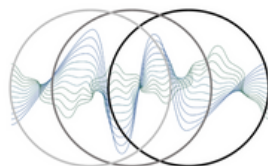


# PRIMER

STATE SUBSIDIES | PUNJAB

2024-25

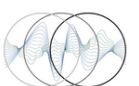


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# SUMMARY

Subsidies in Punjab can be examined by categorising them into types such as direct financial transfers, credit assistance, revenue foregone through tax incentives, provision of underpriced goods and services, and income or price support mechanisms. Over the years, significant reliance on subsidies has led to a substantial proportion of revenue receipts being allocated to these expenditures. As part of a comprehensive fiscal strategy, the Punjab government recently presented a detailed proposal to the 16th Finance Commission, aiming to curb the growth of subsidies through 2031. The proposal also seeks substantial financial backing to help the state gradually reduce subsidy dependence.

Between 2018 and 2022, explicit subsidies in Punjab amounted to approximately ₹66,000 crore, as per a study by the National Institute of Public Finance and Policy (NIPFP). Power sector subsidies, loan waivers, and transport assistance dominate this spending. The Comptroller and Auditor General's (CAG) report for 2022-23 highlights that subsidies constituted 11% to 18% of Punjab's revenue expenditure, significantly impacting the revenue deficit, with a contribution of 56% to 102% in recent years. Notably, power subsidies alone have ranged between 68% and 99% of the total subsidy expenditure, with ₹20,200 crore allocated for power subsidies in the latest budget. Punjab and Andhra Pradesh currently rank highest in explicit subsidy allocation as a percentage of revenue receipts and revenue expenditure.



## Different modes of subsidies

1

Transfers of funds and liabilities: grant and credit support or paying for costs

2

Revenue foregone - tax breaks

3

Below value goods and services

4

Income or price support - fixed prices for motor fuels, feed-in tariffs, biofuel blending mandates

## Capital incentives

**Capital subsidies are majorly centre-sponsored including rural housing: Capital Subsidy to PSCFC under bank tie-up loaning and Backend Subsidy incentive for PSCFC loaning schemes and Punjab SCs Land Dev & Fin Corp, BACKFINCO**

## Education subsidy

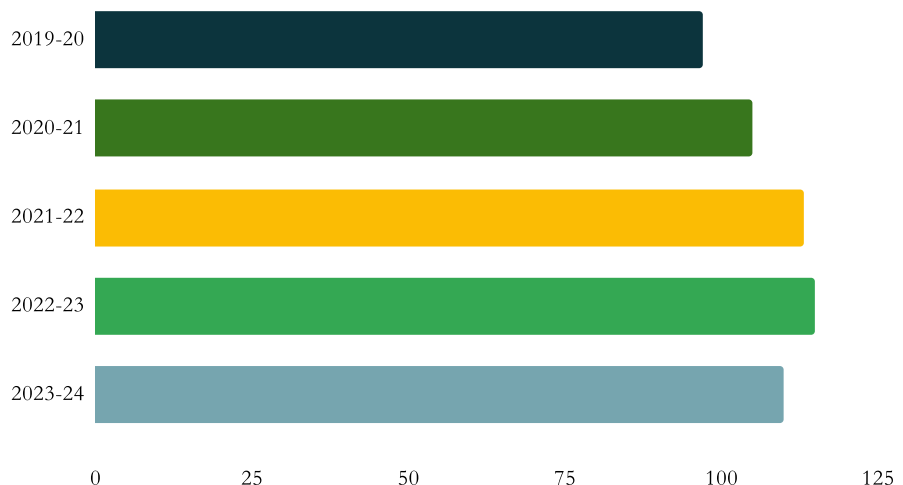
**160 cr**

Dr. Hargobind Khurana Scholarship for brilliant students in 2019-20. Discontinued later.

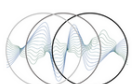
**100 cr**

Allocated between 2019-2024 for textbooks and tool kits to Scheduled Castes

### Reimbursement for free travel for students



The Government of Punjab has committed to provision of free textbooks for Classes 9-12 in Government schools. **Rs 30 crores** has been allocated in FY 2024-25



## Women empowerment

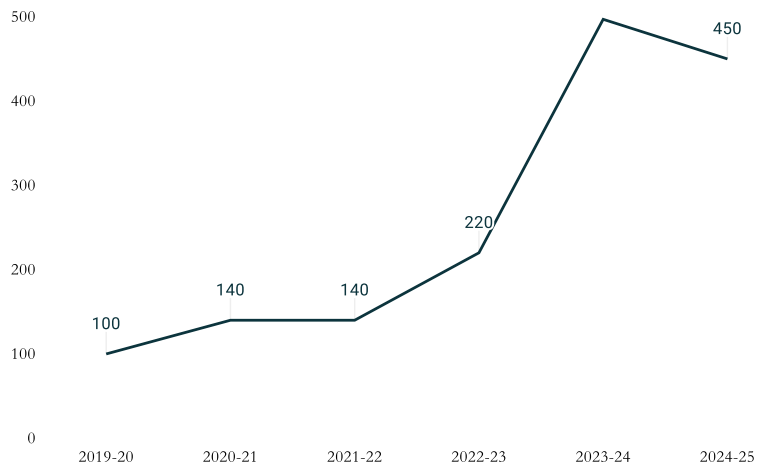
Mai Bhago Vidya Scheme: free bicycles for girl students in classes 9-12

**420 crore allocated in 2019-20**

Scheme was discontinued post 2019-20

State also provides for a scheme to provide free sewing machines to women/girls from the Scheduled Castes

Figure: Allocation towards concessional travel facility to women 60+ years in Govt./PRTC buses



## Healthcare subsidy

73 crores allocated for free medicines for Hepatitis C patients

Financial assistance for cancer treatment: 1.5 lakhs/patient

Financial assistance for cancer treatment: 1.5 lakhs/patient

2022-23

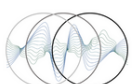
2021-22

Medical treatment of upto Rs 5 lakhs provided for free to eligible families

2020-21

2019-20

In addition, since 2022, the Mohalla clinics in the state have provided **free medicines and treatment**



# Power

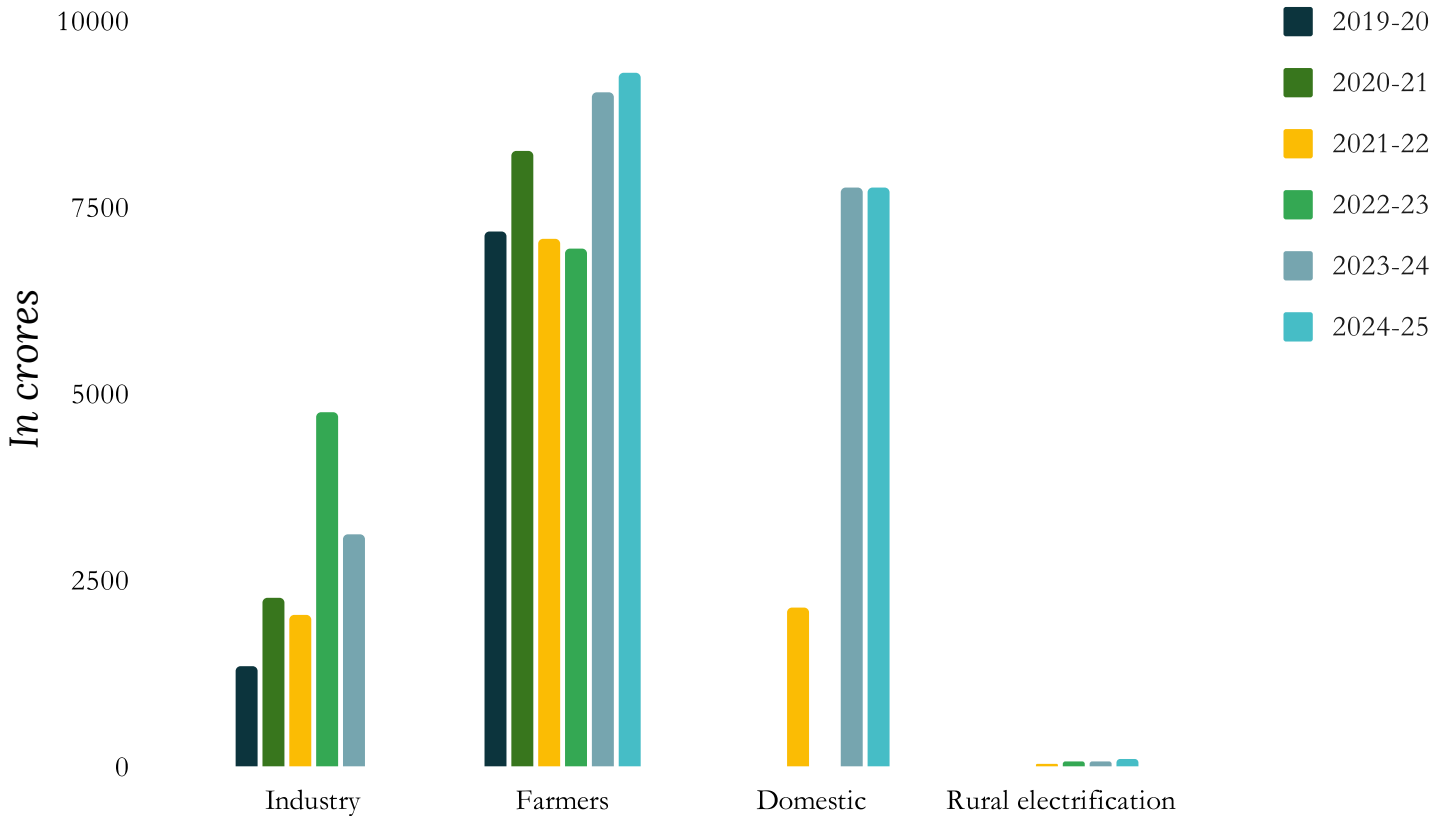


Figure: Year-by-year power subsidies across different users



# Industry

A glance at incentives for industries over the years

## 2019-20

Freight: Max 20 per year;  
Interest: 5 lakh per year for 3 years

## 2020-21

Setting up industrial focal point and subsidised power

## 2021-22

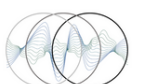
All approved incubators support for expenses up to Rs 3 lakh per year for a period of 5 years

## 2022-23

Setting up industrial focal point and subsidised power

## 2023-24

Reimbursement of 50% expenses upto Rs 5 lakhs; 5% interest for 3 years



## MSMEs and startups



### **Stamp Duty, Registration Fee Exemptions**

100% exemption from Change of Land Use (CLU), External Development Charges (EDC), and property tax for new businesses, supporting affordable land acquisition and business establishment costs. 75% reimbursement of expenses for patent registration, capped at INR 10 lakh for domestic patents and INR 20 lakh for international patents.



### **Employment Generation Subsidies**

Rs. 30,000–48,000 per employee annually for five years, targeting employment of SC/ST and vulnerable groups, with higher rates for priority demographics.

## Agriculture



### **Subsidised Straw Management Equipment**

Provides subsidised straw management equipment to reduce air pollution from crop burning, with subsidies up to 80% for Farmers' Cooperatives under RKVY.



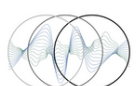
### **Financial Assistance for Organic Input Production**

Supports the establishment of bio-fertilizer and biopesticide production units with capital subsidies under the National Project on Organic Farming. Includes 50% subsidy for organic farming and vermi-compost units, encouraging sustainable practices.



### **Subsidies for Custom-Hiring of Farm Equipment**

Under the Rashtriya Krishi Vikas Yojana scheme, subsidies on custom-hiring of agricultural machinery for small and marginal farmers, reducing operational costs and improving access to advanced farming technology.

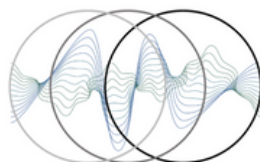




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