



# Summary Report for the State of Punjab



## ***1. Demography***

As per Census population projections for 2023, Punjab has a population of 30.7 million and represents 2.2 percent of India's total population.<sup>1</sup> The State's projected population growth rate, at 0.6 percent, is lower than the national average of 0.9 percent, as of 2023. Punjab's population density, at 602 persons per sq. km., is higher than the national average but its dependency ratio, at 49.2 percent, is lower than the national average of 55.7 percent, as per 2021 projections. According to 2023 projections, about 42 percent of the State's population resides in urban areas. The sex ratio at birth (904 female births per 1000 male births) in the State, as per the National Family Health Survey (NFHS V), is less than the national estimates.

As of 2022-23, the annual unemployment rate in the State consistently remained above the national average, standing at 6.1 percent in 2022-23. The Female Labour Force Participation Rate is below the national average in the State. Its working population is predominantly concentrated in the Services (41.1 percent); Agriculture, Forestry, and Fishing (24.6 percent); Manufacturing (17.8 percent); and, Construction (15.6 percent) sectors.<sup>2</sup>

## ***2. Economic Structure (Growth and Sectoral Composition)***

During the period 2012-13 and 2021-22, Punjab's real GSDP grew at an average rate of 5.0 percent, which is lower than the national average growth rate of 5.6 percent.<sup>3</sup> The State's share in India's nominal GDP, which was 3.7 percent in 1990-91, declined to 2.6 percent by 2021-22. Its nominal per capita income is just 10 percent higher than the national per capita income, as of 2021-22.

The Services sector, with a share of 45.3 percent, is the largest contributor to the State's GSVA, followed by the Agriculture (share of 27.8 percent) and Industry (share of 26.9 percent) sectors, respectively, in that order, as of 2021-22.

During the decade, 2013-14 to 2022-23, the Services, Manufacturing, and Agriculture sectors grew by 5.8 percent, 5.5 percent, and 2.1 percent per annum, respectively.<sup>4</sup>

## ***3. Socio-economic Indicators***

Punjab's literacy rate, at 75.8 percent, is slightly higher than the national average, as of 2011.<sup>5</sup> The school drop-out rates for Class X and Secondary (VIII-X) levels in the State were lower than the national average for the period 2013-14 to 2016-17. As of 2016-17, the State had higher pass percentages for both Secondary and Higher Secondary (Classes X and XII) examinations compared to the respective national averages. The Gross Enrolment Ratio at the Higher

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<sup>1</sup> Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for Indian States 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

<sup>2</sup> Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

<sup>3</sup> Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

<sup>4</sup> Data use is sourced from MoSPI, as of March 2024.

<sup>5</sup> Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

Secondary level in the State is above the national average, but for Higher Education, the enrolment is slightly below the national average.<sup>6</sup> For people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions) is well above the national average, and the college density in the State is also higher than the national average, as of 2021.<sup>7</sup>

As of 2020, life expectancy in the State, at 72.5 years, is higher than the corresponding average of the country. The Infant Mortality Rate and Total Fertility Rate are lower than the respective national averages in 2020 and 2019-21, respectively. The share of fully immunised children is close to the national average for 2019-21. The State has a much better access to basic amenities, as nearly 100 percent of its households have access to electricity and drinking water, while around 85 percent households have access to sanitation facilities, which is much higher in comparison to the national average, as of 2019-21.

#### ***4. State of Public Finances and Tax Devolutions***

As of 2022-23, Punjab's debt-to-GSDP ratio, at 47 percent,<sup>8</sup> is markedly higher than that of a median State, at 30.7 percent for larger States.<sup>9</sup> Its contingent liabilities, at 3.6 percent of GSDP, are also higher than those of a median State, as of 2021-22. The fiscal deficit and primary deficit level, at 4.9 percent and 1.9 percent respectively, are higher than those of a median State, as of 2022-23. The State had a revenue deficit of 3.5 percent of GSDP in 2022-23 as compared to a revenue deficit of 0.4 percent for a median State.

The State collects less revenue compared to a median State. As of 2022-23, its revenue receipts (own tax, own non-tax, and share of central taxes) amounted to 13.9 percent, which are lower than those of a median State. Its expenditure-to-GSDP ratio stood at 18.9 percent.

The Debt Sustainability Analysis projections show an unsustainable path for the State in most scenarios, including its baseline scenario (where the debt level, primary deficit, real GDP growth, and real effective interest rate remain constant at their decadal average from 2012-13 to 2021-22). Even under the most optimistic scenario, the reduction in the State's debt-to-GSDP ratio is projected to be very small.

The State's share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), increased from 1.6 percent under the 14<sup>th</sup> FC to 1.8 percent under and 15<sup>th</sup> FC. Its share in the total grants-in-aid increased by 2.7 percentage points from 4.3 percent under the 14<sup>th</sup> FC to 7 percent under the 15<sup>th</sup> FC. This increase was predominantly driven by the State's increased shares in revenue-deficit grants.

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<sup>6</sup> Data on dropout rates, pass percentage of students, and Gross Enrolment Ratio at Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

<sup>7</sup> Data on Gross Enrolment Ratio at Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

<sup>8</sup> Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

<sup>9</sup> For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

## 5. Fiscal Rules

As per the recommendations of the 12<sup>th</sup> FC, the State enacted the Punjab Fiscal Responsibility Act and Budget Management (PFRBM) Act in 2003. Under this Act, the State is required to meet the prescribed targets and present a Medium-Term Fiscal Plan.<sup>10</sup> Since 2003, the Act has been amended six times in 2005, 2007, 2011, 2020, 2022, and 2023.

The fiscal targets under these amendments have been modified as follows:

**Revenue Deficit:** The original Act required Punjab to reduce its revenue deficit-to-revenue receipt ratio by five percentage points annually until a balance was achieved. The 2005 amendment revised the target to eliminate revenue deficit by 2008-09, and generate a surplus thereafter. In the 2011 amendment, the timeline to generate a revenue surplus was extended to 2014-15. The 2023 amendment aligned the State's revenue deficit targets with those set by the Central FC and as allowed by the Government of India.

**Fiscal Deficit:** The 2003 Act required the State to limit its fiscal deficit growth to 2 percent annually until the fiscal deficit was brought down to 3 percent of GSDP. The 2005 amendment set the target for reducing fiscal deficit to 3 percent by 2009-10 and the 2007 amendment revised this timeline to 2008-09. In the 2011 amendment, the timeline to meet the fiscal deficit target was again revised to 2014-15, with a requirement to maintain the level thereafter. In 2020, an additional borrowing allowance of Rs. 928 Crore for 2019-20 was granted. In 2020-21, the limit was raised by 2 percent to deal with the pandemic. In 2022, the limit was brought down to 3.5 percent of GSDP, with an extra 0.5 percent if the State spent at least 70 percent of its targeted capital outlay for 2021-22, by December 2021. The 2023 amendment aligned the State's targets with those set by the Central FC.

**Total Outstanding Liabilities:** The original FRBM Act of 2003 mandated the State to reduce its debt-to-GSDP ratio to 40 percent by 2006-07. In 2005, this target was revised to 28 percent, including contingent liabilities by 2009-10. The 2011 amendment updated the target to 38.7 percent by 2014-15. The Medium-Term Fiscal Plans set the following debt-to-GSDP targets: 41.04 percent for 2017-18, 40.96 percent for 2018-19, 39.74 percent for 2019-20, 38.53 percent for 2020-21, and 45.04 percent for 2021-22. The 2023 amendment has aligned the State's targets with those set by the Central FC.

**Fiscal Discipline:** As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the five-year period 2017-18 to 2021-22, the State was able to meet the revenue deficit and debt-to-GDP ratio targets only once in 2017-18 and 2021-22, respectively. The fiscal deficit targets were met in three out of five years (2017-18, 2018-19, and 2019-20).

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<sup>10</sup> Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.