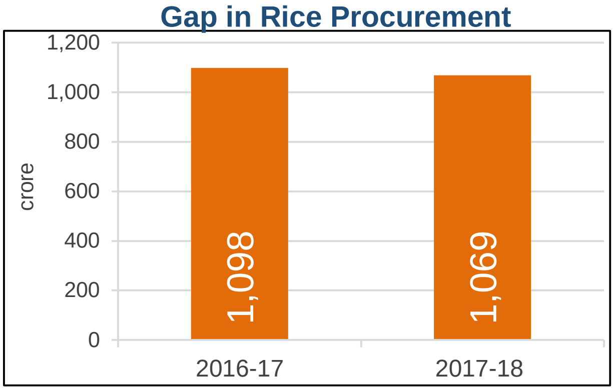
3.4. Interest Charges:

3.4.1. Online submission of Custom Milled Rice (CMR) Bills to FCI has been started, which will reduce the time interval between the delivery & receipt of payment by at least 10 days. This will save an interest cost to the tune of Rs. 9 crore per day.

3.4.2. Consequently, Rs. 100 crore is expected to be saved on account of Interest Charges on paddy and about Rs. 70 crore on wheat in one season.

As an outcome of the concerted efforts taken by the State Government, the CCL gap has reduced by 11.87% from 2016-17 to 2017-18. It is noteworthy that with respect to Wheat procurement, the gap has reduced by a remarkable 43.36% over the same period.





Source: Finance Department Calculation

However, despite the best intentions and efforts of the State Government to reduce the gap on account of procurement, it still remains. A table below will clearly bring out the reasons for the same.

Table 1.3: Reasons for Losses

Procurement Incidental (PPI)	Parameters (Rate/Qtl) (2018-19)		
	Fixed By	Rate Prov.	Prov. Cost Sheet Rates (PCS)
Procurement (KMS) - Systemic Issues			
Mandi Labour	Mandi Board (GoP)	31.46	29.04
Gunny	Jute Commissioner (GoI)	100.30	96.54
Transport	District Level Committees	19.01	7.60
Interest	Consortium of Banks	39.67	31.40
Procurement (RMS) - Systemic Issues			
Mandi Labour	Mandi Board (GoP)	23.27	19.69
Gunny	Jute Commissioner (GoI)	97.39	94.00
Transport	District Level Committees	21.19	25.73
Interest	Consortium of Banks	39.95	22.44
No interest allowed on Dami, Gunny and Transport costs (1.5 months)			
Less reimbursement of Mandi Labour charges as per PCS has been set off against Excess reimbursement of transportation charges as per PCS			

Source: Concerned Departments

A perusal will show that it is not the State Government which is responsible for the CCL Gap but the structural issues in the Provisional Cost Sheet (PCS) of the GoI. We urge the Commission to impress upon the GoI to revise its PCS parameters to reorient them to the actual realities and to revisit the CCL Gap imposed on the GoP alone against the Principles of Shared Responsibilities.

Finally, it may be added that before the sanction of the CCL for procurement in the ensuing season, the stock of the previous seasons is ring fenced, matched and any existing gap is cleared, thereby, preventing a buildup of the gap as had happened in the past.

4. Industrial Reforms:

4.1. The State has notified a New Industrial & Investment Policy 2017 to attract industrial investment and its operational guidelines have been notified on August 7, 2018, which has been well-received even outside the State. In the last two years, 305 MOUs with an investment potential of Rs 42,905 crore have been signed.

4.2. The State, in an effort to counter the issue of flight of industry from Punjab due to lopsided policy of GoI, has introduced Variable Electricity tariff for Industry, of both existing and new, at Rs. 5 per unit (frozen for five years).

4.3. Real Estate Projects have been granted exemption from 10% increase in Change of Land Use (CLU), External Development Charges (EDC) and License Fee (LF)/Permission Fee w.e.f April 1, 2017.

5. Employment Generation

5.1. The State Government has launched Punjab Ghar Ghar Rozgar and Karobar Mission (PGRKAM).

5.2. It is aimed at providing/facilitating gainful employment to at least one member of the household.

5.3. A total of 4.41 lakh youth have been facilitated in getting employment in Private/Government Sector or Self-Employment ever since March 2017, i.e. assisting approximately 720 youth every day in getting some sort of employment.

6. Rejuvenating Local Bodies:

6.1. Local Bodies have redefined the Municipal Cities/Town into potential zones to levy External Development Charges (EDC), Change of Land Use Charges (CLU), Urban Development Cess (UDC) and Permission Fees (PF), in the municipal areas of Punjab. Previously, such charges in case of Residential Plotted and Residential Group Housing were kept at 50% and in all other cases at 100%. The charges have now been rationalized in order to counter evasion of such levies and ensure better collection, thereby.

6.2. The State Government has notified the Punjab Municipal Outdoor Advertisement Policy 2018 which is expected to generate revenue to the tune of Rs. 200 crore.

7. Power Sector Reforms:

7.1. Measures to enhance Financial Efficiency and Management:

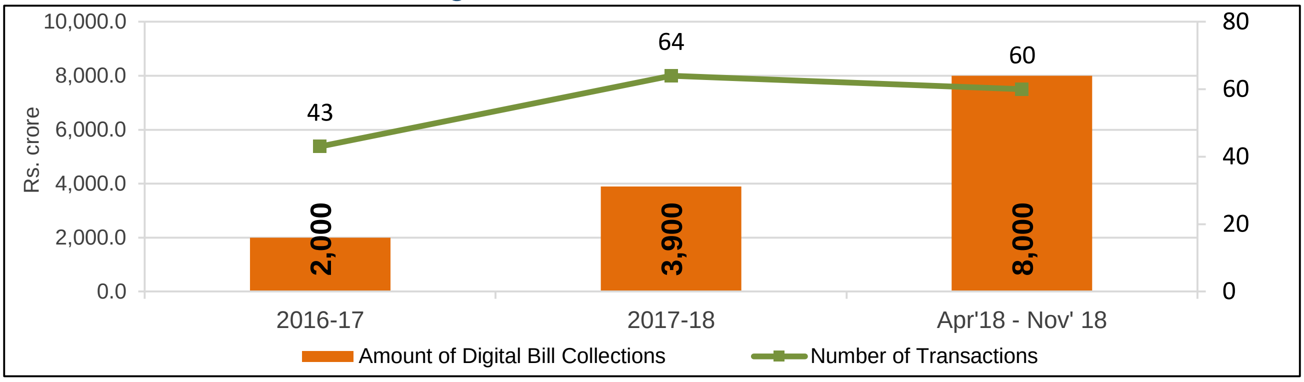
7.1.1. In house Funds Management Information System and Integrated Budget Management Solutions have been introduced for centralized real time funds and budgetary control in over 300 Budget centre locations all over the State.

7.1.2. PSPCL has also finalized its books of accounts and filed all the statutory returns for FY 2017-18 before due date(s) for the first time since its incorporation.

7.1.3. Direct Benefit Transfer of Electricity (DBTE): A pilot project of Direct Benefit Transfer of Electricity (DBTE) for Agriculture consumers under "Paani Bachao Paise Kamao" scheme has been initiated with the purpose to save underground water. The scheme would encourage farmers to save power and water and would also help in crop diversification resulting in accurate energy accounting and curbing wasteful consumption. The scheme provides for the farmers to retain the balance savings on the power bills.
While World Bank supports the pilot program to field-test the scheme in three feeders of Bambiwal-1, Nawajipur and Dhanoya of North Zone, progress on three feeders in Fatehgarh Sahib district in Central Zone is supported by J-PAL. The number of enrolled consumers and meters installed in both, North and Central Zone, as on 22 January 2019 is 226 and 190, respectively. As per initial results, for the meter reading cycle from 21-10-2018 to 20-12-2018, 7470 kwh, i.e. 28% of units were saved.

7.2. Digital Transactions: PSPCL is striving hard to promote digital payments for the benefits of society and itself. Understanding the remarkable response of the consumers in digital payments, as illustrated in the following chart, PSPCL is continuously exploring service providers with better commercials and enhanced features for the ultimate value and enriched digital convenience (with new, easy & cost effective payment modes) of the consumers.

Digital Bill Collections of PSPCL



Source: PSPCL

8. Others:

The other departments such as Forestry & Wildlife, PWD, Technical Education & Industrial Training, Tourism & Cultural Affairs, Cooperation, Animal Husbandry etc. are also actively rationalizing the fees/charges levied by them for citizen-centric services. In wake of the efforts made by the State Government, considerable growth has been recorded in the Own Tax and Non-Tax Revenue of various departments, as summarized below:

Table 1.4: Trend in Revenue Collection

Name of Department	2015-16	2016-17	2017-18*	Growth (%) (2015-16 to 2016-17)	Growth (%) (2016-17 to 2017-18)
Own Tax Revenue					
Taxes on Vehicles	1,475	1,548	1,911	5	23
State Excise	4,796	4,406	5,136	-8	17
Stamps and Registration	2,449	2,044	2,135	-17	4
Electricity Duty	1,967	1,993	2,053	1	3
Non-ferrous Mining & Metallurgical Industries	56	42	122	-26	191
Forestry & Wildlife	32	21	49	-34	133
Social Security Welfare	40	55	107	39	95
Medical & Public Health	184	135	253	-26	87
Other Rural Development Programme	4	3	5	-19	42
Other Social Services	3	3	7	-1	170
Other General Economic Services	41	22	31	-47	41
Other Administrative services	253	133	166	-47	24

*Source: State Finance Accounts, *(Pre Actual)*

9. Indicator – based Analysis:

It is pertinent to point out that the aforementioned efforts and initiatives of the present Government, to revitalize Punjab, have also stimulated improvement in the fiscal profile of the State. The following charts summarize the fiscal performance of the State across various economic and financial indicators:

Indicator 1: Rate of Growth of Outstanding Debt (OD) vis-à-vis Growth of Nominal GSDP: This indicator is a depiction of a State's ability to repay its debt obligations in comparison to what a State produces. It is desirable that the rate of growth of Outstanding Debt should be less than growth of Nominal GSDP, as it shall be indicative of the productive capacity and nature of expenditure done in a State. As a practice of prudent fiscal management, it is essential that a state does not borrow to consume in the normal course.

Indicator 1 – Rate of Growth (g) of Outstanding Debt (OD) vis-à-vis Growth of Nominal GSDP							
Year	OD (Rs. crore)	g(OD) (%)	GSDP (Rs. crore)	g(GSDP) (%)	g(OD) – g(GSDP) (%)		Desired = g(OD) – g(GSDP) < 0
2010-11	74,777	10.01	2,26,204	14.53	-4.52	☑	
2011-12	83,099	11.13	2,66,628	17.87	-6.74	☑	
2012-13	92,282	11.05	2,97,734	11.67	-0.62	☑	
2013-14	1,02,234	10.78	3,32,147	11.56	-0.77	☑	
2014-15	1,12,366	9.91	3,55,102	6.91	3.00	☒	
2015-16	1,28,835	14.66	3,90,087	9.85	4.80	☒	
2016-17	1,82,526	41.67	4,28,340	9.81	31.87	☒	
2017-18*	1,95,153	6.92	4,71,301	10.03	-3.11	☑	

*Source: State Finance Accounts; Finance Department Calculation; *Pre-Actual*

Indicator 2: Outstanding Debt (OD) to Total Revenue Receipts (TRR): This ratio is indicative of the debt sustainability and the resource constraints faced by a state. It is also symbolic of whether a state has sufficient pool of funds for fulfilling its developmental obligations.

Indicator 2 – Outstanding Debt (OD) to Total Revenue Receipts (TRR)						
Year	OD (Rs. crore)	TRR (Rs. crore)	OD/ TRR(times)	g(OD/ TRR)		Desired = OD/TRR ↓↓
2010-11	74,777	23,808	3.14	-0.61	☑	
2011-12	83,099	26,181	3.17	0.03	☒	
2012-13	92,282	31,990	2.88	-0.29	☑	
2013-14	102,234	35,021	2.92	0.03	☒	
2014-15	112,366	38,953	2.88	-0.03	☑	
2015-16	128,835	41,453	3.11	0.22	☒	
2016-17	182,526	47,908	3.81	0.70	☒	
2017-18*	195,153	52,953	3.69	-0.12	☑	

*Source: State Finance Accounts; Finance Department Calculation; *Pre-Actual*

Boosted by the persistent efforts of the present Government, the State has posted remarkable recovery on Indicator 1 and 2 in 2017-18. With exception to the windfall burdening of the State's debt profile with clean term loan on account of CCL gap and UDAY Scheme, performance in 2017-18 has been the best in the last five years.

Indicator 3: Interest Burden defined by Interest Payments (IP) to GSDP: This ratio is indicative of the level of strength in a growing state economy to provide for the interest payment burden. Also, it denotes the rate of interest at which a state is able to raise funds from the market and the affordability of debt.

Indicator 3 – Interest Payments (IP) to GSDP

Year	IP (Rs. crore)	GSDP (Rs. crore)	IP/ GSDP(%)	g(IP/GSDP)	
2010-11	5,515	2,26,204	2.44	-0.001	☑
2011-12	6,280	2,66,628	2.36	-0.001	☑
2012-13	6,831	2,97,734	2.29	-0.001	☑
2013-14	7,820	3,32,147	2.35	0.001	☒
2014-15	8,960	3,55,102	2.52	0.002	☒
2015-16	9,782	3,90,087	2.51	-0.0002	☑
2016-17	11,642	4,28,340	2.72	0.002	☒
2017-18*	15,334	4,71,301	3.25	0.005	☒

Desired = IP/(GSDP) ↓↓

*Source: State Finance Accounts; Finance Department Calculation; *Pre-Actual*

Indicator 4: Interest Payments (IP) to Total Revenue Receipts (TRR): This indicator broadly provides an assessment of the ability of a state to service its interest payment obligations through current and regular sources of revenue. It also highlights the extent to which revenue receipts are tied for the meeting such obligations, thereby, indicating the proportion of receipts available for capital expenditure.

Indicator 4 – Interest payments (IP) to Total Revenue Receipts (TRR)

Year	IP (Rs. crore)	Revenue Receipts (Rs. crore)	IP/ TRR(%)	g(IP/TRR)	
2010-11	5,515	23,808	23.17	-4.49	☑
2011-12	6,280	26,181	23.99	0.82	☒
2012-13	6,831	31,990	21.35	-2.63	☑
2013-14	7,820	35,021	22.33	0.98	☒
2014-15	8,960	38,953	23.00	0.67	☒
2015-16	9,782	41,453	23.60	0.59	☒
2016-17	11,642	47,908	24.30	0.70	☒
2017-18*	15,334	52,953	28.96	4.66	☒

Desired = IP/(TRR) ↓↓

*Source: State Finance Accounts; Finance Department Calculation; *Pre-Actual*

As is evident from the perusal of Indicator 3 and 4, the sudden burdening of the State with an interest liability of Rs. 2,439 crore in 2017-18 on account of CCL, has drastically impacted not only the interest payment profile of the State, but has had a major bearing on its ability to spend on capital expenditure also.

Indicator 5: Total Revenue Receipts (TRR) to GSDP: This ratio depicts the extent of revenue receipts of a state, collected in the form of own tax and own non-tax revenues. The composition of a state's economy has a significant implication on the same as it determines the nature and capacity of taxation of a state government.

Indicator 5 – Total Revenue Receipts (RR) to GSDP						
Year	TRR (Rs. crore)	GSDP (Rs. crore)	TRR/GSDP(%)	g(TRR/ GSDP)		
2010-11	23,808	2,26,204	10.52	1.35	☑	Desired = TRR/(GSDP) ↑↑
2011-12	26,181	2,66,628	9.82	-0.71	☒	
2012-13	31,990	2,97,734	10.74	0.93	☑	
2013-14	35,021	3,32,147	10.54	-0.20	☒	
2014-15	38,953	3,55,102	10.97	0.43	☑	
2015-16	41,453	3,90,087	10.63	-0.34	☒	
2016-17	47,908	4,28,340	11.18	0.56	☑	
2017-18*	52,953	4,71,301	11.24	0.06	☑	

*Source: State Finance Accounts; Finance Department Calculation; *Pre-Actual*

The State has achieved progress on Indicator 5 and has posted a TRR/GSDP ratio of 11.24% in 2017-18, which is also the highest since 2010-11. This is indicative of the State's efforts towards fiscal responsibility and additional resource mobilization, in spite of the onerous imposition of debt servicing liability of Rs. 3,240 crore per annum on account of conversion of CCL gap into Clean Long Term Loan.

10. The State is making an earnest endeavor to rejuvenate and re-energize its fiscal health & urges the Fifteenth Finance Commission to support the State in its efforts by acceding to the requests of the State Government contained in its Memorandum.