

# Punjab Budget Analysis 2023-24

The Finance Minister of Punjab, Mr. Harpal Singh Cheema presented the Budget for the state for the financial year 2023-24 on March 10, 2023.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Punjab for 2023-24 (at current prices) is projected to be Rs 6.98 lakh crore, amounting to growth of 9.5% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 1,34,836 crore, an increase of 5.9% over the revised estimates of 2022-23. In addition, debt of Rs 61,626 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 1,00,052 crore, an increase of 6.3% as compared to the revised estimates of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to be 2% lower than the budget estimates.
- **Revenue deficit** in 2023-24 is estimated to be 3.5% of GSDP (Rs 24,589 crore). In 2022-23, the revenue deficit is expected to be 3.7% which is substantially higher than the budget estimate (2% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 5% of GSDP (Rs 34,784 crore). In 2022-23, fiscal deficit is estimated to be 5.2% of GSDP which is higher than the budget estimate (3.8% of GSDP).

## Policy Highlights

- **Agriculture:** A new Agriculture Policy will be launched to conserve natural resources and increase farmers income. Further, a Crop Insurance Policy will also be formulated. Five horticulture estates will be set up in the districts of Ludhiana, Gurdaspur, Patiala, Bathinda, and Faridkot.
- **Education and Sports:** Two new schemes- Professional Coaching for Employment, and Soft Skill and Communication Training will be launched. A new Sports Policy will be formulated to prepare players for national and international competition.
- **Health:** A Special Project will be launched to strengthen community health centres, sub-divisional hospitals and district hospitals.

## Punjab's Economy

- **GSDP:** In 2022-23, Punjab's GSDP (at constant prices) is estimated to grow at 6.1% over the previous year. In comparison, the national GDP is estimated to grow at 7% in 2022-23.
- **Sectors:** In 2022-23, agriculture, manufacturing, and services are estimated to contribute to 29%, 25%, and 46% to the economy (at current prices). In 2022-23, these sectors are estimated to grow at 3.7%, 4.3%, and 6.8% respectively over the previous year (at constant prices).
- **Per capita income:** In 2022-23, the per capita income of Punjab (at current prices) is estimated at Rs 1,73,873, an increase of 7% over the previous year.
- **Unemployment:** As per Periodic Labour Force Survey (July 2021-June 2022), the unemployment rate in Punjab was 6.4%, as compared to the national average of 4.1.

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



Sources: Punjab Economic Survey 2022-23; PRS.

## Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 1,34,836 crore. This is an increase of 5.9% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 1,00,052 crore and net borrowings of Rs 32,784 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 6.3% over the revised estimate of 2022-23.
- **Revenue deficit** in 2023-24 is estimated to be 3.5% of GSDP (Rs 24,589 crore), lower than the revised estimates for 2022-23 (3.7% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 5.0% of GSDP (Rs 34,784 crore), which is lower than the revised estimates for 2022-23 (5.2% of GSDP).
- In 2022-23, fiscal deficit is expected to be 5.2% of GSDP as per the revised estimates, higher than the budget estimate (3.8% of GSDP). In 2023-24, it is targeted at 5% of GSDP. In both these years, fiscal deficit is projected to be higher than the permitted limit by the central government. For 2022-23, the limit is 4% of GSDP and for 2023-24, the limit is 3.5% of GSDP; out of which, 0.5% of GSDP will be available only upon undertaking power sector reforms in both years.

**Table 1: Budget 2023-24 - Key figures (in Rs crore)**

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Total Expenditure	1,25,501	1,55,860	1,87,325	20.2%	1,96,462	4.9%
(-) Repayment of debt	19,279	35,946	59,946	66.8%	61,626	2.8%
<b>Net Expenditure (E)</b>	<b>1,06,222</b>	<b>1,19,913</b>	<b>1,27,379</b>	<b>6.2%</b>	<b>1,34,836</b>	<b>5.9%</b>
Total Receipts	1,19,551	1,51,129	1,83,595	21.5%	1,94,462	5.9%
(-) Borrowings	41,175	55,051	89,432	62.5%	94,410	5.6%
<b>Net Receipts (R)</b>	<b>78,375</b>	<b>96,078</b>	<b>94,163</b>	<b>-2.0%</b>	<b>1,00,052</b>	<b>6.3%</b>
<b>Fiscal Deficit (E-R)</b>	<b>27,847</b>	<b>23,835</b>	<b>33,216</b>	<b>39.4%</b>	<b>34,784</b>	<b>4.7%</b>
as % of GSDP	4.8%	3.8%	5.2%		5.0%	
<b>Revenue Deficit</b>	<b>18,468</b>	<b>12,554</b>	<b>23,891</b>	<b>90.3%</b>	<b>24,589</b>	<b>2.9%</b>
as % of GSDP	3.2%	2.0%	3.7%		3.5%	
<b>Primary Deficit</b>	<b>8,784</b>	<b>3,713</b>	<b>13,116</b>	<b>253.3%</b>	<b>12,784</b>	<b>-2.5%</b>
as % of GSDP	1.5%	0.6%	2.1%		1.8%	

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

Sources: Punjab Budget Documents 2023-24; PRS.

## Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 1,23,441 crore, an increase of 5% over the revised estimate of 2022-23. This includes expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 10,355 crore, an increase of 22% over the revised estimate of 2022-23. Capital outlay is the expenditure towards creation of assets. In 2022-23, capital outlay is expected to be 22% lower than the budget estimate.

### Power Subsidy

The CAG (2023) noted that during 2017-22, power subsidy in Punjab constituted a major portion of the total subsidies ranging between 68% and 99%. During the same period, subsidies have contributed to about 56% to 102% to the revenue deficit.

**Table 2: Power subsidy constitutes a major portion of total subsidies in Punjab (amount in Rs crore)**

	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22
<b>Subsidy</b>	6,982	13,361	10,161	9,748	14,516
<b>Of which</b>					
<b>Power Subsidy</b>	6,578	9,036	9,394	9,657	13,443

**Table 3: Expenditure budget 2023-24 (in Rs crore)**

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Revenue Expenditure	96,637	1,07,932	1,17,454	9%	1,23,441	5%
Capital Outlay	8,010	10,981	8,513	-22%	10,355	22%
Loans given by the state	1,576	1,000	1,412	41%	1,041	-26%
<b>Net Expenditure</b>	<b>1,06,222</b>	<b>1,19,913</b>	<b>1,27,379</b>	<b>6%</b>	<b>1,34,836</b>	<b>6%</b>

Sources: Annual Financial Statement, Punjab Budget 2023-24; PRS.

**Committed expenditure:** Committed expenditure of a state typically includes expenditure on payment of salaries, pension, 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 2023-24, Punjab is estimated to spend Rs 74,620 crore on committed expenditure, which is 75% of its estimated revenue receipts. This comprises spending on salaries (35% of revenue receipts), interest payments (22%), and pension (18%). In 2023-24, committed expenditure is expected to increase by 6% over the revised estimate of 2022-23.

**Table 4: Committed Expenditure in 2023-24 (in Rs crore)**

Committed Expenditure	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Salaries	28,086	31,172	33,028	6%	34,620	5%
Pension	14,730	15,146	17,200	14%	18,000	5%
Interest	19,064	20,122	20,100	0%	22,000	9%
<b>Committed Expenditure</b>	<b>61,879</b>	<b>66,440</b>	<b>70,328</b>	<b>6%</b>	<b>74,620</b>	<b>6%</b>

Sources: Budget in Brief and Annual Financial Statement, Punjab Budget 2023-24; PRS.

**Sector-wise expenditure:** The sectors listed below account for 54% of the total expenditure on sectors by the state in 2023-24. A comparison of Punjab expenditure on key sectors with that by other states is shown in Annexure 1.

**Table 5: Sector-wise expenditure under Punjab Budget 2023-24 (in Rs crore)**

Sector	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24	Budget Provisions (2023-24)
Education, Sports, Arts, and Culture	12,908	15,654	15,589	17,525	12%	Rs 8,645 crore has been allocated to government secondary schools.
Agriculture and Allied Activities	10,233	11,239	12,986	13,704	6%	Rs 7,465 crore has been allocated for power subsidy to farmers.
Social Welfare and Nutrition	7,022	7,595	8,791	8,963	2%	Rs 2,876 crore has been allocated to pensions under social security schemes.
Police	7,201	7,705	8,046	8,528	6%	District police has been allocated Rs 5,241 crore.
Energy	4,537	6,406	8,292	7,894	-5%	Rs 7,779 crore has been allocated towards subsidies.
Health and Family Welfare	3,942	5,600	5,232	5,595	7%	Urban health services- allopathy has been allocated Rs 3,123 crore.
Urban Development	1,997	3,188	2,923	2,682	-8%	Rs 1,137 crore has been allocated for AMRUT. Swachh Bharat Mission (Urban) has been allocated Rs 388 crore.
Irrigation and Flood Control	1,972	2,547	2,281	2,630	15%	Rs 855 crore has been allocated for capital outlay on medium irrigation.
Roads and Bridges	1,476	1,500	951	2,443	157%	Rs 2,147 crore has been allocated for capital outlay on roads and bridges.
Water Supply and Sanitation	1,071	2,374	1,566	1,987	27%	Rs 413 crore has been allocated for sewerage and sanitation.
<b>% of total expenditure on all sectors</b>	<b>50%</b>	<b>54%</b>	<b>53%</b>	<b>54%</b>	<b>2%</b>	

Sources: Annual Financial Statement, Punjab Budget 2023-24; PRS.

## Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 98,852 crore, an increase of 6% over the revised estimate of 2022-23. Of this, Rs 56,659 crore (60%) will be raised by the state through its **own resources**, and Rs 39,193 crore (40%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (19% of revenue receipts) and grants (21% of revenue receipts).
- In 2023-24, **state's share in central taxes** is estimated at Rs 18,458 crore, an increase of 8% over the revised estimate of 2022-23. **Grants from the centre** in 2023-24 is estimated at Rs 20,735 crore, a decrease of 21% over the revised estimates for 2022-23. One of the main reasons for this decline is discontinuation of GST compensation grant after June 2022. Although, the state has estimated a receipt of Rs 5,402 crore on this account. Further, there is also a decline in revenue deficit grants.
- **State's own revenue:** Punjab's total own tax revenue is estimated to be Rs 51,835 crore in 2023-24, an increase of 17% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 7.4% in 2023-24. For 2022-23, the state had originally estimated own tax revenue to GSDP ratio of 7.2% which is estimated to be 6.9% at the revised stage
- Punjab's own non-tax revenue is estimated to increase by 29% in 2023-24 over the revised estimate of 2022-23. This increase is on account of an increase in sale proceeds of maps.

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

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
State's Own Tax	37,327	45,588	44,140	-3%	51,835	17%
State's Own Non-Tax	4,784	6,302	6,053	-4%	7,824	29%
Share in Central Taxes	15,289	14,757	17,164	16%	18,458	8%
Grants from Centre	20,769	28,731	26,207	-9%	20,735	-21%
<b>Revenue Receipts</b>	<b>78,168</b>	<b>95,378</b>	<b>93,563</b>	<b>-2%</b>	<b>98,852</b>	<b>6%</b>
Non-debt Capital Receipts	207	700	600	-14%	1,200	100%
<b>Net Receipts</b>	<b>78,375</b>	<b>96,078</b>	<b>94,163</b>	<b>-2%</b>	<b>1,00,052</b>	<b>6%</b>

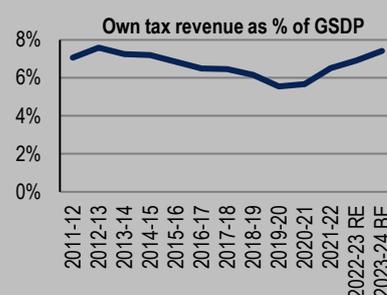
Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Punjab Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (44% share). State GST revenue is estimated to increase by 21% over the revised estimates of 2022-23. However, in 2022-23, the receipt on this account is expected to be 8% lower than budgeted.
- In 2023-24, revenue from state excise is estimated to increase by 10% over the revised estimates of 2022-23. However, in 2022-23, revenue from state excise is estimated to be 8% lower than the budget estimates.

### Own tax revenue as % of GSDP

Punjab's own tax revenue to GSDP ratio has seen a decline as compared to the levels observed between 2011-12 and 2014-15, indicative of a decline in capacity to raise taxes from economic activity. Since 2019-20 there has been an upward trend.



Sources: Punjab Economic Survey 2022-23; Budget Documents (2023-24); PRS.

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

Head	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
State GST	15,542	20,550	19,000	-8%	23,000	21%
Sales Tax/ VAT	6,869	6,250	6,400	2%	7,600	19%
Stamps Duty and Registration Fees	3,308	3,600	3,950	10%	4,750	20%
Taxes on Vehicles	2,359	2,575	2,650	3%	3,450	30%
State Excise	6,157	9,648	8,897	-8%	9,785	10%
Land Revenue	84	150	93	-38%	200	116%
Taxes and Duties on Electricity	2,852	2,550	2,900	14%	2,750	-5%
GST Compensation Grants	4,442	9,078	7,869	-13%	5,402	-31%
GST Compensation Loans	12,132	0	0	-	0	-

Sources: Annual Financial Statement, Revenue Budget, and Budget at a Glance statements, Punjab Budget 2023-24; PRS.

## Deficits, Debt, and FRBM Targets for 2023-24

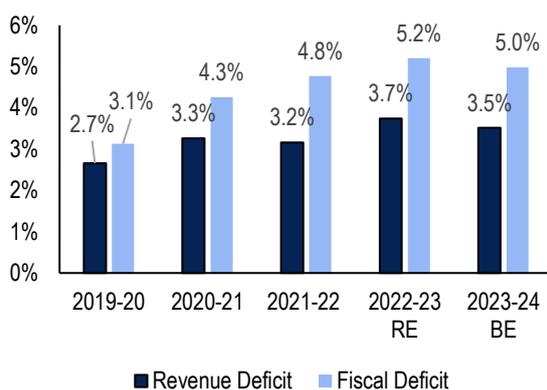
The Punjab Fiscal Responsibility and Budget Management Act, 2003 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

**Revenue deficit:** It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 24,589 crore (3.5% of the GSDP) in 2023-24. In 2022-23, revenue deficit is estimated to be Rs 23,891 crore (3.7% of the GSDP), which is significantly higher than the budget estimate (Rs 12,554 crore or 2% of GSDP). This is after accounting for revenue deficit grants of Rs 8,274 crore in 2022-23 and Rs 5,618 crore for 2023-24. These grants will be discontinued after 2024-25 for Punjab.

**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. Punjab's fiscal deficit is estimated to be 5.0% of GSDP in 2023-24. In 2022-23, fiscal deficit is estimated to be 5.2% of GSDP, higher than the budget estimates (3.8%). In 2022-23, the central government has allowed states a fiscal deficit of 4.0% of GSDP (including 0.5% for undertaking power sectors reforms). In both these years, fiscal deficit is projected to be higher than the permitted limit by the central government. For 2022-23, the limit is 4% of GSDP and for 2023-24, the limit is 3.5% of GSDP; out of which, 0.5% of GSDP will be available only upon undertaking power sector reforms in both years.

**Outstanding liabilities:** Outstanding liabilities are the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities are estimated to be 46.8% of GSDP.

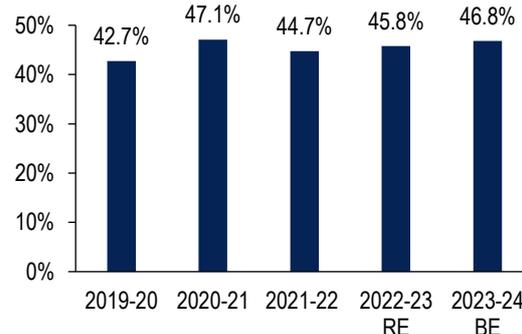
**Figure 2: Revenue and Fiscal Deficit (% of GSDP)**



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

Sources: Budget at a Glance, Punjab Budget 2023-24; PRS.

**Figure 3: Outstanding Liabilities (% of GSDP)**



Note: RE: Revised Estimates; BE: Budget Estimates. The figures have been reported after excluding back-to-back loan for GST compensation grant, which will be serviced by the central government from GST compensation cess fund.

Sources: Budget at a Glance, Punjab Budget 2023-24; PRS.

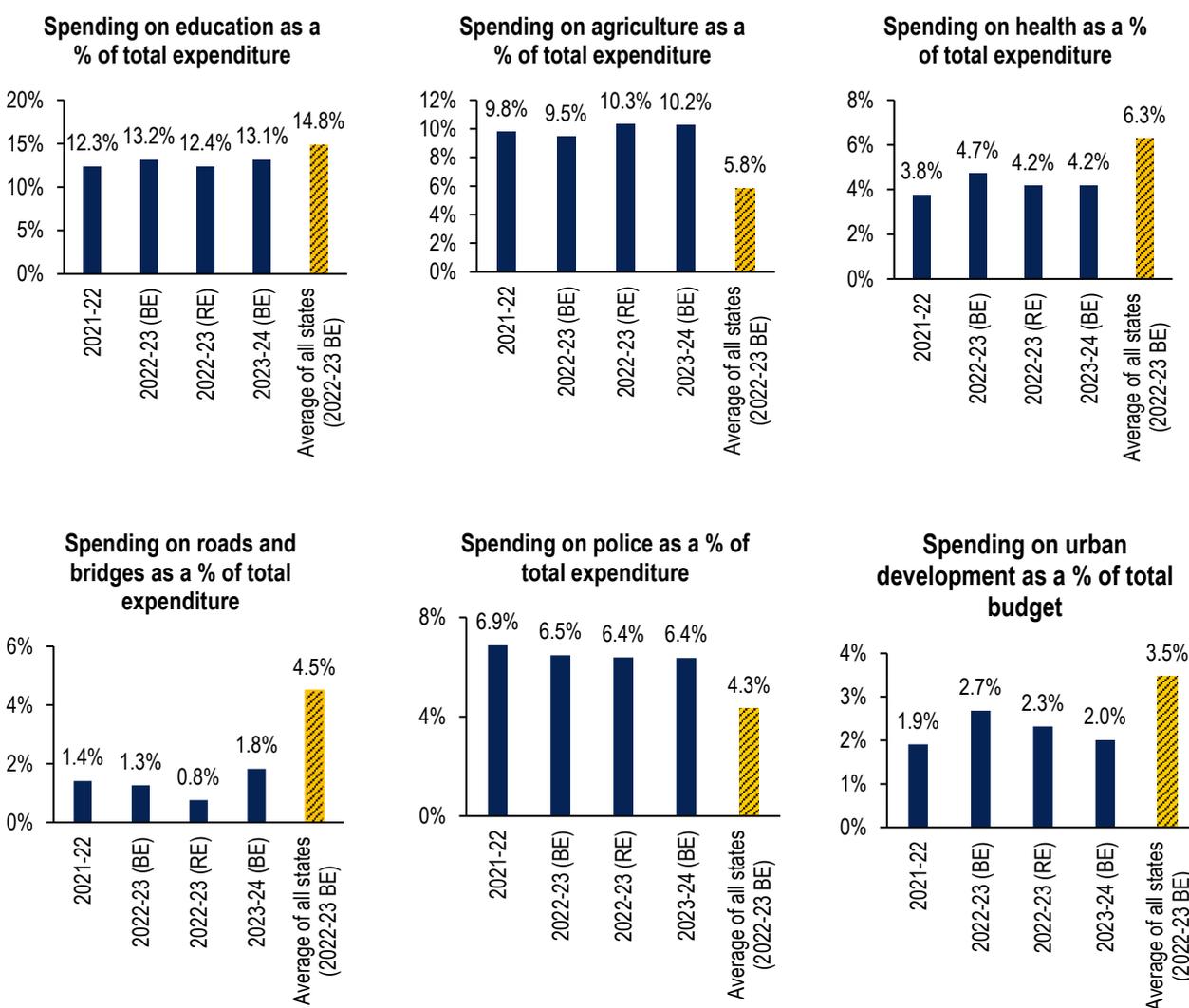
**Outstanding Government Guarantees:** Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises from financial institutions. As of March 31, 2023, total outstanding government guarantees were estimated to be Rs 31,282 crore (5% of GSDP), of which Rs 13,954 crore was for the Punjab State Power Corporation Limited.

**DISCLAIMER:** This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Punjab's expenditure in 2023-24 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 31 states (including Punjab) as per their budget estimates of 2022-23.<sup>1</sup>

- **Education:** Punjab has allocated 13.1% of its total expenditure towards education, which is lower than the average allocation for education by states (14.8%).
- **Agriculture:** Punjab has allocated 10.2% of its expenditure towards agriculture. This is higher than the average allocation towards agriculture by states (5.8%).
- **Health:** Punjab has allocated 4.2% of its expenditure on health in 2023-24. This is lower than the average allocation for education by states in 2022-23 (6.3%).
- **Roads and bridges:** The state has allocated 1.8% of its total expenditure towards roads and bridges, which is lower than the average allocation by states (4.5%).
- **Police:** Punjab has allocated 6.4% of its expenditure towards police. This is higher than the average allocation towards police by states (4.3%).
- **Urban development:** Punjab has allocated 2% of its expenditure towards urban development, which is lower than the average allocation towards urban development by states (3.5%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Punjab.

Sources: Annual Financial Statement, Punjab Budget 2023-24; various state budgets; PRS.

<sup>1</sup> The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

## Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

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

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
<b>Net Receipts (1+2)</b>	<b>95,263</b>	<b>78,375</b>	<b>-18%</b>
1. Revenue Receipts (a+b+c+d)	95,258	78,168	-18%
a. Own Tax Revenue	37,434	37,327	0%
b. Own Non-Tax Revenue	7,758	4,784	-38%
c. Share in central taxes	12,027	15,289	27%
d. Grants-in-aid from the Centre	38,038	20,769	-45%
Of which GST compensation grants	16,871	4,442	-74%
2. Non-Debt Capital Receipts	5	207	4035%
3. Borrowings	67,336	41,175	-39%
Of which GST compensation loan	0	12,132	-
<b>Net Expenditure (4+5+6)</b>	<b>1,19,502</b>	<b>1,06,222</b>	<b>-11%</b>
4. Revenue Expenditure	1,03,880	96,637	-7%
5. Capital Outlay	14,134	8,010	-43%
6. Loans and Advances	1,488	1,576	6%
7. Debt Repayment	48,513	19,279	-60%
<b>Revenue Deficit</b>	<b>8,622</b>	<b>18,468</b>	<b>114%</b>
<b>Revenue Deficit (as % of GSDP)</b>	<b>1.4%</b>	<b>3.2%</b>	<b>-</b>
Fiscal Deficit	24,240	27,847	15%
<b>Fiscal Deficit (as % of GSDP)</b>	<b>4.0%</b>	<b>4.8%</b>	<b>-</b>

Note: BE: Budget Estimates.

Sources: Punjab Budget Documents of various years; PRS.

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

Heads	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
State Excise	7,003	6,157	-12%
Taxes and Duties on Electricity	3,026	2,852	-6%
Land Revenue	87	84	-4%
State GST	16,000	15,542	-3%
Taxes on Vehicles	2,200	2,359	7%
Sales Tax/ VAT	6,028	6,869	14%
Stamps Duty and Registration Fees	2,890	3,308	14%

Sources: Punjab Budget Documents of various years; PRS.

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

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Housing	605	30	-95%
Rural Development	2,632	917	-65%
Water Supply and Sanitation	2,148	1,071	-50%
Urban Development	3,925	1,997	-49%
Welfare of SC, ST, OBC, and Minorities	1,372	707	-48%
Irrigation and Flood Control	3,214	1,972	-39%
Agriculture and Allied Activities	12,902	10,233	-21%
Roads and Bridges	1,838	1,476	-20%
Health and Family Welfare	4,662	3,942	-15%
Transport	2,191	2,071	-5%
Education, Sports, Arts, and Culture	13,652	12,908	-5%
Police	7,058	7,201	2%
Social Welfare and Nutrition	6,562	7,022	7%
Water Supply and Sanitation	3,578	5,135	44%

Sources: Punjab Budget Documents of various years; PRS.