

Punjab Budget Analysis

2022-23

The Finance Minister of Punjab, Mr Harpal Singh Cheema presented the Budget for the state for the financial year 2022-23 on June 27, 2022.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Punjab for 2022-23 (at current prices) is projected to be Rs 6,29,834 crore, a growth of 9.8% over the revised estimate of GSDP for 2021-22 (Rs 5,73,763 crore). In 2021-22, GSDP is estimated to grow at 8.3% over the previous year.
- **Expenditure (excluding debt repayment)** in 2022-23 is estimated to be Rs 1,19,913 crore, a 5% increase over the revised estimates of 2021-22 (Rs 1,14,117 crore). In addition, debt of Rs 35,946 crore will be repaid by the state. In 2021-22, expenditure (excluding debt repayment) is estimated to be 5% lower than the budget estimate.
- **Receipts (excluding borrowings)** for 2022-23 are estimated to be Rs 96,078 crore, an increase of 18% over the revised estimates of 2021-22 (Rs 81,684 crore). In 2021-22, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 13,579 crore (14% less).
- **Fiscal deficit** for 2022-23 is targeted at Rs 23,835 crore (3.78% of GSDP). In 2021-22, as per the revised estimates, fiscal deficit is expected to be 5.65% of GSDP, significantly higher than the budget estimate of 3.99% of GSDP.
- **Revenue deficit** for 2022-23 is estimated to be Rs 12,554 crore, which is 1.99% of the GSDP. In 2021-22, the state is estimated to observe a revenue deficit of 3.66% of GSDP as per revised estimates, higher than revenue deficit of 1.42% of GSDP estimated at the budget stage.

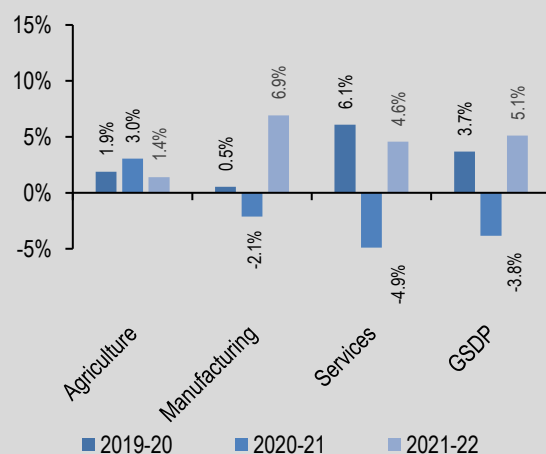
Policy Highlights

- **Free power for domestic use:** From July 1, 2022, 300 units of domestic power supply per month will be made free to all citizens of Punjab.
- **MSP on Moong Cultivation:** To encourage crop diversification, the state government will procure moong at a minimum support price (MSP).
- **Health and Medical Education:** 16 new medical colleges will be set up in the state over the next five years. 117 Mohalla clinics will be established in 2022-23.
- **Home delivery of Atta:** Under the publication distribution system, instead of wheat, door-to-door delivery of packaged atta will be provided to 1.58 crore beneficiaries.
- **Industry:** Rs 100 crore will be spent on setting up and strengthening industrial focal points. A fintech city will be set up near Mohali.

Punjab's Economy

- **GSDP:** Punjab's GSDP (at constant prices) is estimated to grow by 5.1% in 2021-22 over the low base of the previous year (3.8% contraction in 2020-21). In comparison, the national GDP is estimated to grow by 8.7% in 2021-22 over the low base of the previous year (6.6% contraction in 2020-21).
- **Sectors:** In 2021-22, at current prices, agriculture, manufacturing, and services sectors contributed to 31%, 23%, and 46% of the economy.
- **Per capita GSDP:** The per capita GSDP of Punjab in 2021-22 (at current prices) was Rs 1,87,408, 9% higher than the corresponding figure in 2020-21. The per capita GDP at the national level is estimated to be Rs 1,72,913 in 2021-22.

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



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: MoSPI; PRS.

Budget Estimates for 2022-23

- **Expenditure (excluding debt repayment)** in 2022-23 is targeted at Rs 1,19,913 crore. This is an increase of 5% over the revised estimate of 2021-22 (Rs 1,14,117 crore). This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 96,078 crore and **net borrowings** of Rs 23,835 crore. Receipts (excluding borrowings) in 2022-23 are expected to register an increase of 18% over the revised estimate of 2021-22. In 2021-22, receipts are estimated to be 14% lower than the budget estimates.
- In 2022-23, the state is estimated to observe a **revenue deficit** of Rs 12,554 crore, which is 1.99% of GSDP. As per the revised estimates, in 2021-22, revenue deficit is estimated at 3.66% of GSDP.
- **Fiscal deficit** in 2022-23 is estimated to be 3.78% of GSDP, within the limit of 4% of GSDP permitted by the central government (of which, 0.5% of GSDP will be made available only upon undertaking power sector reforms). In 2021-22, the state has estimated a fiscal deficit of 5.65% of GSDP at the revised stage, significantly higher than the limit of 4.5% of GSDP permitted by the central government (of which, 0.5% of GSDP becomes available only upon undertaking power sector reforms).

Table 1: Budget 2022-23 - Key figures (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
Total Expenditure	1,26,316	1,68,015	1,36,476	-19%	1,55,860	14%
(-) Repayment of debt	34,634	48,513	22,359	-54%	35,946	61%
Net Expenditure (E)	91,683	1,19,502	1,14,117	-5%	1,19,913	5%
Total Receipts	1,32,793	1,62,599	1,27,768	-21%	1,51,129	18%
(-) Borrowings*	63,695	67,336	46,084	-32%	55,051	19%
Net Receipts (R)	69,099	95,263	81,684	-14%	96,078	18%
Fiscal Deficit (E-R)	22,584	24,240	32,433	34%	23,835	-27%
as % of GSDP	4.26%	3.99%	5.65%		3.78%	
Revenue Deficit	17,296	8,622	20,987	143%	12,554	-40%
as % of GSDP	3.27%	1.42%	3.66%		1.99%	
Primary Deficit	4,432	3,924	13,280	238%	3,713	-72%
as % of GSDP	0.84%	0.65%	2.31%		0.59%	

Note: BE is Budget Estimates; RE is Revised Estimates. *includes back-to-back loan received from the central government in lieu of GST compensation grants – Rs 8,359 crore in 2020-21 and Rs 12,132 crore in 2021-22 (RE).

Sources: Punjab Budget Documents 2022-23; PRS.

Expenditure in 2022-23

- **Revenue expenditure** in 2022-23 is estimated to be Rs 1,07,932 crore, which is an increase of 5% over the revised estimate of 2021-22 (Rs 1,02,446 crore). This expenditure includes the payment of salaries, pensions, interest, and subsidies.
- **Capital outlay** in 2022-23 is estimated to be Rs 10,981 crore, which is an increase of 9% over the revised estimate of 2021-22. Capital outlay comprises expenditure towards the creation of assets. This includes expenditure on building schools, hospitals, and roads and bridges.

Revised estimates for 2021-22

Revised estimates for 2021-22 have been presented as part of the 2022-23 Budget. These figures presented in June 2022 are in significant contrast with the monthly account statement released by CAG up to March 2022.

Table 2: Revised Estimates for 2021-22 as compared to Unaudited Actuals released by CAG (in Rs crore)

Head	Revised Estimates	Unaudited Actual released by CAG
Net Receipts	81,684	78,343
Net Expenditure	1,14,117	1,04,216
Revenue Deficit	20,987	16,300
Fiscal Deficit	32,433	25,872

Sources: Punjab Budget 2022-23; CAG; PRS.

Table 3: Expenditure budget 2022-23 (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
Revenue Expenditure	86,345	1,03,880	1,02,446	-1%	1,07,932	5%
Capital Outlay	4,382	14,134	10,079	-29%	10,981	9%
Loans given by the state	956	1,488	1,593	7%	1,000	-37%
Net Expenditure	91,683	1,19,502	1,14,117	-5%	1,19,913	5%

Sources: Punjab Budget Documents 2022-23; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as developmental schemes and capital outlay. In 2022-23, Punjab is estimated to spend Rs 66,440 crore on committed expenditure items, which is 70% of its revenue receipts. This comprises spending on salaries (33% of revenue receipts), pension (16%), and interest payments (21%). Committed expenditure in 2022-23 is estimated to increase by 5% over the revised estimate of 2021-22. Pension is estimated to increase by 7% whereas salaries and interest payments are estimated to increase by 5% each.

Table 4: Committed Expenditure in 2022-23 (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
Salaries	25,569	27,714	29,787	7%	31,172	5%
Pension	13,680	11,767	14,200	21%	15,146	7%
Interest	18,153	20,316	19,153	-6%	20,122	5%
Committed Expenditure	57,402	59,796	63,140	6%	66,440	5%

Sources: Punjab Budget Documents 2022-23; PRS.

Sector-wise expenditure: The sectors listed below account for 54% of the total expenditure on sectors by the state in 2022-23. A comparison of Punjab's expenditure on the key sectors with that by other states is shown in Annexure 1.

Table 5: Sector-wise expenditure under Punjab Budget 2022-23 (in Rs crore)

Sectors	2020-21 Actuals	2021-22 BE	2021-22 RE	2022-23 BE	% change from RE 21-22 to BE 22-23	Budget Provisions
Education, Sports, Arts, and Culture	12,149	13,652	14,093	15,654	11%	Rs 4,472 crore has been allocated towards elementary education. Rs 1,093 crore has been allocated towards university and higher education.
Agriculture and allied activities	8,310	12,902	10,721	11,239	5%	Rs 6,947 crore has been allocated for providing free power for farmers. Rs 450 crore has been allocated towards direct seeding of rice.
Police	6,234	7,058	7,496	7,705	3%	Rs 4,705 crore has been allocated towards district police. Rs 1,498 crore has been allocated towards special police.
Social Welfare and Nutrition	3,985	6,562	8,304	7,595	-9%	Rs 4,720 crore has been allocated towards social security pensions.
Energy	2,210	1,758	4,609	6,406	39%	Rs 6,395 crore has been allocated towards subsidies in the power sector.
Health and Family Welfare	3,853	4,662	4,876	5,600	15%	Rs 150 crore has been allocated towards opening of new medical colleges in the state.
Urban Development	1,338	3,925	2,209	3,188	44%	Rs 1,259 crore has been allocated towards Smart Cities Mission. Rs 847 crore has been allocated towards Urban Rejuvenation Mission.
Irrigation and Flood Control	1,762	3,214	2,578	2,547	-1%	Rs 1,402 crore has been allocated towards capital outlay on irrigation and flood control projects.
Water Supply and Sanitation	1,095	2,148	1,594	2,374	49%	Rs 722 crore have been allocated towards rural water supply schemes.
Transport	1,466	2,191	2,184	1,857	-15%	Rs 1,360 crore has been allocated towards capital outlay on roads and bridges.
% of total expenditure on all sectors	47%	49%	52%	54%	4%	

Sources: Punjab Budget Documents 2022-23; PRS.

Receipts in 2022-23

- **Total revenue receipts** for 2022-23 are estimated to be Rs 95,378 crore, an increase of 17% over the revised estimate of 2021-22. Of this, Rs 51,890 crore (54%) will be raised by the state through its **own resources**, and Rs 43,488 crore (46%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (16% of revenue receipts) and grants (30% of revenue receipts).
- **Devolution:** In 2022-23, the state estimates to receive Rs 14,757 crore in the form of share in central taxes, an increase of 3% over the revised estimates of 2021-22.
- **State's own tax revenue:** Total own tax revenue of Punjab is estimated to be Rs 45,588 crore in 2022-23, an increase of 20% over the revised estimate of 2021-22. Punjab's own tax revenue as a percentage of GSDP in 2022-23 is estimated to increase from 5.7% of GSDP in 2020-21 to 7.2% of GSDP in 2022-23.
- **State's non-tax revenue:** In 2022-23, the state is estimated to earn Rs 6,302 crore in the form of own non-tax revenue, an increase of 11% over the revised estimates of 2021-22. In 2021-22, state's own non-tax revenue is estimated to register an increase of 36% over the previous year.

Table 6: Break-up of the state government's receipts (in Rs crore)

Sources	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
State's Own Tax	30,053	37,434	38,062	2%	45,588	20%
State's Own Non-Tax	4,152	7,758	5,666	-27%	6,302	11%
Share in Central Taxes	10,638	12,027	14,330	19%	14,757	3%
Grants from Centre	24,205	38,038	23,400	-38%	28,731	23%
Revenue Receipts	69,048	95,258	81,458	-14%	95,378	17%
Non-debt Capital Receipts	50	5	226	4418%	700	210%
Net Receipts	69,099	95,263	81,684	-14%	96,078	18%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Punjab Budget Documents 2022-23; PRS.

- In 2022-23, **SGST** is estimated to be the largest source of own tax revenue (45%). SGST revenue in 2022-23 is estimated to increase by 27% over the revised estimates of 2021-22.
- Revenue from state excise and land revenue are expected to register an increase of 56% and 74% over the revised estimates of 2021-22, respectively (Table 7).
- Sale Tax/VAT and Taxes and Duties on Electricity are expected to decline by 11% and 14% over the revised estimates of 2021-22.

GST Compensation ends in June 2022

When GST was introduced, the central government guaranteed states a 14% compounded annual growth in their GST revenue for a period of five years. Any shortfall in a state's GST revenue from this level is covered by the Centre by providing compensation grants to the state. This guarantee ends in June 2022. During 2018-22, Punjab has relied on GST compensation grants to achieve the guaranteed SGST revenue level. In 2021-22, Punjab is estimated to receive Rs 16,670 crore in the form of GST compensation grants, which is about 44% of its own tax revenue. Hence, beyond June 2022, Punjab might see a decline in the level of revenue receipts.

Table 7: Major sources of state's own-tax revenue (in Rs crore)

Taxes	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
State GST	11,819	16,000	16,200	1%	20,550	27%
State Excise	6,164	7,003	6,200	-11%	9,648	56%
Sales Tax/ VAT	5,372	6,028	7,000	16%	6,250	-11%
Stamps Duty and Registration Fees	2,470	2,890	3,300	14%	3,600	9%
Taxes on Vehicles	1,472	2,200	2,155	-2%	2,575	19%
Land Revenue	68	87	87	-1%	150	74%
Taxes and Duties on Electricity	2,542	3,026	2,950	-3%	2,550	-14%
GST Compensation Grants	9,694	16,871	4,538	-73%	9,078	100%
GST Compensation Loans	8,359		12,132			

Sources: Punjab Budget Documents 2022-23; PRS.

Deficits, Debt, and FRBM Targets for 2022-23

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

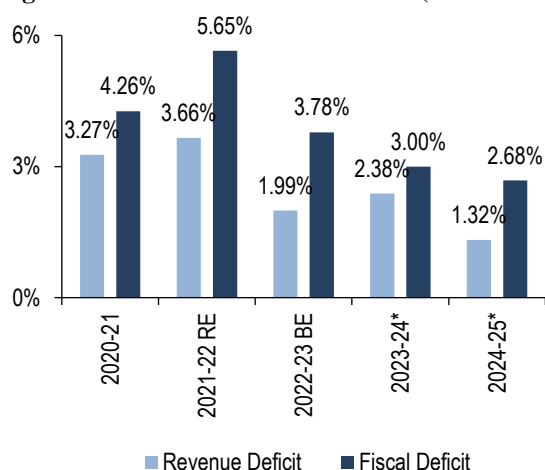
Revenue Deficit: It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses, which do not increase its assets or reduce its liabilities. In 2022-23, Punjab is estimated to observe a revenue deficit of Rs 12,554 crore, which is 1.99% of the GSDP. This is lower than the revenue deficit of 3.66% of GSDP in 2021-22 (revised estimate) and 3.27% of GSDP in 2020-21.

The above revenue deficit levels have been observed, after accounting for grants recommended by the 15th Finance Commission to eliminate the revenue deficit. The 15th Finance Commission has recommended grants for eliminating revenue deficit to 17 states during the 2021-26 period. Punjab will receive grants in the first four years during this period. In 2022-23, the state is expected to receive a revenue deficit grant of Rs 8,274 crore. Revenue deficit grant in 2021-22 is estimated to be Rs 10,081 crore (revised estimate).

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 of the state government. In 2022-23, the fiscal deficit is estimated to be Rs 23,835 crore (3.78% of GSDP). It is within the limit of 4% of GSDP permitted by the central government in 2022-23 as per the Union Budget (of which, 0.5% of GSDP will be made available only upon undertaking power sector reforms). In 2021-22, the fiscal deficit is estimated to be 5.65% of GSDP in the revised stage, which is significantly above the limit of 4.5% of GSDP (of which, 0.5% will be made only upon undertaking power sector reforms).

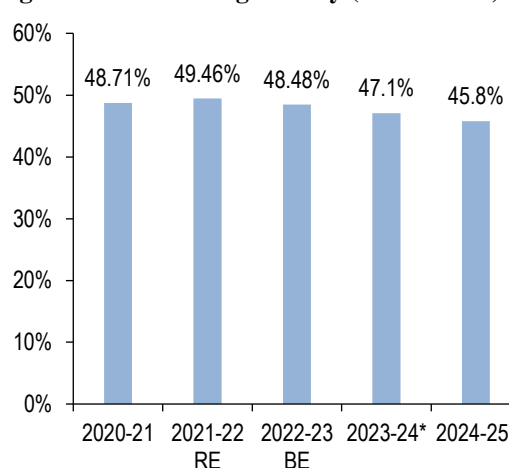
Outstanding liability: Outstanding Debt is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on the public account. At the end of March 2023, the outstanding liabilities of the state are estimated to be 48.48% of the GSDP.

Figure 2: Revenue and Fiscal Deficit (% of GSDP)



*Figures for 2023-24 and 2024-25 are projections. The figures for 2020-21 and 2021-22 RE have not been adjusted for back-to-back loans received in lieu of GST compensation.
Note: RE is Revised Estimates; BE is budget estimates. A positive figure means a surplus, a negative figure means a deficit.
Sources: Punjab Budget Documents 2022-23; PRS.

Figure 3: Outstanding liability (% of GSDP)



*Figures for 2023-24 and 2024-25 are projections. Note: RE is Revised Estimates; BE is budget estimates. The above figures include back-to-back loan received from the central government in lieu of GST compensation grants – Rs 8,359 crore in 2020-21 and Rs 12,132 crore in 2021-22 (RE).
Sources: Punjab Budget Documents 2022-23; PRS.

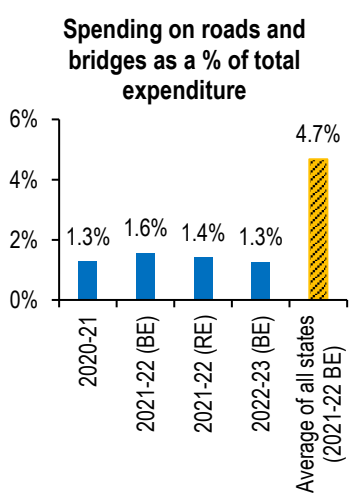
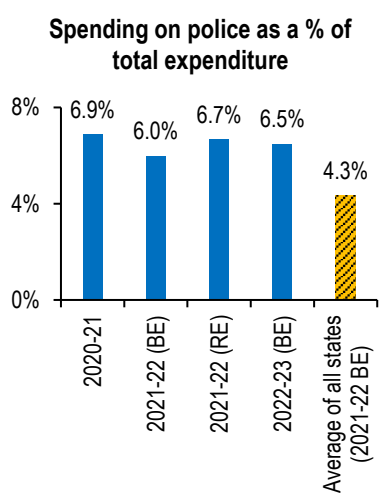
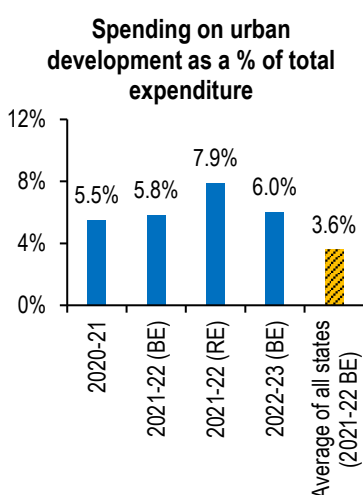
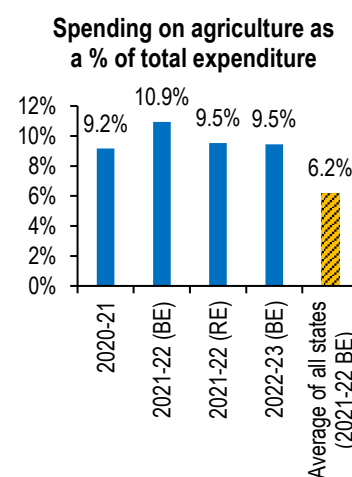
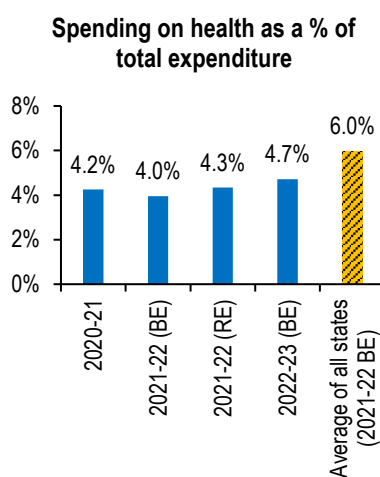
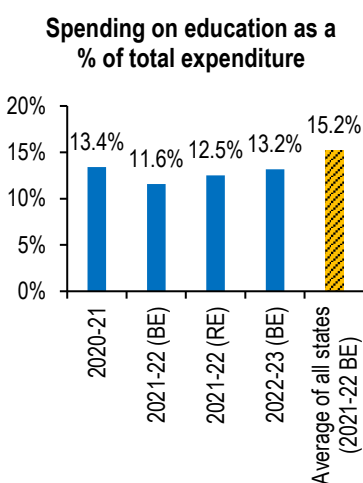
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. At the end of 2021-22, the outstanding guarantee of the state is estimated to be Rs 32,574 crore, about 5.6% of GSDP. This includes a guarantee on loans of Punjab State Power Corporation Ltd worth Rs 12,206 crore.

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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. The average for a sector indicates the average expenditure in that sector by 30 states (including Punjab) as per their budget estimates of 2021-22.¹

- **Education:** Punjab has allocated 13.2% of its total expenditure for education in 2022-23. This is lower than the average allocation (15.2%) for education by all states (2021-22 BE).
- **Health:** Punjab has allocated 4.7% of its total expenditure on health, which is lower than the average allocation for health by states (6%).
- **Agriculture:** The state has allocated 9.5% of its total expenditure towards agriculture and allied activities. This is higher than the average allocation for agriculture by states (6.2%).
- **Urban development:** Punjab has allocated 6.0% of its expenditure on urban development. This is higher than the average allocation for urban development by states (3.6%).
- **Police:** Punjab has allocated 6.5% of its total expenditure on police, which is higher than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Punjab has allocated 1.3% of its total expenditure on roads and bridges, which is significantly lower than the average allocation by states (4.7%).



Note: 2020-21, 2021-22 (BE), 2021-22 (RE), and 2022-23 (BE) figures are for Punjab.
Sources: Punjab Budget in Brief 2022-23; various state budgets; PRS.

¹ The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

Annexure 2: Comparison of 2020-21 Budget Estimates and Actuals

The following tables compare the actuals of 2020-21 with budget estimates for that year.

Table 8: Overview of Receipts and Expenditure (in Rs crore)

Particular	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Net Receipts (1+2)	88,049	69,099	-22%
1. Revenue Receipts (a+b+c+d)	88,004	69,048	-22%
a. Own Tax Revenue	35,824	30,053	-16%
b. Own Non-Tax Revenue	8,046	4,152	-48%
c. Share in central taxes	14,021	10,638	-24%
d. Grants-in-aid from the Centre	30,113	24,205	-20%
Of which GST compensation grants	12,975	9,694	-25%
2. Non-Debt Capital Receipts	45	50	12%
3. Borrowings	64,998	63,695	-2%
Of which GST compensation loan	-	8,359	-
Net Expenditure (4+5+6)	1,06,878	91,683	-14%
4. Revenue Expenditure	95,716	86,345	-10%
5. Capital Outlay	10,280	4,382	-57%
6. Loans and Advances	882	956	8%
7. Debt Repayment	47,928	34,634	-28%
Revenue Deficit	7,712	17,296	124%
Revenue Deficit (as % of GSDP)	1.20%	3.27%	
Fiscal Deficit	18,828	22,584	20%
Fiscal Deficit (as % of GSDP)	2.92%	4.26%	

Source: Punjab Budget Documents of various years; PRS.

Table 9: Key Components of State's Own Tax Revenue (in Rs crore)

Particular	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Taxes on Vehicles	2,370	1,472	-38%
SGST	15,859	11,819	-25%
Land Revenue	78	68	-13%
Taxes and Duties on Electricity	2,915	2,542	-13%
Stamps Duty and Registration Fees	2,625	2,470	-6%
Sales Tax/VAT	5,575	5,372	-4%
State Excise Duty	6,250	6,164	-1%

Source: Punjab Budget Documents of various years; PRS.

Table 10: Allocation towards Key Sectors (in Rs crore)

Sector	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Rural Development	2,283	842	-63%
Agriculture and allied activities	13,267	8,310	-37%
Water Supply, Sanitation, Housing and Urban Development	4,593	2,930	-36%
Irrigation and Flood Control	2,510	1,762	-30%
Transport	1,945	1,466	-25%
<i>of which Roads and Bridges</i>	1,567	1,157	-26%
Social Welfare and Nutrition	4,728	3,985	-16%
Health and Family Welfare	4,532	3,853	-15%
Police	6,754	6,234	-8%
Education, Sports, Arts, and Culture	13,037	12,149	-7%

Source: Punjab Budget Documents of various years; PRS.