2. State finances

AN OVERVIEW OF TRENDS: 1985-97

Three factors make past trends going back to the mid-eighties a poor guide to future prospects. The first (see *Introduction*, chapter 1) was the impact of the fight against terrorism in the eighties in terms of both total expenditure and its composition. Although that is a factor that should improve fiscal prospects relative to past trends, especially since Central loan waivers help the State cope with the debt accumulated during that time, there are two contrary factors at work. One is the spate of fiscal giveaways legislated in Q1 1997 (free water and electricity for farmers; abolition of land revenue and property taxes on residential structures) which have damaged fiscal prospects in the State to a degree not captured by their immediate impact on the State budget, because the burden has been transferred out of the State exchequer onto local bodies, or PSUs, through deferment or denial of compensation. The other is the impact of the Pay Commission on wages and salaries starting 1997/98.

Fiscal deficit: The quantum of the gross fiscal deficit (GFD; see appendix C for definitions) is an outcome of bilateral negotiations between the State and Central governments on permissible net borrowing, so that the GFD by itself is not an adequate measure of fiscal health at State level. Total expenditure accommodates to the limits set by total revenue and the negotiated GFD. Within total expenditure, different components bear the burden of fiscal accommodation in accordance with the scope each offers for discretionary compression. Since capital outlay is entirely discretionary, the revenue balance is a better indicator of fiscal health at State level. The revenue balance turned negative in Punjab in 1987/88 and has consistently remained so ever since (chart 2.1).

Fiscal trends: The summary figures below and chart 2.1 show that the sharp fiscal worsening in 1987/88 has been partially corrected since. However, the fiscal recovery is least apparent in the revenue deficit, which at 2.7 percent in 1996/97 is not much below its peak value of 3.5 percent in 1995/96.

Loan waivers: Episodic loan waivers reduce the fiscal deficit and give a false appearance of expenditure control and fiscal correction. Chart 2.1 shows the deficits for 1995/96 and 1996/97 adjusted for loan waivers. The unadjusted figures in table 2.1 show an apparent fiscal correction of 1.5 percent in 1995/96, entirely a result of a write-off that year of Rs. 909 crore of accumulated interest and amortisation on past loans including a special term loan of Rs. 5800 crore to fight terrorism in the State, which is entered in the

Chart 2.1: Gross Fiscal, Primary and Revenue Deficit (Adjusted)

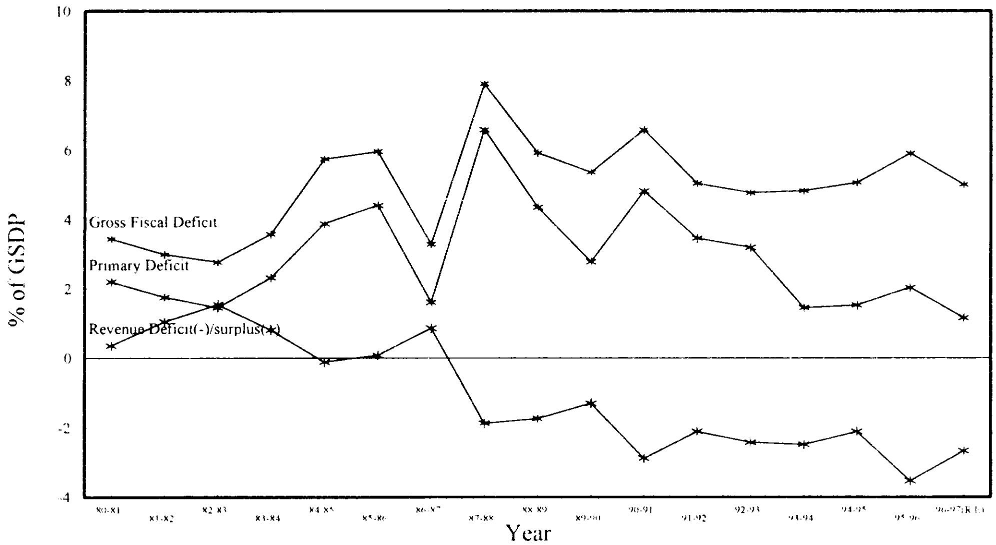


Chart 2.2: Own Tax Revenue

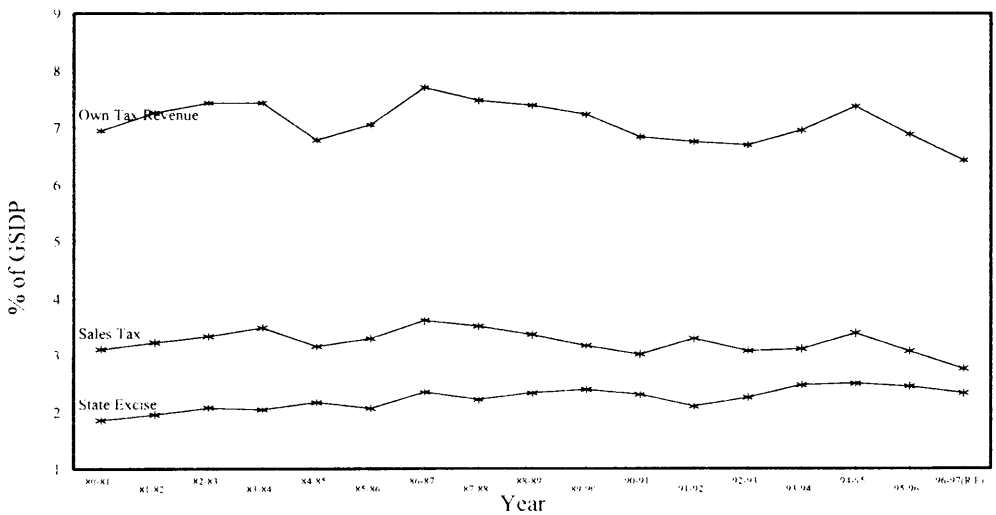


Chart 2.3: Own Non Tax Revenue (Unadjusted)

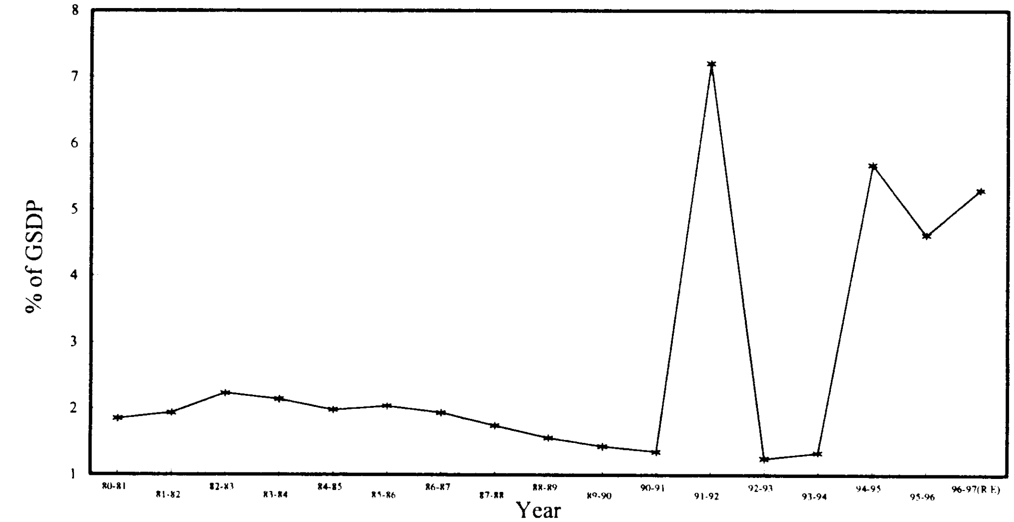
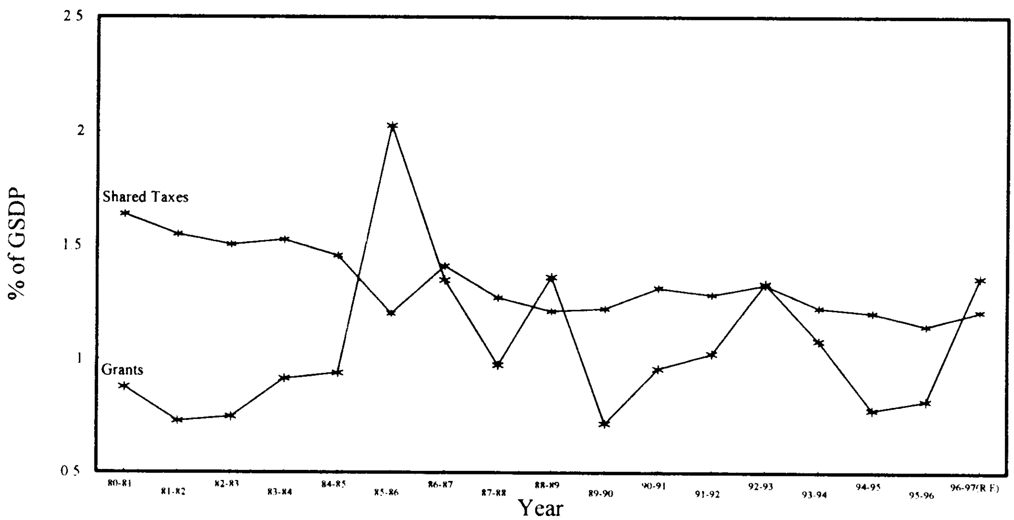


Chart 2.4: Transfers from the Centre



accounts for the year as a non-tax receipt. There will be a full write-off again in 1998/99 and 1999/2000 on loans from the Centre, which will again reduce the fiscal deficit relative to 1997/98, when the write-off was only partial (the yearly break-up is given below). The justification or otherwise of these write-offs is not called into question here. What is at issue is that budget figures cannot always be taken at face value to judge fiscal trends.

	1996/97 (R.E.)	Peak value	
Gross fiscal deficit	5.0%	7.9%	1987/88
Primary deficit	1.2%	6.6%	1987/88
Revenue deficit	2.7%	3.5%	1995/96

Scheduled Central Loan Waivers

(Rs. crore)

	Principal	Interest
1997/98	123.30	460.86
1989/99	220.58	550.57
1999/2000	241.45	517.90
Total	585.33	1529.33

Expenditure/revenue spikes: There are other episodic budgetary practices which do not affect the fiscal or other deficits but call for smoothing of revenue and expenditure trends. An example is the explicit subsidy commitment to Punjab State Electricity Board (PSEB), which is never paid because it is set off against interest dues from PSEB, which are also therefore never received. This would not matter were it not for an episodic routing through the budget of the accumulated subsidy and a corresponding notional interest receipt as happened in 1991/92, and again in 1996/97 (RE). These notional entries lead to sharp revenue spikes, with corresponding expenditure spikes, which have to be smoothed out to yield figures comparable with those of other years. Another set of

Table 2.1: Trends in Punjab Finances: 1985-86 to 1996-97

(Percentage of GSDP)

	1985-86	1990-91	1994-95	1995-96	1996-97 (R.E.)
1. Revenue expenditure	**12.23**	**13.35**	**17.14**	**14.63**	**16.76**
a) Social services	5.11	4.72	3.49	4.13	4.21
b) Economic services	3.02	3.94	2.73	2.50	5.59
c) Interest payments	1.54	1.76	3.53	3.87	3.84
d) Others	2.56	2.92	7.39	4.13	3.11
2. Capital expenditure	**6.03**	**3.70**	**2.96**	**2.37**	**2.34**
a) Capital outlay	3.00	1.16	2.02	1.76	1.51
b) Net loans & advances	3.03	2.54	0.94	0.61	0.84
3. Total expenditure	**18.27**	**17.04**	**20.10**	**17.00**	**19.10**
3.1 Net of #1 and #2			15.72	15.85	16.04
4. Revenue receipts	**12.31**	**10.46**	**15.03**	**13.46**	**14.29**
4.1 Net of #3				11.10	14.09
a) Own tax revenue	7.05	6.84	7.37	6.88	6.42
b) Shared taxes	1.20	1.31	1.20	1.15	1.21
c) Own non tax revenue	2.03	1.35	5.68	4.61	5.30
Net of #1, #2 and #3			1.31	1.10	2.04
d) Central grants	2.03	0.96	0.78	0.82	1.36
5. % GFD/GSDP {(3)-(4)}	**5.95**	**6.58**	**5.06**	**3.54**	**4.81**
5.1 % GFD/GSDP {(3)-(4.1)}	**5.95**	**6.58**	**5.06**	**5.90**	**5.01**
6. % RD/GSDP {(1)-(4)}	**-0.08**	**2.88**	**2.10**	**1.17**	**2.46**
6.1 % RD/GSDP {(1)-(4.1)}	**-0.08**	**2.88**	**2.10**	**3.53**	**2.67**
7. % PD/GSDP {(3)-(4)-(1c)}	**4.41**	**4.82**	**1.54**	**-0.32**	**0.96**
7.1 % PD/GSDP {(3)-(4.1)-(1c)}	**4.41**	**4.82**	**1.54**	**2.04**	**1.16**
Memorandum items (Rs.				445.06	
Crore)			1542.00		
#1. Expenditure on State					1338.02
lotteries (spikes)				909.00	
#2. Expenditure on accumulated					88.07
subsidies to PSEB					
#3. Non-tax receipt (Central loan					
waiver)					

Source: RBI, relevant years; and GoI, 1996/97(a) and 1997/98.

Notes: A negative entry for a deficit implies a surplus.

Memorandum items: #1: Expenditure on lotteries spiked upwards in two years because of an experiment with single-digit lotteries, with corresponding revenue spikes. #2: Expenditure on accumulated subsidies to PSEB was matched by an identical notional entry for non-tax receipts. #1 and #2 did not affect fiscal deficit measures. #3: The central loan waiver (which enters as a non-tax receipt) does affect all fiscal deficit measures (see *Loan waivers* in the text above).

revenue/ expenditure spikes was caused by experimental lottery schemes (see chart 2.3 and notes to table 2.1).

Lack of transparency: Among the effects of the constraint on the quantum of the fiscal deficit (see *Fiscal deficit* above) is a general lack of transparency in budget documents, which severely hampers the analysis and assessment of trends in deficits and/or revenues and expenditures from reported figures. Examples are:

- A sudden jump to Rs 5.5 crore in 1996/97 (R.E.) and 1997/98 (B.E.) from zero in 1995/96 in non-tax receipts termed establishment charges under the head "Public Works" (account No. 0059). The provision for a compulsory levy of 12 percent payable back to the exchequer on all direct Plan capital outlay is said to have existed all along, but it appears from the above pattern of collections to be a latent provision activated as and when revenues are needed. Round-trip budgetary practices of this type are revenue-distortionary and introduce a fitful wedge between stated expenditure on capital formation and what was actually spent.
- A non-tax miscellaneous receipt of the order of Rs. 20 crore under the head "Other Agricultural Programmes" (account No. 0435) from the auction of sheds built at the expense of market committees (see appendix J), and on that account owed to them, has for many years been recorded as a state government receipt, without a corresponding outflow to the market committees. This is yet another example of the fiscal burden being transferred out of the State exchequer, thus hampering the ability of market committees to develop more market yards in the rural hinterland for which the auction proceeds are intended.
- Budget 1997 figures show tax receipts inclusive of additional resource mobilisation (ARM) of Rs. 468 crore. However, the budget speech announces only a target of Rs. 225 crore, with Rs. 243 crore expected in the form of non-tax central transfers and/or loan waivers. By the end of the fiscal year, the two measures notified, a rise in the motor vehicles tax and an increase in the fee on forms for stamps and registration, did not reach the target of Rs. 225 crore.

Fiscal giveaways: The spate of fiscal giveaways enacted towards the end of 1996/97 are listed below. The damage caused by these measures, going far beyond their immediate impact on the state budget, is of six kinds:

- The practice of **exporting the impact of fiscal giveaways onto PSUs and local bodies** by curtailing their revenues, and not providing for any compensation, is unfair and above all unwise, since the burden will eventually rebound on the State government (see *PSUs and the State exchequer*, chapter 2).
- Since electricity supplied by the grid does not meet the entire pumping requirement of the average farmer, and since diesel-powered electricity costs more than the average cost of supply of power from the grid, let alone what is charged to agricultural consumers, farmers would much rather pay for electricity from the grid

if this will reduce their dependence on diesel. **Thus free power runs counter to farmer preferences.** Free power facilitates power theft for rural industrial consumption, and is wanted only by the minority who benefit thereby.
Free water leads to indiscriminate use of water and to a corresponding decline in soil quality.

	w.e.f.	**Immediate impact on: 1997/98 (BE)**
Free irrigation water to farmers	*Rabi* (Q4) 1996-97	State govt. *Revenue loss:* 32 crore (non-tax)
Free electricity to farmers Phase I: < 7.5 acres Phase II: All	*Rabi* (Q4) 1996-97	PSEB *Revenue loss:* 207 crore
Abolition of land revenue	*Rabi* (Q4) 1996-97	Rural local bodies *Revenue loss:* 3.6 crore
Abolition of property tax on all residential structures	1 April 1997	Urban + rural local bodies *Revenue loss:* 13* crore

Source: GoP, DoF, relevant years.
Notes: All budgetary estimates measure only the incremental loss over and above the pre-existing level of concession. Land revenue figures are given in the budget documents for 1997, despite abolition of the levy.
* There was a pre-existing exemption for properties below 250 square yards. The SFC Report estimates total property tax collections in 1993/94 at Rs. 20 crore but provides no breakdown by type of structure. The estimate of Rs. 13 crore of revenue loss is from the Finance department of the state government

- Abolition of land revenue and house tax **narrows the tax base** of local government, leaving *panchayats* dependent on grants,[1] and urban local bodies exclusively dependent on octroi, which is an inefficient levy recommended for elimination, and already eliminated in many states. The damaging effects of octroi have been spelled out elsewhere, (GoI, 1977; Rao, 1984).
- The measures **destroy the revenue collection structure** in place for levies which may not presently yield much revenue but could be restructured to yield more over time (for a proposed restructuring of agricultural land-based taxation, see Rajaraman; Bhende, 1997).
- Exemption of agriculture, which accounts for 44 percent of GSDP, from payment of all tax and non-tax levies makes no sense whatsoever. **The investment in infrastructure which is urgently needed to restore agricultural growth rates to pre-1985 levels cannot be financed without revenue contributions from the sector.**

Pay commission impact: The scales of the Fifth Pay Commission are payable starting January 1998, but with effect from 1 January 1996. Payment of arrears will be split evenly between 1997/98 and 1998/99, thus:

Wage/Salary estimates of Ministry of Finance

(Rs. crore)

		1997/98 (B.E.)	1998/99 (B.E.)
Pre-Pay Commission		2000}	
Pay Commission :	Current year	430}	2430
			+ 243 (10%)
	Arrears	200	200
		2630	2873

These cover only the direct impact on State expenditures. There will be a further indirect impact by way of the corresponding wage/salary bill increase of already loss-making non-departmental Public Sector Undertakings (PSUs) (see following para and appendices H and I for the inter-connections between the State exchequer and PSUs). The ability of PSUs

1 Although land revenue in Punjab was not previously shared with *panchayats*, the recommendations of the State Finance Commission in respect of sharing land revenue were adopted by the State government with effect from January 1,1997 (see appendix K).

to reduce their present losses, let alone cover a salary increase, is constrained by government-prescribed ceilings on the rates/tariffs they may charge for their services. Because of this, the losses of non-departmental enterprises will eventually obtain some budgetary cover in the form of loans/advances **notwithstanding all governmental proclamations to the contrary.**

PSUs and the state exchequer: A consolidated figure of PSU losses is not obtainable because the accounts of many PSUs remain unaudited for years. The *Annual Financial Statement 1997/98* does not provide figures for all 32 listed non-departmental State PSUs for any one year, let alone the most recent. Data pertaining to 1995/96 are given for only 16, and profit/loss figures for only 12. Excluding the mammoth losses of PSEB (see appendix H) the remaining eleven made an aggregate loss of Rs.52.86 crore. Even this is an uneven sum across cumulative losses in the case of some enterprises, yearly losses in others. The impact of PSU losses on the State exchequer differs between departmental undertakings, whose wage/salary bill and net balance (+/-) on other operating expenses are routinely incorporated in the State budget; and non-departmental undertakings, whose operating balances are not merged with the State budget and whose losses, after converting depreciation into a notional provision, impinge on the State exchequer in the form of loan bail-outs. These bail-outs are not obligatory, but where commercial loans are not forthcoming, the State government is under continuing pressure from loss-making PSUs. Dividends to the State government are not a compulsory requirement, and even interest often remains unpaid. (See also *Power*, chapter 3).

The losses of PSUs lead to corollary absurdities. The motor vehicles tax payable by public sector road transport undertakings (PSRTUs) almost equals their gross operating surplus before deduction of depreciation and interest. Not surprisingly, this leads to mounting tax arrears (appendix I).

In addition to the above, there was also a one-off giveaway, in the form of an *ad-hoc* four-year bonus of thirty days' salary for each year[2] to government staff for employees not covered under the Productivity Linked Bonus Scheme, credited to their GPF (contractual saving) accounts. It was to be met from within the sanctioned budget provisions of the concerned departments/organisations. It is difficult to imagine how a 33 percent increase in the wage/salary bill could have been accommodated without a squeeze on current/capital goods/materials, and thus a lowering in the quality of government services.

Punjab does not on the other hand appear to have had significant giveaways of government-owned land at sub-market rates. Nor is there thought to be much potential

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2 Twenty-nine days for 1992/93 and 1993/94; thirty days for 1994/95 and 1995/96 (ref: notification dated December 16, 1996).

revenue from sale of land. The 1997 budget has a first-time provision for collection of Rs. 40 crore from squatters and illegal occupants on public lands, at the rate of Rs. 7000/acre (Rs.6000 for scheduled/backward castes).

REVENUES

Trends in own tax revenue: Stable since 1980/81, at around 7 percent of GSDP (table 2.1 and chart 2.2). The estimated buoyancy coefficients are close to one (appendix G). This implies that, **in the absence of tax reform**, the annual growth of own tax revenue cannot exceed the assumed nominal (real plus inflation) growth of GSDP. PSU losses also lead to tax arrears, so that PSU reform can contribute towards improved tax collections.

Table 2.2: Composition of Revenue Receipts

(Percent)

	1985-86	1990-91	1994-95	1995-96	1996-97 (R.E.)
Total revenue receipts (% of GSDP)	**12.31**	**10.46**	**10.66**	**9.94**	**11.03**
Net of #1, #2 and #3.	100.00	100.00	100.00	100.00	100.00
A. Total tax revenue	**67.01**	**77.93**	**80.43**	**80.74**	**69.22**
1. Own tax revenue	**57.27**	**65.37**	**69.14**	**69.20**	**58.25**
a. Taxes on property	4.69	5.72	6.64	6.02	5.48
b. Sales tax	26.76	28.84	31.81	30.89	25.04
c. State excise	16.74	22.06	23.50	24.63	21.19
d. Taxes on vehicles	5.00	5.44	4.74	4.98	4.29
e. Other taxes	4.08	3.31	2.46	2.68	2.26
2. Shared taxes	**9.74**	**12.56**	**11.29**	**11.53**	**10.97**
B. Total non-tax revenue					
Net of #1, #2 and #3.	32.99	22.07	19.57	19.26	30.78
1. Own non-tax revenue					
Net of #1, #2 and #3.	16.53	12.90	12.28	11.05	18.45
a. Interest receipts					
Net of #2.	5.26	3.44	2.17	2.27	1.93
b. Dividends & profits	0.09	0.04	0.21	0.12	0.11
c. General services	3.98	2.26			
Net of #1 and #3.	1.06	1.64	1.75	1.06	9.12
d. Social services	6.14	5.51	1.33	1.02	1.42
e. Economic services	16.46	9.17	6.82	6.58	5.87
2. Grants			7.29	8.21	12.32
Memorandum items					
#1. Expenditure on lotteries (spikes)	-	-	41.02	12.11	
#2. Expenditure on accumulated subsidies to PSEB	-	-	-		27.77
					1.83
#3. Non-tax receipt (Central loan waiver)	-	-	-		

Source: RBI, relevant years.

Notes: See notes to table 2.1 for explanation of memorandum items.
The brief experiment with single-digit lotteries carried sharp upward spikes in both expenditure and revenue; the expenditure figure alone has been subtracted from non-tax revenue, leaving intact the net receipt. The sudden jump in non-tax receipts in 1996/97 (RE) is because of expected returns from a lottery scheme which did not materialise; see notes to table F.1, appendix F.

Composition of own tax revenue: Table 2.2 shows the composition of own tax revenue. The major constituents are the State sales tax and State excise on liquor, which together account for four-fifth of total own tax revenue.

Trends in own non-tax revenue: Declined steadily since 1980/81 except for recent spikes reflecting notional interest receipts or sporadic activity in single-digit lotteries, both of which carry corresponding expenditure spikes (table 2.1 and chart 2.3). The buoyancy coefficient is well below one (appendix G).

Composition of own non-tax revenue: Table 2.2 shows that interest received and dividends and profits have remained low (see *PSUs and the state exchequer* above).

Shared taxes and grants from the centre: Shared taxes show a decline from 1.6 percent in 1980/81, but have held steady at around 1.2 percent since the mid-eighties (chart 2.4 and table 2.1). Grants fluctuate from year to year around an average value of around 1.4 percent of GSDP.

EXPENDITURE

Total expenditure: Because the quantum of the GFD is an outcome of bilateral negotiations between the State and Central governments on permissible net borrowing (see *Fiscal deficit* above), total expenditure accommodates to the limits set by total revenue and the negotiated GFD. Within total expenditure, different components bear the burden in accordance with the scope each offers for discretionary compression. Interest payments are the least discretionary. Starting in the nineties, interest payments have risen sharply to around 3.8 percent of GSDP in 1996/97, despite Central loan write-offs. This adds further to the pressure of fiscal accommodation on non-interest expenditure.

Capital expenditure: That capital outlay has borne the brunt of fiscal accommodation is displayed in its decline (table 2.1) from 3 percent of GSDP in 1985/86 to 1.51 percent in 1996/97 (RE). This has, therefore, critically damaged the growth prospects of the State. Chart 2.5 dramatically contrasts the rise in interest payments against the fall in capital outlay since the mid-eighties, both in terms of percent GSDP. Another component that has borne the burden of fiscal accommodation is expenditure on maintenance, although this is not readily observable from reported categories of expenditure classification. Poor maintenance has been an additional contributor to the declining efficiency in delivery of government services.

Table 2.3: Economic Classification of Expenditure: Punjab

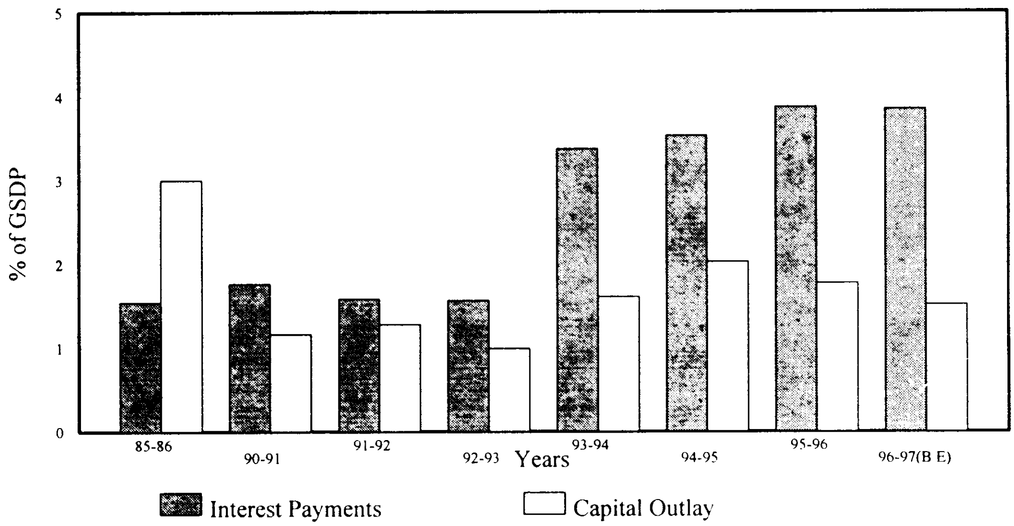
(Rs. crore)

	94/95 A	95/96 RE	96/97 BE
Current expenditure	**3974.55**	**3978.67**	**4857.93**
Interest (budget figures)	1243.69	881.65	1530.20
Compensation of employees	1779.07	2074.23	2136.47
Wages and salaries	1560.68	1847.87	1850.37
Pensions	218.39	226.36	286.10
Gross purchase of goods and services	563.99	413.81	675.17
Grants*	271.51	318.90	308.96
Subsidies*	52.03	58.19	106.13
Other current transfers	64.26	231.89	101.00
Capital expenditure (budget figures)	**1043.40**	**1177.00**	**1109.04**
Gross capital formation	711.43	457.74	470.32
Net loans plus equity investment	331.97	719.26	638.72
Aggregate expenditure	**5017.95**	**5155.67**	**5966.97**
Aggregate expenditure (budget figures)	5544.16	5792.38	6727.37
Discrepancy (budget - economic)	526.21	636.71	760.40

Source: GoP, ESO, 1994/95-1996/97; and DoF, relevant years.

Notes:
1. Budget documents show systematically higher expenditure than the aggregate across economic components, because the latter nets intra-departmental flows out of total expenditure. The published figures carry a reconciliation account, but the unpublished economic classification for recent years does not. The items marked with an asterisk account for most of the discrepancy (see appendix F). Budget figures for economic categories are used where available, e.g. interest and capital expenditure.
2. Gross capital formation is the sum of expenditure on construction, machinery, net change in stocks, and capital transfers.

Chart 2.5 Trends in Interest Payments and Capital Outlay



Economic classification: Table 2.3 classifies total expenditure by economic categories. The expenditure projections of the next chapter are performed by these categories, after correction of the discrepancy between expenditure aggregated across economic categories and budgetary aggregates (see notes to table 2.3).

Current expenditure: Appendix C graphs trends in current expenditure broken down into developmental/non-departmental categories. Developmental expenditure (which excludes interest payments and expenditure on general administration) has fallen steadily since 1980/81 (see charts C.1-C.2). The two expenditure spikes in recent years correspond to the non-tax revenue spikes noted in table 2.1. The decline in current developmental outlay is most marked in agriculture, irrigation and transport within economic services; and education and health in social services.

SUBSIDIES: EXPLICIT AND IMPLICIT

Of total explicit subsidies, industry is the recipient of 46 percent, and agriculture 28 percent (appendix D). Industrial subsidies are offered as incentives to new industrial units based on their fixed capital investment upto a maximum of Rs. 50 lakh per unit in zone A (border areas of the State); Rs.30 lakh in zone B (other areas). The unilateral withdrawal of such subsidies is seen by the State government as impossible. This is a case of mutually impoverishing inter-State competition which has to be reversed through inter-State co-operation. Agriculture accounts for 28 percent of all explicit subsidies, but these are linked to Central subsidies. A unilateral phase-out or even freeze of these is not possible without a parallel development at the Centre.

Implicit rates of subsidy are basically unreceived non-tax revenues. Table 2.4 shows the sectoral implicit subsidy rates in 1993/94 in Punjab as estimated in a nationwide study (Srivastava *et.al.*, 1997).

The rate of implicit subsidy, varies inversely with non-tax revenue receipts for a given level of expenditure, and directly with expenditure for a given level of non-tax revenue. Thus, if explicit subsidies rise in a sector with no rise in non-tax revenue, the rate of implicit subsidy also goes up.

Explicit and implicit subsidies can also be inversely related if explicit subsidies are offset against non-tax receipts as is the case in the power sector. Such accounting offsets give rise to lower recorded rates of explicit subsidy, with simultaneously higher rates of implicit subsidy as compared to what would have been obtained otherwise.

DEFICITS AND DEBT

The debt burden of 31 percent of GSDP, accumulated from past fiscal deficits which peaked at 8 percent in 1987/88, is being reduced through debt and interest write-offs from the Centre (these waiver commitments run upto the year 1999/2000 and have been factored into the projections). These waivers have been granted on the grounds that the burden of past debt accumulated during the battle against terrorism must be nationally borne. The mechanism of bilaterally negotiated constraints on new borrowing over each five-year Plan horizon between the State and Central governments holds the debt stock at the level judged to be sustainable.

The share of Central government loans in total debt stock remained above 82 percent during the period 1990/91 - 1994/95, but declined to 78.9 percent in 1995/96 (table 2.5). The share of other internal debt in total debt stock (borrowings from SBI and other financial institutions) shot up sharply from 0.74 percent in 1994/95 to almost 4 percent in 1995/96. The shares of market loans and small savings and provident funds in total debt stock also registered a rise in 1994/95.

Contingency liabilities: The guarantees given by the State government against loans and credits given by banks to (PSUs) for the years 1993/94 to 1995/96 and outstanding as on 31 March 1996 are shown in table C.1. Total contingency debt outstanding works out at 9 percent of total debt stock as on March 31, 1996. The State government earns a guarantee commission on contingency debt; arrears on these owed to the State government as on March 31,1996 amounted to Rs. 10.97 crore.

Table 2.4: Implicit Subsidy Rates by Sector: 1993-94

(Rs. crore)

	Total cost	Total receipts	Subsidies/ surplus(-)	Recovery rate	Implicit subsidy rate
Social services (subsidised) of which	**1151.50**	**20.29**	**1131.21**	**1.76**	**98.24**
Elementary education	218.78	0.47	**218.32**	0.21	99.79
Other education, art and culture	492.84	5.27	**487.56**	1.07	98.93
Public health	23.16	0.19	**22.97**	0.84	99.16
Medical and family welfare	208.51	2.74	**205.77**	1.32	98.68
Water supply, sewerage & sanitation	58.89	6.21	**52.68**	10.55	89.45
Economic services (subsidised) of which	**1776.04**	**204.39**	**1571.65**	**11.51**	**88.49**
Agriculture and allied activities	170.49	21.55	**148.94**	12.64	87.36
Irrigation	362.08	16.57	**345.51**	4.58	95.42
Power	486.54	0.20	**486.34**	0.04	99.96
Industries	117.89	1.79	**116.10**	1.52	98.48
Roads and Bridges	134.80	0.47	**134.33**	0.35	99.65
Transport	198.09	156.56	**41.53**	79.03	20.97
Total subsidised sectors (1+2)	**2927.54**	**224.68**	**2702.86**	**7.67**	**92.33**
Non-subsidised sectors	**0.25**	**34.94**	**-34.69**	**13748.20**	**-13648.20**
Social services	0.16	8.40	**-8.24**	5342.73	-5242.73
Economic services	0.10	26.54	**-26.45**	27377.89	-27277.89
Subsidies net of surplus (3-4)	**2927.79**	**259.63**	**2668.17**	**8.87**	**91.13**

Source: Srivastava *et.al.*, 1997.

Notes: The rate of implicit subsidy in the ith functional sector, α_i, is as follows:

NTR_i = $E_i(1-\alpha_i)$ where

i = functional category, i=1,........13

α_i = implicit rate of subsidy in ith category.

E_i = total current cost of providing the ith service.

The manner in which E_i must be obtained is detailed in Appendix E.

Table 2.5: Composition of Debt of the Government of Punjab and Effective Interest Rates

(Percent)

	85/86	90/91	93/94	94/95	95/96
Debt: Opening balance (Rs. crore)	**1793.17**	**5657.71**	**9244.84**	**10498.47**	**12096.36**
	100.00	**100.00**	**100.00**	**100.00**	**100.00**
Internal debt	27.11	6.84	5.39	5.08	9.18
Market loans	(7.70)	(5.39)	(4.39)	(4.35)	(5.19)
Others	(19.41)	(1.45)	(1.00)	(0.73)	(3.99)
Loans and advances from Central govt.	61.82	82.57	83.66	83.08	78.90
Rescheduled loans	37.73	6.88	2.87	2.14	1.70
Others	24.09	75.69	80.79	80.94	77.20
Small savings, P.F. etc.	11.07	10.59	10.95	11.84	11.92
Effective interest rate					
Internal debt*	14.40	9.69	11.09	11.72	17.38
Market loans	7.37	9.06	10.05	11.26	11.28
Others	17.19	12.02	15.64	14.46	25.31
Loans & advances from Central govt.	4.47	4.72	11.08	11.37	11.62
Rescheduled loans	5.47	6.28	6.54	6.70	6.62
Others	2.90	4.58	11.24	11.49	11.73
Small savings, P.F. etc.	11.88	12.32	12.75	12.52	12.97

Source : CAG, various years.

Notes: * Old dues of interest payments on loans and advances from SBI and other banks for purchase of foodgrains (Rs. 3296.58 lakhs) paid during 1994/95 have been excluded.