UNION-STATES FUND TRANSFER UNDER SELECT THREE SCHEMES: A STATE-WISE COMPARATIVE ANALYSIS OF PMGSY, PMAY-G AND NSAP

A Dissertation Submitted to the Panjab University, Chandigarh for the Award of Master of Philosophy in Social Sciences, in Partial Fulfilment of the Requirement for the Advanced Professional Programme in Public Administration (APPPA)

BY

Ms Mamta

(Roll No 4712)

UNDER THE GUIDANCE OF

Dr. Nupur Tiwary

Indian Institute of Public Administration

47th Advanced Professional Programme in Public Administration

(2021–22)

Indian Institute of Public Administration
I.P. Estate, Ring Road, New Delhi

SELF DECLARATION

It is hereby declared that this submission is my original piece of work and to best of my knowledge and belief, it contains no material previously published or written by any other person. I am aware of the University's norms and regulations regarding the plagiarism including the disciplinary action that it may invite. In case of any use of the works or material by any another source and author, in any form, is adequately and appropriately acknowledged with proper references.

Date: March 2022

Place: New Delhi

Mamta

Roll No: 4712

Indian Institute of Public Administration

New Delhi - 110002

<u>CERTIFICATE</u>

I have the pleasure to certify that **Ms Mamta,** has pursued her research work and prepared the present dissertation titled **'UNION-STATES FUND TRANSFER UNDER SELECT THREE SCHEMES: A STATE-WISE COMPARATIVE ANALYSIS OF PMGSY, PMAY-G AND NSAP'** under my guidance and supervision. The same is result of research done by her and to best of my knowledge; no part of the same has been part of any monograph, dissertation or book earlier. This is being submitted to the Panjab University, Chandigarh, for the purpose of Master of Philosophy in Social Sciences in partial fulfilment of the requirement for the Advanced Professional Programme in Public Administration (APPPA) of Indian Institute of Public Administration (IIPA), New Delhi.

I recommend that the dissertation of **Ms. Mamta** is worthy of consideration for the award of M. Phil degree of the Panjab University, Chandigarh.

Date: March 2022
Place: New Delhi

(**Dr Nupur Tiwary)**
Associate Professor
Indian Institute of Public Administration
New Delhi - 110002

ACKNOWLEDGMENT

I owe immensely to GOD ALMIGHTY for his blessings as without his grace and blessings, this study would not have been possible.

I would like to gratefully acknowledge the valuable guidance, comments and continuous support extended to me by my guide, the very learned and experienced Dr Nupur Tiwary.

My sincere gratitude to Dr Suresh Mishra, Programme Director and Dr Shyamli Singh, Programme Co-Director for providing me adequate time to carry out my research. I would like to thank Dr Roma Debnath for her guidance relating to the statistical inputs used in this study.

In the course of my research, I contacted a number of officials and staff in the Ministry of Rural Development, NRIDA and State Rural Road Development Agencies (SRRDAs) seeking data and other inputs for my research work, for which I am grateful to each one of them. This study owes a great deal to those inputs and comments.

I would also like to thank the Indian Institute of Public Administration (IIPA) for providing me the opportunity to select this relevant topic in which the research has been conducted. This research would not have been completed without the support of the APPPA office staff, Mr Anil Sharma, Mr Manish Rawat, Mr Rajesh and IIPA Library Staff, who were always available to help me.

My family has been a great source of strength and support to me throughout my research work for which I am deeply indebted to them. Without them, I would not have had the motivation and energy to see this study through to completion.

Date: March 2022

Place: New Delhi

Ms Mamta

Roll No: 4712

Indian Institute of Public Administration

New Delhi - 110002

TABLE OF CONTENTS

DETAILS OF TABLES

LIST OF BOXES/CHARTS

[1] Chart A.4 in Abstract
[2] Chart A.1 in Abstract
[3] Chart A.2 in Abstract
[4] Chart A.3 in Abstract

Abstract

Introduction

1. This study attempts to analyse union-state fund transfer under three vertical schemes (Centrally Sponsored Schemes) namely PMGSY, PMAY G and NSAP with a purpose to understand the fund flow mechanism involved in each of three schemes and to assess the robustness of the existing monitoring and evaluation mechanism thereof.

Background

2. The foundation of vertical schemes lies in the fact that our country witness a great degree of variations amongst the states/UTs, in terms of locational, geographical, demographic, historical, political and socio-economic conditions. These variations have significant impact on the resource availability and revenue generation capacity of states/UTs which exert significant influence on their priorities and goals which may not, at times align with the national priorities and goals.

3. To tide over these variations and promote development on a more equitable manner as per the national priorities and requirement, Centrally Sponsored Schemes (CSS) assume dominant role as the shared interventions of the Union and States/UTs.

4. As regards resource distribution between Centre and States/UTs is concerned, there are multiple conduits through which significant amount of plan transfers is routed to States/UTs and Centrally Sponsored Schemes (CSS) is one of them. Since many CSS are in the social sectors incorporating various social protection implications and social inclusion goals, it is necessary that these schemes and the mechanism of financial management therein ought to be efficient and outcome oriented with maximum transparency.

Analysis

5. In an attempt to analyse Union-States fund transfer under CSS, a state-wise comparative analysis of fund flow of three select vertical schemes (CSS) namely PMGSY, PMAY-G and NSAP for a period of five years (2016-17 to 2020-21) has been carried out in this research study.

6. **Absorption Capacity:** The utilization of transferred funds from the centre to states under CSS depends on the capacity of the States/UTs and the nature of the scheme. Absorption capacity of the States/UTs in turn, depend on various other factors. Absorption of fund in terms of expenditure incorporates central share, state share, miscellaneous receipts and carryover, which may not reveal the disaggregated utilization of fund against the central release and state share separately in a financial year. Hence, in the present analysis, the absorption capacity is defined in terms of central releases to states each financial year under respective schemes.

7. **Methodology adopted for ranking of states**: For inter-state comparison, instead of analysing performance and ranking of the states in terms of absorption capacity i.e. central release for each of three schemes separately, this study attempts to analyse the performance of the states on the basis of their weighted ranking calculated by taking ratio of aggregated central releases for five years of each of three schemes individually wrt total central releases for the same period under three schemes together as weight.

8. **Absorption Capacity of States vis-à-vis Vertical Imbalance:** Generally, central share under Centrally Sponsored Scheme (CSS) are released to states in two equal installments and fund flow mechanism from centre to states under these schemes involves two major conditionalities before releasing the subsequent installment viz. meeting 60% expenditure of the total fund available (TFA) with states and transferring

central share (60%) received by the state alongwith crediting of corresponding state share (40%) in the account of the Implementing Agency (IA) or Single Nodal Account (SNA) as the case may, be within the time period as stipulated in the scheme guidelines.

9. Accordingly, the absorption of funds in terms of central releases by the states depends, *inter alia*, mainly on following two factors:

i. **Implementation Capacity of the States**: This implies how fast and timely state is carrying out the implementation/execution of the schemes on the ground and making the mandatory 60% expenditure on the ongoing work and

ii. **Financial Management of public money in States:** This implies how efficiently timeline is being adhered to by the states in transferring the central share released under the scheme and crediting the corresponding state share to the account of the implementing agency/SNA.

10. In case of non-fulfilment of any of the above conditionalities, some states loose subsequent installment specially second one leading to vertical imbalance in resource distribution between centre and state. In order to fulfil the mandate of the scheme according to the national priorities, if these unutilised instalment/funds are reallocated to other states who fulfil the mandatory criteria and have more absorption capacity depending on the volume of works, it may lead to horizontal imbalance as well. In view of this, fund flow from centre to states need to be captured at each point of transfer so that any time lag involved in the chain should be identified and corrective measures may be adopted. Such kind of tracking and monitoring will strengthen the financial management of public fund in states. The present study attempts to analyse the same.

11. Accordingly, analysis of fund flow in West Bengal under PMGSY above analysis implies a relatively efficient financial management exhibiting date wise fund flow under PMGSY in West Bengal. The above Table also reveals that due to an

efficient fund flow management, State has received more than two installments of central share in three out of five financial years making West Bengal one of the leading states to get the central release under PMGSY in five years period. Thus, making the public fund management in state treasury of West Bengal wrt PMGSY fund one of the efficient financial management which can be replicated to other states as best practice. reveal that state is transferring the central share alongwith the corresponding state share to the Implementing Agency consistently over the years in the stipulated ratio of 60:40 under PMGSY.

12. On the other hand, analysis of fund flow in Telangana and Andhra Pradesh reveals that owing to non-fulfilment of the mandatory criteria of transferring the central share and state share to Implementing Agency, states have lost the 2nd installment of central share in certain years and, both installments of central share during FY 2020-21 under PMGSY.

13. A similar analysis of fund flow in West Bengal and Gujarat have been carried out under PMAY G. Under PMAY G, West Bengal has received maximum central release despite having contributed less than stipulated state share over a period of five years under analysis i.e during FY 2016-17 to 2020-21. The primary reason of maximum central release to West Bengal is more target allocation to the state as per the eligibility criteria laid down in the programme guidelines. Also, under the provision of the programme guidelines, 1st instalment of 50% of central share of total financial allocation is released at the beginning of the financial year to the States / UTs that have availed the 2nd instalment or have submitted complete proposal thereof in the previous financial year, subject to fulfilment of specific conditions, if any, prescribed at the time of previous releases.

14. Gujarat has contributed stipulated 40% of state share over the same period of five years implying better financial management iro PMAY G fund in the state, yet it has received less central fund over the same period which is primarily linked with less target allocation to the state as per the laid down criteria under the programme.

15. Due to non-availability of the relevant data in the public domain, time lag involved if any, in the transfer/credit of fund from one channel to another could not be captured and analysed.

16. Under NSAP, there is full absorption of the central share released to all the states over the five-year period under analysis. It is mentioned that National Social Assistance Programme (NSAP) is a fully Centrally Sponsored Scheme with no corresponding State share. Since NSAP is a programme in the social sector with a distinct mandate targeting the destitute, states provide top up over and above central fund completely as per their discretion. Since state wise top up data is not readily available, related aspect of the programme could not be analysed in the present study.

17. When a state lacks sufficient absorption capacity for fund released by the centre under whatever circumstances and the allocated resources meant to be used for the development purpose in the state remain unutilised, withdrawn or diverted to other performing states to fulfil the mandate of the scheme at the national level, it loses not only in terms of central resources/fund but also in terms of forward and backward linkages associated with the developmental plans and programmes of CSS designed as per the national priorities. For example, in case of PMGSY, when state loses central resource, it also loses benefits in terms of innumerable forward and backward linkages associated with rural connectivity. Similarly, when a state lose central resources under PMAY G, it also loses on other developmental aspects linked with the programme like empowerment of women, development of SCs/STs, welfare of Minorities, support to Divyang, strengthening of PRIs etc.

Existing monitoring and evaluation mechanism

18. In an attempt to find answers of the above-mentioned issues and gaps in state finances, this study also attempted to analyse the existing monitoring of financial management and evaluation mechanism of CSS and their adequacy which is briefly presented in following paragraphs.

19. At present the major focus of impact evaluation of any CSS is on physical progress and financial progress in terms of completion of physical target and financial expenditure respectively at national level. The existing process of evaluation mechanism of CSS broadly involves four steps as shown in the following Chart 1.

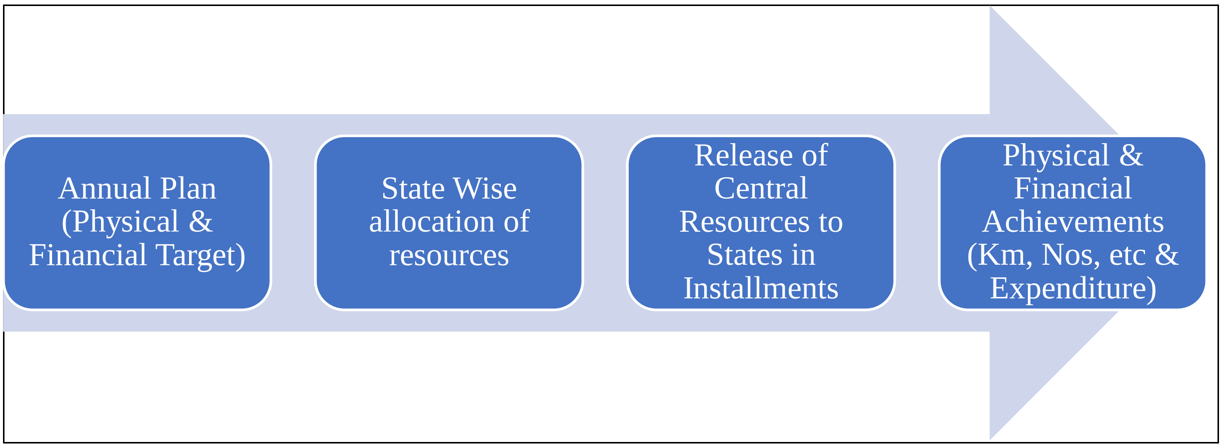


Chart A.1: Present process of Evaluation of CSS with National Development Outcomes

20. Under any CSS, state is an equal partner and responsibility of execution and timely completion of targets lies on both the centre and states. Therefore, incorporating states' performance in terms of absorption capacity reflecting through reallocation of fund, if any with overall assessment of CSS will facilitate to quantify the vertical imbalance. For this purpose, we need to capture and analyse the reallocation of fund owing to less absorption capacity of some states in every financial year. The suggested evaluation process is depicted in the following Chart A.2.

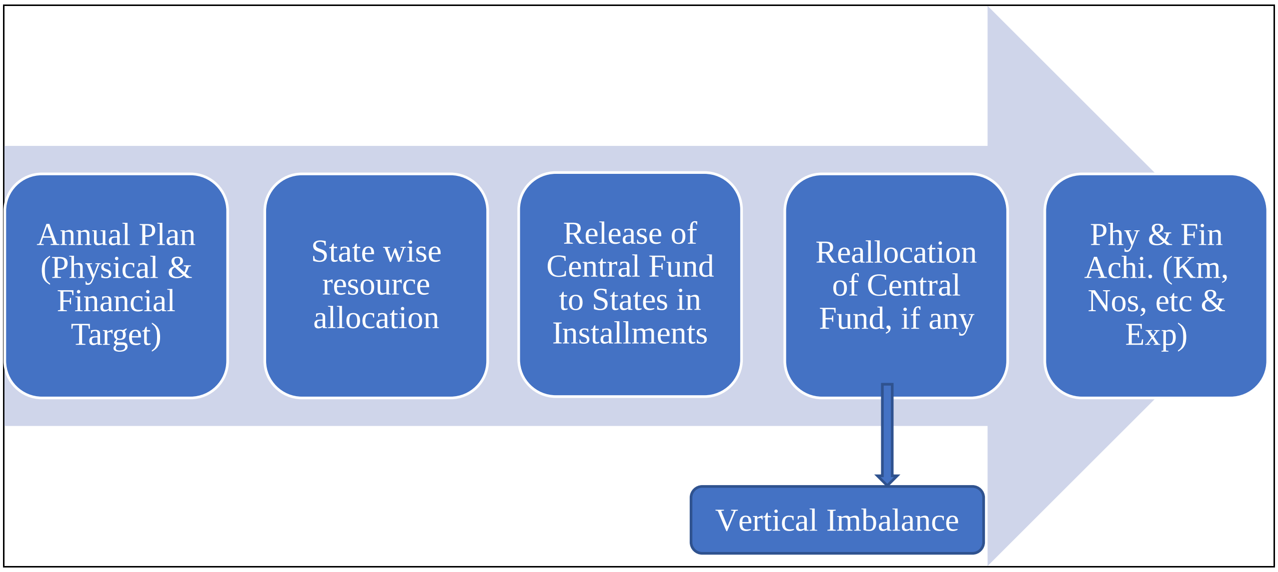


Chart A.2: Evaluation Process of CSS incorporating Vertical Imbalance alongwith National Development Outcomes

21. As discussed in above paragraphs, that when states' performance comes into consideration, efficient management of state finances holds critical role wherein adherence of timeline in transferring central share and crediting state share to implementing agency and SNA under CSS deserve much needed attention. The process of fund flow is depicted in the following Chart A.3.

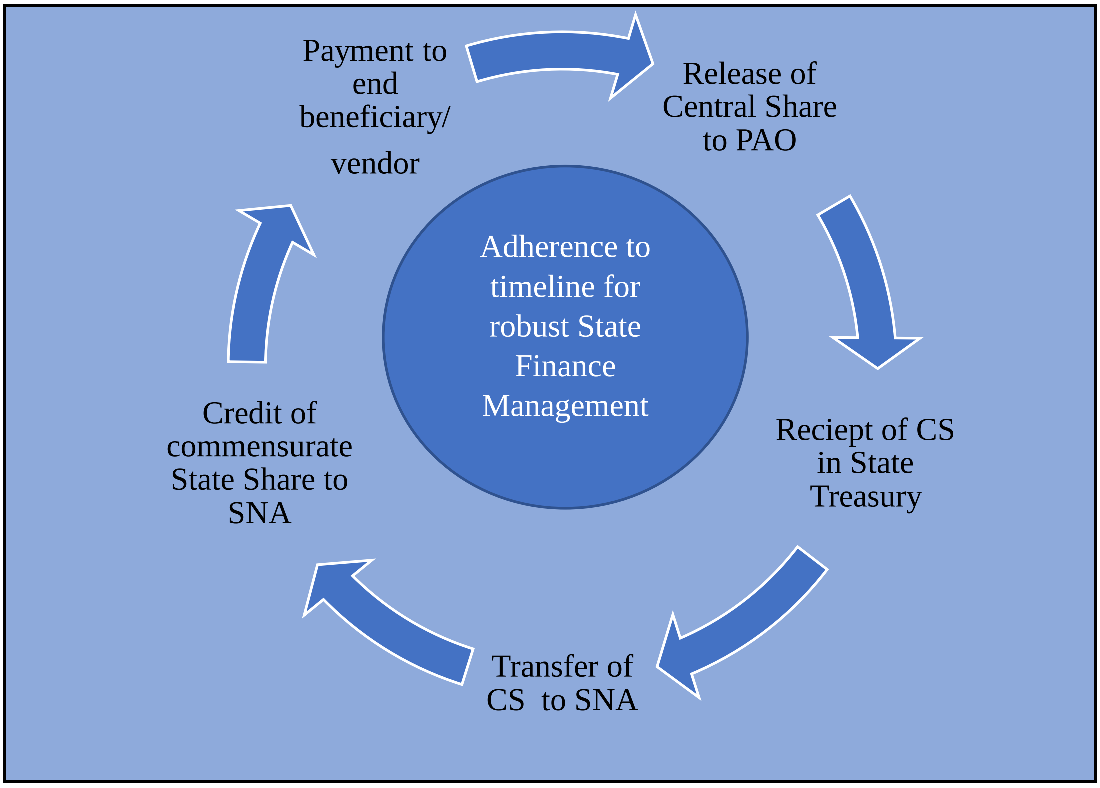


Chart A.3: Adherence to timeline for robust State Finance Management

22. This cycle of fund flow from centre to states as shown in Chart 3 above, if followed consistently every financial year, states would be able to absorb their full central share fund which was allocated to them at the beginning of the financial year according to the target fixed in consultation with the states. Such adherence to timeline in state finances will eliminate the scope of reallocation and subsequently minimize the vertical imbalance.

PFMS 2.0

23. The Government of India has been using PFMS as a tool for tracking of funds released under all Plan schemes, and real time reporting of expenditure at all levels of programme implementation. To address the challenges of scalability and performance in the changing scenario, Govt. of India intends to upgrade the current PFMS system into PFMS 2.0 which is envisaged to be an effective, engaging, productive and efficient platform developed through techniques like Design Thinking & Persona based user

journeys. Improved Financial Management has also an important element of Just in Time (JIT) release of funds and monitoring of use of funds including ultimate utilization′ Strategy embedded in the system.

Financial Management Index (FMI)

24. Though the guidelines of all the three select schemes undertaken in this study namely PMGSY, PMAY G and NSAP has detailed provision of monitoring mechanism of physical and financial progress, Ministry of Rural Development has launched Financial Management Index (FMI) in July, 2020 as a measure to ensure efficiency and further strengthening of the financial management in states.

25. Under the overall emphasis on Competitive, Cooperative Federalism, Financial Management Index has the objective of laying down minimum essential norms of financial management and accountability for ensuring optimal utilization of funds by the State Implementing Agencies under CSS. To this end, the index has incorporated *inter alia*, certain parameters like preparation of the Annual Plan, proposal of release of first installment of funds, release of funds from State Treasury to the nodal account of State Implementing Agency, release of full State Share, optimum utilization of total available funds and minimal Unspent Balances (UB) at the year end. (to be considered only if the State Government has contributed its full due share during the FY), Achievement of annual financial targets as finalized in the beginning of the financial year as per Annual Plan.[5] Parameters of FMI is also shown in the following chart A.4.

[5] https://rural.nic.in/en/flipebook/e-book-fmi

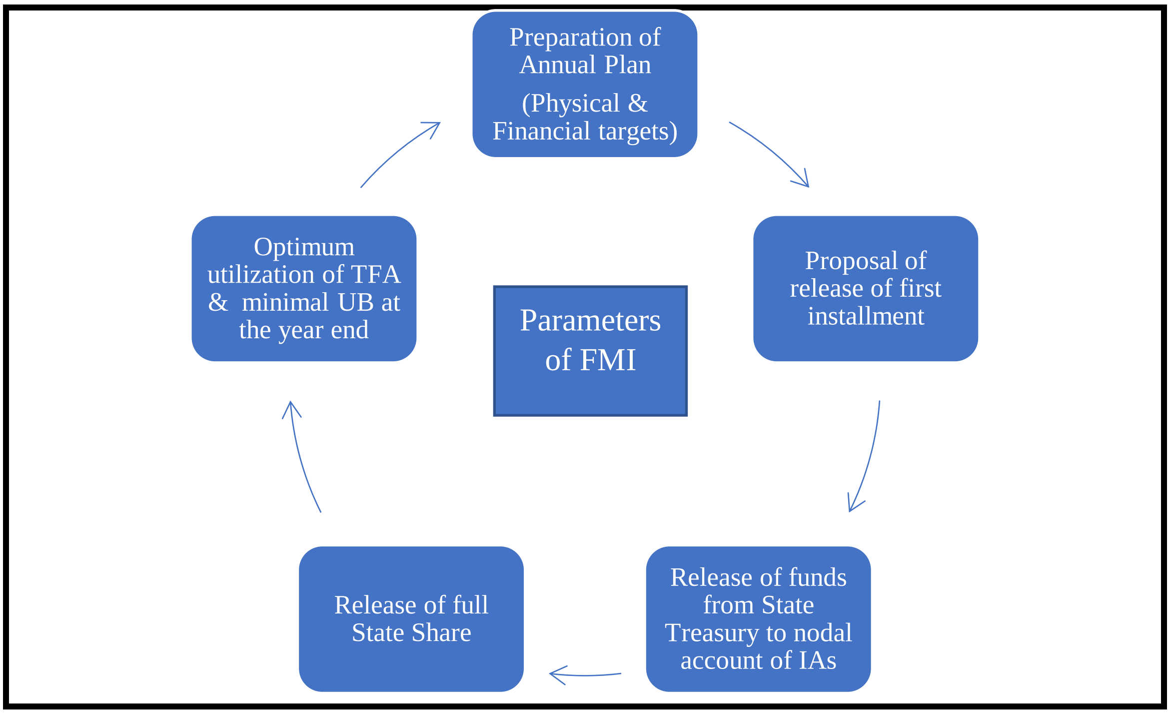


Chart A.4: Parameters of Financial Management Index (FMI)

26. Both PFMS 2.0 and FMI is an attempt in the right direction of reinforcing financial discipline in the state finances which has catalytic role in enhancing the utilization and absorption of central fund which will make CSS more effective, equitable and outcome oriented as per the national priorities.

Findings and Recommendations

27. Analysis carried out in this study lead us to the following findings and recommendations.

i. **Efficient practice in tracking and monitoring of fund flow by adhering to timeline in transferring the central share and state share to Implementing Agency (IA)**

The analysis carried out in Table 4.6 of Chapter IV reveals that fund released by the Centre to West Bengal is transferred by the state treasury to West Bengal Rural Road Development Agency (WBRRDA) in the same financial year alongwith the commensurate state share, except in FY 2019-20 when state share of Rs 154.19 crore was credited to WBSRRDA in FY 2020-21 with a time lag of 19 months. The analysis reveals an overall efficient financial management in West Bengal exhibiting date wise fund flow under PMGSY. Table 4.6 also reveals that due to an efficient fund flow management, State has received more than two installments of central share in three out of five financial years making West Bengal one of the leading states to get the central release under PMGSY in five years period. Hence, financial management in state treasury of West Bengal wrt PMGSY fund is relatively efficient and can be replicated to other states where financial management is less than efficient. Linking of central release with the volume of work is beyond the scope of this analysis.

Recommendation

Hence, it is recommended that the financial management system of PMGSY in West Bengal can be replicated in other states as the efficient system which don't have robust financial management and tracking system in place.

ii. Time lag in transfer of fund

There is considerable time lag observed in transferring the Central Release to the account of SRRDAs under PMGSY in Telangana and Andhra Pradesh. Timeline has also not been adhered to by states while crediting corresponding state share of 40% to implementing agency. As a result, central share was not released to Andhra Pradesh and Telangana in various financial years under PMGSY on account of non-credit of central fund released and commensurate state share of the previous years to implementing agency i.e SRRDAs. For other schemes under consideration, relevant data is not available, therefore time lag involved in fund transfer, if any could not be ascertained.

Recommendation

Analysis reveals that Telangana and Andhra Pradesh have not been able to maintain the financial discipline as far as fund flow under PMGSY is concerned which made them loose the subsequent installment of central release. Hence, it is recommended that there is a need to put an efficient and transparent system in place to avoid element of subjectivity involved in public fund management, if any.

iii. Non availability of disaggregated data in public domain

Coordination with Governments/Departments in states has always been time taking and challenging. Therefore, documentation of data and facts and their availability in public domain will help in facilitating the problem identification and information sharing with stakeholders which will have far reaching impact on broadening the information base and faster decision making in a cooperative federal structure where Centre and States share the responsibility of planning and implementation of CSS.

A case in point is that to understand the point of view of the State Govt. on the findings of analysis carried out in this study and to help us knowing the enabling and disabling factors for absorption/utilization of funds transferred to States/UTs, comments of the Finance Departments of various State Govts, were sought on several specific points.

All possible efforts over phone and emails were made to obtain the comments of the Finance Department of State Governments on major findings, to help in substantiating the analysis of the topic in the present study. However, since Budget preparation and presentation in States Assemblies is going on during the month of February and March, comments of the states' Finance Departments are yet to be received. Moreover, outbreak of Omicron in January-February has also delayed the availability of relevant data related to the discussion and therefore other related issues and aspects could not be analysed within the given timeline. In view of this, further analysis on the related aspects of the topic will be carried out as future research depending on the data availability in public domain.

Recommendation

To promote evidence-based policy making, relevant information and disaggregated data e.g. real time (date wise) tracking and monitoring of fund transfer and its movement at every channel of transfer should be made available in public domain. It will not only aid in removing the element of opacity in the fund flow system of scarce national resources, but also evidence-based policy making will be strengthened and midway course correction in CSS, if required can be carried out.

iv. Difference in priorities or inadequate resource/fund with States

Analysis reveals that centre is making sufficient provision/allocation and transferring fund to all the states under CSS timely as per the target fixed at the beginning of every year in consultation with States. However, some of the states are not able to absorb all these funds/ resources fully.

In those instances where transfer of central release to the Implementing Agencies/ SNA were delayed, it is inferred that there may be difference in development priorities between center and state governments. In other instance, where states have not been able to contribute the commensurate state share of 40% under CSS on time, it may be inferred that either states may be having weak financial position and lack adequate resource/fund or less than efficient fund management in state finances.

Recommendation

In both the above cases, there should be flexibility in CSS or an arrangement be made for midway correction in the scheme for those states who are not able to absorb central releases allocated to them fully after analysing the enabling and disabling factors behind such non-absorption of central fund.

v. **Inclusion of Vertical Imbalance as an important aspect of evaluation of CSS alongwith National Development Outcomes**

To look into the aspect of vertical imbalance, absorption capacity of states in terms of central releases reflected through reallocation of central fund, if any it is reiterated that data on reallocation of resources from states having less absorption capacity to states having better absorption capacity, need to be captured. Once data is available, the extent of reallocation of central fund would be measured and vertical imbalance wrt CSS would be quantified. This scientific analysis in turn, will help in understanding and quantifying the state specific issues and problems specifically wrt state finances affecting the absorption of central fund under CSS which has critical role in making any programme and policies more impactful, outcome based and result oriented.

Conclusion

28. The analysis of the topic throws light on the critical relationship between flow of fund from centre to states, state finance management and outcome and impact of CSS. Major concluding observations out of the above analysis can be summed up in the following paragraphs:

i. **Resource availability and Development priorities of Centre and States**

At this stage when relevant data, inputs and comments on various aspects of the present analysis are not readily available and given the time constraint, it can be concluded, based on the available literature on the subject of centre-state financial relationship in a cooperative federalism governance system, that absorption capacity of states for central resources primarily depend on:

- Resource availability and Public Finance Management in States and
- Development priorities of Centre and States

ii. Discussion without data and Evidence based policy making

In the absence of relevant data, there is always a subjective and psychological dimension to vertical and horizontal imbalance, which inevitably gives rise to political conflict and dilemma. Therefore, the issue of vertical imbalance and horizontal imbalance wrt CSS deserves to be demystified in a more systematic and methodical fashion.

In the absence of relevant data, information asymmetry also arises between Government and citizen which usually pose hurdle in the way of evidence-based policy making. To overcome this information gap, digitization and documentation of the process with facts and figures involving centre-state fund transfer under CSS should be undertaken and be made available for broadening of the information base on the subject.

iii. Robust Public Finance Management: Optimal Resources Utilization

Ever since the lockdown was enforced after the outbreak of Covid 19 in March 2020, which was gradually lifted over a period of two years, economy is experiencing fiscal stress and therefore Intergovernmental Resource Transfers and Public Finance Management (PFM) under the federal structure governance need desired attention and necessary steps be taken to bring improvement and more efficiency in the public resource utilization. This becomes even more important to realise the goals and objectives of Atmanirbhar Bharat and making India a USD 5 Trillion economy by 2025, two most important visions of the Hon’ble Prime Minister of India.

*****

UNION-STATES FUND TRANSFER UNDER SELECT THREE SCHEMES:

A STATE-WISE COMPARATIVE ANALYSIS OF PMGSY, PMAY-G AND NSAP

Chapter I: Introduction & Overview

Introduction

1.1 In a country like India, there political and socio-economic conditions is a great degree of variations amongst the States/UTs, in terms of locational, geographical, demographic, historical, political and socio-economic conditions. These variations have significant impact on the resources and revenue generation capacity amongst the States/UTs. To tide over these variations and promote development on a more equitable manner thereby reducing inequality and to ensure decent quality of life to all our people as per the national priorities and requirement, Centrally Sponsored Schemes (CSS) assume dominant role as the shared interventions of the Union and States/UTs. Centrally Sponsored Schemes being conceptualised, planned, prepared and executed at the national level, has the potential of transcending the above-mentioned variations among states under Cooperative Federalism structure of governance in the country.

1.2 In this context, Directive Principles of State Policy in the Constitution of India (Part IV, Articles 36 to 50) act as guiding principles behind the policies of various parts of the Government at national and subnational level and act as an overriding philosophical basis. To realise these goals, national effort primarily in the field of social and economic sectors like health, education, childcare, unemployment, old age, infrastructure etc is required which has its positive implications in minimizing inequalities in income and resources amongst States/UTs.[6]

[6] Report of The Committee on Restructuring of CSS by B.K. Chaturvedi, Member, Planning Commission. (2011). http://nrcddp.org/

1.3 As far as resource distribution between Centre and States/UTs is concerned there are multiple routes/channels for the purpose however, a significant amount of Plan Transfers to States/UTs are routed through Centrally Sponsored Schemes (CSS). Since many CSS interventions are in the social sectors having various social protection implications and social inclusion goals, it is imperative that these schemes and the design of financial management therein ought to be disciplined, timely, effective and outcome oriented with transparency and accountability inbuilt in the system.

1.4 The utilization of these transferred funds from the Centre under CSS depends on the absorption capacity of the States/UTs and the nature of the scheme. Absorption capacity of the States/UTs in turn, depend on various other factors. This study attempts to analyse the inter-State variation in resource absorption vis-à-vis demands under three select vertical schemes namely PMGSY, PMAY-G and NSAP. Vertical schemes generally intend to reduce horizontal gaps and therefore the present analysis would broaden the understanding on the topic and facilitate shifting the approach from expenditure-based to more regionally balanced, outcome-based monitoring and evaluation of CSS. The proposed analysis in this study may also have an impact on the idea of evidence-based policy making.

1.5 **Absorption Capacity:** Before moving further, it is appropriate to define the absorption capacity of States. In the present analysis, the absorption capacity is defined in terms of Central releases to States every financial year under three select CSS namely PMGSY, PMAY G and NSAP. Total expenditure or utilization of fund under each CSS is calculated and maintained against the Total Fund Available (TFA) with states. Total Fund Available (TFA) is the accumulation/ sum total of central releases, state share in a financial year and the carryover fund of previous years with a state. Therefore, absorption of fund in terms of expenditure incorporates central share, state share and carryover, which may not reveal the disaggregated utilization of fund against the central release and state share in a financial year.

1.6 In other words, this study endeavours to find ways to ensure that large flows of fund from Centre to States/UTs under Central Assistance in the form of CSS must be consistently and timely absorbed by the States/UTs in terms of central share of fund transfer. This necessitates comparing performances across States vis-s-vis vertical schemes to identify strengths and weaknesses with a view to build on the strength of the individual States and identify best practices in terms of financial management. Any efficiency gains thus analysed coupled with flexibility accorded to States/UTs given their respective strengths and weaknesses under CSS would further enable the Union and States/UTs together to implement the CSS with greater visible impact, transparency and accountability.

1.7 In the total Social Sector Expenditure (both revenue and capital expenditure) on social and community services and rural development jointly by the centre and states, the share of states has fallen from 85% in 1990-91 to less than 70% in the 2009-10 BE. Some segments like housing and rural development, apart from family welfare, are highly centralised now, with states' share being just about 40%.[7]

1.8 As highlighted in above paragraphs, in Indian federal structure the responsibilities of various layers of government are clearly delineated in the Constitution. However, in the areas requiring national effort and priorities, the Centre may intervene directly to bring greater dynamism and to ensure more regionally balanced development initiatives. Centrally Sponsored Schemes (CSS) are one of such

[7] Note: Growing Centralisation of Social Sector Policies in India by Anita Rath, EPW (January 26, 2013)

interventions or tools which Government of India uses in the form of various programmes, schemes and polices. Central Government has introduced several schemes so far in the areas of national priority like health, education, agriculture, skill development, employment, urban development, rural infrastructure etc. Although, many of these sectors fall in the sphere of activities of States with the responsibility of implementation of central programmes and policies lies solely with them.

1.9 As already discussed, there is huge diversity/disparity amongst the States/UTs in terms of location, geography, demography, history, political structure, and socio-economic conditions. Evidence has also suggested that there is variation in the absorption capacity of central funds under various schemes/programmes amongst States/UTs leading to vertical imbalance and horizontal imbalance in the national development process. There are instances where utilization of Central transfer also depends on the nature of the scheme. To understand the dynamics behind this variation, interplay of vertical imbalance and horizontal imbalance needs to be demystified.

1.10 Also, Article 38 of the Constitution mentions that the States shall strive to minimize the inequalities in income, and endeavour to eliminate inequalities in status, facilities, and opportunities. It is, therefore, important for the government to make policies to minimize the inequalities amongst people residing in different areas of the country to ensure regional balance in the development outcomes.

Research Objective

1.11 Following are the Research Objectives of the present study

i. To analyse the variation in absorption capacity of States for three select schemes viz. PMGSY, PMAY-G, NSAP.

ii. To identify factors that affect the effectiveness of flow of Central resources to States/UTs.

iii. To explore the strategy to improve monitoring and evaluation of schemes.

Research Strategy

1.12 The study would employ a mixed Research Strategy.

Research Design and Methodology

1.13 Research Design adopted in the present study would primarily be Desk Research with Qualitative analysis. Quantitative strategy would involve Descriptive and Exploratory research design. Research would carry out the analysis of available data from primary and secondary sources to understand the financial management of three select schemes and impact thereof depending on the data availability, their quality and relevance.

1.14 The first part of the research is analytical in nature wherein the data of three schemes will be collected, collated, and analysed depending on their availability, quality, and relevance. The sources from which these data would be collected are primarily Government published data, Govt. of India (Ministry of Rural Development, Ministry of Panchayati Raj, NITI Aayog and others) websites, RBI sources. Data available in various research articles, books, studies conducted, and reports prepared by Government/Non-Government agencies could also be resorted to substantiate the arguments. The study will also use the primary and secondary data obtained from government offices, both Central and States using emails, telephones, and other sources. Interactions will be held with the field functionaries as per the requirement and feasibility.

1.15 The second part of the research is exploratory in nature. Data and information available from secondary sources will be analysed for the impact and outcome of selected central schemes. This study will be inductive research based on the documents available with the government and other sources and further explorations thereon.

1.16 Based on the data analysis and certain criteria, two states-one each from performing and non-performing states for selected three schemes will be identified for in depth analysis. From each of these selected states, two outlier districts will be selected for further analysis based on selected criteria. These criteria would be identified based on literature review.

Rationale or Justification

1.17 Following would be the Rationale of the present study:

i. Performance comparison across States vis-s-vis vertical schemes namely PMGSY, PMAY-G and NSAP to identify strengths and weaknesses is required to identify best practices which would be contributing to designing a more inclusive public policy.

ii. As CSS is the major source of plan transfers to States/UTs mainly in the social sectors, a more robust CSS is the need of the hour to make it more participative and effective in terms of social inclusion and social protection.

Research Questions

1.18 The study would attempt to explore the following questions:

i. What is the State-wise central releases, fund available and expenditure under three select schemes?

ii. What are the enabling and disabling factors for utilization of funds transferred to States/UTs?

iii. What is the existing monitoring and evaluation mechanism and whether are they adequate?

Chapter II- Literature Review

2.1. In this chapter, review of existing literature on Centrally Sponsored Schemes as a tool of fund transfer from Union to States under Federal Structure in India has been carried out. The purpose of the literature review is to get an overall understanding of the various aspects and issues involved in Centrally Sponsored Schemes.

Literature Review

2.2 Chaturvedi (2011) stated that States have been raising concerns at various forums about lack of flexibility in CSS schemes, adverse implication of counterpart funding requirement of CSS on State finances and questionable utility of operating large number of CSS with thinly spread resources at the field level. A Sub-Committee was constituted by Planning Commission in March 2011 to consider the concerns of all stakeholders mainly the States for suggesting restructuring of CSS to enhance its flexibility and efficiency. State Chief Ministers have emphasized on several occasions the need to reduce the number of CSS. Measures suggested to do so include (i) putting a cap on CSS at 1/6th or 1/7th of Central Plan assistance, (ii) transferring the entire CSS funds to the States without any restrictions, (iii) transferring a number of identified schemes to State Governments, (iv) 100% funding of CSS with no counter-part State funds (v) consultation with States, particularly if the schemes are not 100% Central funded and (iv) flexibility to States in the implementation of these schemes.

2.2.1 Report also suggested that criteria for allocation of CSS funds to different States need to be more transparent. The inter-distribution amongst States needs to be based on equitable notified criteria. Further, linkage between Centre and State funding needs to be kept in mind while devising the criteria for distribution. To address the divergence amongst States in terms of geographic condition, level of economic development, nature of gaps in physical infrastructure and demography, state specific flexibility should be introduced in CSS without compromising with the quality of output.

2.2.2 Accordingly, report has suggested that there is need for reforms in designing of CSS, physical and financial norms, planning, transfer of funds, monitoring and evaluation of physical as well as financial progress and outcome. There is also need to meet the concerns of the States on their inability to provide counter-part funds as the States are not able to access these funds.

2.2.3 Financial norms for certain components in schemes, like cooking cost in MDM scheme, or cost of construction of houses under IAY need to be revised once in two years to enable effective use of funds. The norms for these identified financial components of the schemes should be revised by Ministry of Finance once in two years. The revision should be linked to Wholesale Price Index. The Committee realizes that this may result in construction of lesser number of houses from a given allocation. The Committee feels that such revision will fund the construction fully for such schemes to enable effective implementation and outcomes.

2.2.4 Subsequent to the Planning Commission's 2011 Chaturvedi Committee Report on restructuring of Centrally Sponsored Schemes, Sub Group of Chief Ministers on Rationalisation of CSSs was formed who submitted its report in October, 2015.

2.3 Report of the Sub-Group of CMs on Rationalisation of CSSs (October 2015) reviewed the entire array of issues concerning the Rationalisation and Restructuring of the CSS and came out with some of the major findings as follows:

i. A large number of Schemes results in spreading resources thin and thereby adversely impact desired outcomes.

ii. CSS should be designed with in-built flexibility, so that implementation in the State is customized to State-specific requirements.

iii. Sharing pattern should be such that no State/UTs finds it difficult to access available Central Assistance.

2.3.1 If some States are not able to access the available Central Assistance due to various reasons, vertical imbalance reinforcing the horizontal imbalance will be the outcome. Therefore, to address the skewed distribution of central resources, state specific issues and concerns should be identified and addressed.

2.4. Debnath A. and Battacharjee N. (December 2019) studied the impact of federal transfers on revenue collection by state govts. in India. Major findings of this study are as follows:

i. Tax collection decreases with an increase in unconditional transfers

ii. Conditional transfers exert positive influence on tax collection

2.4.1 However, this study lacks greater details on the impact of federal transfers on vertical and horizontal imbalances.

2.5 Reddy G.R. (June, 2015) addressed the issue of whether restructuring of central plan assistance to states proposed in Union Budget, 2015-16 will result in neutralizing the benefit of an increase in unconditional tax devolution proposed by the Fourteenth Finance Commission by imposing higher burden on states in funding CSS. Major findings of this study are as follows:

i. Changes in central support for state plans will neutralize the higher untied transfers through tax devolution, if not fully, but to a significant extent reducing the autonomy of states considerably.

ii. Centralized planning should move away from "One-size fits-all' approach.

2.5.1 However, this study lacks information on revenue collection efforts by State Governments and their fiscal behavior/discipline.

2.6 Rath A. (January 2013) attempts to deliberate on the recommendations of the Planning Commission's 2011 Chaturvedi Committee Report on restructuring of Centrally Sponsored Schemes. The central idea of this report is to discuss some of the larger issues that emerges from centralisation of social sector expenditure. Some of the major findings in this report are as follows:

i. Growing centralisation of social sector policies has caused apprehension and upsets priorities between Centre and States.
ii. Hamper state planning process according to their local requirements and affect the smooth implementation of these schemes.
iii. Public policy innovations and their diffusion.

2.7 Garg S. C. (December 2006) analyses how central grant financing of state sector subjects has proliferated over the years and has taken over the development space in the states' jurisdiction affecting their autonomy and responsibility. Following are the major findings of the study:

i. This fund flow arrangement has huge implications on the sanctity and integrity of the budgeting process and legislative control over state expenditures.
ii. The efficacy, constitutional propriety and accountability of this arrangement need to be examined thoroughly.

2.7.1 However, the study lacks information on the diversion of central fund at the state level which hampers the smooth fund flow mechanism between multilayer governments.

2.8 Manish Gupta et al (October,2011), analyses that the block grants (for State Plan and other block grants) by definition are unconditional transfers and therefore the issue of their utilisation is not a major concern. On the other hand, other grants which are often conditional upon various actions at the state level including putting up the matching amounts against the central releases, the actual utilisation etc. can be different from the allocations made; if the gap is large, then it can be a cause of concern.

2.8.1 In case of direct release of grants to implementing agencies, the utilisation of the available funds depends on the institutional setup and efficiency at three levels. In recent years, less than satisfactory utilisation of these grants necessitated examination of various related aspects. With the objective of finding suitable changes that could contribute to better utilisation, the present study deals with only two of the various aspects concerned, i.e. the design of the schemes, and timing and structure of releases of funds.

2.8.2 The analysis carried out in the study regarding the structure of the schemes indicates that too little delegation in the system is creating lags in the flow of funds, which in turn affecting the impact of the scheme and utilisation of available funds, defeating the objectives to varying extents.

2.9 N R Bhanumurthy et.al (Oct. 2014) stated that Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is one of the massive employment generating schemes and demand driven with bottom-up approach in terms of its planning and implementation in rural areas. With such extensive coverage, involvement of multiple organisations, huge fund allocations and fund flow mechanism play an important role in its success. Any failure in implementation, delay in fund releases, and improper planning may result into huge unspent balances, particularly when the funds move out of government treasury system and are channelled through implementing agencies outside the government setup (such as Rural Local Bodies).

2.9.1 In this study written in 2014, the writer has explored that despite being the most successful programme, the allocation to this programme over a period of time has been declining. This is causing some concern about the framework and overall fundflow mechanism of this programme. Further, there are huge unspent balances in many states in spite of declining allocations and linking the wages to the annual consumer price index which has been increasing annually between 8 to 10 per cent over the last three years. Nearly one third of the funds released have remained unspent in the entire period of discussion except 2012-13.

2.9.2 The study further states that unspent balances could arise due to many reasons such as excessive allocation against predicted excessive demand, lack of capacities in planning and implementation at local levels, delay in receipt of funds, and other governance and administrative issues. Though it is necessary to look at the reasons for such unspent balances, it is reasonable to assume that all unspent balances that is reflected in the balance sheets as ‘unspent’. Otherwise, there should be some minimum balance that needs to be maintained at each stage of allocation for the continuation of the programme in the new financial year until there are some releases after the sanction of budget for whole year.

2.9.3 The writer in its analysis found that none of the evaluation studies on MGNREGS have looked at the issue of public finances of unspent balances and the gaps in fund flow mechanism. The information from the Ministry of Rural Development (MoRD) shows that the unspent balances, although declining, are still large. Such high unspent balances could be majorly arising in following three stages of implementation:

i. There could be substantial discrepancy in the actual demand and the projection made by the states i.e. Labour Budget of MGNREGS.

ii. There could be due to lack of proper effective implementation of the programme.

iii. As the trends in unspent balances shows huge variation across states, there could be some state specific factors that are contributing to unspent balances.

2.9.4 The study in discussion broadly tries to address the following issues like Reviewing the fund flow mechanism under MGNREGS and studying the implementation strategy of the states, Examining the month-wise flow of funds at selected state level, Understanding the process of demand projections made by the states and the actual expenditure, Comparing the inter-state utilisation pattern, Identifying and analysing reasons for huge opening balances in different states, Analysing the unspent balances and estimating the extent of optimal balance, Recommending a set of policies to address the issue of unspent balances including optimal balances that may need to be maintained at state level based on the trends and discussions.

2.10 K. Vinay and Brinda Viswanathan (January 2020) highlighted that the demand for work and person-days of work are considered for the analysis capturing respectively the demand and supply side variables of MGNREGA. After controlling for rainfall, rural population and landless agricultural labour, an asymmetric behaviour is observed for the states governed by regional parties such that they tend to generate significantly lower person-days of work near the central elections but show a significantly higher demand for work near the state elections. Moreover, states ruled by aligned central and state parties generate higher than average demand for work under the scheme. The over-arching framework of multi-party democracy and the dynamics of centre-state relations present in centrally sponsored schemes create scope for such behaviour.

2.10.1 Being the largest democratic republic in the world, ensuring that welfare policies reach all the intended beneficiaries is quite a tremendous challenge. The three-tier federal structure consisting of the union, state and the local levels of government facilitates the smooth functioning of large welfare policies (Rao, 2017). However, political considerations often cloud the efficacy of a well-intended policy. Specifically in the case of centrally sponsored schemes, an interesting center-state dynamic is built in that creates an environment for political gains to seep in.

2.10.2 Centrally sponsored schemes are schemes where the funds for the scheme are largely supplied by the center but the states are given the responsibility for the implementation of the scheme. The states' contribution in terms of funds is specifically defined. In corporate finance, principal-agent conflict arises when the agent's actions are not in line with maximising the shareholder's value or the principal. Similar conflict could arise in a center-state interaction when the state might have objectives that are not in line with the center. On the other hand, center and the state could collude if the state government is aligned with the objectives of the center.

2.10.3 The study in discussion analyses the pattern, if any, in the labour-days component of the MGNREGS program in light of the election season; the differences in the pattern between the central and state elections as well as across different types of political parties governing the states.

2.11 Mita Choudhury and Ranjan Kumar Mohanty (August 2017) analyses that the routing of funds through the State treasuries has had significant implications for utilization of National Health Mission (NHM) funds. The involvement of State treasuries has increased the accountability of States towards NHM spending. However, this has added an additional administrative layer in the fund flow process and has created barriers in the fund flow due to complexities of States' administrative procedures for releasing funds. This has adversely affected the timeliness of availability of NHM funds for utilisation by implementing agencies. The file with the request for release of funds has to pass through a minimum of 32 and 25 desks up and down the administrative hierarchy in Bihar and Maharashtra, and this has adversely affected the timeliness of availability of NHM funds for utilisation by implementing agencies in those States. On average, in the last two financial years, there was a delay of around 2 to 3 months in releasing NHM funds from State treasuries to implementing agencies in Bihar and Maharashtra.

2.12 Report of Centre-State Financial Relations and Planning, MHA, Volume III (March 2010) examined and reviewed the working of the existing arrangements between the Union and States as per the Constitution of India, the healthy precedents being followed and pronouncements of courts in regard to powers, functions and responsibilities, inter alia, in the sphere of financial relations, economic and social planning and sharing of resources. While making the recommendations, the Commission has been asked to take into account certain considerations relevant to the examination and review of financial relations and economic and social planning. These considerations are as follows:

i) The role, responsibility and jurisdiction of the Centre vis-à-vis the States in promoting the concept and practice of independent planning and budgeting at the district level;

ii) The role, responsibility and jurisdiction of the Centre vis-à-vis the States in linking Central assistance of various kinds with the performance of States;

iii) The role, responsibility and jurisdiction of the Centre in adopting approaches and policies based on positive discrimination in favour of backward States;

iv) The impact of the recommendations made by the Eighth to Twelfth Finance Commissions on the fiscal relations between the Centre and the States, especially the greater dependence of the States on devolution of funds from the Centre; and

v) The need and relevance of separate taxes on the production and on the sales of goods and services subsequent to the introduction of Value Added Tax (VAT) regime.

2.12.1 Some of the important recommendations of the Commission on financial relations and planning are mentioned below:

i. As a measure of Expenditure Reforms, Central and State governments should consider the high opportunity cost of populist measures. It is necessary that a comprehensive study on direct, indirect and cross-subsidies, covering both the Union and the State Governments is prepared by the Planning Commission every year and brought before NEDC for discussion.

ii. The number of Centrally Sponsored Schemes (CSS) should be kept to the minimum. The need for the Union Government initiating pilot projects even in regard to subjects in the States' sphere, having inter-State, regional or overall country wide significance but carrying high national priority is recognized. But these should be formulated in prior consultation with the States. Once a programme has passed the pilot stage and has been accepted as desirable for implementation on a larger scale, it should appropriately form part of the State Plan.

iii. The Central assistance towards CSS should be kept to a minimum in relation to the Central assistance for the State Plans. The ratio as recommended by the NEDC should be adhered to.

2.13 Note of Lok Sabha Secretariat Parliament Library and Reference, Research, Documentation and Information Service (LARRDIS) (December, 2013) emphasises on the governance aspect of making any programmes, policy impactful. In conclusion, note says that large outlays of our Flagship programmes will be translated into enduring and desired outcomes on the ground through better governance. Note also talks about adoption of multi-faceted approach including professionalization of public service delivery, Total Quality Management, innovative use of IT and other technologies to facilitate improvement in implementation of programmes with effective monitoring and supervision. Other measures like greater emphasis on social mobilisation and capacity building, strengthening of local institutions, and building deeper partnerships with civil society organisations and the community to determine the needs and aspirations of the people will also play an instrumental role in strengthening the implementation of flagship schemes.

2.14 Pratap Ranjan Jena in his study titled Improving Public Financial Management in India: Opportunities to Move Forward (April 2013) attempts to analyse Plan transfers made under CSS, which is a major source of fund transfer to States/UTs in a federal structure. In majority of the CSS, funds have been shared between Centre and State in the ratio of 60:40.

2.14.1 In his study, author has analysed Intergovernmental Transfers and Public Finance Management (PFM) Concerns. Under the Federal Structure in India, Intergovernmental resource transfer system continues to be complex, which involves several conduits/ institutions like Finance Commission, NITI Aayog (erstwhile Planning Commission) and several Central Ministries. In addition to devolution of central taxes determined by the Central Finance Commission and plan assistance determined by the Planning Commission of India, Centrally Sponsored Schemes (CSS) have emerged as a key source of funds in social and economic sectors for States. These are specifically designed programmes for employment generation, primary education, basic health services and rural infrastructure and run by the concerned central ministries.

2.14.2 The CSS form part of the Central Plan as they are meant to provide additional resources to the states for implementing programmes that are considered by the Government of India to be of national/regional importance. Over the years the CSS has become an important tool of the central Government to influence polices and expenditures on subjects constitutionally allocated to the States. The funds under these programmes are provided in respective budgets of Central Government Ministries, implemented at state level by specifically created implementing agencies and rural local bodies.

2.14.3 The study also discusses the PFM concerns which are many in this type of funding through central programmes. Usually, the funding of the big-ticket CSS bypass the state budgets and are routed through implementing agencies such as missions or autonomous societies created under the provision of the specific schemes, and local bodies. A direct transfer of resources to state budgets would seem to have merit in terms of accountability. However, apprehensions regarding timely release of central funds by the States to the designated central programmes led to creation of implementing agencies in States and directly routing funds to their bank accounts outside state budgets.

2.14.4 This funding arrangement is considered efficient so far as fund utilization is concerned in a timely manner. Although state functionaries predominantly man these agencies, the financial management of the implementing agencies remains outside the formal accountability structure of both the central and state governments. Mere release of funds to the agencies at central level is considered as expenditures, which is not reflected in the state budgets. A certain level of utilization in the form of an unaudited certificate is needed for the next level of funding. Rather than the CAG, the empanelled chartered accountants audit such bodies. The information on availability of funds and actual expenditure by the service delivery units, a school or a health service unit, at the far-flung areas is sketchy.

2.14.5 Given the diversity in the implementation hierarchy, the number of implementing units and the geographical reach of central schemes, it has remained a challenge to have meaningful information on these schemes and support informed planning. Further many a times these programmes are caught in political tangle as regards their ownership and accountability in delivering services.

Conclusion

2.15 To sum up, various authors have touched upon several aspects of Centrally Sponsored Schemes. Some issues discussed are relating to flexibility in CSS schemes, adverse implication of counterpart funding requirement of CSS on State finances, tendency of decrease in tax collection with an increase in unconditional transfers, whereas conditional transfers exert positive influence on tax collection. Some author has opined that CSS has become an important tool of the Central Government to influence polices and expenditures on subjects constitutionally allocated to the States. Another important aspect of CSS analysed is regarding the role of better governance in translating the large outlays of our Flagship programmes into enduring outcomes on the ground etc.

Against this background, this study attempts to understand fund flow mechanism between centre and states wrt three CSS namely PMGSY, PMAY G and NSAP.

Chapter III-An Overview of three select Schemes namely PMGSY, PMAY-G and NSAP

3.1 In this chapter, an overview, and other broad aspects of three centrally sponsored schemes namely Pradhan Mantri Gram Sadak Yojana (PMGSY), Pradhan Mantri Awaas Yojana- Gramin (PMAY-G) and National Social Assistance Programme (NSAP) has been presented. This will help in understanding the mandate, scope and nature of each of these CSS under rural sector.

I. Pradhan Mantri Gram Sadak Yojana (PMGSY)

Overview

3.2 Any discussion on economic growth and development is incomplete without taking into consideration the development of rural areas in a country where majority of the population still lives in villages. Since infrastructure is the basic requirement of any development story, rural connectivity has the catalytic role in facilitating the rural population the access to the engines of development. Rural roads not only provide physical connectivity to villages but also connect the villagers with enormous forward and backward linkages associated with economic prosperity and development of the area.

3.3 An overview of the scheme as described in its Programme Guidelines, October 2019 and Annual Reports (2021-22 and other years) is presented in following paragraphs:

3.4 As one of the anti-poverty programmes, Government of India launched the Pradhan Mantri Gram Sadak Yojana (PMGSY-I) on 25th December 2000 as a Centrally Sponsored Scheme to assist the states in providing road connectivity to the eligible rural population, though “Rural Roads” falls in the State List under the Constitution.

Mandate of PMGSY is to provide connectivity by way of all-weather road to the eligible unconnected habitations as per core-network with a population of 500+ persons in plain areas. In case of Special Category States/ UTs (i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh, Jammu & Kashmir, Ladakh and Uttarakhand), the Desert Areas (as identified in the Desert Development Programme), the Tribal (Schedule V) areas and Selected Tribal and Backward Districts (as identified by the Ministry of Home Affairs and Planning Commission), the objective is to connect eligible unconnected habitations with a population of 250+ persons (Census 2001). For most intensive IAP blocks as identified by Ministry of Home Affairs the unconnected habitations with population 100+ (Census 2001) is eligible to be covered under PMGSY.

3.5 So far three phases of the programme namely PMGSY I, II and III and one separate vertical called Road Connectivity Project for Left Wing Extremism Affected Areas **(**RCPLWEA) has been rolled out.

PMGSY I

3.6 The first phase (PMGSY-I), besides providing all weather road connectivity to eligible habitations, had also an element of upgradation of existing rural roads in areas where all the eligible habitations of the designated population size have been connected with all-weather roads. As regards road length, a total of 6,45,599 km road length has been sanctioned under new connectivity and upgradation components of PMGSY-I, out of which 6,10,994 km road length has been completed till 31st December 2021.

PMGSY II

3.7 The second phase known as PMGSY II was launched in May 2013 with an objective of upgradation of existing selected rural roads based on their economic potential and their role in facilitating the growth of rural market centres and rural hubs.

In this endeavor, PMGSY II envisages consolidation of the existing Rural Road Network and upgradation of selected Through Routes and Major Rural Links (MRLs) with a target to upgrade 50,000 Km in various states and Union Territories to improve its overall efficiency as a provider of transportation to people, goods and services. Out of 49,885 km road length sanctioned, 45,875 km has been completed as on 31st December 2021 under the Scheme.

Road Connectivity Project for Left Wing Extremism Affected Areas (RCPLWEA)

3.8 Subsequently, in 2016, Road Connectivity Project for Left Wing Extremism Affected Areas (RCPLWEA) was launched for construction/upgradation of strategically important roads in 44 districts which are critical from security and communication point of view as a separate vertical under PMGSY. The scheme has twin objectives of enabling smooth and seamless anti-LWE operations by the security forces and ensuring socio-economic development of the LWE affected area. Under RCPLWEA, out of 10,231 km length sanctioned, 4,817 km road length has been completed till 31st December 2021.

PMGSY III

3.9 The third phase i.e. PMGSY III was launched in 2019, with the objective of consolidation of 1.25 lakh kms existing Through Routes and Major Rural Links that connect rural habitations to Gramin Agricultural Markets, Higher Secondary Schools and Hospitals at an expenditure of Rs. 80,250 Crore.

3.10 Planning and selection of roads under PMGSY III is primarily relying on technology. The initial survey of rural facilities is conducted through the GEO-PMGSY app where geo-tagged photographs of facilities such as schools, hospitals are captured. The facilities data combined with the GIS based DRRP is then used to create “Trace Maps” which highlight routes which are commonly used by villagers to access their basic necessities of agriculture, health, education and administration. The State-wise allocation of targets under PMGSY III is at **Annexure-I**. Out of 72,881 km road length sanctioned to 17 States, 21,490 km road length has been completed till 31st December 2021.

3.11 PMGSY-I & II are targeted for completion by September 2022, RCPLWEA and PMGSY-III are targeted for completion by March 2023 and March 2025 respectively.

Funding of the Scheme

3.12 Initially, PMGSY was 100% Centrally Sponsored Scheme. However, in 2015-16 the fund sharing pattern of PMGSY was revised in the ratio of 60:40 between the Centre and States for all States except 8 North Eastern and 3 Himalayan States for which the ratio is 90:10. The primary source of funding for the Programme has been Cess on High Speed Diesel (HSD), Budgetary Support, loans from Asian Development Bank (ADB) and World Bank. The details of release of funds from various source of funding to the States since inception and expenditure incurred on the programme implementation since 2015-16 is at **Annexure-II** and **Annexure-III** respectively. The Statement of Release of Funds to the States, State/UT-wise since 2015-16 and current year upto 31st December 2021 is given at **Annexure-IV**.

Institutional Arrangements

3.13 Ministry of Rural Development (MoRD) is the nodal Ministry for implementation of PMGSY at Central level. To provide technical and managerial support for implementation of the programme at the central level, National Rural Infrastructure Development Agency (NRIDA) has been set up.

3.14 The State Governments have identified State Nodal Departments and State Rural Roads Development Agencies (SRRDAs) have been constituted for the programme implementation at the State level. Programme Implementation Units (PIUs) are constituted by the States depending upon the workload at district level.

Executing Machinery

3.15 The works sanctioned under PMGSY are executed by the State Governments through their agencies i.e. SRRDAs for monitoring, financial management and coordination at the State Level and PIUs for programme execution at the district level. Details of institutional arrangements as envisaged in the Programme Guidelines are as under:

i. A SRRDA or similar body with distinct legal status, to receive PMGSY funds and act as nodal point for rural road sector policy and management.

ii. Officers of the SRRDA including Chief Executive Officer (CEO), State Quality Coordinator (SQC), Financial Controller, Empowered Officer, Information Technology Nodal Officer (ITNO), etc have neem entrusted with the responsibility of implementation arrangements at State Level.

iii. PIUs at Division/District Level for Managing the Programme are accountable to the SRRDA.

iv. Arrangements for effective management includes Online Management, Monitoring and Accounting System (OMMAS), Quality Management, Transparent tendering using Standard Bidding Document.

v. Single Nodal Bank Account (SNBA) is managed centrally by the agency and operated by the PIUs.

vi. State Level Standing Committee including all the main stakeholders of the Programme viz., Secretaries of the Departments of Rural Development, Panchayat, PWD, Forests, Finance, Revenue and Transport, State Technical Agencies, State Informatics Officer etc. to monitor progress, quality etc.

New initiatives on financial aspects of PMGSY

Financial incentives

3.16 With effect from the financial year 2016-17, financial incentives for periodic maintenance of rural roads already constructed under PMGSY are given to best performing States, which show higher achievement on the basis of set-parameters. Financial incentives given to best performing states during the years 2016-17 to 2020-21 are given in Table 3.1 below:

Table 3.1: Financial Incentives under PMGSY

Year	Amount (Rs. in crore)
2016-17	1076.49
2017-18	842.50
2018-19	804.19
2019-20	738.05
2020-21	662.13

Source: Annual Report, 2021-22, MoRD

3.17 Roads under PMGSY-I and II are nearing completion which have been constructed by investing substantial national resources. These completed roads are now the infrastructure assets in rural India which need sufficient maintenance to ensure uninterrupted connectivity to the rural population for a longer time. Maintenance of rural roads is the mandate of the State Governments and therefore the parameters and weight for assessing the States for incentive has been revised in favour of maintenance aspects to ensure that States should give due attention towards the maintenance of roads.

Integration of PFMS with OMMAS

3.18 With effect from August 2018, all payments to the contractors/ vendors are routed through Public Financial Management System (PFMS) to ensure better transparency and management of fund under PMGSY. To address the issue of nondifferentiation between expenditure, advance, deductions and transfer found in DBT module of PFMS, OMMAS was integrated with Receipt, Expenditure, Advance and Transfer (REAT) module of PFMS. As on 31st December 2021, all the States have been successfully migrated to REAT module and have started making PMGSY contractor`s payments through REAT.

Regular verification of the amount of interest credited by Banks

3.19 As per the Annual Report, 2021-22, there is provision in the operation manual of PMGSY that all funds over and above Rs. 50 lakhs lying in the bank accounts of SRRDAs under Programme and Administrative Funds must be converted to MoD/ (Corporate Liquid Terms Deposit) CLTD at an interest rate not below than 91 days treasury bills. "However, it was observed that SRRDAs were not verifying the amount of interest being credited by banks in the saving bank accounts as well as on Corporate Liquid Terms Deposit (CLTDs) despite the auditor's comments in this regard, which resulted in loss of interest to GoI. Therefore, MoRD (NRIDA), in 2020 issued instructions to all the SRRDAs to verify the interest earned in the bank accounts of Programme, Administrative Expenses and Maintenance Fund regularly on a quarterly basis. As a result, a tentative amount of interest of Rs. 403.02 Crore was detected by States/UTs out of which Rs. 94.46 Crore has already been recovered by States/UTs from various banks managing their PMGSY funds (upto 31.12.2021)." [8]

NRIDA as MoRD's vehicle for PMAY –G funding and multilateral funding for PMGSY

3.20 NRIDA also function as the Nodal agency on behalf of the MoRD to avail loan from NABARD under PMAY-G. Additionally, NRIDA is MoRD's vehicle for availing

[8] Annual Report, 2021-22, Ministry of Rural development available at https://rural.nic.in/en/publications/annual-report

funding from multilateral bodies like Asian Development Bank and World Bank for the purpose of funding the PMGSY programme.

II Pradhan Mantri Awaas Yojana- Gramin (PMAY-G)

Overview

3.21 Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) is the restructured scheme of the erstwhile rural housing scheme. To fulfil the Government objective to provide "Housing for All" by 2024 and to address the gaps in the previous housing schemes i.e, Indira Awaas Yojana (IAY), Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) was launched on 1st April 2016 with the aim to provide a pucca house with basic amenities to all houseless and households living in kutcha/ dilapidated houses in rural areas of the country. A brief overview of the scheme as described in the Programme Guidelines and Annual Report (various years) is discussed in the following paragraphs:

3.22 The target number of houses for construction set under PMAY G is 2.95 crore which is to be achieved in two phases. In the 1st phase 1.00 crore houses and in the 2nd phase 1.95 crore houses are targeted for construction.

3.23 Housing deprivation parameters as per Socio-Economic Caste Census-2011 is the basis of identification of beneficiaries for the programme. Accordingly, all rural houseless and households living in zero, one or two room kuchha houses, subject to the exclusion criteria as per SECC and duly verified by Gram Sabha are provided assistance of Rs.1,20,000/- in plains and Rs.1,30,000/- in hilly states, difficult areas and IAP districts for construction of houses. The assistance also includes Rs.12,000/- for construction of toilet under Swachh Bharat Mission (G), MGNRGA or any other dedicated financing source and support of 90 person days in plain areas and 95 person-days in hilly states, difficult areas and IAP districts under MGNREGA under convergence initiatives.

3.24 To ensure transparency in implementation of the scheme, AwaasSoft-PFMS platform is used to directly transfer assistance electronically to beneficiary's bank accounts**.** Also, evidence-based monitoring of construction of house is done through Geo-referenced, date and time-stamped photographs of the houses before, during and after construction.

3.25 To address one of the major constraints in quality house construction i.e. insufficient number of skilled masons, the Ministry of Rural Development (MoRD) has launched the Rural Mason Training (RMT) program under the scheme. The initiative not only provide livelihood opportunities for the rural workforce but also contributes towards the availability of a skilled workforce for the construction of rural infrastructure under different schemes. The RMT program is implemented by MoRD in partnership of Construction Skill Development Council of India (CSDCI) and National Skill Development Corporation (NSDC). Physical achievement of the Programme is shown in the following Table 3.2:

Table 3.2: Physical Achievement under PMAY G

(Number in Crores)

Parameter	Cumulative	PMAY-G achievement			
		Phase I achievement	Achievement (2019-20)	Achievement (2020-21)	Achievement (2021-22)
Target allocated	2.60	0.99	0.59	0.44	0.59
Sanctions	2.29	0.98	0.56	0.41	0.32
1st instalment	2.13	0.98	0.56	0.39	0.21
2nd instalment	2.13	0.96	0.52	0.34	0.10
3rd instalment	1.75	0.94	0.48	0.29	0.04
Completed	1.76	0.83	0.21	0.34	0.38

Source: AwaasSoft (as on 24.03.2022)

Permanent Waiting List (PWL) Cleaning Process

3.26 The existing process of removal of ineligible beneficiaries through remand module from PMAY-G, PWL was challenging due to multiple to and for steps required in the approval of the remand cases. Therefore, a new approach for remand was designed by rationalizing a few steps to make the remand process simpler for all the levels. This would facilitate the States/UTs to remove the ineligible beneficiaries within the given timelines which will lead to timely allocation of fresh targets from Awaas+ list.

Allocation of Targets from Awaas+

3.27 Though comprehensive process had been followed in identification of eligible households for inclusion in the permanent waitlist of PMAY-G, the States and UTs represented about exclusion errors, i.e. the names of poor households living in kutcha houses could not find place in the Permanent Wait List (PWL) of PMAY-G. To address the issue, a module is developed in consultation with State Governments to capture such data on MIS AwaaasSoft. A mobile application Awaas+ is also developed to capture such households who though eligible but could not be included in the PWL of PMAY-G. Once the existing PWL is saturated, the State/UT is eligible to receive targets from Awaas+ if the target for house construction is not met. As on 31st December 2021, Awaas+ target of 51.07 lakh has been allocated to eligible States/UTs from Awaas+ survey list.

Rural Housing Interest Subsidy Scheme (RHISS)

3.28 To provide interest subsidy to eligible households who avails housing loans for construction or modification of house in rural areas, Rural Housing Interest Subsidy Scheme (RHISS) was launched in 2017. RHISS includes all rural households who are not featuring in the Permanent Wait List (PWL) of PMAY-G and the interest subsidy at the rate of 3.0 percent on the principal amount of the loan is provided which is admissible for a maximum loan amount of first Rs. 2.00 lakh, irrespective of the quantum of housing loan, for 20 years or full period of loan whichever is less. Rs.48.54

crores has been released as advance to the National Housing Bank (NHB) for implementation of the scheme.

Empowerment of Women

3.29 In PMAY-G, allotment of house is made jointly in the name of husband and wife except in the case of a widow/unmarried /separated person. The scheme allows the State to also choose to allot it solely in the name of the woman. As on 31st December,2021, a total of 56,43,303 sanctions have been made in the name of female beneficiaries, out of which a total of 45,57,231 houses have been completed. A total of 90,37,721 sanctions have been made jointly to Wife and Husband, out of which 67,19,870 have been completed.

3.30 As per Annual Report, 2021-22 of the Ministry of Rural Development, out of 2,15,52,540 total houses sanctioned, 1,46,81,024 houses have been sanctioned solely or jointly in the name of female i.e. 68.12 % of total sanction. Out of 1,68,68,040 total houses completed, 1,12,77,101 houses have been completed solely or jointly in the name of female i.e. 66.85 % of total houses completed.

3.31 Another step taken towards women empowerment under PMAY G is that households are prioritized based on socio-economic deprivation parameters while preparing Permanent Wait List (PWL) and one of the criteria is the selection of female headed households with no adult male members between the age 16 to 59.

Also, Self Help Groups (SHGs) accredited to NRLM involves mostly women of that area. Role of SHGs is defined under PMAY-G as:

i. SHGs should be involved in creating awareness among the beneficiaries of PMAY-G, about construction of durable houses, sources of procurement of materials, availability of skilled masons and benefits deliverable from other schemes implemented by the States/UTs and the Central Government.

Development of Scheduled Castes and Scheduled Tribes

3.32 Programme guidelines earmark minimum 60% of the target at the national level for SC/ST households. To maintain this, 60% of the target allocated to each State / UT is earmarked for SC/STs subject to availability of eligible PMAY (G) beneficiaries in the Permanent Wait List (PWL). Within earmarked targets the proportion of SC/ST is to be decided from time to time by the respective States/UTs. Under the scheme, there was no separate allocation made for the SCs/STs up to 2010-11. From the year 2011-12 funds are earmarked for Special Component Plan for Scheduled Castes and Scheduled Tribe Sub Plan. As on 31st December 2021, out of the total 2,15,52,547 houses sanctioned, 48,34,809 houses were sanctioned for SCs and 47,44,145 houses sanctioned for STs across the country. Further, out of total 1,68,68,040 houses completed, 38,96,524 houses were completed for SCs and 36,16,143 houses completed for STs across the country.

Welfare of Minorities

3.33 Again, upto 15% of the total fund is earmarked for Minorities at the National Level. The allocation of targets for Minorities among the States/UTs would be on the basis of number of Minority households included in the Permanent Wait List of PMAY-G. Minorities notified under Section 2(c) of the National Commission for Minorities Act, 1992 are to be considered eligible for receiving benefits under this category. As on 31st December 2021, out of the total 2,15,52,547 houses sanctioned, 27,63,089 houses were sanctioned for Minorities and 21,70,285 got completed across the country since the inception of this scheme.

Support to Divyang

3.34 The Rights of Persons with Disabilities Act, 2016, provides for social security for persons with disabilities. Accordingly, under PMAY-G while deciding *inter-se* priority among the beneficiaries who are to be provided assistance, households with any disabled member and no able-bodied adult member have been accorded additional deprivation score so that such households are given priority while allotting the houses. Keeping this in view State should ensure that at least 5% of beneficiaries are from among persons with disabilities.

3.35 In cases where the beneficiary is old or infirm or a person with disability and is therefore not able to get the house constructed on his / her own, such houses are taken up as a part of the Rural Mason Training (RMT) programme. If there are still some beneficiaries left out, the State /UT Governments ensure that such beneficiaries are assisted through the Gram Panchayats or a ground level programme functionary to get their house constructed. As on 31st December,2021, 32,099 houses have been sanctioned for the physically and mentally disabled and out of which 26,669 houses have been completed.

Strengthening of PRIs

3.36 The role of Gram Panchayats in selection, prioritization and finalisation of Permanent Wait List of eligible beneficiaries which are prepared on the basis of SECC-2011 under PMAY-G are decisive. Gram Panchayats also prepare list of households not included in the system generated priority list, but otherwise found eligible.

3.37 Besides facilitating orientation of beneficiaries on different aspects of the scheme, helping families in construction of houses for the needy as apart of mason training program and assisting landless beneficiaries in identifying common land and facilitating them in accessing materials required for construction at reasonable rates, Gram Panchayats also discuss the progress of the scheme in their scheduled meetings and help resolve the problems being faced by the beneficiaries.

3.38 Gram Panchayats prioritize the households of the Awaas+ data through Gram Sabha and facilitate / encourage / motivate the Self-Help Groups (SHG) to undertake production of quality building materials for supplying the same to the beneficiaries of PMAY-G at reasonable rates. Gram Panchayats facilitate beneficiaries in availing benefits of other schemes of the Centre and State Government under convergence initiatives.

3.39 All the above responsibilities of Gram Panchayats will be effectively delivered only when the PRIs are strong and capable enough to voice the concerns of needy, underprivileged and poor.

Progress of PMAY-G under Garib Kalyan Rojgar Abhiyan (GKRA)

3.40 The Garib Kalyan Rojgar Abhiyaan (GKRA) is an Abhiyan launched on 20th June, 2020 with a mission to address the issues of returnee migrant workers and similarly affected rural population by Covid-19 pandemic through a multi-pronged strategy of providing immediate employment & livelihood opportunities to the distressed, to saturate the villages with public infrastructure and creation of livelihood assets to boost the income generation activities and enhance long term livelihood opportunities. Under the program, out of target sanction of 14,98,534 houses, 7,70,522 houses have been sanctioned. Further, out of target completion of 2,83,944 houses, 4,81,210 houses have been completed. Out of total target for expenditure of Rs. 10,300.04 crore, Rs. 5,618.19 crore have been released under GKRA.

Findings of an evaluation study in respect of PMAY-G by NITI Aayog titled "Evaluation of CSS Scheme – Rural Development Sector"

3.41 The evaluation study sponsored by Development Monitoring and Evaluation Office (DMEO) of NITI Aayog, undertook a detailed scheme level analysis of the 6 selected CSS - MGNREGA, PMAY-G, NSAP, DAY-NRLM, PMGSY and SPMRM. Each of these schemes have been evaluated using the REESI+E framework against the Relevance, Effectiveness, Efficiency, Sustainability, Impact and Equity. Under the study, performance of PMAY-G has been assessed on cross sectional themes like accountability and transparency, gender mainstreaming, use of IT, reforms and regulations etc. some of the main findings of the study are as under:

i. PMAY-G evolved as a reform of IAY and brought relevant impact in the processes of identification of beneficiaries, use of IT and fund flow. These reforms were beneficial to the success of PMAY-G. New experiences led to better reforms generating more benefits from the scheme.

ii. PMAY-G has been able to ensure efficient use of technology for smooth implementation of scheme. With Geo-tagging of houses, house quality review module and tech-savvy financial modules the scheme is leveraging quite well on technology.

iii. Gender Mainstreaming is actively encouraged under PMAY-G. Providing house in the name of female beneficiaries, allocation of house to transgender people, capacity building of women to become AwaasMitras contribute towards gender mainstreaming within the scheme.

iv. Satisfaction of beneficiaries towards the application process was positive, with significant assistance and support provided. Challenges include transport and documentation related costs, both in terms of time and money.

v. The fund disbursal rate from Centre to State is satisfactory especially in the initial stages of instalment. At the beneficiary level, 60 percent respondents received instalment within 7 days of issue of sanction order.

vi. Ease of living of beneficiaries is enhanced due to construction of the house. The same is confirmed by both primary and secondary sources. 88 percent of respondents confirmed improvements in standard of living with construction of house.

III National Social Assistance Programme (NSAP)

Overview

3.42 A broad overview of the NSAP based on the Programme Guidelines and Annual Reports of various years, has been given in the following paragraphs.

3.43 State has been entrusted with the responsibility to undertake welfare measures within its means, addressing the concerns of destitute and poor under the Directive Principles of State Policy of the Constitution of India. Article 41 of the Constitution directs the State to provide public assistance to its citizens in the case of unemployment, old age, sickness and disablement as well as in other cases of undeserved wants, within the limit of State's economic capacity and development. Constitution of India has listed social security, invalid and old age pensions as Items 23 and 24 of the 7th Schedule in the Concurrent List. To fulfil the above obligations and complying with these guiding principles, Government of India has introduced the NSAP on 15th August 1995 as a fully Centrally Sponsored Scheme. The programme has undergone many changes in the composition, eligibility criterion and funding patterns over the years.

Components of NSAP

3.44 The NSAP at present includes five sub-schemes as its components as shown in the Table 3.3 below:

Table 3.3: Sub schemes/Components of NSAP

Sl No	Components	Details
1	**Indira Gandhi National Old Age Pension Scheme (IGNOAPS)**	Assistance is provided to person of 60 years and above and belonging to family living BPL as per the criteria prescribed by Government of India. Central assistance of Rs. 200/- per month is provided to person in the age group of 60-79 years and Rs.500/- per month to persons of 80 years and above.
2	**Indira Gandhi National Widow Pension Scheme (IGNWPS)**	Central assistance @ Rs.300/- per month is provided to widows in the age group of 40-79 years and belonging to family living BPL as per the criteria prescribed by Government of India. Central Assistance of Rs.500/- per month is provided to the beneficiaries of age of 80 years and above.
3	**Indira Gandhi National Disability Pension Scheme (IGNDPS)**	Central assistance @ Rs.300 per month is provided to persons aged 18-79 years with severe and multiple disabilities and belonging to family living BPL as per the criteria prescribed by Government of India. Central Assistance of Rs.500/- per month is provided to the beneficiaries of age of 80 years and above.

4	**National Family Benefit Scheme (NFBS)**	BPL household is entitled to a lumpsum amount of Rs. 20,000.00 on the death of the primary breadwinner aged between 18-59 years.
5	**Annapurna Scheme**	10kg of food grains per month are provided free of cost to those senior citizens who, though eligible under IGNOAPS, are not receiving old age pension.

Source: *National Social Assistance Programme, Programme Guidelines*. (2014, October).

3.45 Under the programme, many States are not only providing the enhanced top up but also extended the welfare schemes to the beneficiaries identified by them as per the criteria fixed by respective State/UT Governments.

Implementation

3.46 NSAP has been converted into a Centrally Sponsored Scheme (CSS) in the year 2014-15 and funds are being released to States /UTs scheme-wise in two installments. In August 2016, the NSAP schemes are declared as "Core of the Core Scheme". NSAP is being implemented mainly by Social Welfare Department in the States however, in some States, it is being implemented by Rural Development Department and Women and Child Development Department.

3.47 Since 2014, when NSAP has been declared as Direct Benefit Transfer (DBT) scheme, disbursements of pension are preferred through Bank accounts and post office accounts. Though, guidelines also have the provision of disbursement of pensions in cash, however it shall be adopted as mode of last resort with clear justification as to why the disbursement is not being routed through account-based mechanism. The overall guiding principle in this regard is the convenience of the beneficiary. Given the physical, social and economic vulnerability of the beneficiaries, States are advised to ensure monthly disbursement of pensions. Programme guidelines also stipulates that

States should ensure that the beneficiaries do not have to travel long distances to receive their pension and therefore disbursement of pension is done at their doorstep by utilizing the services of Bank Sakhis and Self-Help Groups (SHG).

Digitization of beneficiaries

3.48 Complete digitization of all the intended beneficiaries which are either being covered to NSAP or need the eligibility criteria to avail the pension was the foremost requirement to avoid inclusion error in the database. Till November 2021, almost 100% data of all potential beneficiaries has been digitized with their names, addresses, option given for the pension disbursement mode, Bank details, Aadhaar numbers and mobile number, wherever it has been provided.

NSAP-PPS

3.49 NSAP-PPS is a database created and developed by NIC, which provides the details of old age, widow and disabled beneficiaries as well as facilitates end to end transaction from originating point to disbursement point. 14 States/UTs are using NSAP-PPS for end-to-end disbursement while 12 States are using their own MIS. Apart from access to digitized data to pensioners provided in the NSAP-PPS to maintain transparency, complete list of beneficiaries upto village level can be accessed by the citizens through a MobileApp called "Gram Samvad" developed by MoRD in which all pensioners registered with NSAP schemes can be viewed at village level/GP level. PFMS platform also provides the facility 'Know Your Payment' through which beneficiary can see the status of movement of pension file leading upto his/her Bank account. *E-pramaan* for addressing the issues arises due to migration of beneficiaries, has been completed in Tamil Nadu on pilot basis and now efforts are being made to implement the same in all the districts of the Country. To fulfil the requirement of providing e-Governance services to the citizen under National Social Assistance

Programme and to assist socially poor old aged, disabled and widow, a citizen centric Mobile-App has been developed named **"SAMBAL".**

Direct Benefit Transfer (DBT) for NSAP

3.50 As mentioned above, NSAP pension Schemes were included under Direct Benefit Transfer (DBT) Schemes in December 2014 to foster transparency and swiftness in transactions. To this end, integrating the scheme with Public Financial Management System (PFMS) serves as important link. NSAP-PPS platform provided to States/UTs, caters to this requirement and can be effectively used for quick disbursal of pension in respective Bank/Postal account of pensioners using PFMS interface. Further, National Family Benefit Scheme (NFBS) has also been included under DBT and States/UTs have been advised to use the NSAP-PPS for payment of assistance to the beneficiaries and to digitize the data of all eligible beneficiaries of NFBS. At present, 23 States/UTs are paying pension to 100% beneficiaries through DBT and 07 States are disbursing pensions to almost 95% beneficiaries through DBT. Cash mode for pension payment is being used only in 2 States which have also been advised to switch over to DBT mode. Majority of the States / UTs disburse pension on monthly basis except few states doing it on quarterly basis. All States / UTs have already been advised to adopt monthly system of pension payment. As regards digital transactions, 21.47 crore and 20.39 crore have been recorded in FY 2019-20 and FY 2020-21 respectively. In FY 2021-22, 9.00 crore digital transactions have been recorded till 10.11.2021.

Utilization of PFMS Gateway

3.51 For effective utilization of PFMS gateway, as per current dispensation, States are required to maintain State Nodal Account linked with PFMS to minimize the role of State treasury in the process. The PFMS platform strengthens effectiveness and economy in Public Finance Management through better cash management, transparency in public expenditure and real-time information on resource availability and utilization across schemes. Its complete roll-out is expected to bring about improved programme administration and management, avoidance of delay in fund transfer from state treasury to the account of end beneficiary, reduction in float in the system, direct payment to the beneficiaries and greater transparency and accountability in the use of public funds.

Role of PRIs in implementation of NSAP

3.52 Gram Panchayats are playing pivotal role in the implementation of NSAP schemes right from the identification of beneficiaries to the sanction/ disbursement of benefit. Besides, Gram Panchayats have also been entrusted with a number of activities like awareness generation about NSAP schemes among villagers, identification of new beneficiaries, selection of beneficiaries, verification of new applications, discussion in Gram/Ward Sabha on eligibility of the new beneficiaries, monitoring and necessary follow-up in sanctions and disbursement etc.

Conclusion:

3.53 To sum up, each of the three schemes discussed above have their distinct mandate and scope in the areas of rural connectivity, rural housing, and social assistance to rural destitute. These individual schemes have been launched as initiatives under anti-poverty programmes in rural areas and has instrumental role in addressing the issues of rural development through their effective and impactful implementation in which states' participation and cooperation is equally important, if not more.

Chapter IV- A comparative analysis of Union-States Fund Transfer under select three schemes (PMGSY, PMAY-G, NSAP)

4.1. This chapter deals with state wise comparative analysis of fund flow from centre to states over a period of five years from 2016-17 to 2020-21 under three vertical schemes namely PMGSY, PMAY G and NSAP with a view to assess the absorption capacity of states which is defined in terms of central releases to the states under respective schemes in a financial year.

4.2. For the purpose of analysis, only 17 states having fund sharing between centre and states in 60:40 have been considered. Aggregated State-wise Central Releases (CR), Total Fund Available (TFA) and Expenditure (Exp) under three select schemes for five years i.e from 2016-17 to 2020-21 are shown in following Tables.

Table 4.1: State wise Aggregated Central Releases (CR), Total Fund Available (TFA) and Expenditure (Exp) under PMGSY (2016-17 to 2020-21)

(Rs Crore)

Sl No	States	PMGSY			
		Central Releases	TFA	Exp	%Exp
1	2	3	4	5	6
1	Andhra Pradesh	1197.10	2611.96	1367.95	52.37
2	Bihar	4935.04	34569.16	10502.76	30.38
3	Chhattisgarh	4147.77	9165.87	5813.91	63.43
4	Gujarat	110.12	848.87	300.04	35.35
5	Haryana	52.99	951.03	193.12	20.31
6	Jharkhand	3452.50	12974.45	5754.68	44.35
7	Karnataka	891.22	1916.11	1138.69	59.43
8	Kerala	589.57	1469.10	892.52	60.75
9	Madhya Pradesh	6522.52	17807.77	10055.00	56.46
10	Maharashtra	1093.39	5707.00	1712.24	30.00
11	Odisha	8103.24	23545.44	12120.94	51.48
12	Punjab	594.15	914.28	835.18	91.35
13	Rajasthan	2251.04	4334.41	2967.82	68.47
14	Tamil Nadu	2083.37	6346.05	3202.03	50.46
15	Telangana	766.71	1724.01	1220.65	70.80
16	Uttar Pradesh	2459.72	8598.49	4582.29	53.29
17	West Bengal	4616.95	14753.16	7350.51	49.82
	Total	**43867.40**	**148237.16**	**70010.33**	**47.23**

Source: MoRD, February 2022

Note: TFA with state in the above table includes central share and state share.

4.3 Above Table 4.1 reveals that a total of Rs 43,867 crore is the central release, Rs 1,48,237 core is the Total Fund Available and Rs 70,010 crore is the Expenditure for 17 states under PMGSY during five years period of 2016-17 to 2020-21. Total Expenditure wrt Total Fund Available is only 47 % which indicates that more than 50% of unspent balance is available with the states under PMGSY during the said period.

4.4 Table 4.1 also reveals that Odisha, Madhya Pradesh and Bihar had maximum central releases whereas Kerala, Gujarat and Haryana had minimum central releases during the said period. Whereas in terms of percentage Expenditure, Punjab, Telangana and Rajasthan have maximum expenditure and Haryana, Maharashtra and Bihar have least expenditure over five years period under PMGSY. The analysis of expenditure and volume of work in a state is beyond the scope of this study.

Table 4.2: State wise Aggregated Central Releases (CR), Total Fund Available (TFA) and Expenditure (Exp) under PMAY G (2016-17 to 2020-21)

(Rs crore)

Sl No.	States	CR	TFA	Exp	%Exp
1	2	3	4	5	6
1	Andhra Pradesh	748.21	1251.62	-	-
2	Bihar	18423.76	29093.30	26785.92	92.07
3	Chhattisgarh	7137.49	11721.31	10611.36	90.53
4	Gujarat	2111.13	3518.56	3268.45	92.89
5	Haryana	158.63	311.98	285.69	91.57
6	Jharkhand	9939.50	16039.79	13199.33	82.29
7	Karnataka	1369.51	2017.94	-	-
8	Kerala	30.77	353.36	230.79	65.31
9	Madhya Pradesh	18280.59	29055.12	24718.14	85.07
10	Maharashtra	5967.93	10516.86	8532.61	81.13
11	Odisha	12542.29	20964.06	20798.47	99.21
12	Punjab	140.83	241.19	251.42	104.24
13	Rajasthan	9093.26	15244.70	14244.51	93.44
14	Tamil Nādu	1914.45	3542.20	3914.23	110.50
15	Telangana	190.79	285.88	-	-
16	Uttar Pradesh	15525.46	25375.58	23228.84	91.54
17	West Bengal	25109.69	38674.48	35309.63	91.30
	Total	**128684.29**	**208207.91**	**185379.39**	**89.04**

Source: MoRD (AwaasSoft), February 2022

Note: i. Punjab and Tamil Nādu have excess expenditure against TFA because of Interest accrued and Misc. receipts are also available with the states which are not considered here. In this analysis TFA includes Central Share and State share only for simplification purpose.

ii. Andhra Pradesh, Karnataka and Telangana have their own MIS which is not integrated with the AwaasSoft, therefore these states are not reporting the expenditure on AwaasSoft.

4.5 Table 4.2 reveals that the aggregated Central Release (CR), Total Fund Available (TFA) and Expenditure (Exp) to 17 states under PMAY G is Rs 1,28,684 crore, Rs 2,08,208 crore and Rs 1,85,379 crore respectively over a period of five years from 2016-17 to 2020-21. The overall expenditure wrt TFA is 89% during the said period implying better utilization of fund under the programme.

4.6 The above Table also indicates that over a period of five years (2016-17 to 2020-21), West Bengal, Bihar and Madhya Pradesh has maximum central release whereas Kerala, Punjab and Haryana have minimum central release under PMAY G. In terms of percentage expenditure, Tamil Nadu, Punjab and Odisha have maximum expenditure whereas Kerala, Maharashtra and Jharkhand have minimum expenditure. Telangana is not implementing PMAY G and therefore the state has not been released central fund since 2018-19. Similarly, Andhra Pradesh and Karnataka have also not been released central fund since 2019-20 and in 2020-21 respectively.

Table 4.3: State wise Aggregated Central Releases (CR), Total Fund Available (TFA) and Expenditure (Exp) under NSAP (2016-17 to 2020-21)

(Rs crore)

Sl No	States	NSAP		
		Central Releases	**Exp**	**%Exp**
1	**2**	**3**	**4**	**5**
1	Andhra Pradesh	1702.69	1702.69	100.00
2	Bihar	5469.13	5469.13	100.00
3	Chhattisgarh	1266.80	1266.80	100.00
4	Gujarat	990.30	990.30	100.00
5	Haryana	506.39	506.39	100.00
6	Jharkhand	1611.60	1611.60	100.00
7	Karnataka	2736.98	2736.98	100.00
8	Kerala	1076.40	1076.40	100.00
9	Madhya Pradesh	1611.68	1611.68	100.00
10	Maharashtra	3568.91	3568.91	100.00
11	Odisha	3283.50	3283.50	100.00
12	Punjab	143.24	143.24	100.00
13	Rajasthan	1539.55	1539.55	100.00
14	Tamilnadu	2660.33	2660.33	100.00
15	Telangana	1165.53	1165.53	100.00
16	Uttar Pradesh	7403.87	7403.87	100.00
17	West Bengal	3683.87	3683.87	100.00
	Total	**40420.77**	**40420.77**	**100.00**

Source: MoRD, February, 2022

4.7 Table 4.3 depicts that total Central Release and Expenditure under NSAP are same i.e. Rs 40,421 crore indicating 100% expenditure. It may be noted that NSAP is a 100% CSS with no corresponding State share. States provide top up under NSAP completely as per their discretion. Since state wise top up data is not readily available, the analysis of the related aspects could not be carried out in this study.

4.8 As regards State wise central release and expenditure, Uttar Pradesh, Bihar and West Bengal have maximum release and expenditure whereas Punjab, Haryana and Gujarat have minimum release and expenditure over a period of five years under NSAP.

Ranking of states under PMGSY, PMAY G and NSAP together: Performing and Non-Performing states

4.9 Due to paucity of time, state-wise performance under each scheme separately could not be considered for the analysis. Rather, to identify the two states, one for best performing and other for worst performing in terms of absorption capacity i.e. central releases under PMGSY, PMAY G and NSAP together, ranking of the states have been carried out. For the purpose of ranking of the states, ratio of aggregated central release for five years against each of the three schemes individually wrt total central release against all the three schemes together over the same period has been taken as weight. After multiplying central release under each individual scheme with respective weight, total weighted average of state wise central release under PMGSY, PMAY-G and NSAP for five years (2016-17 to 2020-21) has been calculated and ranking is done as shown in Table. 4.4. and 4.5 below.

Table 4.4: State wise aggregated Central Release (weighted average) under PMGSY, PMAY-G and NSAP (2016-17 to 2020-21) Rs Crore

Sl No	State	NSAP*W	PMGSY*W	PMAY G*W	Total*W
1	**2**	**3**	**4**	**5**	**6**
1	Andhra Pradesh	323.51	251.39	448.93	1023.83
2	Bihar	1039.13	1036.36	8450.00	10525.50
3	Chhattisgarh	240.69	871.03	4176.30	5288.02
4	Gujarat	188.16	23.12	1056.08	1267.36
5	Haryana	96.21	11.13	1538.38	1645.72
6	Jharkhand	306.20	725.02	4685.53	5716.76
7	Karnataka	520.03	187.16	635.95	1343.13
8	Kerala	204.52	123.81	1393.65	1721.97
9	Maharashtra	306.22	1369.73	10682.36	12358.31
10	MP	678.09	229.61	3809.96	4717.66
11	Odisha	623.86	1701.68	6206.97	8532.52
12	Punjab	27.22	124.77	1844.50	1996.49
13	Rajasthan	292.52	472.72	3988.47	4753.70
14	Tamil Nadu	505.46	437.51	856.16	1799.13
15	Telangana	221.45	161.01	252.19	634.65
16	UP	1406.74	516.54	9315.27	11238.55
17	WB	699.94	969.56	15065.81	16735.31
	TOTAL	**7679.95**	**9212.15**	**74406.50**	**91298.60**

Source: Derived by the author based on the data from MoRD and available on AwaasSoft

Note: In Table 4.4 above, CR (NSAP): CR (PMGSY): CR (PMAY G) = 0.19:0.21:0.60 where CR is Central Release

Ratio calculation and weight assignment (W) to central release (CR) under individual schemes.

Illustration:

Ratio of total CR under NSAP wrt total CR under NSAP+PMGSY+PMAY G=Total CR under NSAP/ Total CR under NSAP+PMGSY+PMAY G

4.10 This ratio arrived at by using the above formula, has been taken as weight (W) for aggregated central release for five years under individual schemes. By multiplying aggregated CR of each state with the respective ratio gives us the weighted average of the aggregated central release under each scheme. Sum total of these state-wise weighted average of each of three schemes gives the state-wise total weighted average of CR under three schemes taken together which has been used for the purpose of ranking of states in terms of central release.

Formula used for the above calculation is as follows:

Weighted CR of X state under Y scheme= CR of X state*W of Y scheme

For example, aggregated central release for a period of five years (2016-17 to 2020-21) to Andhra Pradesh is Rs 1197.10 crore under PMGSY. Weight assigned to total CR under PMGSY wrt total CR under all the three schemes is 0.21. To arrive at the weighted average of central release to AP, CR is multiplied by weight assigned to the scheme i.e. Rs 1197.1 crore (CR)*0.21(W) =Rs 251.30 crore (Weighted Avg).

Similarly, weighted average of scheme-wise and state-wise central release have been calculated by assigning respective weight to all the three schemes individually.

4.11 Accordingly, Table 4.5 below depicts the ranking of states in terms of weighted average of central release for five years under three schemes together.

Table 4.5: Ranking of States wrt Central Releases (weighted average) under PMGSY, PMAY-G and NSAP for five years (2016-17 to 2020-21)

Ranking of States wrt Central Release (Weighted Average) (Rs in crore)		
Sl No	**State**	**Central Releases*W**
1	WB	16735.31
2	Bihar	13129.75
3	Maharashtra	12644.30
4	UP	11238.55
5	Odisha	9850.92
6	Jharkhand	6994.93
7	Rajasthan	6221.19
8	Chhattisgarh	5394.22
9	MP	4488.46
10	Tamil Nadu	2091.64
11	Karnataka	1528.89
12	Gujarat	1477.96
13	Andhra Pradesh	1023.83
14	Telangana	496.93
15	Kerala	346.79
16	Punjab	236.49
17	Haryana	202.52
	Total	**94102.67**

Source: Derived by the author based on the data from MoRD and available on AwaasSoft

4.12 Table 4.5 reveals that West Bengal has maximum central releases whereas Haryana has minimum central releases under PMGSY, PMAY G and NSAP combined in five years period of 2016-17 to 2020-21. Accordingly, states have been taken for the purpose of analysis, depending on the timely availability of relevant data.

Absorption Capacity of States vis-à-vis Vertical Imbalance and Horizontal Imbalance

4.13 Generally, fund flow mechanism from Centre to States under Centrally Sponsored Scheme (CSS) involves two major conditionalities before releasing the subsequent installment viz. meeting 60% expenditure of the total fund available (TFA) with States and transferring/crediting Central share (60%) received by the State alongwith the corresponding State share (40%) in the account of the Implementing

Agency or Single Nodal Account (SNA) as the case may be within the time period as stipulated in the scheme guidelines. Accordingly, the absorption of funds in terms of central releases by the states depends, *inter alia*, mainly on following two factors:

i. **Implementation Capacity of the States**: This implies how fast and timely State is carrying out the implementation/execution of the schemes on the ground and making the expenditure on the ongoing work to meet 60% expenditure criteria and

ii. **Financial Management of public money in States:** This implies how much timeline is being adhered to by the states in transferring and crediting the Central fund released under CSS alongwith the corresponding State share to the account of the Implementing Agency. Timely transfer of Central fund and crediting of corresponding State share to the account of Implementing Agency/SNA depends on the robust financial management/discipline of respective States/UTs. If State lacks efficient cash management and financial discipline wrt public fund, transfer of fund to the next channel in the fund flow mechanism gets delayed. More the time lag in transferring the Central fund and corresponding State share to Implementing Agency/ Single Nodal Account (SNA), alongwith meeting the expenditure target of 60%, more are the chances that release of subsequent central installment gets delayed.

4.14 To understand the above-mentioned process in detail, the fund flow mechanisms of PMGSY, PMAY-G and NSAP is being examined in following paragraphs one by one.

I. Pradhan Mantri Gramin Sadak Yojana (PMGSY)

4.15 Programme guidelines of PMGSY provide detailed procedure as regards steps involved in the fund flow under the scheme. However, to have a deeper insight on the fund flow mechanism, it is necessary to understand the workflow mechanism of the programme first. The workflow process of PMGSY is depicted in the following box 4.1 which is self-explanatory.

Box 4.1: PMGSY Workflow process

Stage 1: Planning

i. Preparation of Block Level Rural Roads Plan
ii. Preparation of District Rural Roads Plan
iii. Identification of Comprehensive New Connectivity Priority list (CNCPL)
iv. Identification of Upgradation Priority List (CUPL)/ Comprehensive Upgradation cum Consolidation Priority List (CUCPL)
v. Consultation with Public representatives including MPs

Stage 2: Approval

i. Approval of Intermediate Panchayat and District panchayat
ii. Selection of roads (Annual Plan) from the CNCPL and CUCPL
iii. Approval of District panchayat
iv. Approval of State Level Standing Committee
v. Detailed Project Report (DPR) preparation and finalization by PIUs
vi. Scrutiny of DPRs by STAs/ PTAs/ NRIDA
vii. Consideration by Pre-Empowered Committee and Empowered committee
viii. Sanction/Clearance by the Ministry

Stage 3: Sanction by State Government and Award of Contract

i. Administrative sanction by State Government
ii. Technical Sanction
iii. Floating Tender and award of contract

Stage 4: Execution of works

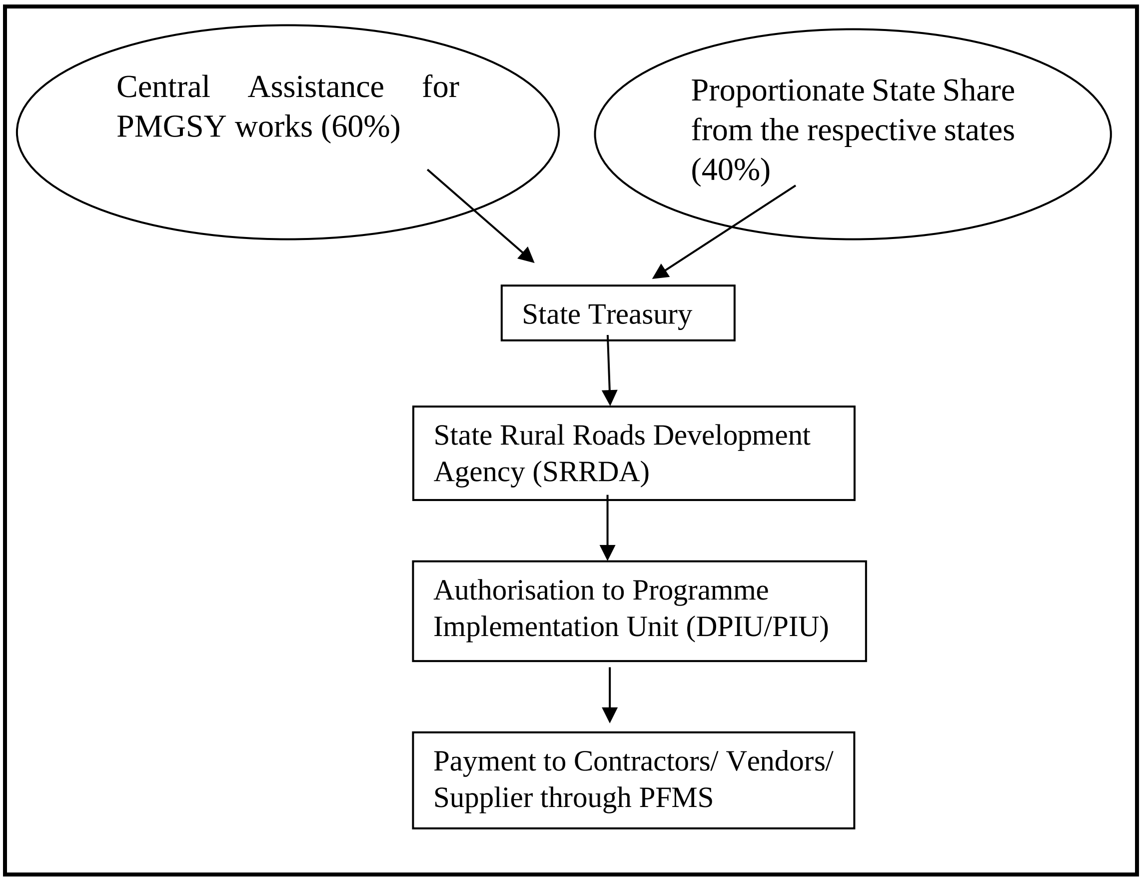
i. Execution of works by Implementing Agency i.e. SRRDA
ii. Quality Monitoring

Stage 5: Monitoring Physical and Financial progress

i. Completion of works
ii. Maintenance for 5 years
iii. Renewal at 6th year
iv. Maintenance for further 5 years (Total 10 years)

Source: MoRD,

4.16 After explaining the process of planning, approval, sanction/clearance, execution and monitoring of PMGSY works, Fund Flow mechanism from the Centre to the States and Implementing Agency (PIUs) under PMGSY is summarised in the following Chart 4.1.



Source: MoRD

Chart 4.1: Fund Flow Process under PMGSY

Fund Flow under PMGSY

4.17 As illustrated in the above chart, Central Grant as Central assistance (60%) to states for PMGSY works goes to State Rural Road Development Agency (SRRDA) through State treasury. SRRDA after receipt of funds, issues authorizations to the PIUs with a copy of the authorization limit to the accredited bank. PIU makes payment to the contractor/ vendors/suppliers subject to the limit of the authorization given by SRRDA, to the contractor from the bank account of SRRDA. Once limit of authorization is exhausted, PIU again approaches SRRDA for fresh authorization. With effect from 01st August 2018, all the payments are made through Public Finance Management System (PFMS). There is no provision in the PMGSY guidelines that permits keeping the funds outside the government accounts. The entire process of fund release from Centre to States/UTs to SRRDAs to PIUs as described in the programme guidelines have been explained step by step in following paragraphs.

Steps involved in the fund transfer under PMGSY

4.18 As per programme guidelines (October, 2019), funds for the cleared value of PMGSY works are released to the States in two installments:

i. The first instalment of 50% of the cleared project or annual allocation whichever is smaller are released to States subject to fulfilment of requisite conditions.

ii. Release of second installment of 50% of project is subject to utilisation of 60% of the total available funds and completion of at least 80% of the road works awarded in the year previous to the preceding year and 100% of the awarded works of all the years preceding that year and fulfillment of other requisite conditions, if any, stipulated while releasing the previous installment.

iii. Central share for each installment is released subject to the condition that State Government has transferred the central fund and credited its commensurate State share against previous releases in the Bank account of the Implementing Agency i.e. State Rural Roads Development Agency (SRRDA).

Methodology adopted for ranking of states

4.19 As mentioned earlier, owing to paucity of time, instead of analysing performance and ranking of the states wrt absorption capacity in terms of central release for each of three schemes separately, this study attempts to analyse the performance of states on the basis of their weighted ranking calculated by taking ratio of total central releases of each of three schemes individually for five years wrt total central releases under three schemes together for the same period as weight. Detailed calculation has been explained in para 4.10 above.

4.20 Based on the ranking of states (weighted average) as shown in the Table 4.5 above, an attempt has been made to examine the fund flow mechanism in West Bengal under PMGSY for five years (2016-17 to 2020-21), number 1 in cumulative ranking in terms of central releases.

Table 4.6: Fund Flow in West Bengal under PMGSY (2016-17 to 2020-21)

PMGSY_West Bengal							**Rs Crore**
Financial Year	Instalment	Released by GoI		Received by SRRDA			
		Date	GoI release	Date	GoI Share	Date	State Share
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2016-17	1st	22-04-2016	259.81	02-05-2016	259.81	24-06-2016	173.21
	2nd	16-12-2016	404.26	19-01-2017	404.26	10-02-2017	269.51
	3rd	17-03-2017	150.00	31-03-2017	150.00	31-03-2017	100.00
TOTAL			**814.07**		**814.07**		**542.71**
2017-18	1st	15-11-2017	489.63	26-12-2017	489.63	26-12-2017	326.42
	2nd	12-03-2018	500.76	22-03-2018	500.76	22-03-2018	333.84
TOTAL			**990.39**		**990.39**		**660.26**
2018-19	1st	27-09-2018	240.50	17-11-2018	240.50	17-11-2018	160.33
	2nd	01-10-2018	302.54	17-11-2018	302.54	17-11-2018	201.69
	3rd	02-01-2019	438.00	01-02-2019	438.00	30-01-2019	292.00
	4th	19-03-2019	400.00	30-03-2019	400.00	30-03-2019	266.67
TOTAL			**1381.04**		**1381.04**		**920.69**
2019-20	1st	23-12-2019	231.28	03-03-2020	231.28	15-07-2021	154.19
	2nd	12-03-2020	52.72	03-07-2020	52.72	03-07-2020	35.15
TOTAL			**284.00**		**284.00**		**189.33**
2020-21	1st	21-09-2020	56.10	11-10-2020	56.10	11-10-2020	37.40
	2nd	19-11-2020	440.50	05-01-2021	440.50	05-01-2021	293.67
	3rd	24-12-2020	384.40	15-03-2021	384.40	15-03-2021	256.27
TOTAL			**881.00**		**881.00**		**587.33**
GRAND TOTAL (5 years)			**4350.50**		**4350.50 (60%)**		**2900.33 (40%)**

Source: MoRD, WBSRRDA

4.21 Table 4.6 reveals that fund released by the Centre (col. 3 & 4) is transferred by the state treasury (Col 5 & 6) to WBRRDA in the same financial year alongwith the commensurate state share (col 7 & 8), except in FY 2019-20 when state share of Rs 154.19 crore was credited to SRRDA in FY 2020-21 with a time lag of 19 months. The above analysis implies a relatively efficient financial management exhibiting date wise fund flow under PMGSY in West Bengal. The above Table also reveals that due to an efficient fund flow management, State has received more than two installments of central share in three out of five financial years making West Bengal one of the leading states to get the central release under PMGSY in five years period. During the period 2016-17 to 2020-21, the centre has released Rs. 4350.50 crore (60%) which was received by WBRRDA alongwith corresponding state share of Rs. 2900.33 (40%) totalling Rs 7250.83 crore, out of which the agency made payment worth Rs 7014.84 crore (97%) to Contractors/ Vendor/ Supplier, through PFMS in the state.

4.22 The above analysis reveals that financial management in state treasury of West Bengal wrt PMGSY fund is relatively efficient and can be replicated to other states where financial management is less than efficient.

4.23 As per Table 4.5 above, Haryana, Punjab and Kerala are low ranking states. However, since the volume of PMGSY works in Haryana and Punjab was very less during the period of analysis, fund flow of these two SRRDAs have not been analysed. Kerala being comparatively a small state in size, has also not been considered for analysis. In view of this, fund flow mechanism in Telangana has been analysed as one of the low-ranking states in terms of absorption capacity wrt central releases as per Table 4.7.

Fund Flow and Absorption Capacity of Telangana under PMGSY

4.24 Table 4.7 below shows the fund flow in Telangana under PMGSY for five years period during 2016-17 to 2020-21. On analysing the data, it is found that financial management of CSS fund is less than efficient making the state poor performing in terms of absorption of central fund and crediting of corresponding state share.

Table 4.7: Fund Flow in Telangana under PMGSY (2016-17 to 2020-21)

PMGSY_TELANGANA							**Rs. Crore**
Fiscal Year	Releases by MoRD			Received by SRRDA			
	Instalment	Date	GoI release	Date	GoI Share	Date	State Share
1	2	3	4	5	6	7	8
2016-17	1st	22-04-2016	56.33	11-11-2016	56.33	06-03-2017	28.00
	2nd	19-12-2016	87.36	06-03-2017	87.36	-	-
Total			**143.69**		**143.69**		**28.00**
2017-18	1st	23-12-2017	99.22	02-01-2019	50.00	15-07-2017	116.52
				28-01-2019	49.22	-	-
Total			**99.22**		**99.22**		**116.52**
2018-19	1st	18-03-2019	97.75	13-09-2019	4.72	01-03-2019	103.82
				13-09-2019	8.03	-	-
				18-09-2019	39.20	13-09-2019	3.14
				08-11-2019	45.81	13-09-2019	5.35
Total			**97.75**		**97.75**		**112.31**
2019-20	1st	27-12-2019	184.21	22-07-2020	92.11	13-09-2019	26.14
				25-03-2021	92.10	26-11-2019	30.54
Total			**184.21**		**184.21**		**56.67**
2020-21	-	-	-		-		-
Total	-	-	-		-		-
Grand Total (5 years)			**524.87**		**524.87**		**313.51**

Source: MoRD, TSRRDA

4.25 The analysis of Table 4.7 indicates that Telangana has not been able to maintain the financial discipline as regards fund flow under PMGSY is concerned and therefore is losing central fund over the years (Col 2). During 2016-17, 2017-18, 2018-19 and 2019-20 there is considerable time lag in transferring the central releases and crediting the due state share in the account of SRRDA. During the five years period of 2016-17 to 2020-21, Telangana has credited only Rs 313.51 crore as against central release of Rs 524.87 crore which is only 35.84% of the due state share instead of 40% (amounting Rs 349.92 crore) in the account of SRRDA that too with considerable time lags. As per the information available from the TSRRDA, the balance state share of the period under analysis has been credited on 29th November, 2021.

4.26 If we analyse the data year wise, we find that Telangana has credited state share of Rs 28 crore (12%) and Rs 116.52 crore (71%) (Col 8) as against central release of Rs 143.69 crore and Rs 99.22 crore (Col 4) during FY 2016-17 and 2017-18 respectively. Similarly, Telangana has credited state share of Rs 112.31 crore (68.94%) and Rs. 56.67 crore (18.5%) as against central release of Rs 97.75 crore and Rs 184.21 crore during FY 2018-19 and 2019-20 respectively. Balance amount of Rs 36 crore as state share has been credited to SRRDA in November, 2021 with a time lag of two financial years.

4.27 It is also observed from Table: 4.7 that Central release of Rs. 99 crore (1st installment) (Col 2, 3 & 4) made during FY 2017-18 was transferred to SRRDA account (Col 5 & 6) with time lag of one financial year i.e. during FY 2018-19 in two instalments (maximum time lag of 14 months). During 2018-19, state has received central share of Rs 97.75 crore (1st installment) (Col 2,3 & 4) which was transferred to SRRDA in three installments during FY 2019-20 with time lag of 6-8 months (Col 5&6). Again, during FY 2019-20, centre has released Rs 184.21 crore (1st installment) (Col 2,3 & 4) to Telangana which was transferred to SRRDA during FY 2020-21 in two installments with maximum time lag of 15 months (Col 5&6). During FY 2020-21, state was not released any central fund on account of pending state share.

4.28 The analysis in the above paragraphs implies that Telangana has tried to compensate the fund deficit during the FY 2017-18 and 2018-19. However, in FY 2019-20 and 2020-21, state has again faulted. This lack of efficiency in the state finance and its fund management has costed them the loss of central resource in terms of losing 2nd installments from FY 2017-18 to 2019-20 and no release in FY 2020-21 which was initially allocated to Telangana as per the target fixed in Annual Plan of respective years and meant to be used for the development purpose as per the national priorities with innumerable forward and backward linkages associated with rural connectivity.

4.29 The above analysis also implies that during all those years when Telangana has lost the 2nd installment and during FY 2020-21, both installments, owing to non-fulfilment of the mandatory criteria, the allocated amount to the state may be reallocated to other state/s who have efficient financial management with better absorption capacity and met the eligibility criteria for claiming subsequent installment leading to vertical imbalance in the central release of fund.

4.30 Against this background it is imperative to understand the factors behind delay in transfer of Central Fund and corresponding State share to the account of implementing agency/SNA which make the state loose central resource under CSS.

Fund Flow and Absorption Capacity of Andhra Pradesh under PMGSY

4.31 To substantiate the issue in discussion, fund flow in Andhra Pradesh (another low-ranking state in terms of central release) has also been analysed as another illustration.

Table 4.8: Fund Flow in Andhra Pradesh under PMGSY (2016-17 to 2020-21)

PMGSY_Andhra Pradesh					**Rs Crore**
Year	Instalment	Released by MoRD		Received by SRRDA	
		Date	GoI release	GoI Share	State Share
1	2	3	4	5	6
2016-17	1st	22-04-2016	77.41		
	2nd	28-09-2016	120.18		
Total			**197.59**	**197.59**	**131.72**
2017-18	1st	28-12-2017	40.00		
Total			**40.00**	**40.00**	**26.67**
2018-19	1st	31-08-2018	97.75		
	2nd	24-01-2019	97.75		
Total			**195.50**	**97.75**	**65.17**
2019-20	1st	04-12-2019	199.00		
	2nd	10-12-2019	44.14		
Total			**243.14**	**97.75**	**65.17**
2020-21	-				
Total			**-**		
Grand Total (5 Years)			**676.23**	**433.09 (38.43%)**	**288.73 (25.62%)**

Source: MoRD, omms.nic.in, APRRDA

4.32 In the weighted state ranking as shown in Table 4.5 above, Andhra Pradesh is at rank no 13 out of 17 as regards central release is concerned. The analysis shows that state has not maintained consistency and efficiency in crediting the total central share and corresponding state share in the account of SRRDA leading to loss of central releases during FY 2017-18 (2^{nd} Installment) and no release during FY 2020-21.

4.33 Over a period of five years, against Rs 676.23 crore of central release, state has transferred only Rs 433.09 crore which is 38.43%. over the same period. SRRDA has received only Rs 288.73 crore as state share which is only 25.62% instead of stipulated 40%. As per the information received from SRRDA, State has transferred central share of Rs. 243.14 crore released during FY 2019-20 alongwith corresponding state share of Rs 162.09 to SRRDA in FY 2021-22 with a time lag of two financial years.

4.34 It reemphasises the fact that owing to less than efficient financial management or lack of sufficient resource available with the state, it has not received the central fund in two financial years. These unutilised central funds initially allocated to Andhra Pradesh as per the Annual Plan targets may be reallocated to other states who has better financial management and absorption capacity to fulfil the overall mandate of the programme. However, due to non-availability of ready data on reallocation of fund in public domain, the same has not been quantified and analysed.

4.35 While analysing utilisation, fund flows and public financial management under the National Health Mission, a similar observation has been made by Mita Choudhury and Ranjan Kumar Mohanty (August 2017) in their study.[9] The study analyses that the involvement of State treasuries has increased the accountability of States towards NHM spending. However, this has adversely affected the timeliness of availability of NHM funds for utilisation by implementing agencies. The proposal for release of funds passes through a minimum of 32 and 25 desks up and down the administrative hierarchy in Bihar and Maharashtra. It was found in the study that on average, in the last two financial years, there was a delay of around 2 to 3 months in releasing NHM funds from State treasuries to implementing agencies in Bihar and Maharashtra.

II. Pradhan Mantri Awaas Yojana- Gramin (PMAY_G)

4.36 To get an insight of the fund flow mechanism under the scheme, an understanding of the workflow of PMAY G starting from registration of beneficiary on

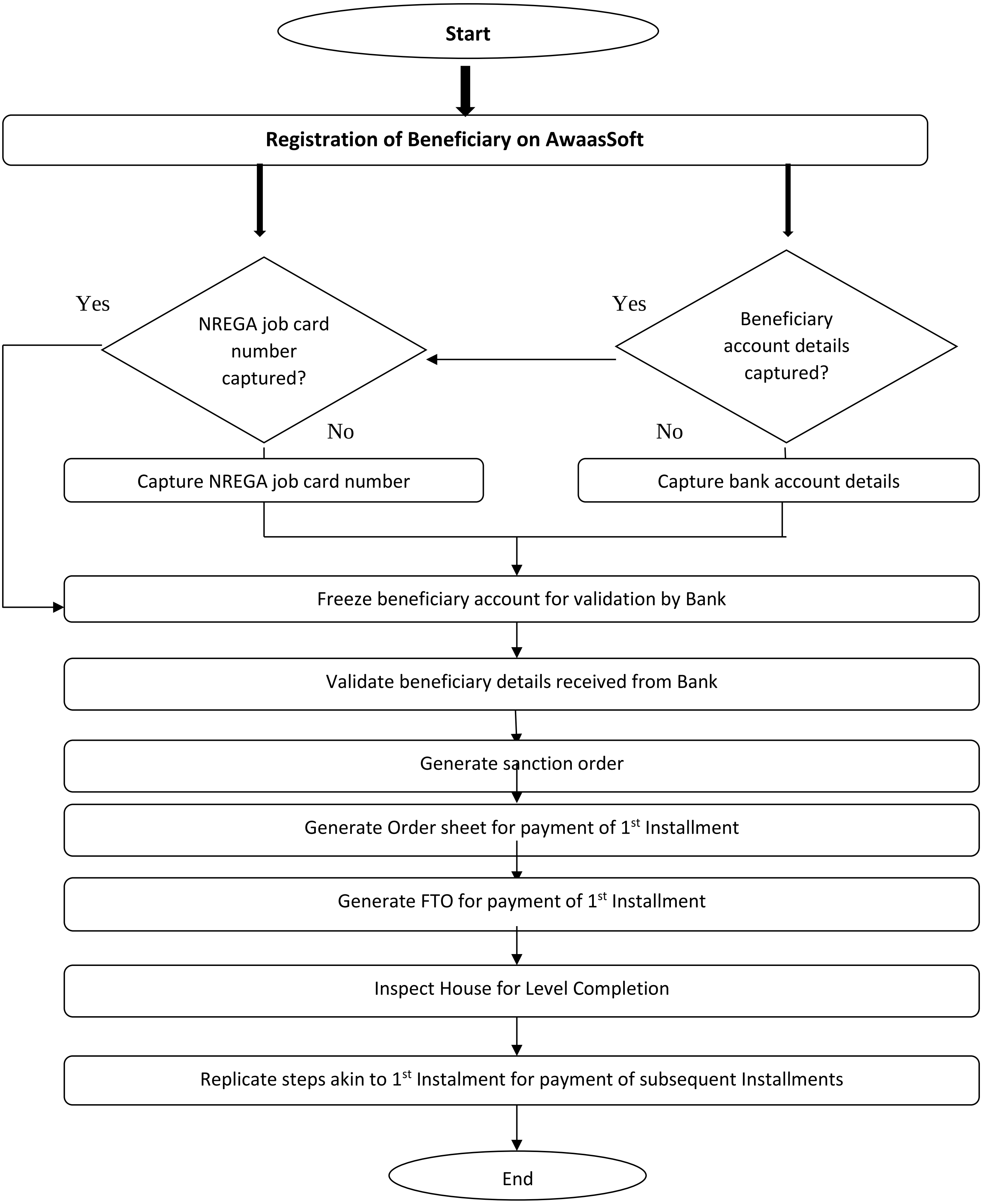
---

[9] Choudhury, M., & Mohanty, R. K. (2018, May 4). *Utilisation, Fund Flows and Public Financial Management under the National Health Mission*. National Institute of Public Finance and Policy, New Delhi. Retrieved March 29, 2022, from https://www.nipfp.org.in/media/medialibrary/2018/05/WP_2018_227.pdf

AwaasSoft to generation of Fund Transfer Order (FTO) for payment of various installments depending on the physical progress i.e. level of completion of house to beneficiary is the prerequisite.

WORKFLOW of PMAY G:

4.37 As per the Programme Guidelines, 2016 the workflow for the scheme implementation that is transacted through AwaasSoft, after the finalization of beneficiary Wait List, is shown in the flow Chart 4.2 given below.



Source; Framework for Implementation (FFI), 2016

Chart 4.2 : PMAY G Workflow Process

Fund Management and Release System of PMAY G

4.38 The system of Fund Management and Release under PMAY G has been elaborately provided in the Scheme Guidelines (FFI), 2016 which is briefly discussed in the following paragraphs:

Basic Principles of Fund Management under PMAY G

4.39 Under PMAY G, States / UTs maintain single State Nodal Account (SNA) in a Scheduled Commercial Bank at the State level only. The annual Central releases alongwith commensurate State share is deposited in SNA by the States/UTs which is registered in AwaasSoft and with PFMS. This SNA is operated upon only electronically through a Fund Transfer Order (FTO) and no other mode of withdrawal is permissible. The State/UT Government designate two authorities i.e. a creator / maker / 1^{st} signatory and an approver / checker / 2^{nd} signatory for transfer of funds to the beneficiaries. The FTO is digitally signed by these two authorities whose digital signatures are created and mapped by the State to the jurisdictional location with PFMS to generate FTO.

4.40 The total financial implication of Government of India for implementing PMAY G is met from the budgetary allocation and/or through Extra Budgetary Resources (EBR) in the form of loan from Financial Institution. Part of annual allocation that is payable to the state from the money borrowed through NABARD etc. by the designated Special Purpose Vehicle (SPV), i.e. National Rural Infrastructure Development Agency (NRIDA) of the Ministry of Rural Development, shall also be deposited into the SNA. The release from SPV, will be treated on par with central release for all purposes. EBR funds released to the States/UTs from the Central Government / NRIDA would be transferred directly to the State Nodal Account (SNA).

4.41 Funds released to the State / UTs, from the Budgetary Allocation would be transferred to the Consolidated Fund of the State / UT and from there to the SNA. The transfer of the assistance to the beneficiaries shall be done to his / her registered accounts through digitally signed FTO from the SNA. For transfer of funds to the beneficiaries, the account of the beneficiary shall be frozen on AwaasSoft. The amount transferred shall be as per the instalments decided by the State/UT Governments.

4.42 After the end of every financial year the reconciliation of the opening balance as on 1st April between bank balance in the SNA and the balance as per AwaasSoft shall be undertaken by the 15th of April. Reconciliation of balance available in the SNA and the balance as per AwaasSoft shall be undertaken using Financial Reconciliation Management System (FRMS), a module on AwaasSoft, on the last day of every quarter i.e., 30th June, 30th September, 31st December and 31st March (Financial Management Index).

Fund Release and Accounting

4.43 The annual central allocation to the States/UTs is released in two instalments. The first instalment is equal to 50% of total annual financial allocation and the second instalment is equal to the annual allocation minus first instalment and applicable deductions (shortfall of state share etc.) as prescribed in framework.

4.44 The States / UTs may front load the expenditure by using their own resources and recoup it including interest accruing on such amount later from the Central Government funds. The States / UTs are free to supplement the unit assistance under PMAY-G through their own resources. They can do so either through SNA or through separate account.

Submission of proposals and release of funds

4.45 At present, State/UT shall send one consolidated proposal to the Ministry for release of funds. All conditions to be fulfilled for release of funds and the percentage of utilisation required, would be accounted for at the State/UT level.

4.46 Once a module for submission of proposals for release of funds is developed in AwaasSoft, the proposals for release of funds shall be auto generated based on predefined parameters along with supporting documents and uploaded after approval by the competent authority.

Release of State share

4.47 Scheme guidelines also stipulates that commensurate state share should be released within a period of 15 days of the release of central share which shall be shared through PFMS treasury interface. The State Share commensurate with the Central share, whether released or not, will be considered for the calculation of Total Available Fund (TAF) and percentage utilisation while processing the proposal for release of next instalment**.** A copy of the sanction order releasing the State Share need to be uploaded on AwaasSoft by the state.

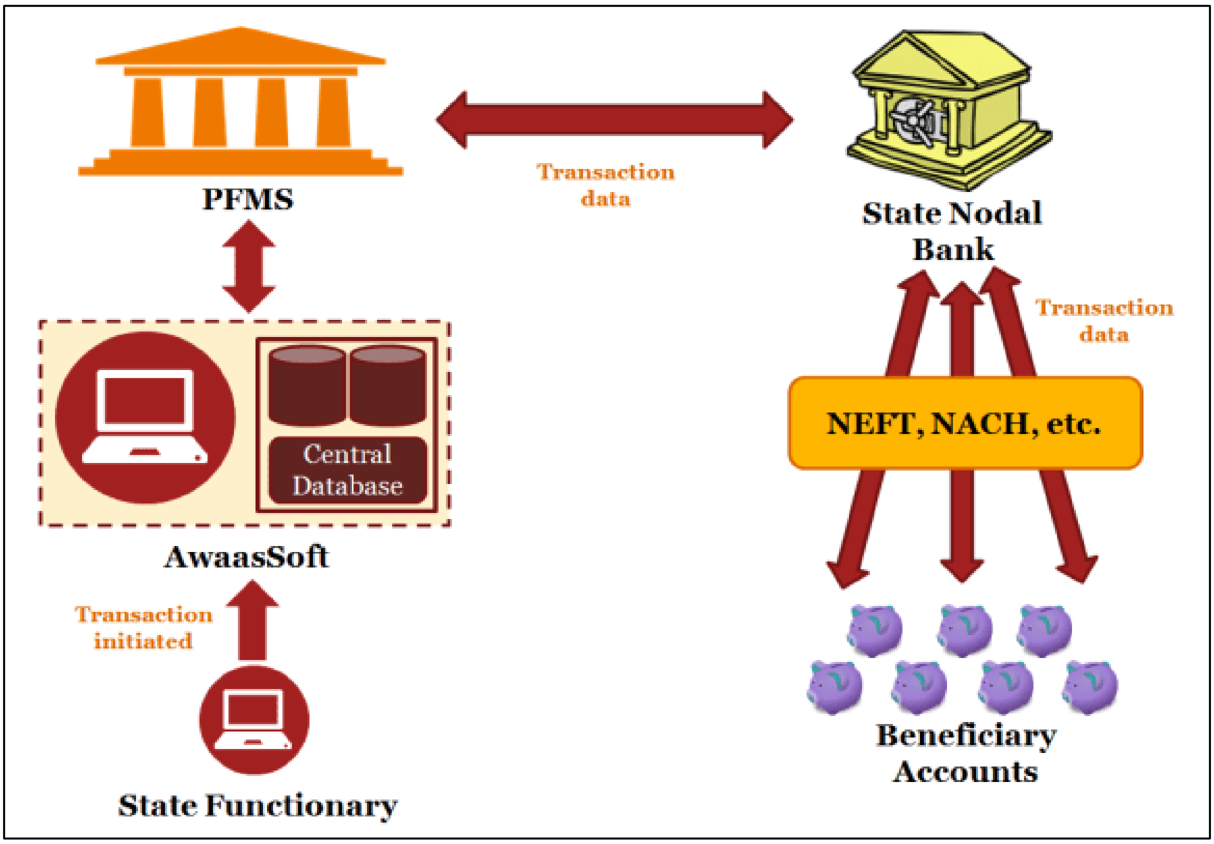
4.48 In the event of any shortfall of state share in the previous financial year, corresponding amount of shortfall would be deducted from the 2^{nd} instalment of central share of the current financial year. The amount of Central Share so deducted would be restored when the shortfall in the State share is released in SNA and the sanction order of such release is uploaded on AwaasSoft.

Transfer of funds from State Consolidated Fund to State Nodal Account

4.49 The central allocation of funds which have been sent to the State Consolidated Fund should be transferred to the State Nodal Account within 15 days from the date of receipt of funds in the State Consolidated Fund.

Fund flow through AwaasSoft

4.50 All the payments from the States (State Nodal Account) to the beneficiary shall be electronically done through PFMS as per the following process flow.



Source: PMAY G guidelines (FFI)
* National Automated Clearing House (NACH)

4.51 Discussion in the above paragraphs reveals that programme guidelines have provided detailed mechanism for fund management and release process with the purpose of ensuring financial discipline and efficiency in the entire chain/steps involved in the fund flow mechanism wrt physical implementation and financial progress of PMAY G.

4.52 To understand the fund flow under PMAY G, West Bengal with maximum release and Gujarat having less release have been analysed in the following paragraphs. It may be noted that Haryana, Punjab and Kerala are three of the lowest ranking states in terms of central releases (Table 4.5). However, these states have not been considered in the analysis mainly because Haryana and Punjab have less volume of work and Kerala is comparatively smaller in size. Andhra Pradesh and Karnataka, other lower ranking states were not released central share during the FY 2019-20 and 2020-21 and FY 2020-21 respectively. Further, the scheme is not being implemented in Telangana. Hence Gujarat having less central release (Table 4.5 above), has been analysed under PMAY G for discussion purpose.

Table 4.9: Fund Flow in West Bengal under PMAY G, (2016-17 to 2020-21)

PMAY G_WEST BENGAL **Rs Crore**

FY	Central Share released by GoI	State Share received by SNA
2016-17	1393.64	0.00
2017-18	4556.66	3152.33
2018-19	4372.85	2847.32
2019-20	5976.00	2492.00
2020-21	8810.54	5073.15
Total	**25109.69 (60%)**	**13564.79 (32.5%)**

Source: AwaasSoft available at https://rhreporting.nic.in/netiay/FinancialProgressReport/Report_HighLevel_FinancialProgress.aspx, MoRD, 23.03.2022

4.53 Table 4. 9 depicts central releases to West Bengal under PMAY G equals Rs 25,109.69 crore during a period of five years from 2016-17 to 2020-21. Against the central share, SNA has received only Rs 13,564.79 crore which is 32.5 % as against stipulated 40% over the same period.

4.54 Year wise analysis shows that West Bengal did not contribute the matching state share against the central release during 2016-17 under PMAY G may be because the programme was launched in November 2016. In subsequent years also the state share released were less than 40% as stipulated under CSS fund sharing arrangement between centre and states except during FY 2017-18 when state share credited to SNA was 42%.

During FY 2018-19, 2019-20 and 2020-21, SNA has received 39%, 25% and 34.5% respectively as state share. From the above analysis and based on the existing literature on the subject. it implies either weak financial management in the state under PMAY G or difference in priorities between centre and state.

4.55 Despite contributing less than stipulated state share, West Bengal has maximum central release because of more target allocation to state as per criteria laid down in the programme guidelines. Moreover, there is a provision in the programme guidelines that the 1st instalment of 50% of central share of total financial allocation is released at the beginning of the financial year to the States / UTs that have availed the 2nd instalment or have submitted complete proposal thereof in the previous financial year, subject to fulfilment of specific conditions, if any, prescribed at the time of previous releases.

4.56 Due to non-availability of relevant data tracking the date wise movement of fund from centre to state and crediting of state share in SNA in public domain, the time lag involved in such transfer is not captured in the present analysis.

Table 4.10: Fund Flow in Gujarat under PMAY G (2016-17 to 2020-21)

PMAY G_Gujarat		Rs crore
FY	**Central Share released by GoI**	**State Share**
2016-17	317.95	211.97
2017-18	532.64	493.97
2018-19	682.20	284.73
2019-20	385.56	116.19
2020-21	192.78	310.56
Total	**2111.13 (60%)**	**1417.42(40.28%)**

Source: AwaasSoft available at https://rhreporting.nic.in/netiay/FinancialProgressReport/Report_HighLevel_FinancialProgress.aspx, MoRD, 23.03.2022

4.57 Above Table 4.10 depicts the fund flow under PMAY G in Gujarat where Rs 2,111.13 crore (60% share) was released by the centre over five years period of 2016-

17 to 2021-22 against which SNA has received the state share of Rs 1417,42 crore (40.28%) over the same period.

4.58 Year wise analysis indicates that state share received by SNA is 40% or more in three financial years except in FY 2018-19 and FY 2019-20 when it was 25% and 18% respectively. During FY 2016-17, 2017-18 and 2020-21 SNA has received 40%, 55.64 % and 96.66 % respectively as state share. SNA receiving more than 40% as state share may be because there is provision stipulated in the programme guidelines that States / UTs may front load the expenditure by using their own resources and recoup it including interest accruing on such amount later from the Central Government funds. In such a scenario, the interest accrued on state advances over and above the matching state share shall be clearly accounted by states / UTs. However, the rules pertaining to operation of SNA will be applicable.

4.59 It is mentioned that despite maintaining 40% state share over a period of five years, central release to Gujarat is relatively less because of less target allocation in comparison to West Bengal and other high-ranking states as shown in Table 4.6 above. As already discussed in para 3.32 of Chapter III, minimum 60% of the target is earmarked for SC/ST households and 15% of the total fund is earmarked for Minorities under PMAY-G. Accordingly, every year central funds are released in installments under three categories of SC, ST and Others to States under PMAY G.

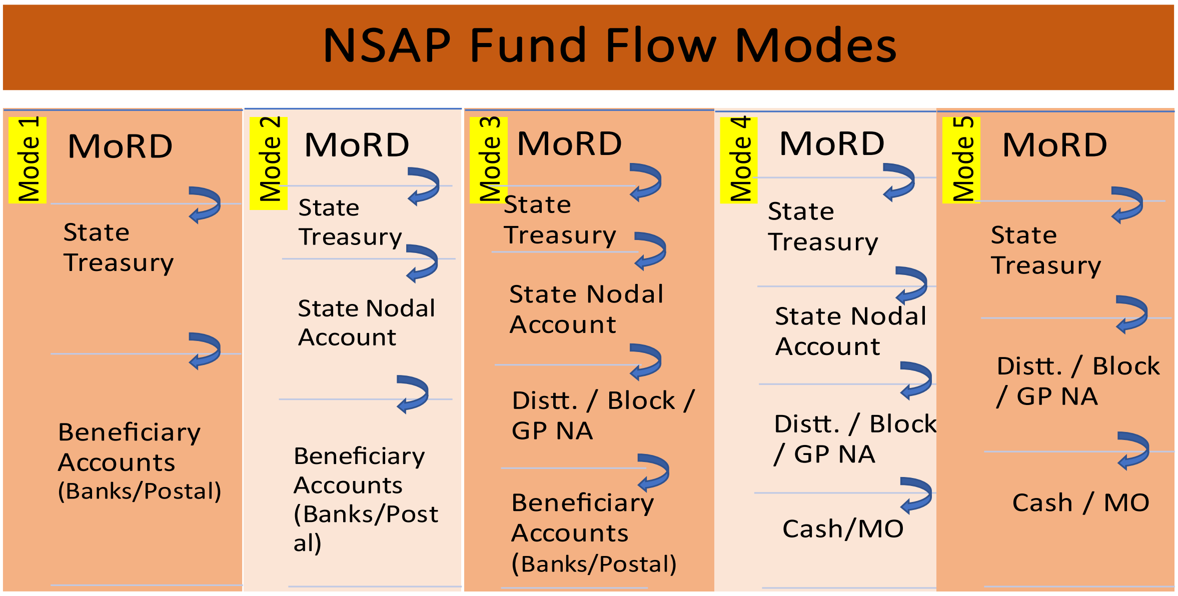
National Social Assistance Programme (NSAP)

4.60 NSAP is a CSS in social sector with distinct mandate and therefore fund sharing arrangement between Centre and States is also different. Under NSAP, central share is 100% with no corresponding state share. It is mentioned that States provide top up over and above the central share to the beneficiary under NSAP. As regards quantity/volume of top up provided by states under the scheme, there is no uniform policy at the national level as such, and it is the complete discretion of state governments. However, data in this regard was not readily available, hence not much light could be thrown on this aspect of the scheme in the present analysis.

Fund Flow Mechanism under NSAP

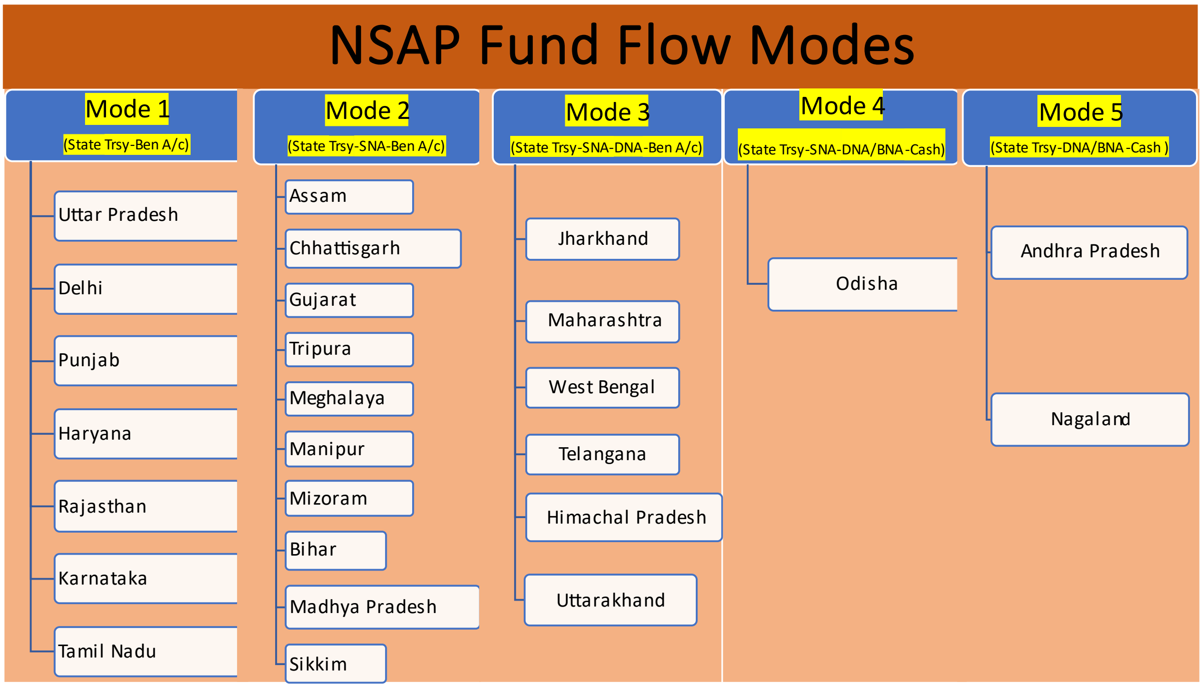
4.61 As prescribed in the programme guidelines (October, 2014), Fund Flow Mechanism under NSAP has been briefly described in the following paragraphs.

4.62 Fund Flow mechanism of NSAP has five modes having different channels of transfer of funds in various states as depicted in the following charts.



Source: MoRD

Chart 4.3: Fund Flow Modes under NSAP (Channels)



Source: MoRD

Chart 4.4: Fund Flow Modes under NSAP (States)

4.63 Under mode 1, fund flows from centre to state treasury and then to beneficiary account in bank or post office. Under mode 2, fund flows from centre to state treasury to state nodal account and then to the account of beneficiary in bank or post office. Under mode 3, fund flows from centre to state treasury to SNA to District/Block/GP nodal account and then to the account of beneficiary in bank or post office as the case may be. Under mode 4, fund flows from centre to state treasury to SNA to District/Block/GP nodal account and then to the beneficiary in the form of cash or money order. Under mode 5, fund flows from centre to state treasury to District/Block/GP nodal account and then to the beneficiary in the form of cash or money order.

4.64 Number of states using mode 1, 2 and 3 are 7, 10 and 6 respectively whereas Mode 4 has only one state Odisha and mode 5 has two states namely Andhra Pradesh and Nagaland.

4.65 Having 5 modes of fund flow under one scheme indicates that States have their discretion in selecting the number of channels through which fund flows/transfers from centre to the end beneficiary and have the flexibility to choose the options of cash flow management under NSAP. However, ideally end to end fund flow with least number of channels under CSS should be the preferred mode to ensure effective financial tracking, management, and monitoring. Under NSAP, number of channels/steps of fund flow ranges from three being minimum to five being maximum adopted by seven states each. Remaining states have adopted four number of channels/steps of fund flow.

4.66 Though guidelines have the detailed provision of fund flow mechanism and end to end monitoring system, however, relevant data capturing the state wise fund flow process right from the Central releases by PAO to state treasury and to the end beneficiary under various modes is not readily available. Hence, financial management and its efficiency under each mode could not be analysed. In future, it is proposed that depending on the data availability, financial management of the CSS fund in implementing states under various modes iro NSAP would be properly assessed.

4.67 However, primary analysis of NSAP data on central releases for five years reveals complete absorption/utilization by all the states. However, as discussed above, data on top up given by states under NSAP was not readily available and therefore the related aspect could not be assessed in the present study.

Steps involved in the fund release from Centre to States/UTs under NSAP

4.68 The fund flow module of NSAP contains the estimation of fund requirement, allocation, and release. Estimation is done at village or ward level to District to State and then Ministry as per number of beneficiaries. Allocation and release are done by the Ministry to State to District, upto the level of the Pension Disbursing Authorities

(PDA) (nominated and designated by State Governments) at State / District / Block / GP or Municipality level depending upon the mode of disbursement.

4.69 Funds for the schemes of National Social Assistance Programme (NSAP) are released to the Consolidated Fund of the State Government which further flows to the beneficiary level through following steps:

i) Like most of the CSS, Annual allocation of NSAP is released in two installments.
ii) First installment is 50% of the annual allocation fixed in accordance with the provisions laid down. As per the existing criteria, funds are allocated among States / UTs based on the estimated number of beneficiaries under the different schemes of NSAP in each State / UT. If the States / UTs report a lower coverage of beneficiaries than the estimated number, the allocation of funds for such State / UT would be based on the reported number. Till the Socio-Economic Caste Census (SECC) is finalized, the allocation of funds among the States / UTs would be based on the existing BPL population. Once the SECC is finalized, the allocation of funds to the States / UTs for the schemes of NSAP would be based on the number of old aged, widowed and disabled people from among the eligible population arrived at using the SECC data for which criteria will be fixed by the Ministry of Rural Development. In case the number of eligible beneficiaries is more than the estimated number of beneficiaries in any State / UT, the expenditure on excess number of beneficiaries can be met from the resources of the State/UT. The States / UTs shall intimate the distribution of the funds received between the sub schemes of NSAP to the Ministry of Rural Development within a month after the allocation of State/UTs is conveyed to them.

iii) Second installment shall be the annual allocation minus first installment, as per conditions listed in the scheme guidelines.

Procedure for release of First Installment

i. First installment shall be released automatically to all the States who have taken the second installment in the previous year.

ii. The unspent balance, if any, will be temporarily deducted from the first installment and made good at the time of the second installment if the dues to the beneficiaries of the previous financial year have been fully cleared and the amount is spent by the State Government.

iii. States who have not received the second installment in the previous financial year, will have to submit proposals for first installment alongwith all requisite documents which were required to be submitted for the release of second installment of the previous financial year.

Procedure for release of Second Installment:

i. Release of second installment to the State will be subject to the Utilisation of at least 60% of total available funds (including opening balance plus releases during the year and miscellaneous receipts) and fulfillment of conditionalities, if any, indicated during earlier releases.

Conclusion

4.70 The analysis carried out in this chapter reveals that more the time lag in transferring the central share and crediting the corresponding state share to Implementing Agency/SNA, more are the chances of losing the subsequent installments for a state. Therefore, analysis has emphasised the role of state finance in the complete chain of fund flow which directly affects the absorption capacity in terms of central releases to a state.

4.71 When a state lacks sufficient absorption capacity for fund released by the centre under whatever circumstances, it loses not only in terms of central resources/fund but also in terms of forward and backward linkages associated with the developmental plans and programmes of CSS designed as per the national priorities. Therefore, state's capacity, cooperation and support have its catalytic effect on the outcome and impact of CSS.

Chapter V: Existing Monitoring and Evaluation Mechanism of CSS

5.1 After going through the analysis of the topic and several issues and gaps emerged thereon in the previous chapter, this chapter, as an answer to those issues found in state finances, deals with assessment of the existing monitoring of financial management and evaluation mechanism of CSS and their adequacy.

5.2 In this connection, it is mentioned that Public Financial Management System (PFMS) 2.0 is envisaged to develop a suitable tracking system which will strengthen the institutional arrangement of financial management at the center and states through digitization of the fund flow process. However, before discussing the present scenario, it is essential to understand the genesis and background of the PFMS.

Genesis

5.3 Public Financial Management System (PFMS) originally started as Central Plan Monitoring System (CPSMS) in 2008-09, which was a Plan scheme of the Planning Commission as a pilot in four States of Madhya Pradesh, Bihar, Punjab and Mizoram for four Flagship schemes e.g. MGNREGS, NRHM, SSA and PMGSY.

5.4 The Central Plan Monitoring System (CPMS) has attempted to address deficiencies in the existing accounting system for the CSS and its inability to support informed planning, budgeting, and effective monitoring. This web-enabled application has features to map flow of funds, releases and expenditure details, payment to the ultimate beneficiary through banking channels, and enhance report generation capabilities integrated into the transaction databases. In spite of the effort to strengthen the information base of the central plan schemes, the overall financial management of CSS fund and its integration with the State level systems continues to be weak. (Jena P.R., 2013)

5.5 Given the involvement of multiple agencies in any CSS starting from the Central to State Government to Implementing Agencies, monitoring the service delivery and fixing accountability for deficient results is a difficult task. In an attempt to address the issue, Expert Committee on Expenditure Management has favoured the idea of direct routing of funds under flagship programmes through State budgets to bring these schemes under the mandated financial control of the Government. To enable the much needed linking of financial networks of Central, State Governments and the agencies of State Governments, CPMS was rolled out at the national level, known as PFMS in December 2013.

Background

5.6 The Public Financial Management System (PFMS) is a web-based online software application developed and implemented by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, Government of India. The objective of PFMS is tracking of funds released under all Plan schemes of Government of India, and real time reporting of expenditure at all levels of programme implementation. As discussed in previous paragraph, PFMS started in 2009 as CPMS and subsequently, the scope was enlarged to cover direct payment to beneficiaries under all Schemes. Gradually, more financial activities like digitization of accounts of the Government of India were brought in the ambit of PFMS. [10]

Project Structure and Outputs / Deliverables of PFMS

5.7 PFMS has four-tiered structure and include (but are not limited to) Payment & Exchequer Control, Accounting of Receipts (Tax & Non-Tax), Compilation of

---

[10] https://pfms.nic.in/static/NewLayoutCommonContent.aspx?RequestPagename=Static/Implementation.aspx

Accounts and Preparation of Fiscal Reports and Integration with Financial Management Systems of States as outputs / deliverables under various modes / functions of PFMS. The project structure and outputs / deliverables of PFMS have been depicted in the following Charts 5.1 and 5.2.

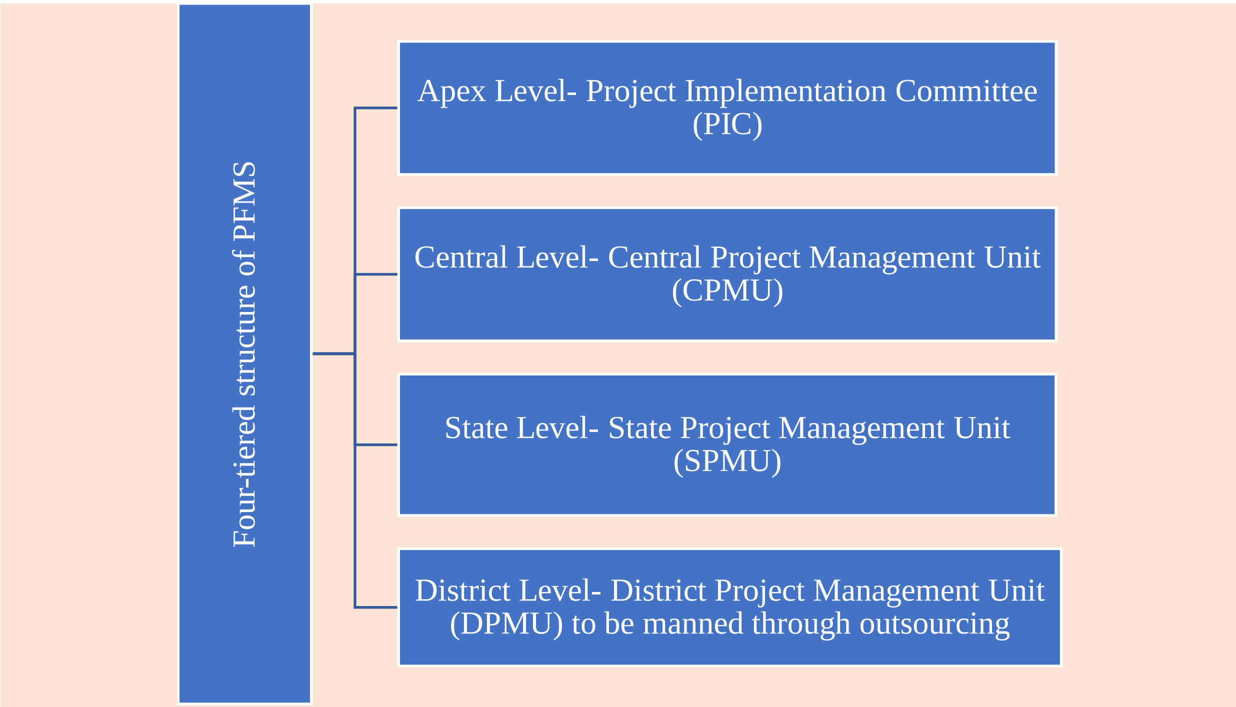


Chart 5.1: Four-Tiered Project Structure of PFMS

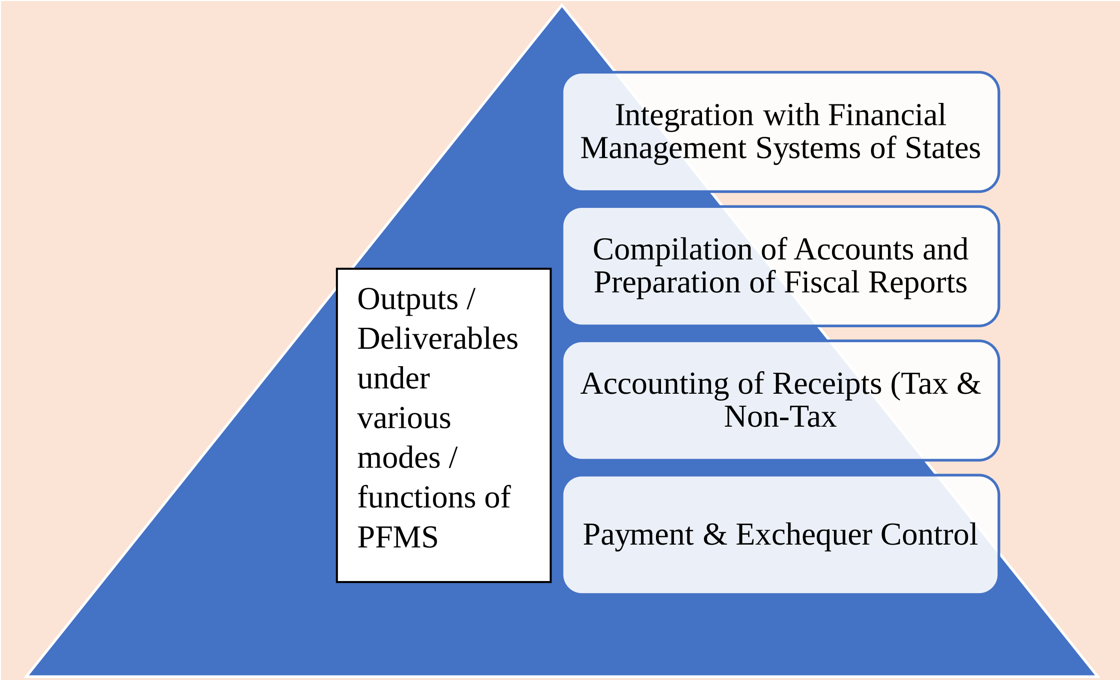


Chart 5.2: Outputs / Deliverables under Various Modes / Functions of PFMS

Functions of PFMS

5.8 The primary function of PFMS today is to facilitate sound Public Financial Management System for Government of India by establishing an efficient fund flow system as well as a payment cum accounting network. PFMS provides various stakeholders with a real time, reliable and meaningful management information system and an effective decision support system, as part of the Digital India initiative of Government of India (Chart 5.3).

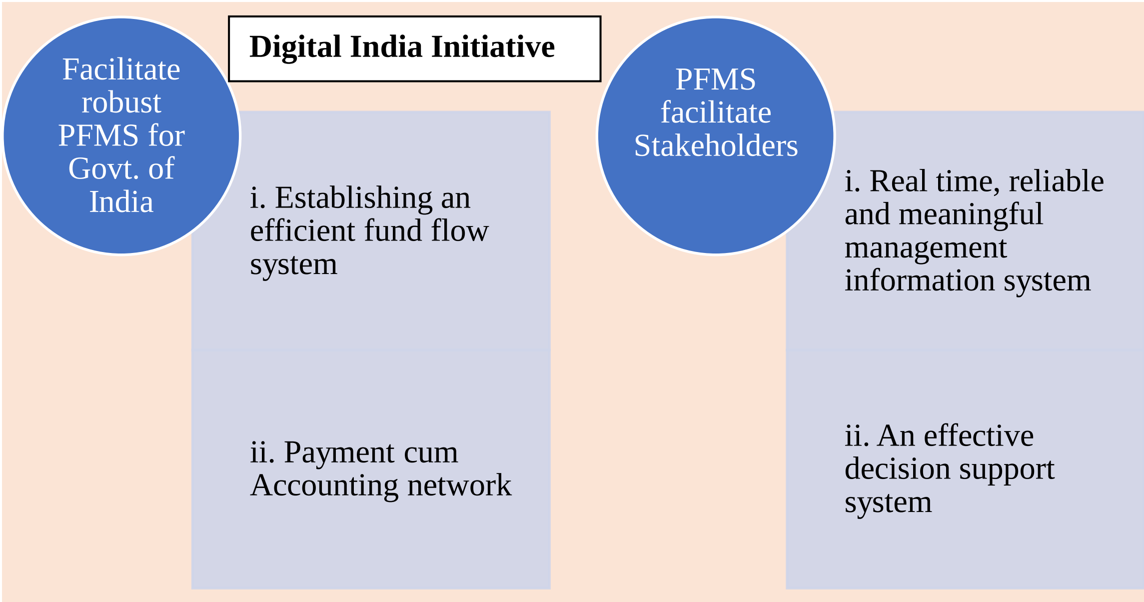


Chart 5.3: Functions of PFMS

5.9 In this endeavour, PFMS has established interface with the treasury systems of all 28 States and 2 UTs with Legislatures which facilitates exchange of data regarding budget, allocation, and expenditure against the central transfer of funds for Centrally Sponsored Schemes of the Government of India.

5.10 As the backbone of the payment system of the Government of India, PFMS is integrated with the Core Banking system in the Country, and hence, has the unique capability to first validate the account before pushing online payments to almost every beneficiary/vendor. Gradually, PFMS integration will become universal, i.e. interface is to be established with all the Banks operating in India. To facilitate validation for Aadhaar-linked payments, interface of PFMS with the National Payments Corporation of India (NPCI) has also been developed.[11] PFMS as the backbone of payment system and its role in DBT is shown in Chart 5.4 and 5.5 below.

[11]https://pfms.nic.in/static/NewLayoutCommonContent.aspx?RequestPagename=Static/Implementation.aspx

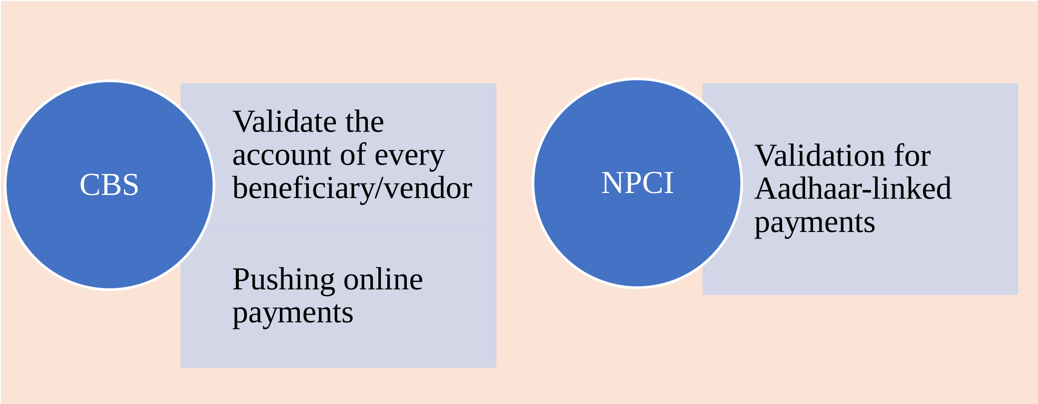


Chart 5.4: PFMS- Backbone of the payment system of the Government of India

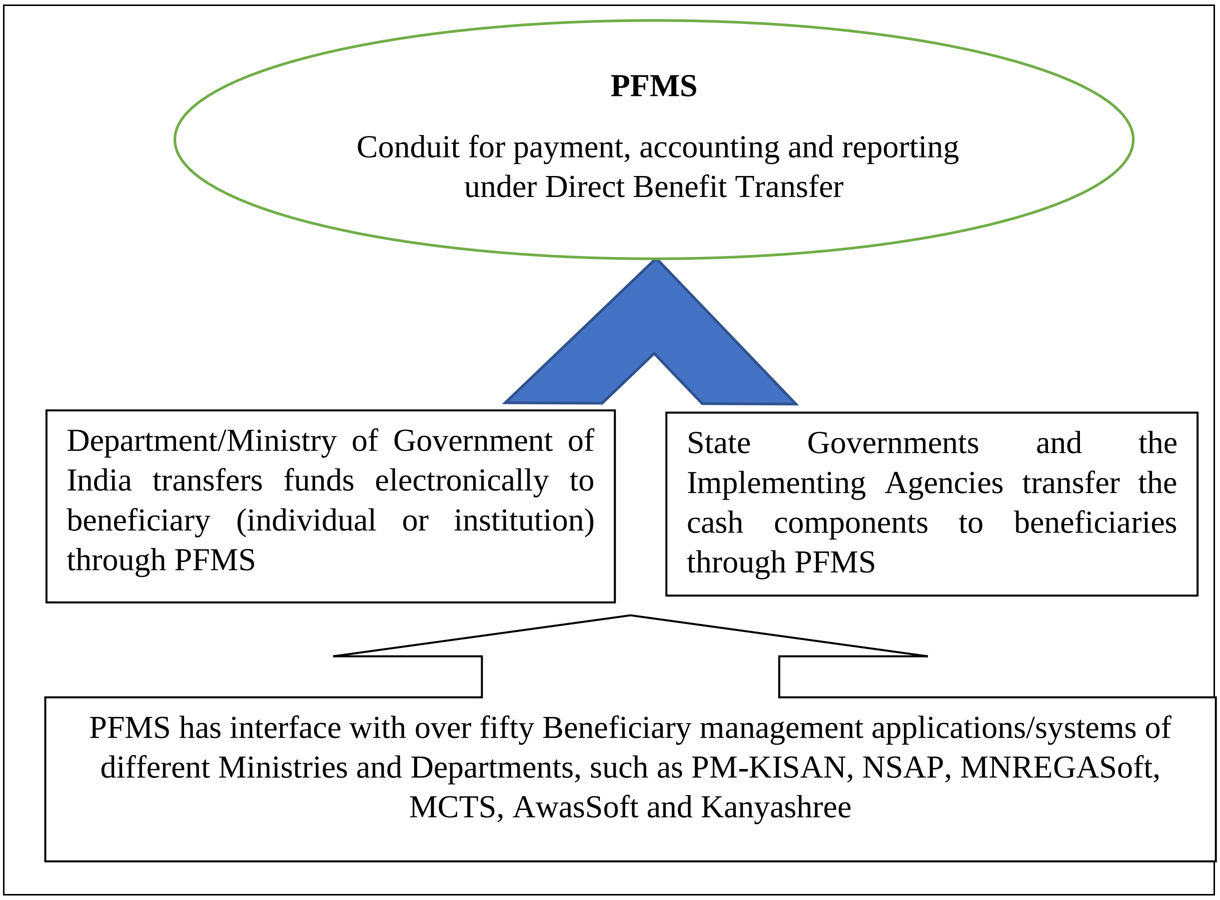


Chart 5.5: PFMS and Direct Benefit Transfer (DBT)

New Initiatives

5.11 As discussed in above paragraphs, PFMS was developed using an architecture which was envisaged in 2009. However to address the challenges of scalability and performance under emerging scenario, Govt. of India intends to upgrade the current PFMS system into PFMS 2.0 with dedicated focus on process and user experience improvements, adding more functionality in core functional areas and drive end to end digital experience on the platform to serve all the stakeholders, scale up to tomorrows needs and perform better for peak and non-peak loads. PFMS 2.0 is envisaged to be an effective, engaging, productive and efficient platform developed through techniques such as Design Thinking & Persona based user journeys.

Mandate of PFMS 2.0

5.12 To facilitate the abovesaid upgradation, PFMS has been given the mandate of being a financial management platform for all plan schemes, a database of all recipient agencies, integration with core banking solution of banks handling plan funds, integration with State Treasuries and efficient and effective tracking of fund flow to the lowest level of implementation for plan scheme of the Government. This mandate envisages that PFMS 2.0 has all the elements that ensure effectiveness and economy in Public Finance Management through better cash management for Government transparency in public expenditure and real-time information on resource availability and utilization across schemes. The proposed system will be an important tool for improving governance. This mandate was enhanced with the proposal of Digitization of Govt. Accounts through PFMS in December, 2014.

Implementation Strategy

5.13 Action Plan for phased implementation of Public Financial Management System, *inter alia* includes mandatory registration of all Implementing Agencies (IA) on PFMS and mandatory use of Receipt, Expenditure, Advance & Transfer (REAT) Module of PFMS by all IAs. It has also an important element of Just in Time (JIT) release of funds and monitoring of use of funds including ultimate utilization Strategy.

Recent Developments

5.14 As per the existing procedure, General Financial Rule, 232 (v) prescribes the release of funds under CSS and monitoring utilization thereof through PFMS. In a very timely intervention for better monitoring of availability and utilisation of fund released to the states by GoI under CSS and reduce material float/parking of funds, existing procedure has been suitably modified in consultation with all Ministries/Departments of GoI and States Governments. The modified system with a number of procedures was introduced to all Ministries/Departments of GoI and all State Governments/UTs wef 21st July, 2021.

5.15 Now as per the revised procedures, *inter alia*, in the beginning of a financial year, the Ministries/Department will release only 25% of the amount earmarked for a State under a CSS for the financial year. Additional central share (not more than 25% at a time) will be released upon transfer of the stipulated State share to the Single Nodal Account and utilization of at least 75% of the funds released earlier (both Central and State share) and compliance of the conditions of previous sanction.

5.16 The State Government will transfer the Central share received in its account in the RBI to the concerned SNA's account within a period of 21 days of its receipt which shall not be diverted to the Personal Deposit (PD) account or any other account by the State Government. Corresponding State share should be released as early as possible and not later than 40 days of release of the Central share. The funds will be maintained by the SNA in the Single Nodal Account of each CSS. State Governments/SNAs/IAs shall not transfer scheme- related funds to any other bank account, except for actual payments under the Scheme. These measures intend to promote *inter alia*, financial discipline and efficiency in the State Finances. Detailed list of modified procedures is at Annexure V.

Monitoring & Evaluation Mechanism: Recent Developments at Ministry Level

5.17 Though the guidelines of all the three select schemes undertaken in this study namely PMGSY, PMAY G and NSAP has detailed monitoring mechanism of physical and financial progress, Ministry of Rural Development has launched Financial Management Index (FMI) in July, 2020 as a measure to ensure efficiency and further strengthening of the financial management in states.

Financial Management Index (FMI)

5.18 Under the overall emphasis on Competitive, Cooperative Federalism, Financial Management Index has the objective of laying down minimum essential norms of financial management and accountability for ensuring optimal utilization of funds by the State Implementing Agencies under CSS. To this end, the index has incorporated *inter alia*, certain parameters like preparation of the Annual Plan, proposal of release of first installment of funds, release of funds from State Treasury to the nodal account of State Implementing Agency, release of full State Share, optimum utilization of total available funds and minimal Unspent Balances (UB) at the year end. (to be considered only if the State Government has contributed its full due share during the FY), Achievement of annual financial targets as finalized in the beginning of the financial year as per Annual Plan.[12] Various parameters of FMI is depicted in the following Chart 5.6.

[12] https://rural.nic.in/en/flipebook/e-book-fmi

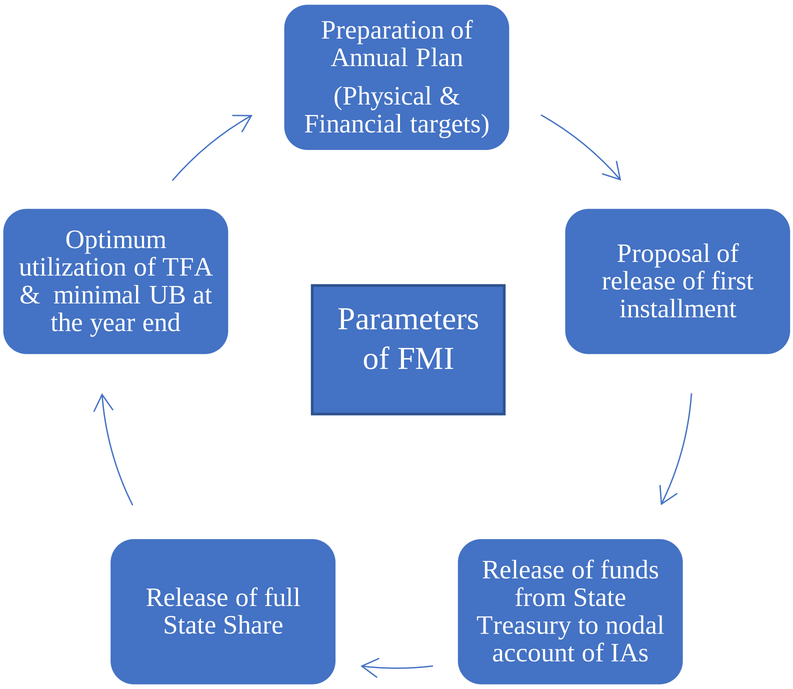


Chart 5.6: Parameters of Financial Management Index (FMI)

5.19 FMI is a step in the right direction of reinforcing financial discipline in the state finances to make CSS more effective, impactful and outcome oriented.

Good Governance Index (GGI)

5.20 Good Governance Index (GGI) developed by Department of Administrative Reforms & Public Grievances (DARPG), 2019 has several indicators which ensure, *inter alia*, citizen centric & result driven output and outcome leading to improved results and State-wise, time-series & authentic availability of database compiled at Ministry level. These principles emphasise the role of data generation, maintenance and its availability in public domain in ensuring citizen centric output and outcome of Govt intervention at every level of governance.

5.21 GGI very aptly incorporates few indicators reflecting economic governance of States and their finances, such as fiscal deficit as a percentage of GSDP, State's own tax revenue receipt to total revenue receipts which represents buoyancy of the state's own revenue and state’s dependence on central government. These indicators reflect upon the states’ fiscal situation and their resource generation efforts.

5.22 In this context, the suggestions given in the “Note of Lok Sabha Secretariat Parliament Library and Reference, Research, Documentation and Information Service (LARRDIS) (December, 2013) which says that better governance is crucial for translating the large outlays of our Flagship programmes into enduring outcomes on the ground. The initiative of GGI by DARPG may address the challenge of introducing effective financial management and discipline in states by introducing transparency and strengthening the institutions at every level of governance.

Conclusion

5.23 All the three select schemes undertaken in this study namely PMGSY, PMAY G and NSAP has detailed monitoring mechanism of physical and financial progress laid down in their respective programme guidelines.

5.24 To further strengthen the financial management of public fund and its efficiency, various initiatives like PFMS 2.0, revised procedures of release of funds under CSS and monitoring utilization thereof, FMI and GGI have been taken by the Government. All these steps are very timely interventions and have the potential to ensure effectiveness and economy in Public Finance Management through better cash management promoting Government transparency in public expenditure and real-time information on resource availability and utilization across schemes. These initiatives will be important tools for improving overall governance including economic governance.

Chapter VI- Major Findings and Recommendations

6.1 In this Chapter, it is proposed to present the major findings derived out of analysis of the available data on the topic so far. To address issues and problems identified in the findings, suitable recommendations have been suggested which is also covered against each of the findings in the present chapter.

6.2 The analysis of data on union state fund transfer i.e. central releases to states under PMGSY, PMAY G and NSAP, its transfer to state implementing agency/SNA alongwith corresponding state share for five years period of 2016-17 to 2020-21 (Chapter IV), resulted into following major findings:

i. Efficient system of tracking and monitoring of fund flow by adhering to timeline in transferring the central share and state share to Implementing Agency (IA)

As discussed in Chapter IV, West Bengal has an efficient system of tracking and monitoring of fund flow under PMGSY as regards adherence to timeline in transferring the central share and crediting of corresponding state share to Implementing Agency is concerned. The adherence to timeline in transferring the amount released from the centre and contribution of corresponding state share to WBRRDA in exact ratio as stipulated in the guidelines i.e. 60:40 between centre and state has been maintained over a period of five years in the state. The discipline in the financial management has enabled the state to receive full central release over a five-year period. Linking of central release with the volume of work is beyond the scope of this analysis.

Recommendation

Hence, it is recommended that the financial management system of PMGSY in West Bengal can be replicated in other states as the best practice which don’t have robust financial management and tracking system in place.

ii. Time lag in transfer of fund

There is considerable time lag observed in transferring the Central Release to the account of SRRDAs under PMGSY in Telangana and Andhra Pradesh. Timeline has also not been adhered to by states while crediting corresponding state share of 40% to implementing agency. As a result, central share was not released to Andhra Pradesh and Telangana in various financial years under PMGSY on account of non-credit of central fund released and commensurate state share of the previous years to implementing agency i.e SRRDAs. For other schemes under consideration, relevant data is not available, therefore time lag involved in fund transfer, if any could not be ascertained.

Recommendation

Analysis reveals that Telangana and Andhra Pradesh have not been able to maintain the financial discipline as far as fund flow under PMGSY is concerned which made them loose the subsequent installment of central release. Hence, it is recommended that there is a need to put an efficient and transparent system in place to avoid element of subjectivity involved in public fund management, if any.

iii. Non-availability of disaggregated data in public domain

Non availability of disaggregated data capturing the fund flow/ movement in real time at each step in public domain makes the institutions and system opaque which is the major bottleneck in the way of evidence-based policy making and strengthening of institutions.

Recommendation

To address the above issue, it is recommended that tracking of central resources and its transfer to the implementing agency/SNA in States/UTs through state treasury under

CSS in installments with date wise releases and their transfer from one channel to another i.e. the real time movement of fund should be made available in public domain. Such transfer of central resources under CSS form substantial part of the overall resource transfer from centre to states, the precise tracking of flow of funds at each point of transfer will bring in efficiency in the cash/fund management in States/UTs.

iv. Difference in priorities or inadequate resources/fund with State Governments

Despite making central fund timely available to all states according to the mutually agreed targets at the beginning of the year and subsequent allocation, some states are not able to absorb them fully. In the absence of comments from the State Governments in this connection, few inferences have been drawn on the basis of existing literature review.

In those instances where transfer of central release to the implementing agencies/ SNA were delayed, it is inferred that there may be difference in development priorities between national and subnational governments.

In other instance where states have not been able to contribute the commensurate state share of 40% under CSS on time, it may be inferred that either states may be having weak financial position and lack adequate resource/fund or less than efficient fund management of state finances.

Recommendation

In both the above cases, it is recommended that an arrangement be made for midway correction in the scheme for those states who are not able to absorb central releases allocated to them fully or to address the limitations and concerns of states, CSS should be made more flexible.

v. Reallocation of central releases leading to vertical imbalance

The analysis in Chapter IV reveals that due to non-fulfilment of eligibility criteria, central allocation under PMGSY was not released to Telangana during FY 2017-18, FY 2018-19, FY 2019-20 (2^{nd} installment) and FY 2020-21 (no installment), and Andhra Pradesh during FY 2017-18 (2^{nd} installment) and FY 2020-21 (no installment). In order to fulfil the overall mandate of the scheme, the allocated amount as per the Annual Plan target to these states may be reallocated to other state/s who have better absorption capacity and met the eligibility criteria for claiming subsequent installment depending on the work in hand available with states. Such reallocation may lead to vertical imbalance in the central release of fund. However, due to non-availability of the relevant data on reallocation in public domain, the same could not be quantified.

vi. Inclusion of Vertical Imbalance as an important aspect of evaluation of CSS alongwith National Development Outcomes

At present the major focus of impact evaluation of any CSS is on physical progress and financial progress in terms of completion of physical target and financial expenditure respectively at national level.

Recommendation

To capture the aspect of vertical imbalance, absorption capacity of states in terms of central releases should also be integrated into the overall assessment and evaluation process of CSS. For this, it is reiterated that data on reallocation of resources from states having less absorption capacity to states having better absorption capacity, if any need to be captured and be available in public domain. Once data is available, the extent of reallocation of national resources and quantified analysis on vertical imbalance wrt CSS would be possible. This scientific analysis in turn, will help in understanding and quantifying the state specific issues and problems specifically wrt state finances affecting the absorption of central fund under CSS which has an equal role in making any programme and policies more impactful, outcome based and result oriented. In a bid to simplify the above discussion, the evaluation process is presented in following charts.

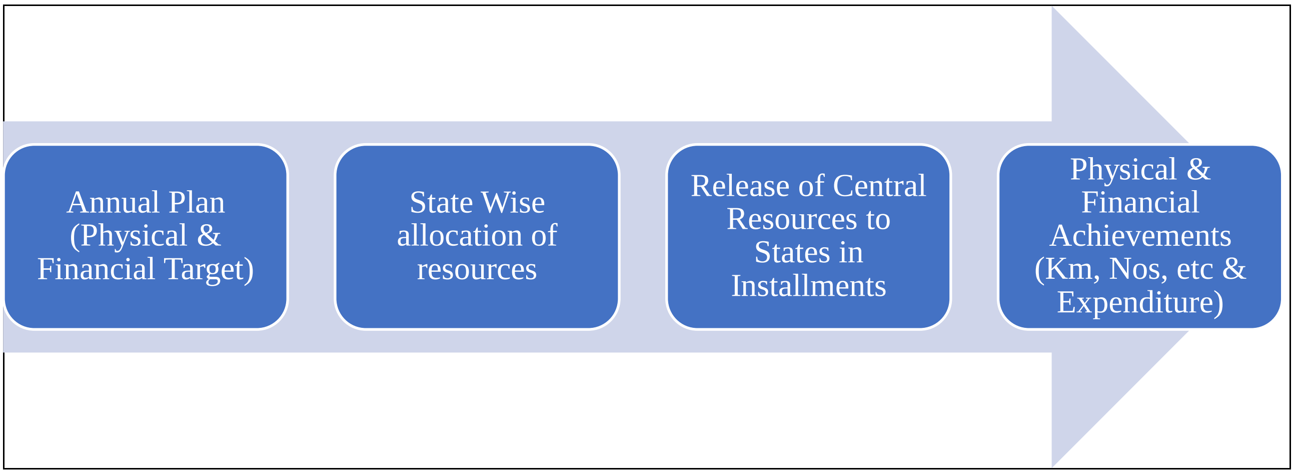


Chart 6.1: Present process of Evaluation of CSS with National Development Outcomes

Above Chart 6.1 depicts the present evaluation process which broadly involves steps leading to an overall performance assessment of the select three schemes namely PMGSY, PMAY G and NSAP at the national level.

Under any CSS, state is an equal partner and responsibility of execution and timely completion of targets lies on both the partners. Therefore, incorporating states' performance in terms of absorption capacity reflecting through reallocation of fund with overall assessment of CSS will facilitate to quantify the vertical imbalance. For this purpose, we need to capture and analyse the reallocation of fund owing to less absorption capacity of some states in every financial year. The suggested evaluation process is depicted in the following Chart.

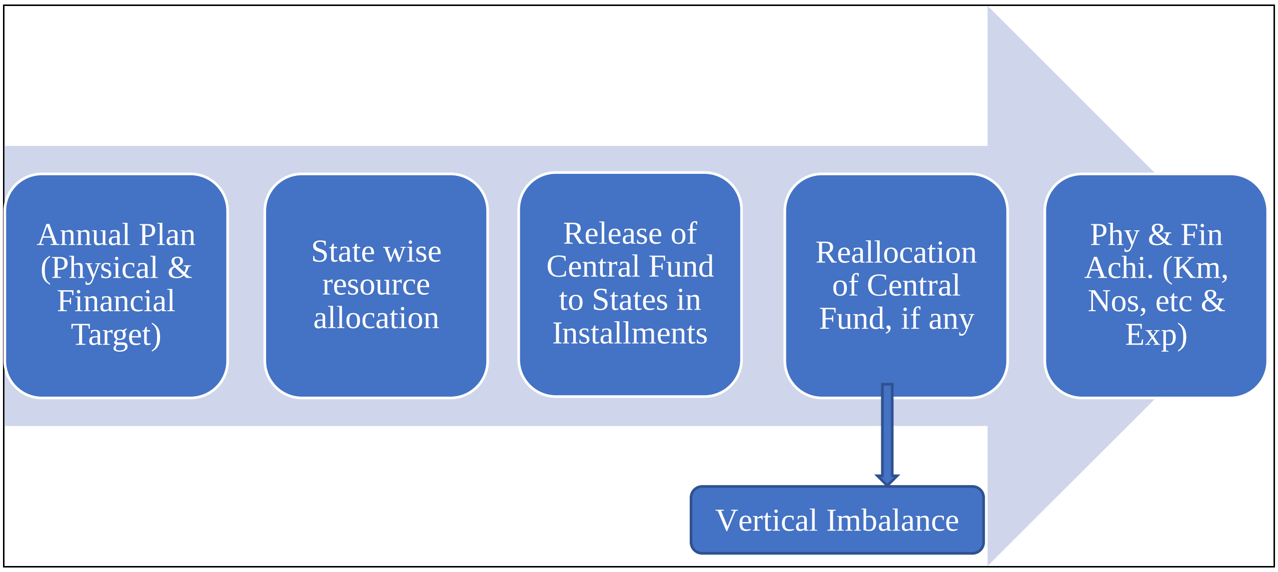


Chart 6.2: Evaluation Process of CSS incorporating Vertical Imbalance alongwith National Development Outcomes

The above Chart 6.2 implies that with the incorporation of the reallocation of central fund, if any owing to less absorption capacity of some states as a step in the evaluation process will aid us in quantifying the vertical imbalance.

When states' performance comes into consideration, efficient management of state finances holds critical role wherein adherence of timeline in transferring central share and crediting state share to implementing agency/ SNA under CSS deserve much needed attention. This cycle of fund flow from centre to states is shown in the following Chart 6.3.

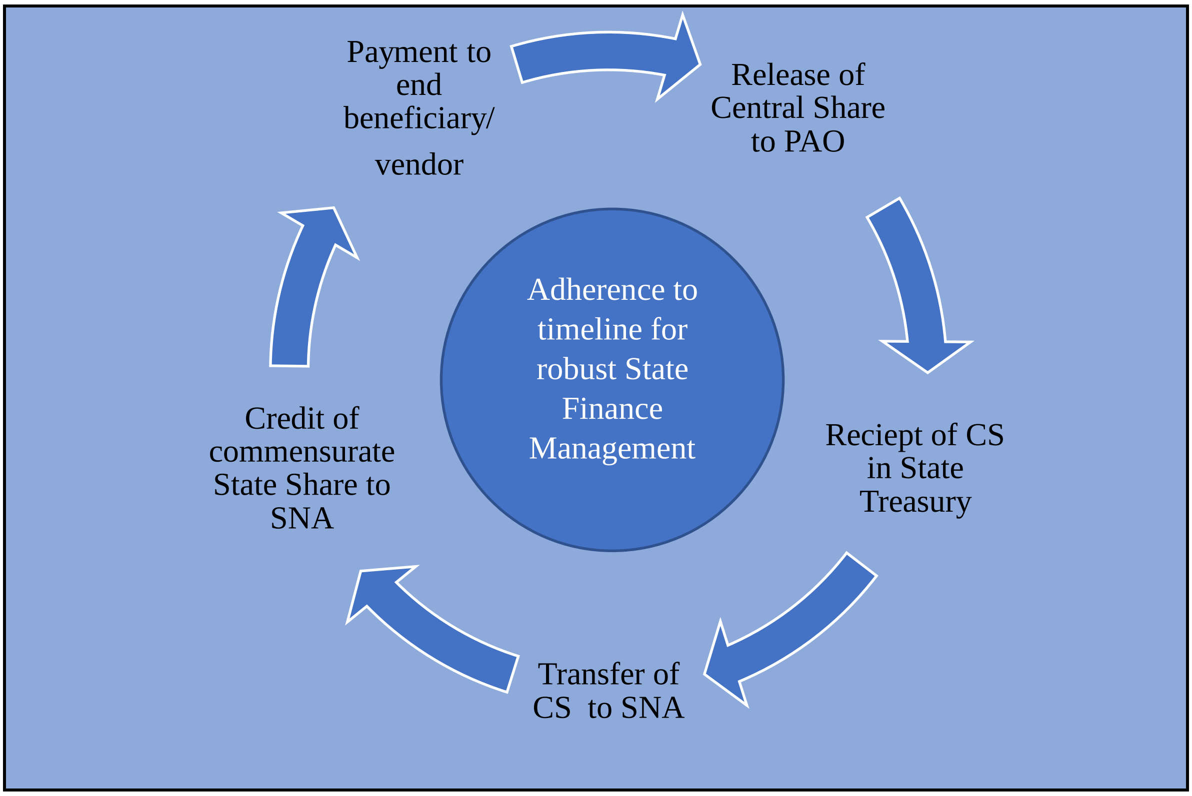


Chart 6.3: Adherence to timeline for robust State Finance Management

The adherence to timeline reflects the robustness of the State Finance Management and if it is followed consistently every financial year, states would be able to absorb their full central share fund which was allocated to them according to the target fixed in consultation with States at the beginning of each financial year, without much scope for reallocation and therefore minimizing vertical imbalance, if any.

6.3 In conclusion we can say that since any CSS is a shared responsibility between Centre and States, timely transfer of central fund alongwith matching state share to implementing agency will have a far-reaching impact on the absorption capacity of states with least scope for vertical imbalance.

Chapter VII- Conclusion

7.1 This chapter deals with the conclusion part of the analysis and discussion carried out on the topic in previous chapters of the present study and findings thereof. The analysis of the topic throws light on the significant relationship between flow of fund from centre to states, state finance management and outcome and impact of CSS specifically wrt vertical imbalance in resource distribution between centre and states. Major concluding observations out of the above analysis can be summed up in the following paragraphs:

i. Availability of Disaggregated data in Public Domain

Availability of disaggregated data wrt to CSS capturing end to end fund flow throughout the channel in public domain will bring in transparency and accountability. At this stage when relevant data, inputs and comments on various aspects of the present analysis are not readily available, it can be concluded based on the available literature on the subject of centre-state financial relationship in a cooperative federalism governance system, that absorption capacity for central resources by states broadly depend on following two factors:

- Resource availability and Public Finance Management in States and
- Development priorities of Centre and States

ii. Methodical Demystification of Vertical Imbalance

Intellectual and political debate about the centre-state relationship in competitive and cooperative federalism structure and assimilation of sub-national priorities with national priorities to realise the objective of regionally balanced development has long been based on intuitive knowledge, sometimes on paucity of fact. Hence there is always a subjective and psychological dimension to vertical and horizontal imbalance wrt CSS, which deserves to be demystified in a systematic and methodical fashion.

In the light of the two most important visions of the Hon'ble Prime Minister of India namely Atmanirbhar Bharat and making India a USD 5 Trillion economy by 2025, aspects related to vertical and horizontal imbalance under a competitive and cooperative federalism structure will assume critical importance in times to come. Role of State finances under Union-State fund transfer is one of the aspects related to vertical imbalance. This entails an objective analysis of underlying financial mechanisms dealing with national resources and problems associated with measuring them should be identified.

iii. Evidence based policy making

In the absence of availability of disaggregated data in public domain, any effort to promote evidence-based policy making with data analysis and scientific evaluation of scheme would not yield the desired result. Thomas Piketty in his book "Capital in the Twenty First Century", 2017 said that social scientific research is and always will be tentative and imperfect. It does not claim to transform economics, sociology, politics and history into exact sciences. But by searching for facts and patterns and analysing the economic, social and political mechanisms that might explain them, it can inform democratic debate, unmask certain preconceived or falsified notions, and subject positions to constant critical scrutiny.

In the absence of data availability, information asymmetry also arises between Government and citizen which usually pose hurdle in the way of evidence-based policy making. To overcome this information gap, digitization and documentation of the process with relevant facts and figures involving centre-state fund transfer under CSS should be made available. Initiatives like PFMS 2.0, policy of Just in time release and Financial Management Index (FMI) may have the potential to address these gaps and issues which will facilitate evidence based policy making.

iv. Robust Public Finance Management: Optimal Resources Utilization

Pratap Ranjan Jena in his study "Improving Public Financial Management in India: Opportunities to Move Forward" (April 2013) states that the role of a sound Public Financial Management (PFM) system to achieve the objectives of fiscal discipline, strategic planning, and improved service delivery has been getting increasing public attention in India. It's the time to examine key PFM reform measures undertaken in the country over the past few years and provides suggestions to enhance the effectiveness of these PFM systems.

Ever since the lockdown was enforced after the outbreak of Covid 19 in March 2020, which has been gradually lifted over a period of last two years, economy is experiencing fiscal stress and therefore Intergovernmental Resource Transfers and Public Finance Management (PFM) under the federal governance structure need desired attention.

Limitations of the Study

7.2 The present study attempts to analyse Union-State relationship in terms of fund flow (central releases and their absorption by states) under three vertical schemes in rural sector namely PMGSY, PMAY G and NSAP. Discussion on other flagship schemes of GoI and overall financial management of state treasuries are beyond the scope of this study. Study relied mainly on the data available in public domain. However, during the analysis efforts were made to obtain relevant data from primary sources and comments on the findings to substantiate the discussion, but due to paucity of time, the same could not be obtained. Therefore, data insufficiency, quality and relevance of data available and non-availability of comments from states are limiting factors for this study.

Scope of Future Research

7.3 In a bid to understand the point of view of the State Government on the findings of the analysis carried out in present study and to help us finding the answer to one of the research questions regarding enabling and disabling factors for absorption/utilization of funds transferred to States/UTs, a set of questionnaire as listed below, were prepared and shared with the Finance Departments of various State Govts for their comments.

i. Problems being faced by State Govt. in releasing the Central fund and corresponding State share (40%) timely to the account of the Implementing Agencies and SNAs under the Centrally Sponsored Schemes (CSS).

ii. What is the tracking mechanism of the State Finance Department to capture end-to-end fund flow under each Centrally Sponsored Scheme (CSS)?

iii. Whether disaggregated data on fund flow from centre to state treasury to the Implementing Agency/SNA/end beneficiary (as the case may be) alongwith the corresponding state share (40%) with timeline of the receipt and payment of fund under CSS is available in public domain?

iv. What corrective steps have been taken by the State Finance Department. to ensure timely credit of Central fund alongwith corresponding State share in the account of Implementing Agency/SNA dealing with CSS like PMGSY, PMAY G etc.

v. Any other issues being faced by the State Finance Department in financial management as regards fund flow under CSS is concerned. Pl specify (with any example, if feasible).

vi. Suggestions to improve the Financial Management under CSS to promote Transparency and Accountability in the system which will further facilitate the idea of evidence-based policy making.

7.4 In this connection, all possible efforts over phone and emails were made to obtain the comments of the Finance Department, State Governments, to help in substantiating the analysis carried out in the present study. However, since Budget preparation and presentation in State Assemblies is going on during the month of February and March, comments of the State Finance Departments are yet to be received. Moreover, outbreak of Omicron in January-February has also delayed the availability of relevant data related to the discussion. Therefore, it is proposed to take up the analysis of other related issues and aspects as future research.

*****

References & Bibliography

1. *Annual Report, 2021–22*. (n.d.). Ministry of Rural Development, Government of India. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/AnnualReport2021_22_English.pdf

2. Bhanumurthy, N. R., Amar Nath, H. K., Verma, A., & Gupta, A. (n.d.). *UNSPENT BALANCES AND FUND FLOW MECHANISM UNDER MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)*. National Institute of Public Finance and Policy, New Delhi. Retrieved March 29, 2022, from https://www.nipfp.org.in/media/medialibrary/2014/10/Unspent_Balances_and_Fund_Flow_Mechaism_under_Mahatma_Gandhi_National_Rural_Employment_Guarantee_Scheme.pdf

3. *Centrally Sponsored Schemes*. (2013, December). PARLIAMENT LIBRARY AND REFERENCE, RESEARCH, DOCUMENTATION AND INFORMATION SERVICE. Retrieved March 29, 2022, from http://164.100.47.193/Refinput/New_Reference_Notes/English/Centrally_Sponsored_Schemes.pdf

4. Chaturvedi, B. K. (2011, September). *REPORT OF THE COMMITTEE ON RESTRUCTURING OF CENTRALLY SPONSORED SCHEMES (CSS)*. National Resource Cell for Decentralized District Planning. Retrieved March 29, 2022, from http://nrcddp.org/file_upload/Report%20to%20the%20Committee%20on%20Restructuring%20of%20the%20Centrally%20Sponsred%20Schemes%20(CSS).pdf

5. Choudhury, M., & Mohanty, R. K. (2018, May 4). *Utilisation, Fund Flows and Public Financial Management under the National Health Mission*. National Institute of

Public Finance and Policy, New Delhi. Retrieved March 29, 2022, from https://www.nipfp.org.in/media/medialibrary/2018/05/WP_2018_227.pdf

6. Das, S., & Mitra, S. (2013, February). *Restructuring Centrally Sponsored Schemes, A Brief Note on the Recent Policy Measures*. Centre for Budget and Governance Accountability. Retrieved March 29, 2022, from https://www.cbgaindia.org/wp-content/uploads/2016/03/CSS-briefing-Paper.pdf

7. *Financial Management Index (2020) for Rural Development Programmes*. (2020, July 25). Ministry of Rural Development, Govt. of Indai. Retrieved March 29, 2022, from https://rural.nic.in/en/flipebook/e-book-fmi#features/5

8. *Framework for Implementation, Pradhan Mantri Awaas Yojana- Gramin*. (2016, November 18). Https://Rural.Nic.in/Sites/Default/Files/PMAYG_Guidelines_English.Pdf. Retrieved March 30, 2022, from https://rural.nic.in/sites/default/files/PMAYG_Guidelines_English.pdf

9. Gupta, M., Mukherjee, A., Sen, T. K., & Srinivasan, R. (2011, October). *Improving Effectiveness and Utilisation of Funds for Selected Schemes through Suitable Changes in Timing and Pattern of Releases by the Centre*. National Institute of Public Finance and Policy, New Delhi. Retrieved March 29, 2022, from https://nipfp.org.in/media/medialibrary/2013/08/Improving_Effectiveness_and_Utilisation_of_Funds_for_selected_schemes.pdf

10. *Home | Ministry of Finance | Government of India*. (n.d.). Ministry of Finance. https://finmin.nic.in/

11. Jena, P. R. (2013, April). *Improving Public Financial Management in India: Opportunities to Move Forward*. National Institute of Public Finance and Policy New

Delhi. Retrieved March 29, 2022, from https://www.nipfp.org.in/media/medialibrary/2013/04/WP_2013_123.pdf

12. Kapur, A. (2019, June 25). *Towards 'Cooperative' Social Policy Financing in India*. Centre for Policy Research. Retrieved March 29, 2022, from https://cprindia.org/towards-cooperative-social-policy-financing-in-india/

13. *National Social Assistance Programme, Programme Guidelines*. (2014, October). Government of India, Ministry of Rural Development. Retrieved March 30, 2022, from https://rural.nic.in/sites/default/files/NSAP_Guidelines_English.pdf

14. Piketty, T., & Goldhammer, A. (2017). *Capital in the Twenty-First Century* (Reprint ed.). Belknap Press: An Imprint of Harvard University Press.

15. *PROGRAMME GUIDELINES (PMGSY-III)*. (2019, October). Government of India, Ministry of Rural Development. Retrieved March 30, 2022, from https://rural.nic.in/sites/default/files/PMGSY3_Guidelines_English.pdf

16. *Public Financial Management System*. (n.d.). Controller General of Accounts, Ministry of Finance. Retrieved March 29, 2022, from https://pfms.nic.in/static/NewLayoutCommonContent.aspx?RequestPagename=Static/Implementation.aspx

17. *Public Financial Management System (PFMS)*. (n.d.). Controller General of Accounts, Ministry of Finance. Retrieved March 30, 2022, from https://pfms.nic.in/static/NewLayoutCommonContent.aspx?RequestPagename=Static/Implementation.aspx

18. RATH, A. (2013, January 26). Growing Centralisation of Social Sector Policies in India. *Growing Centralisation of Social Sector Policies in India, Vol. 48, No. 4 (JANUARY 26, 2013),* 62–70. https://www.jstor.org/stable/23391352

19. *REPORT OF THE COMMISSION ON CENTRE-STATE RELATIONS. MARCH 2010 VOLUME - I EVOLUTION OF CENTRE-STATE RELATIONS IN INDIA*. (2010, March 31). INTER-STATE COUNCIL SECRETARIAT. Retrieved March 29, 2022, from http://interstatecouncil.nic.in/wp-content/uploads/2015/06/volume1.pdf

20. *REPORT OF THE COMMISSION ON CENTRE-STATE RELATIONS. MARCH 2010 VOLUME - III CENTRE-STATE FINANCIAL RELATIONS AND PLANNING*. (2010, March 31). INTER-STATE COUNCIL SECRETARIAT, Ministry of Home Affairs, Government of India. Retrieved March 29, 2022, from http://interstatecouncil.nic.in/wp-content/uploads/2015/06/volume3.pdf

21. *Report of the Fifth Common Review Mission*. (2019). Government of India, Ministry of Rural Development, Department of Rural Development. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/5th_CRM_Report.pdf

22. *Report of the First Common Review Mission*. (n.d.). Government of India, Ministry of Rural Development, Department of Rural Development. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/CRM_Thematic_Report_1.pdf

23. *Report of the Fourth Common Review Mission*. (2018). Government of India, Ministry of Rural Development, Department of Rural Development. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/4th_CRM_Report.pdf

24. *Report of the Second Common Review Mission*. (2017). Government of India, Ministry of Rural Development, Department of Rural Development. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/2nd_CRM_REPORT.pdf

25. *REPORT OF THE SUB-GROUP OF CHIEF MINISTERS ON RATIONALISATION OF CENTRALLY SPONSORED SCHEMES*. (2015, October). National Institute for Transforming India. Retrieved March 29, 2022, from https://www.niti.gov.in/sites/default/files/2019-

26. *Report of the Third Common Review Mission*. (2018). Government of India, Ministry of Rural Development, Department of Rural Development. Retrieved March 29, 2022, from https://rural.nic.in/sites/default/files/Third_CRM_Report1.pdf

27. *Twelfth Five Year Plan (2012–2017,) Faster, More Inclusive and Sustainable Growth, Volume I*. (2013). Planning Commission, Government of India. Retrieved March 29, 2022, from https://niti.gov.in/planningcommission.gov.in/docs/plans/planrel/fiveyr/12th/pdf/12fyp_vol1.pdf

Annexures

Annexure-I

State-wise Target Allocation under PMGSY-III

S. N.	Name of State(s)	Proposed Length under PMGSY-III (in km)
1	Andhra Pradesh	3,285.00
2	Arunachal Pradesh	1,375.00
3	Assam	4,325.00
4	Bihar	6,162.50
5	Chhattisgarh	5,612.50
6	Goa	62.50
7	Gujarat	3,012.50
8	Haryana	2,500.00
9	Himachal Pradesh	3,125.00
10	Jammu & Kashmir	1,750.00
11	Jharkhand	4,125.00
12	Karnataka	5,612.50
13	Kerala	1,425.00
14	Madhya Pradesh	12,362.50
15	Maharashtra	6,550.00
16	Manipur	812.50
17	Meghalaya	1,225.00
18	Mizoram	487.50
19	Nagaland	562.50
20	Odisha	9,400.00
21	Punjab	3,362.50
22	Rajasthan	8,662.50
23	Sikkim	287.50
24	Tamil Nadu	7,375.00
25	Telangana	2,427.50
26	Tripura	775.00
27	Uttarakhand	2,287.50
28	Uttar Pradesh	18,937.50
29	West Bengal	6,287.50
30	Ladakh	500.00
31	Union Territories	325.00
	Total	**1,25,000.00**

Source: *Annual Report, 2021–22*, Ministry of Rural Development

Annexure-II

Details of Funds since inception from various sources as on 31.12.2021

(Rs. in crore)

S. No.	Year (s)	Release for Programme	Release for Admn. Fund	Release under ADB assistance	Release under WB assistance	Total Release
1	2000-01	2,435	0	-	-	2,435
2	2001-02	2,493	7	-	-	2,500
3	2002-03	2,497	3	-	-	2,500
4	2003-04	2,299	26	-	-	2,325
5	2004-05	2,111	37	93	220	2,461
6	2005-06	3,770	40	193	218	4,220
7	2006-07	4,415	100	1000	750	6,265
8	2007-08	3,834+ 4,500*	66	1,950	650	11,000
9	2008-09	5,380+ 7,500*	151	2,000	250	15,281
10	2009-10	10,390+ 6,500*	140	800	10	17,840
11	2010-11	21,325	185	800	90	22,400
12.	2011-12	10,598	83	1075	627	12,383
13	2012-13	3,272	125	425	575	4,397
14	2013-14	4,553	164	-	643	5,360
15	2014-15	6,475	95	1,182	2,208	9,960
16	2015-16	11,158**	341**	1,550**	2,126**	15,175**
17	2016-17	12,105.05	140.42	1,685.92	2,576.37	16507.74
18	2017-18 #	14684.81	134.55	1500.00	500.00	16819.36
19	2018-19 #	12193.41	195.80	1570.16	1429.84	15389.21
20.	2019-20 #	10,902.83	93.02	1500.00	1500.00	13,995.85
21.	2020-21 #	12,508	65	00	1000	13,573
22.	2021-22 #	9,656.82	54.72	4.82	500	10,216.36

Source: *Annual Report, 2021–22,* Ministry of Rural Development

* From NABARD as loan, ** Central allocation, # Inclusive of Fund release for

RCPLWEA & Incentive money

Annexure-III

Expenditure (including State share) under PMGSY, 2015-16 to 2021-22 * upto (31st December 2021)

(Rs. In crore)

S.No.	State(s)	Exp 15-16	Exp 16-17	Exp 17-18	Exp 18-19	Exp 19-20	Exp 20-21	*Exp 21-22
1	A&N Islands	0.00	0.00	0.00	0.00	0.00	3.78	4.48
2	Andhra Pradesh	443.61	238.68	136.25	257.43	338.84	396.75	381.59
3	Arunachal Pradesh	312.51	339.59	384.68	1,003.57	1270.03	1429.61	899.95
4	Assam	478.33	309.75	397.26	2,413.64	3628.93	2600.19	1646.23
5	Bihar	2,211.27	3,315.73	1,586.37	1,874.77	1552.37	2173.52	1262.02
6	Chhattisgarh	778.80	432.92	722.41	1,512.94	1159.70	1985.94	1135.91
7	Gujarat	645.07	52.30	52.35	32.72	29.35	133.32	150.83
8	Haryana	333.93	69.29	28.97	2.28	0.48	92.10	475.83
9	Himachal Pradesh	292.55	320.29	520.82	690.59	724.34	1061.00	675.10
10	Jammu & Kashmir	305.23	428.30	949.36	1,082.70	1324.12	932.37	1197.53
11	Jharkhand	612.44	889.94	1,257.00	1,211.46	1312.94	1083.34	443.43
12	Karnataka	263.72	342.88	50.46	15.85	1.10	728.40	671.50
13	Kerala	202.16	267.43	206.09	225.16	122.18	69.91	25.97
14	Madhya Pradesh	1,795.12	1,653.45	1,902.02	2,533.07	1799.47	2166.99	1474.98
15	Maharashtra	656.02	681.47	407.20	204.20	183.97	212.09	178.28
16	Manipur	297.88	251.68	264.25	286.06	490.46	605.77	479.10
17	Meghalaya	134.05	179.58	113.55	158.99	289.79	473.71	349.27
18	Mizoram	52.69	78.24	72.71	138.48	285.18	277.32	232.57
19	Nagaland	34.17	21.86	18.04	71.66	70.80	144.70	91.25
20	Odisha	1,959.29	1,907.57	2,679.95	3,289.38	2489.91	1754.13	929.70
21	Punjab	245.38	238.11	334.66	227.64	32.10	2.67	155.76
22	Rajasthan	788.72	792.42	536.53	857.63	290.76	492.13	1123.40
23	Sikkim	141.56	96.59	205.55	222.55	175.11	178.52	124.17
24	Tamil Nadu	222.92	356.96	528.54	890.32	849.05	626.92	843.57
25	Tripura	313.00	129.54	135.92	129.22	95.36	99.13	125.89
26	Uttar Pradesh	1,084.46	1,003.29	1,822.20	959.98	356.63	440.19	1392.01
27	Uttarakhand	446.89	450.97	608.36	698.43	1080.48	1493.50	676.40
28	West Bengal	1,243.33	1,055.28	1,253.13	2,058.28	1512.52	1471.94	503.74
29	Telangana	247.80	188.94	132.66	321.02	289.46	288.59	323.46
30	Ladakh	0.00	0.00	0.00	0.00	0.00	514.73	99.41
	Total:	**16,542.90**	**16,093.00**	**17,307.29**	**23,370.02**	**21,755.43**	**23,933.26**	**18,073.33**

Source: *Annual Report, 2021–22*, Ministry of Rural Development

Annexure-IV

Funds released under PMGSY during 2015-16 to 2021-22 (Upto 31st December 2021) *

(Rs. in crore)

S.No.	State	2015-16	2016-17	2017-18 #	2018-19 #	2019-20 #	2020-21#	2021-22#
1	A&N Islands						0.00	9.22
2	Andhra Pradesh	379.20	197.59	226.16	243.88	476.27	53.20	0.00
3	Arunachal Pradesh	375.00	205.92	700.00	1350.00	1122.99	952.31	584.12
4	Assam	347.82	475.76	575.58	2542.76	2401.88	2516.62	1175.00
5	Bihar	2781.00	2958.34	1592.26	140.00	286.70	49.13	100.00
6	Chattisgarh	498.00	449.81	508.66	664.39	1614.60	924.48	300.32
7	Goa	0.00	0.00	0.00	0	0.00	0.00	0.00
8	Gujarat	474.10	31.04	0.00	0	0.00	79.08	195.50
9	Haryana	304.69	44.01	0.00	13.20	16.03	0.00	294.68
10	Himachal Pradesh	268.40	396.61	399.56	703.37	1284.89	745.24	517.45
11	Jammu & Kashmir	488.00	755.61	1400.00	590.77	695.50	1727.30	928.04
12	Jharkhand	864.99	819.59	1381.70	757.32	214.41	293.50	0.00
13	Karnataka	140.80	331.95	5.00	47.19	534.24	49.29	391.50
14	Kerala	151.00	179.45	169.13	105.88	48.64	89.97	0.00
15	Madhya Pradesh	1122.00	1979.48	1308.45	1070.61	1308.97	1099.54	1133.78
16	Maharashtra	553.30	606.00	330.63	6.75	150.00	0.00	0.00
17	Manipur	299.80	412.19	231.50	293.63	263.85	420.66	742.00
18	Meghalaya	150.70	211.99	50.04	196.42	357.00	355.29	293.24
19	Mizoram	50.90	93.36	200.00	51.32	576.06	1.59	37.68
20	Nagaland	4.00	8.05	8.80	149.63	88.89	72.89	44.47
21	Odisha	1382.70	1925.67	2249.99	2535.18	798.11	774.29	98.88
22	Puducherry	0.00	0.00	0.00	0.00	0.00	0.00	11.66
23	Punjab	221.10	275.66	339.15	0	0.00	0.00	0.00
24	Rajasthan	559.90	559.41	1120.26	150.05	184.74	237.15	787.25
25	Sikkim	68.60	138.16	337.00	199.40	4.39	195.50	53.03
26	Tamil Nadu	205.00	309.58	636.39	619.14	308.46	265.38	440.00
27	Telangana	273.73	146.03	242.87	99.64	267.38	0.00	86.38
28	Tripura	274.83	392.27	135.38	73.31	10.64	69.57	48.88
29	Uttar Pradesh	1110.35	1234.87	910.29	370.16	78.07	123.90	1418.55
30	Uttarakhand	409.19	550.20	702.21	988.23	554.90	1536.27	443.50
31	West Bengal	1427.58	819.18	1058.35	1426.98	348.25	969.31	0.00
32	UT of Ladakh						50.00	81.26
Total:		**15186.68**	**16507.75**	**16819.36**	**15389.21**	**13995.86**	**13651.46**	**10216.35**

Source; Annual Report, 2021-22, MoRD

\# Inclusive of Fund release for RCPLWEA & Incentive money

Annexure V

Procedure (modified) for release of funds under the Centrally Sponsored Schemes and monitoring utilization of the funds released

With a view to have more effective cash management and bring more efficiency in the public expenditure management, Government of India has issued following modified procedures to be followed by all Ministries/Departments of GoI and all State Governments/UTs wef 21st July, 2021.

1. Every State Government will designate a Single Nodal Agency (SNA) for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorized to conduct government business by the State Government.

2. Implementing Agencies (lAs) down the ladder should use the SNA's account with clearly defined drawing limits set for that account. However, depending on operational requirements, zero-balance subsidiary accounts for each scheme may also be opened for the IAs either in the same branch of the selected bank or in different branches.

3. For seamless management of funds, the main account and all zero balance subsidiary accounts should preferably be maintained with the same bank. However, State Government may choose different banks for opening Single Nodal Accounts of different CSS.

4. The Ministries/Departments will release the central share for each CSS to the State Government's Account held in the Reserve Bank of India (RBI) for further release to the SNA's Account.

5. Funds will be released to the States strictly on the basis of balance funds of the CSS (Central and State share) available in the State treasury and bank account of the

SNA as per PFMS or scheme-specific portals fully integrated with PFMS in consonance with rule 232(v) of the General Financial Rules, 2017.

6. Except in case of Schemes/sub-schemes having no State share, States will maintain separate budget lines for Central and State Share under each CSS in their Detailed Demand for Grants (DDG) and make necessary provision of the State share in the State's budget. While releasing funds to SNA, State's Integrated Financial Management Information System (IFMIS) should provide these budget heads and the same should be captured in PFMS through treasury integration.

7. In the beginning of a financial year, the Ministries/Department will release not more than 25% of the amount earmarked for a State for a CSS for the financial year. Additional central share (not more than 25% at a time) will be released upon transfer of the stipulated State share to the Single nodal Account and utilization of at least 75% of the funds released earlier (both Central and State share) and compliance of the conditions of previous sanction. However, this provision will not be applicable in case of schemes where a different quantum of release has been approved by the Cabinet.

8. Ministries/ Departments will ensure that releases under all CSS are made strictly as per the actual requirement on the ground, without resulting in any material float with the implementing agencies at any level.

9. The State Government will transfer the Central share received in its account in the RBI to the concerned SNA's account within a period of 21 days of its receipt. The Central share shall not be diverted to the Personal Deposit (PD) account or any other account by the State Government. Corresponding State share should be released as early as possible and not later than 40 days of release of the Central share. The funds will be maintained by the SNA in the Single Nodal Account of each CSS. State

Governments/SNAs/IAs shall not transfer scheme- related funds to any other bank account, except for actual payments under the Scheme.

10. SNAs and lAs will mandatorily use the EAT module of PFMS or integrate their systems with the PFMS to ensure that information on PFMS is updated by each IA at least once every day.

11. SNAs will keep all the funds received in the Single Nodal Account only and shall not divert the same to Fixed Deposits/Flexi-Account/Multi-Option Deposit Account/ Corporate Liquid Term Deposit (CLTD) Account etc.

12. The State IFMIS should be able to capture scheme component-wise expenditure along with PFMS Scheme Code and Unique Code of the Agencies incurring the expenditure. State Governments will ensure daily uploading/sharing of data by the State IFMIS/Treasury applications on PFMS. The PFMS will act as a facilitator for payment, tracking and monitoring of fund flow.

13. Release of funds by the Ministries/Departments to States towards the end of the financial year should be avoided to prevent accumulation of unspent balances with States. Ministries/ Department will arrange to complete the release well in time so that States have ample time to seek supplementary appropriations from their respective legislatures, if required, and account for all the releases in the same financial year.

14. Ministries/Departments shall undertake monthly review of the release of funds (both the Central and State Share) from the State treasury to the SNA., utilization of funds by SNAs and IAs and outputs/outcomes via-à-vis the targets for each CSS.

*****