

Punjab Budget Analysis 2021-22

The Finance Minister of Punjab, Mr. Manpreet Singh Badal, presented the Budget for the state for the financial year 2021-22 on March 8, 2021. Note that due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, the 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). A comparison of the revised estimates for 2020-21 and budget estimates for 2021-22 has been provided in the Annexure.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Punjab in 2021-22 (at current prices) is projected to be Rs 6,07,594 crore. This is equivalent to a 2.8% annual growth over the GSDP in 2019-20 (Rs 5,74,760 crore). As per the advance estimate reported in the Punjab Economic Survey for 2020-21, GSDP (at current prices) is estimated to contract by 5.8% in 2020-21 over the previous year, to Rs 5,41,615 crore.*
- **Total expenditure** for 2021-22 is estimated to be Rs 1,68,015 crore, a 12% annual increase over 2019-20. The revised expenditure for 2020-21 is Rs 1,40,000 crore, 10% lower than the budget estimate for the year.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 95,263 crore, an annual increase of 11% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 15,997 crore (18%), primarily due to a 19% shortfall (Rs 9,603 crore) in tax revenue.
- **Fiscal deficit** for 2021-22 is targeted at Rs 24,240 crore (3.99% of GSDP). In 2020-21 (revised estimate), fiscal deficit is estimated at Rs 28,465 crore (5.26% of GSDP), 73% of which is in the form of **revenue deficit** of Rs 20,730 crore (3.83% of GSDP). The budget estimates a revenue deficit of 1.42% of GSDP in 2021-22.

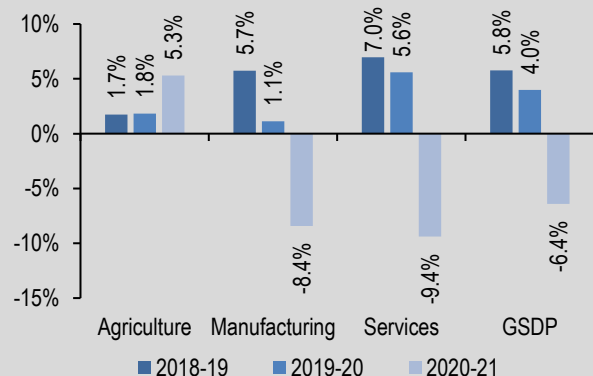
Policy Highlights

- **Sustainable agriculture for livelihood:** The government will launch a new umbrella scheme ‘Kamyaab Kisan Khushaal Punjab’ by converging various development schemes for providing end-to-end support to farmers. The scheme aims to improve the income of those dependent on agriculture on a sustainable basis while preserving the ecological balance for future generations. An outlay of Rs 3,780 crore has been proposed for the scheme for the next three years, of which Rs 1,104 crore has been allocated for 2021-22.
- **Pension for vulnerable sections:** The government will double the amount of pension provided to sections such as elderly, widows, orphans, and persons with disabilities. The monthly pension will be increased from Rs 750 to Rs 1,500 with effect from July 2021. Rs 4,000 crore has been allocated for this purpose.
- **Free transport:** The government will extend the free transport facility announced for primary school students to government college students and all women. Rs 170 crore has been allocated for this purpose.

Punjab's Economy

- **GSDP:** In 2020-21, Punjab’s GSDP (at constant prices) is estimated to contract by 6.4% over the previous year. In comparison, India’s GDP in 2020-21 is estimated to see a higher contraction of 8%.
- **Sectors:** In 2020-21, agriculture, manufacturing, and services sectors would contribute to 27%, 24%, and 49% of the economy. While agriculture would grow by 5.3%, manufacturing and services would contract by 8.4% and 9.4%, respectively, in 2020-21.
- **Per capita GSDP:** Punjab’s per capita GSDP (at constant prices) is estimated at Rs 1,09,839 in 2020-21, 8% lower than that in 2019-20 (Rs 1,18,848).
- **Unemployment:** According to the Periodic Labour Force Survey 2018-19, Punjab’s unemployment rate was 7.4%, higher than the all-India rate of 5.8%.

Figure 1: Growth in GSDP and sectors in Punjab at constant prices (2011-12)



Note: Agriculture includes mining. Figures as per 2011-12 constant prices, i.e., they have been adjusted for inflation. Sources: Punjab Economic Survey 2020-21; PRS.

* As per the Budget at a Glance document, revised estimate for 2020-21 GSDP is Rs 6,06,530 crore. It estimates that nominal GSDP will not contract in 2020-21, but grow by 5.5% over the previous year. Consequently, GSDP growth rate in 2021-22 is estimated to be 0.2%.

Budget Estimates for 2021-22

- **Total expenditure** for 2021-22 is targeted at Rs 1,68,015 crore. This is an annual increase of 12% over 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 95,263 crore and gross borrowings of Rs 67,336 crore. **Total receipts** for 2021-22 (other than borrowings) are expected to register an annual increase of 11% over 2019-20.
- As per the revised estimate for 2020-21, receipts (other than borrowings) are estimated to reduce by 18% over the budget estimate. In comparison, total expenditure is estimated to decrease by 10% from the budget to the revised stage. Borrowings are estimated to increase by 8% from the budget to the revised stage.
- In 2020-21, **revenue deficit** is estimated to be Rs 20,730 crore (3.83% of GSDP) at the revised stage, which is 169% higher than the budget estimate (1.2% of GSDP). **Fiscal deficit** for 2020-21 is estimated to be Rs 28,465 crore (5.26% of GSDP) at the revised stage, which is 51% higher than the budget estimate (2.92% of GSDP). Fiscal deficit for 2021-22 is estimated at Rs 24,240 crore (3.99% of GSDP).

Table 1: Budget 2021-22 - Key figures (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Total Expenditure	1,34,045	1,54,805	1,40,000	-10%	1,68,015	12%
A. Receipts (except borrowings)	77,645	88,050	72,052	-18%	95,263	11%
B. Borrowings	54,776	64,998	70,167	8%	67,336	11%
Total Receipts (A+B)	1,32,422	1,53,048	1,42,219	-7%	1,62,599	11%
Revenue Deficit	14,285	7,712	20,730	169%	8,622	-22%
As % of GSDP	2.49%	1.20%	3.83%		1.42%	
Fiscal Deficit	16,826	18,828	28,465	51%	24,240	20%
As % of GSDP	2.93%	2.92%	5.26%		3.99%	
Primary Balance	741	247	-9,876	-	-3,924	-
As % of GSDP	-0.13%	-0.04%	1.82%		0.65%	

Note: BE is Budget Estimate; RE is Revised Estimate. The deficit figures for 2020-21 RE have been calculated using the advance estimate of GSDP as per the Punjab Economic Survey 2020-21 (Rs 5,41,615 crore). Negative values against primary balance indicate a deficit.

Sources: Punjab Budget Documents 2021-22; Punjab Economic Survey 2020-21; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 64,135 crore, which is an annual increase of 5% over the actual expenditure in 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) debt repayment and grant of loans by the state government.
- In 2021-22, **capital outlay** is estimated to be Rs 14,134 crore, an annual decrease of 11% over 2019-20. In 2020-21, capital outlay is estimated to decrease by Rs 3,458 crore (34%) from the budget stage to the revised stage.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 1,03,880 crore, an annual increase of 17% over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. In 2020-21, revenue expenditure is estimated to be 3% less than the budget estimate.

Sixth Punjab Pay Commission

In 2021-22, the state has allocated Rs 9,000 crore for implementation of recommendations of the Sixth Punjab Pay Commission. The government has proposed July 1, 2021 as the date for its implementation. In 2020-21, as per the budget estimate, Rs 4,004 crore was allocated for this purpose, of which four crore rupees is estimated to be spent, as per the revised estimate.

Table 2: Expenditure budget 2021-22 (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	58,186	59,089	47,227	-20%	64,135	5%
of which Capital Outlay	17,828	10,280	6,822	-34%	14,134	-11%
Revenue Expenditure	75,860	95,716	92,772	-3%	1,03,880	17%
Total Expenditure	1,34,045	1,54,805	1,40,000	-10%	1,68,015	12%
A. Debt Repayment	39,574	47,928	39,482	-18%	48,513	11%
B. Interest Payments	17,567	19,075	18,589	-3%	20,316	8%
Debt Servicing (A+B)	57,141	67,003	58,071	-13%	68,828	10%

Note: Debt includes RBI's ways & means advances: Rs 26,955 crore in 2019-20, Rs 26,000 crore in 2020-21 & Rs 30,000 crore in 2021-22.

Sources: Punjab Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **50%** of the total expenditure on all sectors by the state in 2021-22. A comparison of Punjab's expenditure on key sectors with that by the other states is given in Annexure 1.

Table 3: Sector-wise expenditure under Punjab Budget 2021-22 (in Rs crore)

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget Provisions 2021-22
Education, Sports, Arts, and Culture	11,086	13,037	12,766	13,652	11%	Rs 1,596 crore has been allocated for the Samagra Shiksha Abhiyaan. Rs 1,064 crore has been allocated for providing grants to various universities.
Agriculture and allied activities	8,365	13,267	9,918	12,902	24%	Rs 7,181 crore has been allocated towards subsidy for providing free power to farmers. Rs 1,712 crore has been allocated for the crop loan waiver scheme.
Police	5,908	6,754	6,405	7,058	9%	Rs 4,354 crore and Rs 1,358 crore have been allocated for district police and special police forces, respectively.
Social Welfare and Nutrition	3,636	4,728	5,686	6,562	34%	Rs 4,000 crore has been allocated towards pension schemes for elderly, widows, orphans, and disabled. Rs 825 crore has been allocated for providing nutrition under the Integrated Child Development Scheme.
Health and Family Welfare	3,519	4,532	4,051	4,662	15%	Rs 1,060 crore has been allocated for the National Health Mission. Rs 324 crore has been allocated for health insurance under the Ayushman Bharat scheme.
Urban Development	380	2,104	1,278	3,925	221%	Rs 1,600 crore and Rs 1,400 crore have been allocated for the Smart Cities Mission and AMRUT, respectively.
Irrigation and Flood Control	1,616	2,510	2,299	3,214	41%	Rs 1,928 crore has been allocated for the canal-based water supply project in Amritsar and Ludhiana. Rs 897 crore has been allocated for 18 major schemes linked to canals and Rs 142 crore for 29 new schemes.
Rural Development	585	2,283	1,727	2,632	112%	Rs 1,175 crore has been allocated for the Smart Village Campaign. Rs 500 crore has been allocated to convert <i>kutch</i> roof houses to <i>pucca</i> roof houses in rural areas.
Transport	1,176	1,945	1,937	2,191	36%	Rs 575 crore has been allocated for construction and repair of 560 km of roads and bridges. Another Rs 160 crore has been allocated specifically for rural areas.
Water Supply and Sanitation	730	2,029	1,721	2,148	71%	Rs 1,072 crore has been allocated for augmentation of existing water supply schemes in 1,430 habitations.
% of total expenditure on all sectors	39%	50%	48%	50%		

Sources: Punjab Budget Documents 2021-22; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure towards payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Punjab is estimated to spend Rs 59,796 crore on committed expenditure (a 7% annual increase over 2019-20), which is 63% of its revenue receipts. This implies that 63% of the state's revenue goes towards committed expenditure. This comprises spending on salaries (29% of revenue receipts), pensions (12%), and interest payments (21%).

Table 4: Committed expenditure in 2021-22 (in Rs crore)

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	24,683	27,639	26,363	-5%	27,714	6%
Pensions	10,294	12,267	13,000	6%	11,767	7%
Interest	17,567	19,075	18,589	-3%	20,316	8%
Total Committed Expenditure	52,544	58,981	57,952	-2%	59,796	7%
As a % of state's revenue receipts	85%	67%	80%	-	63%	-

Sources: Punjab Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 95,258 crore, an annual increase of 24% over 2019-20. Of this, Rs 45,193 crore (47%) will be raised by the state through its **own resources**, and Rs 50,065 crore (53%) will come **from the centre**. Resources from the centre will be in the form of the state's share in central taxes (13% of the state's revenue receipts) and grants-in-aid (40% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes (devolution) are estimated to register an annual increase of 8% over 2019-20. As per the revised estimate of 2020-21, devolution to the state is estimated to decrease by 30% as compared to the budget estimate. This is due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of Punjab is estimated to be Rs 37,434 crore in 2021-22, an annual increase of 12% over 2019-20. In 2020-21, as per the revised estimate, state's own tax revenue is estimated to be 15% lower than the budget estimate. The own tax-GSDP ratio of the state is estimated to increase from 5.2% in 2019-20 to 5.6% in 2020-21, and further to 6.2% in 2021-22. This implies that the growth in state's tax collections in 2020-21 and 2021-22 is expected to be higher than the growth in GSDP.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	29,995	35,824	30,409	-15%	37,434	12%
State's Own Non-Tax	6,654	8,046	4,633	-42%	7,759	8%
Share in Central Taxes	10,346	14,021	9,834	-30%	12,027	8%
Grants-in-aid from Centre	14,580	30,113	27,167	-10%	38,038	62%
Total Revenue Receipts	61,575	88,004	72,042	-18%	95,258	24%
Borrowings	54,776	64,998	70,167	8%	67,336	11%
Other receipts	16,071	45	10	-78%	5	-98%
Total Capital Receipts	70,847	65,043	70,177	8%	67,341	-3%
Total Receipts	1,32,422	1,53,048	1,42,219	-7%	1,62,599	11%

Note: Debt includes RBI's ways & means advances: Rs 26,957 crore in 2019-20, Rs 26,000 crore in 2020-21 & Rs 30,000 crore in 2021-22. Sources: Punjab Budget Documents 2021-22; PRS.

- In 2021-22, State Goods and Services Tax (SGST) revenue is estimated to be the largest source of the state's own tax revenue (43%). SGST in 2021-22 is estimated at Rs 16,000 crore, an annual increase of 12% over 2019-20. In 2020-21, SGST is estimated to be 27% lower than the budget estimate for the year.
- In 2021-22, Punjab is expected to generate Rs 7,003 crore through state excise duty, an annual increase of 20% over 2019-20.
- In 2021-22, Punjab is expected to generate Rs 6,028 crore through sales tax/ VAT, a 7% annual increase over 2019-20. In 2020-21, sales tax/ VAT collection is estimated to increase by 3% over the budget estimate.

GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection).

Punjab is estimated to receive Rs 16,871 crore (18% of its revenue receipts) through GST compensation grants in 2021-22, which is a 38% annual increase over 2019-20 (Rs 8,805 crore). In 2020-21, the state is estimated to receive Rs 8,953 crore as compensation grants and Rs 8,359 crore as loans from the centre in lieu of GST compensation grants.

Table 6: Major sources of the state's own tax revenue (in Rs crore)

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State GST (SGST)	12,751	15,859	11,522	-27%	16,000	12%	17%
State Excise	4,865	6,250	5,795	-7%	7,003	20%	7%
Sales Tax/ VAT	5,223	5,575	5,741	3%	6,028	7%	6%
Taxes and Duties on Electricity	2,697	2,915	2,895	-1%	3,026	6%	3%
Stamp Duty and Registration Fees	2,258	2,625	2,693	3%	2,890	13%	3%
Taxes on Vehicles	1,994	2,370	1,568	-34%	2,200	5%	2%
GST Compensation Grants	8,805	12,975	8,953	-31%	16,871	38%	18%

Sources: Punjab Budget Documents 2021-22; PRS.

Deficits, Debt, and FRBM Targets for 2021-22

The Punjab Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue deficit: It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. A revenue surplus implies that the revenue receipts of the state are sufficient to meet the revenue expenditure requirements. The budget estimates a revenue deficit of Rs 8,622 crore (1.42% of GSDP) in 2021-22. This implies that revenue receipts are expected to be lower than revenue expenditure. The 15th Finance Commission has recommended revenue deficit grants of Rs 25,968 crore for the state for the four-year period 2021-22 to 2024-25.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 24,240 crore (3.99% of GSDP). As per the revised estimate, the fiscal deficit of the state is expected to be 5.26% of GSDP in 2020-21, higher than the budget estimate of 2.92%.

Enhanced borrowing limit in 2020-21: Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states have been allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution. As of February 2021, Punjab is eligible to borrow Rs 3,032 crore for implementing reforms related to ease of doing business and the one nation one ration card system.

Outstanding debt: Outstanding debt is the accumulation of borrowings taken by the state government over the years. At the end of the year 2021-22, the state's outstanding debt is expected to be 46.4% of GSDP, lower than the revised estimate of 48.2% of GSDP at the end of 2020-21. The state's outstanding debt is estimated to further decrease from 46.4% of GSDP at the end of 2021-22 to 44.4% of GSDP at the end of 2023-24.

Fiscal Roadmap for 2021-26

The 15th Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Finance Commission estimates that this path will lead to Punjab decreasing its outstanding debt from 46.3% of GSDP in 2020-21 to 43.4% of GSDP in 2025-26. Based on the Finance Commission's recommendation, the central government has allowed a fiscal deficit of up to 4% of GSDP for states in 2021-22.

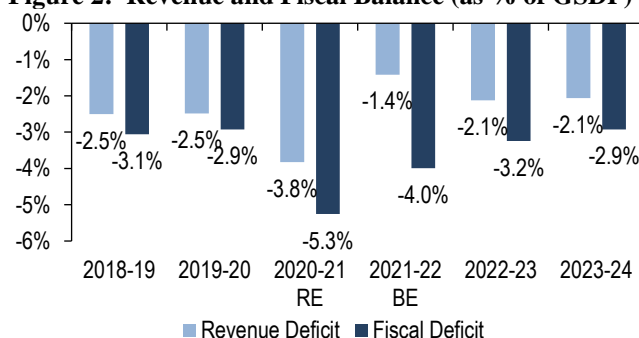
If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

Table 7: Budget targets for deficits for Punjab (% of GSDP)

Year	Revenue Deficit	Fiscal Deficit	Outstanding Debt
2018-19	2.5%	3.1%	40.3%
2019-20	2.5%	2.9%	39.9%
2020-21 (Revised)	3.8%	5.3%	48.2%
2021-22 (Budget)	1.4%	4.0%	46.4%
2022-23	2.1%	3.2%	45.0%
2023-24	2.1%	2.9%	44.4%

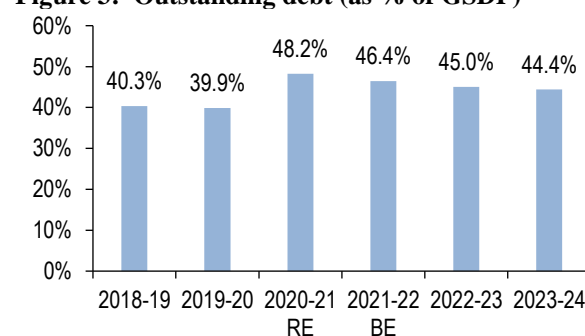
Note: Deficit and debt figures include GST compensation loans from the Centre. Outstanding debt includes debt under the heads Market Debt, Loans and Advances from the Centre and RBI, Small Savings, Provident, Insurance, and Pension Funds, Reserve Funds, and Deposits. Figures are actuals for the period 2018-20, estimates for 2020-21 (revised) and 2021-22 (budget), and FRBM targets for the period 2022-24. Sources: Punjab Budget Documents 2021-22; PRS.

Figure 2: Revenue and Fiscal Balance (as % of GSDP)



Note: Actuals shown for 2018-20 and FRBM targets for 2022-24. Sources: Punjab Budget Documents 2021-22; PRS.

Figure 3: Outstanding debt (as % of GSDP)

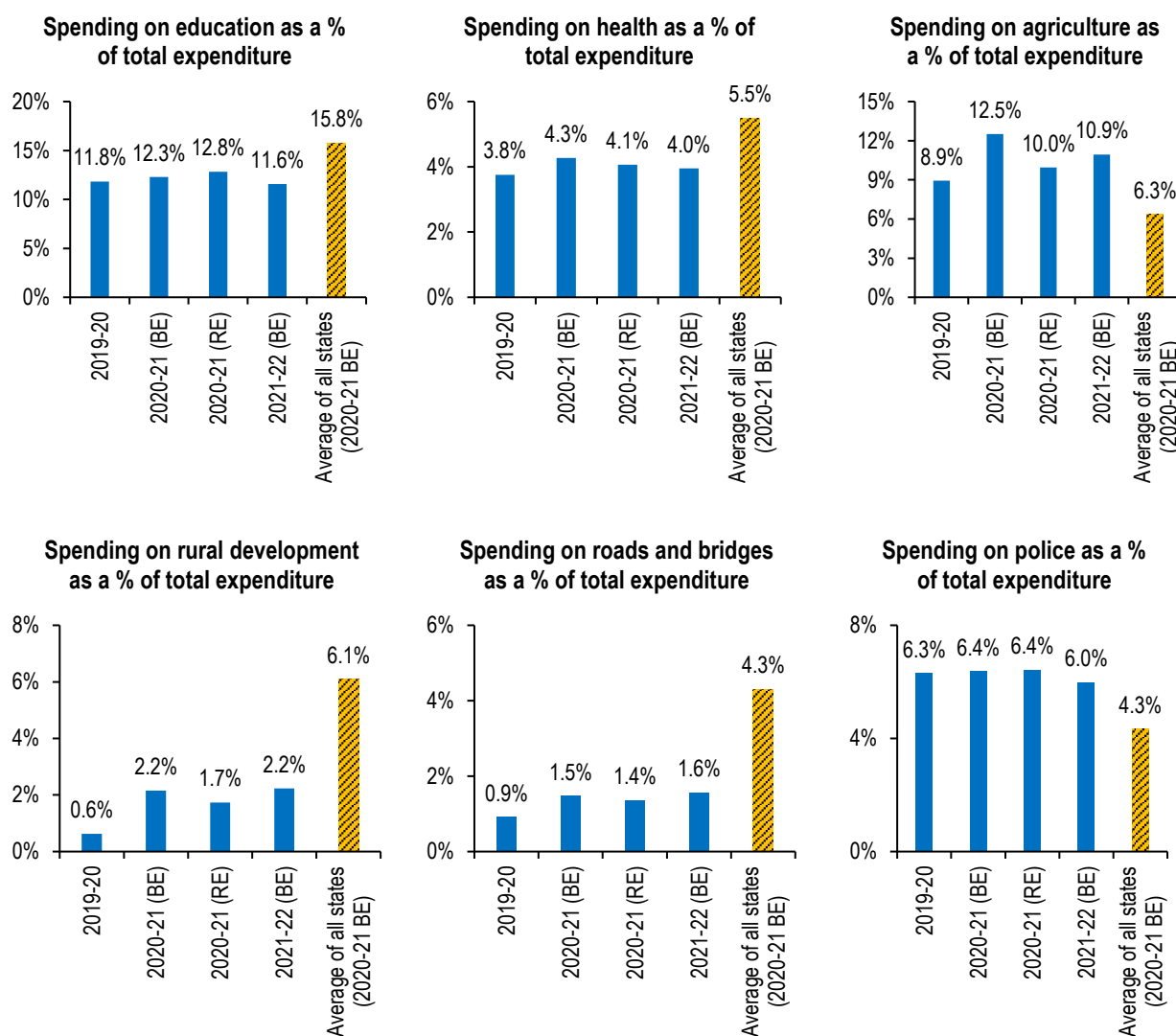


Note: Actuals shown for 2018-20 and FRBM targets for 2022-24. Sources: Punjab Budget Documents 2021-22; PRS.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Punjab's expenditure on six key sectors as a proportion of its total expenditure on all sectors (i.e., a sum of revenue expenditure and capital outlay for that sector). The average for a sector indicates the average expenditure in that sector by 30 states (including Punjab) as per their budget estimates of 2020-21.[†]

- **Education:** Punjab has allocated 11.6% of its total expenditure for education in 2021-22. This is lower than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Punjab has allocated 4% of its total expenditure on health in 2021-22, which is lower than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 10.9% of its total expenditure towards agriculture and allied activities in 2021-22. This is significantly higher than the average allocation for agriculture by states (6.3%).
- **Rural development:** Punjab has allocated 2.2% of its expenditure on rural development in 2021-22. This is significantly lower than the average allocation for rural development by states (6.1%).
- **Roads and bridges:** Punjab has allocated 1.6% of its total expenditure on roads and bridges in 2021-22, which is significantly lower than the average allocation by states (4.3%).
- **Police:** Punjab has allocated 6% of its total expenditure on police in 2021-22, which is higher than the average allocation for police by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Punjab.
Sources: Punjab Budget Documents 2021-22; various state budgets; PRS.

[†] The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

Annexure 2: Recommendations of the 15th Finance Commission for 2021-26

The 15th Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15th FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14th FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15th FC proposed revised criteria for determining the share of individual states (different from 14th FC). Based on the 15th FC's recommendations for the period 2021-26, Punjab will have a 0.74% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Punjab will receive Rs 0.74.

Table 8: Share of states in the divisible pool of central taxes under the 14th and 15th FC periods

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.808	1.686	1.659	-8.2%	-1.6%
Arunachal Pradesh	0.575	0.722	0.720	25.2%	-0.2%
Assam	1.391	1.284	1.282	-7.8%	-0.1%
Bihar	4.059	4.125	4.124	1.6%	0.0%
Chhattisgarh	1.294	1.401	1.397	8.0%	-0.3%
Goa	0.159	0.158	0.158	-0.3%	0.0%
Gujarat	1.295	1.393	1.426	10.1%	2.4%
Haryana	0.455	0.444	0.448	-1.6%	1.0%
Himachal Pradesh	0.299	0.328	0.340	13.6%	3.9%
Jammu & Kashmir	0.779	-	-	-	-
Jharkhand	1.318	1.358	1.356	2.8%	-0.2%
Karnataka	1.979	1.495	1.495	-24.5%	0.0%
Kerala	1.050	0.797	0.789	-24.8%	-0.9%
Madhya Pradesh	3.170	3.233	3.219	1.5%	-0.5%
Maharashtra	2.319	2.515	2.590	11.7%	3.0%
Manipur	0.259	0.294	0.294	13.3%	-0.3%
Meghalaya	0.270	0.314	0.314	16.6%	0.3%
Mizoram	0.193	0.207	0.205	6.1%	-1.2%
Nagaland	0.209	0.235	0.233	11.5%	-0.7%
Odisha	1.950	1.898	1.856	-4.8%	-2.2%
Punjab	0.662	0.733	0.741	11.9%	1.1%
Rajasthan	2.308	2.451	2.471	7.1%	0.8%
Sikkim	0.154	0.159	0.159	3.2%	0.0%
Tamil Nadu	1.690	1.717	1.672	-1.0%	-2.6%
Telangana	1.024	0.875	0.862	-15.8%	-1.5%
Tripura	0.270	0.291	0.290	7.7%	-0.1%
Uttar Pradesh	7.543	7.352	7.355	-2.5%	0.0%
Uttarakhand	0.442	0.453	0.458	3.7%	1.3%
West Bengal	3.076	3.083	3.084	0.3%	0.1%
Total	42.000	41.000	41.000		

Note: Although the 15th Finance Commission recommended the same criteria for 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. Sources: Reports of 14th and 15th FCs; Union Budget Documents 2021-22; PRS.

The 15th FC recommended grants worth Rs 10.3 lakh crore for states over five years (2021-26). A portion of these grants will be conditional in nature. 17 states will receive revenue deficit grants during the period 2021-26, including Punjab. Sector-specific grants include grants for sectors such as agriculture, health, and rural roads. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

Grants recommended for Punjab for 2021-26 include: (i) Rs 25,968 crore as revenue deficit grants, (ii) Rs 10,305 crore for local bodies, (iii) Rs 3,442 crore as sector-specific grants for areas such as agriculture and health, and (iv) Rs 1,545 crore as state-specific grants in areas including medical education and research institutions, reduction of pollution caused by stubble burning, and remediation of pollution of the Sutlej river.

Table 9: Grants recommended for 2021-26 (Rs crore)

Grants	Total	Punjab
Revenue deficit grants	2,94,514	25,968
Local government grants	4,36,361	10,305*
Disaster management grants	1,22,601	2,736
Sector-specific grants	1,29,987	3,442#
State-specific grants	49,599	1,545
Total	10,33,062	43,996

Note: This does not include competition-based grants including *grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks. Source: Report of the 15th FC for 2021-26; PRS.

Table 10: Taxes devolved to states as per Union Budget 2021-22

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
Total	6,83,353	5,49,959	6,65,563

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Sources: Union Budget Documents 2021-22; PRS.

Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

Table 11: Key components of the state's finances

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Receipts (1+2)	1,42,219	1,62,599	14%
Receipts except Borrowings	72,052	95,263	32%
1. Revenue Receipts (a+b+c+d)	72,042	95,258	32%
a. Own Tax Revenue	30,409	37,434	23%
b. Own Non-Tax Revenue	4,633	7,758	67%
c. Share in central taxes	9,834	12,027	22%
d. Grants-in-aid from the Centre	27,167	38,038	40%
<i>Of which GST compensation</i>	8,953	16,871	88%
2. Capital Receipts	70,177	67,341	-4%
a. Borrowings	70,167	67,336	-4%
<i>Of which GST compensation loan</i>	8,359	-	-
Expenditure (3+4)	1,40,000	1,68,015	20%
3. Revenue Expenditure	92,772	1,03,880	12%
4. Capital Expenditure	47,227	64,135	36%
i. Capital Outlay	6,822	14,134	107%
ii. Debt Repayment	39,482	48,513	23%
Revenue Deficit	20,730	8,622	-58%
Revenue Deficit (as % of GSDP)	3.83%	1.42%	-
Fiscal Deficit	28,465	24,240	-15%
Fiscal Deficit (as % of GSDP)	5.26%	3.99%	-

Sources: Punjab Budget Documents 2021-22; PRS.

Table 12: Key components of the state's own tax revenue

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
State GST	11,522	16,000	39%
State Excise Duty	5,795	7,003	21%
Sales Tax/ VAT	5,741	6,028	5%
Taxes and Duties on Electricity	2,895	3,026	5%
Stamp Duty and Registration Fees	2,693	2,890	7%
Taxes on Vehicles	1,568	2,200	40%
Land Revenue	65	87	34%

Sources: Punjab Budget Documents 2021-22; PRS.

Table 13: Allocation towards key sectors

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	12,766	13,652	7%
Agriculture and allied activities	9,918	12,902	30%
Police	6,405	7,058	10%
Social Welfare and Nutrition	5,686	6,562	15%
Health and Family Welfare	4,051	4,662	15%
Urban Development	1,278	3,925	207%
Irrigation and Flood Control	2,299	3,214	40%
Rural Development	1,727	2,632	52%
Transport	1,937	2,191	13%
of which Roads and Bridges	1,348	1,838	36%
Water Supply and Sanitation	1,721	2,148	25%

Sources: Punjab Budget Documents 2021-22; PRS.

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