

# Punjab Budget Analysis 2019-2020

The Finance Minister, Mr. Manpreet Singh Badal, presented the Budget for Punjab for financial year 2019-20 on February 18, 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Punjab for 2019-20 (at current prices) is estimated to be Rs 5,77,829 crore. This is 11.5% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 1,58,493 crore, a 24.4% increase over the revised estimate of 2018-19. In 2018-19, there is estimated to be a decrease of Rs 2,282 crore (1.8% of the budgeted estimate) of expenditure as per the revised estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 94,195 crore, an increase of 32.4% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to fall short of the budgeted estimate by Rs 2,725 crore (3.7%).
- **Revenue deficit** for the next financial year is targeted at Rs 11,687 crore, or 2.0% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 19,658 crore (3.4% of GSDP).
- Sectors such as energy (624%), rural development (117%), welfare of SC/ST/OBC and minorities (60%), and irrigation and flood control (25%) saw the highest increase in allocations.

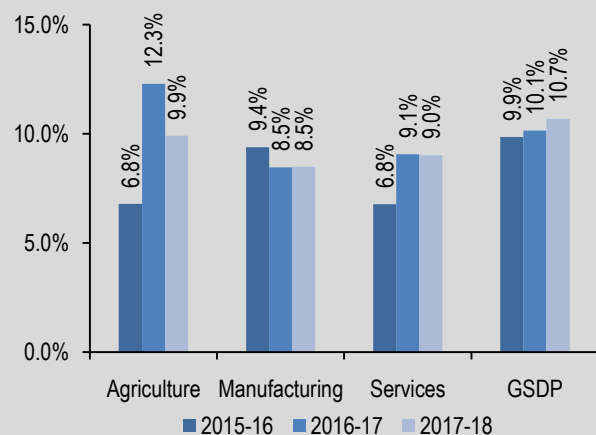
## Policy Highlights

- **Agriculture and allied activities:** As per the budget speech, crop loans of up to Rs 2 lakh taken by small and marginal farmers, as well as landless labourers will be waived. An amount of Rs 3,000 crore has been allocated for this provision of crop loan waivers. Further, an allocation of Rs 8,969 crore has been made for providing free power to the agriculture sector.
- **Power subsidy:** An amount of Rs 1,513 crore has been allocated for providing subsidised power to industries. Further, Rs 1,916 crore has been announced for providing subsidised power to domestic consumers, including Scheduled Caste, Backward Class, and below-poverty line consumers.
- **Rural development:** A new scheme, Smart Village Campaign, has been announced for strengthening infrastructure in rural areas. For this, an amount of Rs 2,600 crore has been announced.
- **Infrastructure:** A provision of Rs 700 crore has been made towards Atal Mission for Rejuvenation and Urban Transformation (AMRUT), which is aimed at upgrading urban infrastructure in 16 cities of Punjab. Further, Rs 300 crore has been allocated towards the Punjab Urban Environment Improvement Programme.

## Punjab's Economy

- **GSDP:** The growth rate of Punjab's GSDP (at current prices) has increased from 9.9% in 2015-16 to 10.7% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services contributed to 30%, 24%, and 46% of the Gross State Value Added respectively. Between 2016-17 and 2017-18, the sectors grew by 10%, 8.5%, and 9%, respectively.
- **Per capita income of Punjab:** The per capita net GSDP of Punjab in 2017-18 (at current prices) was Rs 1,41,552. This is 9.5% higher than that in 2016-17.
- **Unemployment:** According to the 5<sup>th</sup> Annual Employment-Unemployment Survey (2015-16), among the major states, the rate of unemployment is 6% in Punjab which is higher than the all-India level of 5%.

**Figure 1: Growth in GSDP and sectors in Punjab (year-on-year)**



Note: As per CSO, agriculture here includes mining and quarrying.  
Sources: Statistical Abstract 2019-20; Economic Survey of Punjab 2018-19; Punjab Budget Documents;

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 1,58,493 crore. This is 24.4% higher than the revised estimates of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 94,195 crore and borrowings of Rs 59,975 crore. Receipts for 2019-20 (other than borrowings) are expected to be 32.4% higher than the revised estimate of 2018-19.

**Table 1: Budget 2019-20 - Key figures (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
<b>Total Expenditure</b>	<b>1,00,547</b>	<b>1,29,698</b>	<b>1,27,415</b>	<b>-1.8%</b>	<b>1,58,493</b>	<b>24.4%</b>
A. Receipts (except borrowings)	53,083	73,868	71,142	-3.7%	94,195	32.4%
B. Borrowings	45,999	49,055	53,947	10.0%	59,975	11.2%
<b>Total Receipts (A+B)</b>	<b>99,082</b>	<b>1,22,923</b>	<b>1,25,090</b>	<b>1.8%</b>	<b>1,54,170</b>	<b>23.2%</b>
<b>Revenue Deficit</b>	<b>9,455</b>	<b>12,539</b>	<b>11,919</b>	<b>-4.9%</b>	<b>11,687</b>	<b>-1.9%</b>
As % of GSDP	2.01%	2.42%	2.30%	-	2.02%	-
<b>Fiscal Deficit</b>	<b>12,494</b>	<b>19,720</b>	<b>17,650</b>	<b>-10.5%</b>	<b>19,658</b>	<b>11.4%</b>
As % of GSDP	2.66%	3.81%	3.41%	-	3.40%	-
<b>Primary Deficit</b>	<b>-2,840</b>	<b>3,460</b>	<b>1,338</b>	<b>-61.3%</b>	<b>1,989</b>	<b>48.6%</b>
As % of GSDP	-0.60%	0.67%	0.26%	-	0.34%	-

Notes: BE is Budget Estimate; RE is Revised Estimate. GSDP for 2019-20 is Rs 5,77,829 crore. GSDP for 2018-19 RE is Rs 5,18,291 crore and 2018-19 BE taken to be Rs 5,18,165 crore.

Sources: Annual Financial Statement, Punjab Budget Documents 2019-20; PRS.

## Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 68,296 crore, which is an increase of 51.4% over the revised estimates of 2018-19.
- 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) repayment and grant of loans by the state government.
- Punjab's capital outlay for 2019-20 is estimated to be Rs 22,842 crore, which is 368.9% higher than the revised estimate of 2018-19. The capital outlay towards energy is estimated to increase by Rs 15,686 crore from the revised estimates of 2018-19.
- Revenue expenditure** for 2019-20 is proposed to be Rs 90,197 crore, which is an increase of 9.6% over revised estimates of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure accounts for 57% of the total expenditure of 2019-20.

### Power Sector

In 2019-20, Punjab has estimated to spend Rs 22,842 crore on capital outlay. This is an increase of 369% over the revised estimates of 2018-19. This increase is on account of investment in the state electricity boards of Rs 15,628 crore.

Note that, in 2019-20, Punjab has estimated to receive Rs 15,685 crore as recovery on loans and advances. Loans and advances typically include loans given by the state to statutory corporations, government companies, and other autonomous bodies. This increase is primarily on account of loans recovered from power projects of Rs 15,628 crore.

**Table 2: Expenditure budget 2019-20 (in Rs crore)**

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	38,082	43,346	45,098	4.0%	68,296	51.4%
of which Capital Outlay	2,352	6,385	4,872	-23.7%	22,842	368.9%
Revenue Expenditure	62,465	86,351	82,318	-4.7%	90,197	9.6%
<b>Total Expenditure</b>	<b>1,00,547</b>	<b>1,29,698</b>	<b>1,27,415</b>	<b>-1.8%</b>	<b>1,58,493</b>	<b>24.4%</b>
A. Debt Repayment	34,970	36,110	38,623	7.0%	44,640	15.6%
B. Interest Payments	15,334	16,260	16,312	0.3%	17,669	8.3%
<b>Debt Servicing (A+B)</b>	<b>50,304</b>	<b>52,370</b>	<b>54,935</b>	<b>4.9%</b>	<b>62,309</b>	<b>13.4%</b>

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Punjab Budget Documents 2019-20; PRS.

## Sector expenditure in 2019-20

The sectors listed below account for **44%** of the total budgeted expenditure of Punjab in 2019-20. A comparison of Punjab's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Punjab Budget 2019-20 (Rs crore)**

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Energy	1,321	3,007	2,399	17,806	642%	<ul style="list-style-type: none"> <li>Rs 1,513 crore and Rs 1,916 crore has been allocated for power subsidy to industries and domestic consumers respectively.</li> <li>An allocation of Rs 15,628 crore has been made for investment in state electricity boards.</li> </ul>
Agriculture and allied activities	7,595	15,432	14,734	14,500	-2%	<ul style="list-style-type: none"> <li>Rs 3,000 crore has been allocated for the provision of crop loan waivers.</li> <li>Rs 8,969 crore allocated for providing free power to the agriculture sector.</li> </ul>
Education	9,382	11,762	11,590	12,888	11%	<ul style="list-style-type: none"> <li>Rs 2,853 crore and Rs 6,215 crore has been allocated towards government primary schools and government secondary schools, respectively.</li> </ul>
Police	5,347	5,807	5,851	6,452	10%	<ul style="list-style-type: none"> <li>Rs 1,328 crore and Rs 4,028 crore has been allocated towards special police forces and district police, respectively.</li> </ul>
Health and Family Welfare	2,748	3,926	3,469	4,156	20%	<ul style="list-style-type: none"> <li>Rs 978 crore has been allocated for National Health Mission as per the budget speech.</li> </ul>
Social Welfare and Nutrition	2,055	3,553	3,532	3,753	6%	<ul style="list-style-type: none"> <li>Rs 635 crore has been allocated for child welfare.</li> <li>Rs 920 crore has been allocated for pension under social security schemes.</li> </ul>
Water Supply, Sanitation, Housing and Urban Development	1,587	3,710	2,805	3,394	21%	<ul style="list-style-type: none"> <li>Rs 616 crore has been allocated for rural water supply.</li> <li>As per the budget speech, Rs 700 crore has been allocated to the AMRUT scheme.</li> </ul>
Irrigation and Flood Control	1,498	2,108	1,812	2,266	25%	<ul style="list-style-type: none"> <li>Rs 461 crore has been allocated to the Sirhind Canal system.</li> </ul>
Rural Development	389	894	821	1,782	117%	<ul style="list-style-type: none"> <li>Rs 500 crore has been allocated to the Mahatma Gandhi National Rural Employment Guarantee Scheme.</li> </ul>
Transport	1,226	1,442	1,436	1,662	16%	<ul style="list-style-type: none"> <li>Rs 1,312 crore allocated for the construction of roads and bridges in the budget speech.</li> </ul>
Welfare of SC/ ST/OBC and Minorities	298	1,260	767	1,228	60%	<ul style="list-style-type: none"> <li>As per the budget speech, Rs 939 crore has been allocated for scholarships for SCs and backward classes.</li> </ul>
<b>% of total expenditure</b>	<b>33.3%</b>	<b>40.8%</b>	<b>38.6%</b>	<b>44.1%</b>		

Source: Punjab Budget Speech 2019-20, Punjab Annual Financial Statement 2019-20, Punjab Demand for Grants 2019-20; PRS.

**Committed liabilities:** Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest payments. A larger proportion of state budget allocated for committed expenditure crowds out other developmental expenditure. In 2019-20, Punjab has budgeted to spend Rs 55,523 crore on the payment of salaries, interest, and pensions. This is an increase of 7% over the revised estimates of 2018-19. Note that, committed liabilities account for 35% of the total expenditure of 2019-20.

**Table 4: Expenditure on committed liabilities in 2019-20 (in Rs crore)**

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Salaries	23,211	25,709	25,378	-1.3%	26,979	6%
Pensions	10,208	10,305	10,254	-0.5%	10,875	6%
Interest	15,334	16,260	16,312	0.3%	17,669	8%
<b>Total</b>	<b>48,753</b>	<b>52,273</b>	<b>51,944</b>	<b>-0.6%</b>	<b>55,523</b>	<b>7%</b>

Note: BE is Budget Estimate; RE is Revised Estimate.; Sources: Overview of Budget, Punjab Budget Documents 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 78,510 crore, an increase of 11.5% over the revised estimates of 2018-19. Of this, Rs 47,151 crore (60% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 31,359 crore (40% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- **Non Tax Revenue:** Punjab is estimated to generate Rs 9,477 crore through non-tax sources in 2019-20. Of this, Rs 1,407 crore will be the interest received by the state from the Punjab State Electricity Board.

**Table 5: Break up of state government receipts (Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	30,423	41,064	32,742	-20.3%	37,674	15.1%
State's Own Non-Tax	4,318	10,249	9,930	-3.1%	9,477	-4.6%
Share in Central Taxes	10,617	12,429	12,009	-3.4%	13,319	10.9%
Grants-in-aid from Centre	7,651	10,070	15,718	56.1%	18,039	14.8%
<b>Total Revenue Receipts</b>	<b>53,010</b>	<b>73,812</b>	<b>70,399</b>	<b>-4.6%</b>	<b>78,510</b>	<b>11.5%</b>
Borrowings	45,999	49,055	53,947	10.0%	59,975	11.2%
Other receipts	73	56	743	1232.9%	15,685	2010.1%
<b>Total Capital Receipts</b>	<b>46,073</b>	<b>49,111</b>	<b>54,691</b>	<b>11.4%</b>	<b>75,660</b>	<b>38.3%</b>
<b>Total Receipts</b>	<b>99,082</b>	<b>1,22,923</b>	<b>1,25,090</b>	<b>1.8%</b>	<b>1,54,170</b>	<b>23.2%</b>

Note: Grants in aid from centre includes GST compensation received by the state. Further, the grants in aid include additional resources mobilisation of Rs 1,500 crore in 2018-19 BE.

Sources: Punjab Budget Documents 2019-20; PRS.

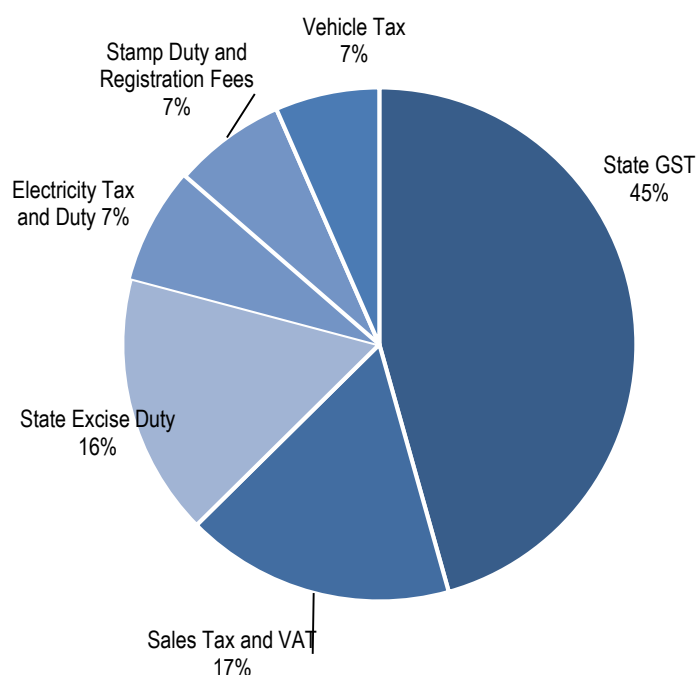
- **Tax Revenue:** Total own tax revenue of Punjab is estimated to be Rs 37,674 crore in 2019-20. The composition of the state's tax revenue is shown in Figure 2.
- The own tax to GSDP ratio is targeted at 6.5% in 2019-20, which is marginally higher than the revised estimate of 6.3% in 2018-19. This implies that growth in collection of taxes has been marginally higher than the growth in the economy.

### GST Revenue

Punjab's total GST revenue (including central transfers) is estimated to be Rs 29,760 crore in 2019-20, an increase of Rs 2,117 crore (8%) over the revised estimate of 2018-19.

Punjab has budgeted to receive Rs 8,619 crore in 2019-20 as compensation for loss of revenue arising due to the implementation of GST. This is a decrease of 8% over the 2018-19 estimates.

**Figure 2: Composition of the state's tax revenue in 2019-20 (Budget Estimates)**



Sources: Punjab Budget Documents 2019-20; PRS.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 17,110 crore in 2019-20. This is an increase of 22.8% from the revised estimates of 2018-19.
- In 2019-20, Punjab is expected to generate Rs 6,353 crore through the levy of sales tax (on items such as petroleum products), and VAT. This is an increase of 1.9% over the revised estimate of 2018-19.
- Further, in 2019-20 the state is expected to generate Rs 6,201 crore through the levy of state excise duty. This is an increase of 13.5% over the revised estimates of 2018-19.
- In addition, in 2019-20 the state is expected to generate Rs 2,711 crore from taxes and duties on electricity, and Rs 2,650 crore from stamp duty and registration fees.

## Deficits, Debts and FRBM Targets for 2019-20

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:** This is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue deficit of Rs 11,687 crore (or 2.02% of GSDP) in 2019-20. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The 14<sup>th</sup> Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Punjab suggest that the state will not be able to meet this target of eliminating revenue deficit.

**Fiscal deficit:** This 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 2019-20, Punjab's fiscal deficit is estimated to be Rs 19,658 crore, which is 3.4% of the GSDP. The estimate is higher than the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. This limit may be relaxed to a maximum of 3.5%, if states are able to contain their debt and interest payments to certain specified levels.

**Outstanding Liabilities:** This is the accumulation of borrowings over the years. In 2019-20, Punjab's outstanding liabilities are expected at 39.7% of the GSDP.

### Fiscal Deficit

In 2019-20, Punjab has budgeted a fiscal deficit of Rs 19,658 crore.

Between 2016-17 and 2017-18, the fiscal deficit of Punjab decreased significantly from 12.3% of GSDP to 2.7% of GSDP. However, it increased to 3.4% of GSDP in 2018-19, and is budgeted to remain at that level in 2019-20. This is higher than the 3% limit prescribed by the Finance Commission.

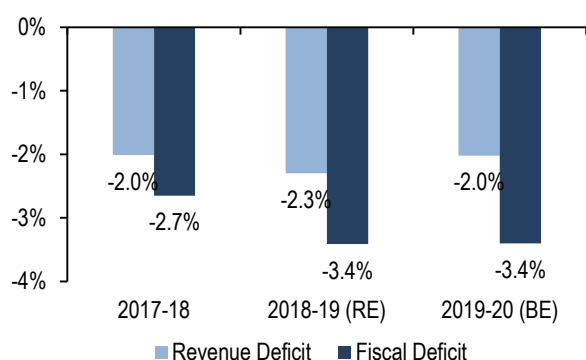
**Table 6: Budget targets for deficits for Punjab in 2019-20 (% of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	-2.0%	-2.7%	41.5%
2018-19 (RE)	-2.3%	-3.4%	41.0%
2019-20 (BE)	-2.0%	-3.4%	39.7%
2020-21	-1.2%	-2.6%	39.6%
2021-22	-1.0%	-2.4%	39.0%

Sources: Punjab Budget Documents 2019-20; PRS.

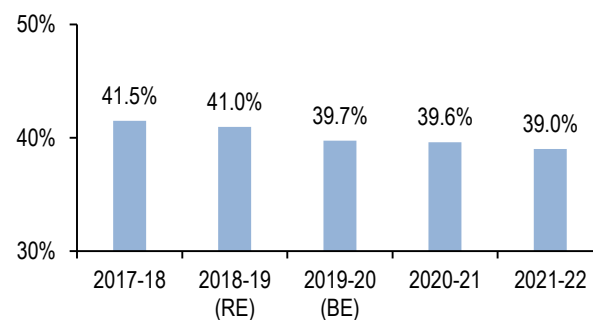
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

**Figure 3: Revenue and Fiscal Deficit (as % of GSDP)**



Sources: Punjab Budget Documents; PRS.

**Figure 4: Outstanding liabilities targets (as % of GSDP)**



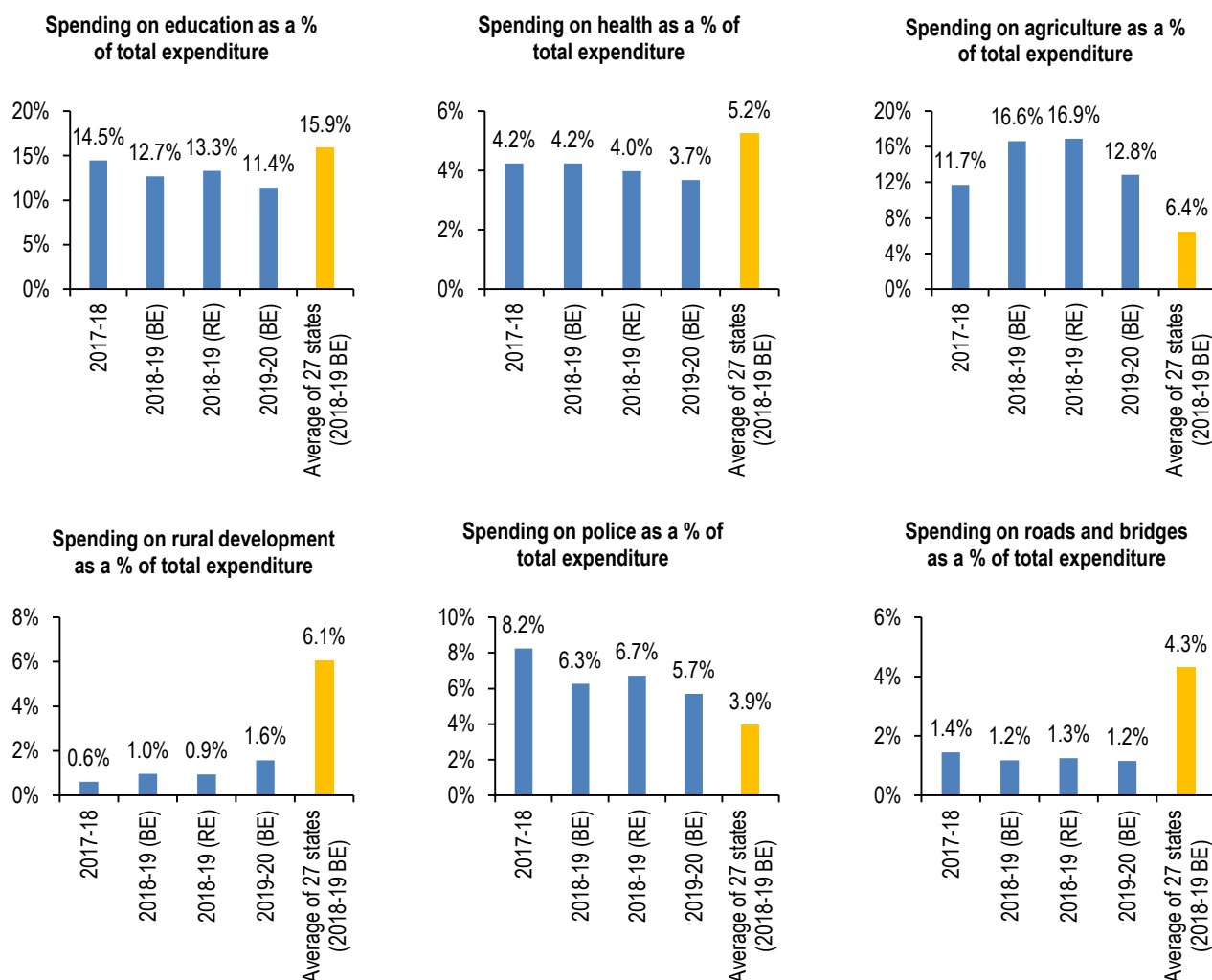
Sources: Punjab Budget Documents; PRS.

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## Annexure

The graphs below compare Punjab's expenditure on six key sectors as a proportion of its total budget, with 26 other states (using budgeted estimates of 2018-19).<sup>1</sup>

- **Education:** Punjab has allocated 11.4% of its expenditure on education in 2019-20. This is significantly lower than the average expenditure allocated to education by other states (15.9%).
- **Health:** Punjab has allocated 3.7% of its total expenditure on health, which is lower than the average expenditure of other states (5.2%).
- **Agriculture and allied activities:** The state has allocated 12.8% of its total budget towards agriculture and allied activities. This is higher than the allocations of other states (6.4%).
- **Rural development:** Punjab has allocated 1.6% of its expenditure on rural development. This is significantly lower than the average (6.1%) of the other states.
- **Police:** Punjab has allocated 5.7% of its total expenditure on police, which is higher than the average expenditure of other states (3.9%).
- **Roads and bridges:** Punjab has allocated 1.2% of its total expenditure on roads and bridges, which is significantly lower than the average expenditure of other states (4.3%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Punjab. Total expenditure includes revenue expenditure and capital outlay.

Source: Annual Financial Statement (2018-19 and 2019-20), various state budgets; PRS.

<sup>1</sup> The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.