

Punjab Budget Analysis 2025-26

The Finance Minister of Punjab, Mr. Harpal Singh Cheema, presented the Budget for the state for the financial year 2025-26 on March 26, 2025.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Punjab for 2025-26 (at current prices) is projected to be Rs 8,91,301 crore, amounting to growth of 10% over 2024-25.
- **Expenditure (excluding debt repayment)** in 2025-26 is estimated to be Rs 1,46,632 crore, an increase of 4% from the revised estimates of 2024-25. In addition, debt of Rs 89,449 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2025-26 are estimated to be Rs 1,12,431 crore, an increase of 8% as compared to the revised estimate of 2024-25.
- **Revenue deficit** in 2025-26 is estimated to be 2.7% of GSDP (Rs 23,957 crore), as compared to a revenue deficit of 3.5% of GSDP (Rs 28,685 crore) at the revised estimate stage in 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 3.8% of GSDP (Rs 34,201 crore). In 2024-25, as per the revised estimates, fiscal deficit is expected to be 4.5% of GSDP, higher than the budgeted 3.8% of GSDP.

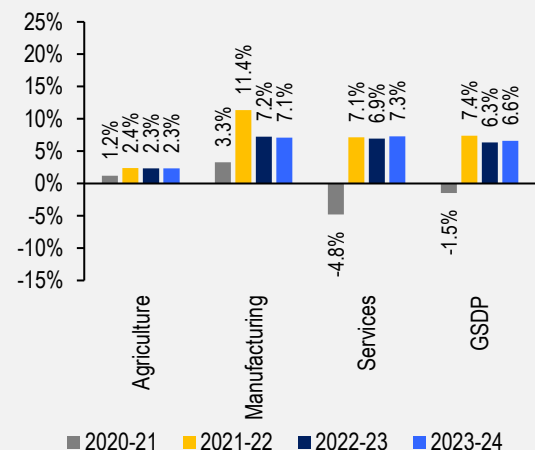
Policy Highlights

- **Rural Development:** Rs 3,500 crore has been allocated for infrastructure development in rural areas. This scheme includes works such as cleaning up of village ponds, construction of village playgrounds, installation of streetlights, restoration of canals, and setting up of sewage treatment systems.
- **Drug Census:** Rs 150 crore has been allocated to carry out a drug census in Punjab in 2025-26. It will collect data related to prevalence of drugs in the state. In addition, Rs 110 crore has been allocated towards deployment of anti-drone systems and 5,000 home guards alongside the BSF to prevent cross-border smuggling of drugs and arms.
- **Sports:** Under the scheme “Khed-da Punjab, Badalda Punjab”, playgrounds and indoor gyms will be built across the state and 13 existing Centres of Excellence for sports will be modernised.
- **Health and Family:** State health insurance scheme will be made universal to cover 65 lakh families in Punjab. Families covered under the Mukh Mantri Sarbat Sehat Bima Yojana will receive a Sehat Card through which they can avail cashless treatment of up to Rs 10 lakh at private and government hospitals in the state.

Punjab’s Economy

- **GSDP:** In 2023-24, Punjab’s GSDP (at constant prices) is estimated to grow by 6.6% over the previous year. In comparison, India’s GDP is estimated to grow by 9.2% in 2023-24.
- **Sectors:** In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 26%, 28%, and 47% of Punjab’s economy, respectively (at current prices).
- The agriculture sector grew by 2.3% in 2023-24. Manufacturing sector grew by 7.1% in 2023-24, compared to 7.2% in 2022-23. Services grew by 7.3% in 2023-24, compared to 6.9% in 2022-23.
- **Per capita GSDP:** In 2023-24, Punjab’s per capita GSDP (at current prices) is estimated to be Rs 2,27,950, an increase of 7.9% over 2022-23. India’s per capita GDP in 2023-24 is estimated to be Rs 2,15,935, an increase of 11% over the previous year.

Figure 1: Growth in Punjab’s GSDP 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 2025-26

- **Total expenditure (excluding debt repayment)** in 2025-26 is targeted at Rs 1,46,632 crore. This is an increase of 4% from the revised estimate of 2024-25. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 1,12,431 crore and net borrowings of Rs 31,701 crore. Total receipts for 2025-26 (other than borrowings) are expected to register an increase of 8% over the revised estimate of 2024-25.
- The state estimates a **revenue deficit** of 2.7% of GSDP (Rs 23,957 crore) in 2025-26, as compared to a revenue deficit of 3.5% of GSDP at the revised estimate stage of 2024-25. In 2024-25, Punjab had budgeted a revenue deficit of 2.9% of GSDP. The increase in revenue deficit in 2024-25 is driven by a 4% increase in revenue expenditure along with unchanged revenue receipts between budget and revised estimates.
- **Fiscal deficit** for 2025-26 is targeted at 3.8% of GSDP (Rs 34,201 crore), lower than the revised estimates for 2024-25 (4.5% of GSDP). Punjab had budgeted a similar fiscal deficit of 3.8% of GSDP in 2024-25. For 2025-26, states' fiscal deficit limit has been fixed at 3.5% of GSDP, of which 0.5% of GSDP is linked to undertaking power sector reforms.

Table 1: Budget 2025-26 - Key figures (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Total Expenditure	1,95,798	2,04,918	2,25,261	10%	2,36,081	5%
(-) Repayment of debt	73,452	69,867	84,117	20%	89,449	6%
Net Expenditure (E)	1,22,346	1,35,051	1,41,144	5%	1,46,632	4%
Total Receipts	1,92,265	2,03,418	2,22,261	9%	2,33,581	5%
(-) Borrowings	1,03,034	98,831	1,17,866	19%	1,21,150	3%
<i>of which central capex loans*</i>	0	1,900	2,355	24%	200	-92%
Net Receipts (R)	89,231	1,04,586	1,04,394	0%	1,12,431	8%
Fiscal Deficit (E-R)	33,115	30,465	36,750	21%	34,201	-7%
<i>as % of GSDP</i>	4.4%	3.8%	4.5%		3.8%	
Revenue Deficit	28,215	23,198	28,685	24%	23,957	-16%
<i>as % of GSDP</i>	3.8%	2.9%	3.5%		2.7%	
Primary Deficit	10,563	6,565	12,796	95%	9,206	-28%
<i>as % of GSDP</i>	1.4%	0.8%	1.6%		1.0%	
GSDP	7,44,899	8,02,701	8,09,538	1%	8,91,301	10%

Note: BE is Budget Estimates; RE is Revised Estimates. *Central government has been providing 50-year interest-free loans to state governments for capital expenditure since 2020-21. These loans are excluded from the calculation of the state's borrowing ceiling. Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; PRS.

Expenditure in 2025-26

- **Revenue expenditure** for 2025-26 is proposed to be Rs 1,35,698 crore, an increase of 2% over the revised estimate of 2024-25. This includes the expenditure on salaries, pension, interest, grants, and subsidies.
- **Capital outlay** for 2025-26 is proposed to be Rs 10,302 crore, an increase of 23% from the revised estimate of 2024-25. Capital outlay indicates the expenditure towards creation of assets.
- In 2025-26, loans and advances by the state are expected to be Rs 632 crore, 61% higher as compared to the revised estimate of 2024-25.

Power Subsidies

Punjab is estimated to spend Rs 20,500 crore on power subsidies in 2025-26 (18% of its budgeted revenue receipts). This is 1.5% higher than the revised estimate for 2024-25. In 2023-24, the state spent Rs 18,177 crore on power subsidies which was 20% of its revenue receipts. According to the state government, the inflating power subsidies as a share of revenue receipts is a major concern. The 15th Finance Commission had observed that long-term finances of the state are dependent on rationalisation of free power given to farmers.

Sources: 15th Finance Commission Report; Medium Term Fiscal Policy, Punjab Budget Documents 2025-26.

Table 2: Expenditure budget 2025-26 (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Revenue Expenditure	1,17,407	1,27,134	1,32,405	4%	1,35,698	2%
Capital Outlay	4,743	7,445	8,347	12%	10,302	23%
Loans given by the state	196	472	393	-17%	632	61%
Net Expenditure	1,22,346	1,35,051	1,41,144	5%	1,46,632	4%

Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, 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 capital outlay. In 2025-26, Punjab is estimated to spend Rs 82,174 crore on committed expenditure, which is 74% of its estimated revenue receipts. This comprises spending on salaries (33% of revenue receipts), interest payments (22%), and pension (19%). In 2023-24, as per actual figures, Punjab spent 86% of its revenue receipts on committed expenditure.

Table 3: Committed Expenditure in 2025-26 (in Rs crore)

Committed Expenditure	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Salaries	33,746	35,168	34,533	-2%	36,428	5%
Pension	20,090	19,800	19,602	-1%	20,750	6%
Interest payment	22,552	23,900	23,954	0%	24,995	4%
Total	76,388	78,868	78,089	-1%	82,174	5%

Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; PRS.

Sector-wise expenditure: The sectors listed below account for 52% of the total expenditure on sectors by the state in 2025-26. A comparison of Punjab's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Punjab Budget 2025-26 (in Rs crore)

Sectors	2023-24 Actuals	2024-25 BE	2024-25 RE	2025-26 BE	% change from RE 24-25 to BE 25-26	Budget Provisions (2025-26)
Education, Sports, Arts, and Culture	15,643	17,330	17,125	19,110	12%	<ul style="list-style-type: none"> Rs 4,248 crore has been allocated to Government Primary Schools. Rs 8,727 crore has been allocated to Government Secondary Schools.
Agriculture and Allied Activities	12,093	13,660	14,110	14,407	2%	<ul style="list-style-type: none"> Rs 9,992 crore has been allocated for providing power subsidies to farmers.
Social Welfare and Nutrition	8,727	9,004	9,433	9,501	1%	<ul style="list-style-type: none"> Rs 6,175 crore has been allocated towards state social assistance programs for old age persons, widows and destitute women, dependent children, and disabled persons.
Police	8,213	8,453	8,581	9,269	8%	<ul style="list-style-type: none"> Rs 5,384 crore has been allocated for district police.
Energy	6,841	7,934	11,412	7,710	-32%	<ul style="list-style-type: none"> Rs 7,614 crore has been allocated as assistance to electricity boards.
Health and Family Welfare	5,010	6,171	5,857	6,660	14%	<ul style="list-style-type: none"> Rs 3,699 crore has been allocated towards urban health services – allopathy. Rs 632 crore has been allocated towards rural health services – allopathy.
Irrigation and Flood Control	2,026	2,107	3,141	3,235	3%	<ul style="list-style-type: none"> Rs 1,999 crore has been allocated for capital outlay on irrigation and flood control.
Transport	1,600	2,340	2,184	2,392	10%	<ul style="list-style-type: none"> Rs 1,610 crore has been allocated towards capital outlay on roads and bridges.
Rural Development	778	1,086	1,503	1,896	26%	<ul style="list-style-type: none"> Rs 615 crore has been allocated for the National Rural Employment Guarantee Scheme.
Water Supply and Sanitation	1,240	1,549	1,537	1,614	5%	<ul style="list-style-type: none"> Rs 485 crore has been allocated for the Rural Water Supply Programme.
% of total expenditure on all sectors	51%	52%	53%	52%		

Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; PRS.

Receipts in 2025-26

- **Total revenue receipts** for 2025-26 are estimated to be Rs 1,11,740 crore, an increase of 8% over the revised estimate of 2024-25. Of this, Rs 75,461 crore (68%) will be raised by the state through its **own resources**, and Rs 36,280 crore (32%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (23% of revenue receipts) and grants (9% of revenue receipts).
- **Devolution:** In 2025-26, the state's share in central taxes is estimated at Rs 25,704 crore, an increase of 11% over the revised estimate of 2024-25.
- **Grants from the centre** in 2025-26 are estimated at Rs 10,576 crore, a decrease of 10% over the revised estimates for 2024-25. As per the recommendations of the 15th Finance Commission, the central government has been providing revenue deficit grants to 17 states to help eliminate revenue deficit. The Commission had recommended grants worth Rs 25,968 crore for Punjab, which ended in 2024-25. The decrease in grants from centre to Punjab is primarily on account of no receipts under this account.
- **State's own tax revenue:** Punjab's total own tax revenue is estimated to be Rs 63,250 crore in 2025-26, an increase of 9% over the revised estimate of 2024-25. Own tax revenue as a percentage of GSDP is estimated at 7.1% in 2025-26, marginally lower than the revised estimates for 2024-25. As per the actual figures for 2023-24, own tax revenue as a percentage of GSDP was 6.3%.

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

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
State's Own Tax	47,252	58,900	57,919	-2%	63,250	9%
State's Own Non-Tax	7,234	11,246	10,826	-4%	12,211	13%
Share in Central Taxes	20,410	22,041	23,254	6%	25,704	11%
Grants-in-aid from Centre	14,296	11,748	11,721	0%	10,576	-10%
Revenue Receipts	89,192	1,03,936	1,03,720	0%	1,11,740	8%
Non-debt Capital Receipts	39	650	674	4%	690	2%
Net Receipts	89,231	1,04,586	1,04,394	-0.2%	1,12,431	8%

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

Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; PRS.

- In 2025-26, **State GST** is estimated to be the largest source of own tax revenue (44% share). State GST revenue is estimated to increase by 10% over the revised estimates of 2024-25.
- Revenue from Sales tax/ VAT in 2025-26 is expected to be 4% higher than the revised estimate stage of 2024-25.
- Revenue from state excise is estimated to be 8% higher in 2025-26 over the revised estimate of 2024-25.

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

Head	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
State GST	20,925	25,750	25,200	-2%	27,650	10%
State Excise	9,233	10,350	10,350	0%	11,200	8%
Sales Tax/ VAT	6,501	8,550	7,851	-8%	8,200	4%
Stamps Duty and Registration Fees	4,359	5,750	6,200	8%	7,000	13%
Taxes on Vehicles	2,938	4,350	4,350	0%	4,730	9%
Taxes and Duties on Electricity	3,033	3,500	3,500	0%	3,745	7%
Land Revenue	97	230	113	-51%	230	103%

Sources: Annual Financial Statement, Revenue Budget, Punjab Budget Documents 2025-26; PRS.

Deficits, Debt, and FRBM Targets for 2025-26

The Punjab Fiscal Responsibility and Budget Management Act, 2003 provides annual targets to progressively reduce the outstanding debt, 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 23,957 crore (or 2.7% of the GSDP) in 2025-26.

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 2025-26, the fiscal deficit is estimated to be 3.8% of GSDP. For 2025-26, the central government has permitted fiscal deficit of up to 3% of GSDP to states. Additional borrowing space up to 0.5% of GSDP will also be available for undertaking certain power sector reforms. The central government also provides 50-year interest free loans to states for capital expenditure which is not included in states' borrowing limit.

As per the revised estimates, in 2024-25, the fiscal deficit of the state is expected to be 4.5% of GSDP, higher than the budget estimate of 3.8% of GSDP.

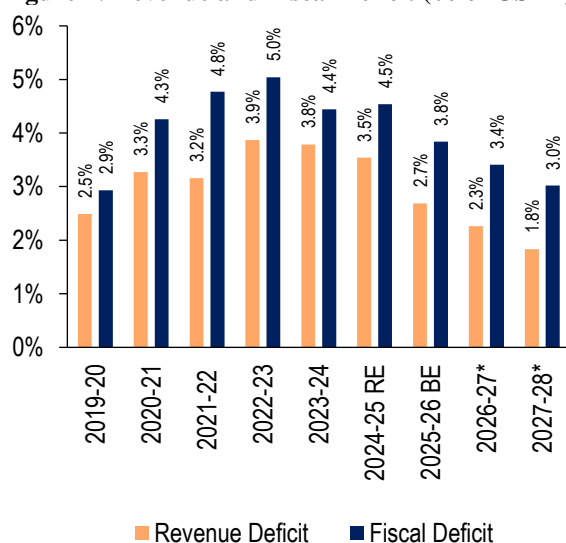
Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year. At the end of 2025-26, the outstanding debt is estimated to be 44.5% of GSDP, lower than the revised estimate for 2024-25 (44.8% of GSDP).

Fiscal Health of Punjab

The Fiscal Health Index of the Niti Aayog for the year 2022-23 ranked 18 states based on their fiscal health. The performance of states was assessed on five criteria: (i) quality of expenditure, (ii) revenue mobilisation, (iii) fiscal prudence, (iv) debt index, and (v) debt sustainability. Punjab was ranked 18th among all the assessed states. The report observed that Punjab has witnessed growing debt burdens raising serious concerns about debt sustainability. The report also noted that without intervention debt levels may continue to rise in Punjab. It recommended the state to improve revenue mobilisation and capital project execution.

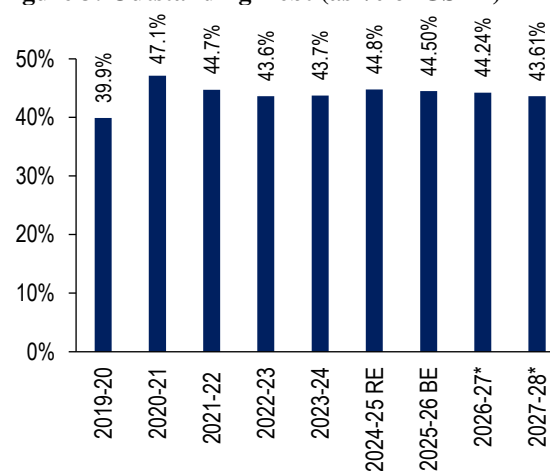
Sources: Fiscal Health Index 2025, Niti Aayog.

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



Note: *Figures from 2026-27 onwards are projections. RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Punjab Budget Documents 2025-26; PRS.

Figure 3: Outstanding Debt (as % of GSDP)



Note: *Figures from 2026-27 onwards are projections. BE is budget estimates; Figures above exclude GST compensation loans, which are to be repaid by the central government. RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Punjab Budget Documents 2025-26; PRS.

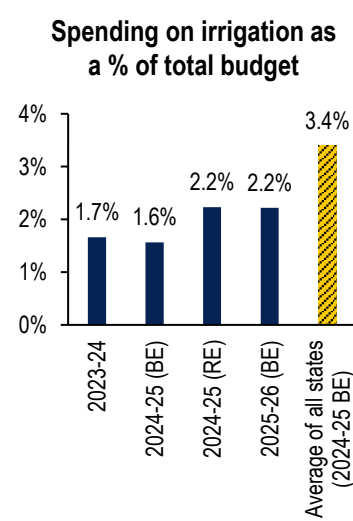
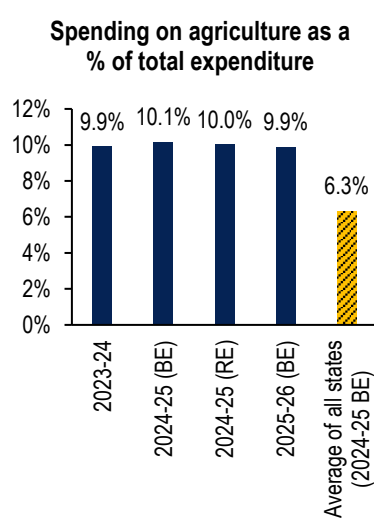
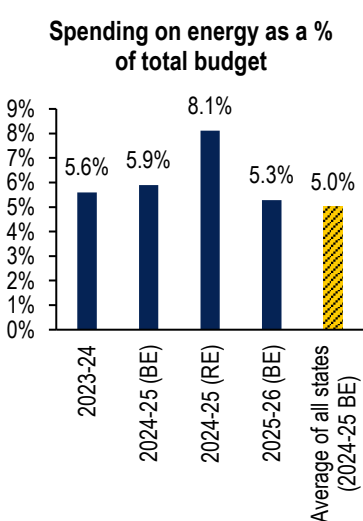
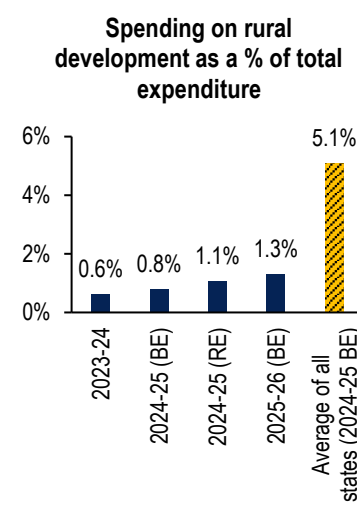
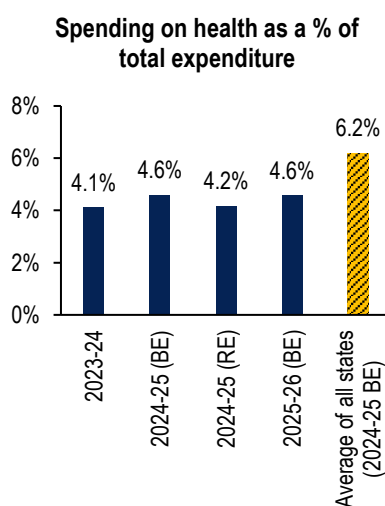
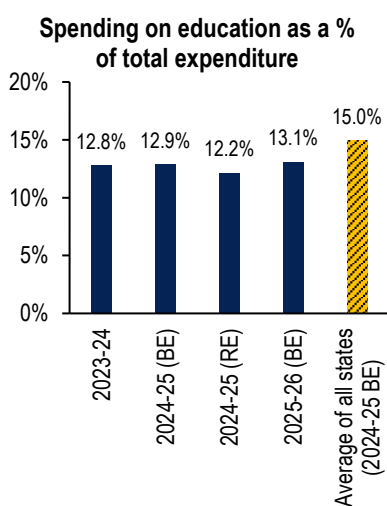
Outstanding Government Guarantees: Outstanding debt of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2025, the state's outstanding guarantee is estimated to be Rs 31,122 crore, which is 3.8% of Punjab's GSDP.

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 2025-26 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 2024-25.¹

- **Education:** Punjab has allocated 13.1% of its expenditure on education in 2025-26. This is lower than the average allocation for education by states in 2024-25 (15%).
- **Health:** Punjab has allocated 4.6% of its expenditure on health in 2025-26. This is lower than the average allocation for health by states in 2024-25 (6.2%).
- **Rural development:** Punjab has allocated 1.3% of its expenditure on rural development in 2025-26. This is lower than the average allocation for rural development by states in 2024-25 (5.1%).
- **Energy:** Punjab has allocated 5.3% of its expenditure on energy in 2025-26. This is higher than the average allocation for energy by states in 2024-25 (5%).
- **Agriculture:** Punjab has allocated 9.9% of its expenditure on agriculture in 2025-26. This is higher than the average allocation for agriculture by states in 2024-25 (6.3%).
- **Irrigation:** Punjab has allocated 2.2% of its expenditure on irrigation in 2025-26. This is lower than the average allocation for irrigation by states in 2024-25 (3.4%).



Note: 2023-24, 2024-25 (BE), 2024-25 (RE), and 2025-26 (BE) figures are for Punjab.

Sources: Annual Financial Statement, Punjab Budget Documents 2025-26; various state budgets; PRS.

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

Annexure 2: Comparison of 2023-24 Budget Estimates and Actuals

The following tables compare the actuals of 2023-24 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,00,052	89,231	-11%
1. Revenue Receipts (a+b+c+d)	98,852	89,192	-10%
a. Own Tax Revenue	51,835	47,252	-9%
b. Own Non-Tax Revenue	7,824	7,234	-8%
c. Share in central taxes	18,458	20,410	11%
d. Grants-in-aid from the Centre	20,735	14,296	-31%
2. Non-Debt Capital Receipts	1,200	39	-97%
3. Borrowings	94,410	1,03,034	9%
Of which central capex loans	1,880	0	-100%
Net Expenditure (4+5+6)	1,34,836	1,22,346	-9%
4. Revenue Expenditure	1,23,441	1,17,407	-5%
5. Capital Outlay	10,355	4,743	-54%
6. Loans and Advances	1,041	196	-81%
7. Debt Repayment	61,626	73,452	19%
Revenue Deficit	24,589	28,215	15%
Revenue Deficit (as % of GSDP)	3.5%	3.8%	
Fiscal Deficit	34,784	33,115	-5%
Fiscal Deficit (as % of GSDP)	5.0%	4.4%	

Source: Punjab Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Land Revenue	200	97	-52%
Taxes on Vehicles	3,450	2,938	-15%
Sales Tax/ VAT	7,600	6,501	-14%
State GST	23,000	20,925	-9%
Stamps Duty and Registration Fees	4,750	4,359	-8%
State Excise	9,785	9,233	-6%
Taxes and Duties on Electricity	2,750	3,033	10%

Source: Punjab Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Urban Development	2,682	1,215	-55%
Transport	2,940	1,600	-46%
of which Roads and Bridges	2,443	1,078	-56%
Rural Development	1,414	778	-45%
Water Supply and Sanitation	1,987	1,240	-38%
Housing	544	338	-38%
Irrigation and Flood Control	2,630	2,026	-23%
Energy	7,894	6,841	-13%
Agriculture and Allied Activities	13,704	12,093	-12%
Education, Sports, Arts, and Culture	17,525	15,643	-11%
Health and Family Welfare	5,595	5,010	-10%
Police	8,528	8,213	-4%
Social Welfare and Nutrition	8,963	8,727	-3%
Welfare of SC, ST, OBC, and Minorities	1,046	1,064	2%

Source: Punjab Budget Documents of various years; PRS.