

# Utilisation of Funds under the major CSSs in School Education

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# Background

- CSSs in education are an important arm of financial concurrency between the Centre and States and aim towards equalisation of services across states. They aim to promote access, quality, equality and social justice.

# CSS and CS on Education, Central Ministries

## Union Government's Expenditure on School & Higher Education through CSS and CS

(Units: in Rs crores)

School Education (SE)		2009-10	SE (%)	2014-15	SE (%)	2018-19	SE (%)	2022-23	SE (%)
	CSS	21794	82	40828	86.1	39473	79.4	46693	75.8
	CS	4778	18	6605	13.9	10249	20.6	14895	24.2
	Total	26572	100	47432	100	49722	100	61588	100
		(61.3)		(63.4)		(54.3)		(58.5)	
Higher Education (HE)		2009-10	HE (%)	2014-15	HE (%)	2018-19	HE (%)	2022-23	HE (%)
	CSS	1750	10.4	4100	15	10106	24.1	7738	17.7
	CS	15010	89.6	23224	85	31782	75.9	35938	82.3
	Total	16760	100	27324	100	41888	100	43676	100
		(38.7)		(36.6)		(45.7)		(41.5)	
Total		43332		74756		91610		105264	

Source: Expenditure budget of union government across four ministries, MHRD, M/o Tribal Affairs, Ministry of SJ&E & Ministry of Minorities Affairs.

Note: Figures in brackets denotes proportion in overall education expenditure of the union government

**Samagra Shiksha Abhiyan & Mid-day meal Scheme – account for around 97% of CSS flows for School Education in 2022-23.**

# Background

- The landscape of CSS on school education (SE) has seen important shifts:

## *Impulses within the sector*

- Its scope and responsibility expanded with RTE as Sarva Shiksha Abhiyan (SSA) became a vehicle for implementation of RTE.
- The ambit of CSSs has increased to cover pre-primary to secondary with Samagra Shiksha Abhiyan (SSA) and following NEP (2020)

## *Impulses outside the sector*

- There were downward adjustments in CSS allocations, following the 14th FC recommendations on higher devolution to states.
- Another set of changes refers to the ecosystem of payments and fund releases on CSSs that have undergone marked transformations with innovations such as PFMS and SNA.

# Issue of Utilisation of CSSs

- *How well are the allocated funds spent?*
- The problems of unspent funds or under-utilisation in social sector schemes, especially in the major CSS, are highlighted frequently.
- Whether state administrations have the capacity to absorb the fund flows would determine the relationship of programmes to a certain set of broadly defined individual and social outputs and outcomes. In a more limited sense, are allocations translating to expenditure is the question.
- The problem of under-utilization is considered to be more acute for low-income states.
- There is a link between under-funding a sector over a long period of time and the capacity of the sector to absorb resources in the schemes at present.
- Good planning should be able to break the vicious cycle. A good plan not only derives paths to achieve the desired target but also sketches behavioural patterns that can lead the system to the target (S. Chakravarty, 1987). Implementation must be an intrinsic part of the design of the plan. Utilisation patterns can be a guide to planning and course correction.

# Questions:

- What are the utilization rates (URs) for SMSA and MDM allocations?
- Have the low income states caught up with the rest?
- What do the component-wise allocations reveal?

In the process, we flag some issues and challenges.

# Measuring Utilisation

- Utilization can be measured as expenditure against:
  - *funds available (releases plus spillovers)*
  - *approval of the plan*
- Utilisation to approval ratio implicitly assumes that funds available are same as approval, an unrealistic assumption given the experience of states.
- Availability of consistent data series is a major challenge in estimating utilisation rates (URs) and much of the data is no longer available in the public domain. CAG's data (Appendix V on CSS, Finance Accounts) has major gaps.
- Latest available AWP&B of SMSA and MDM (now PM-POSHAN) are sources used for this analysis.

# Data Sources and Selection of states

- 12 states are considered: eight states with the maximum gaps in funding as identified in Bose et al (2020) are Bihar, Jharkhand, UP, Chhattisgarh, MP, Odisha, Rajasthan, West Bengal, along with two lagging NE&H states (Meghalaya and Nagaland) and two educationally advanced states – Tamil Nadu and Karnataka.



## SMSA Expenditure against Approval (in %), 2023-24

	Recurring	Non-recurring	Total
Bihar	96.1	25.2	90.9
Jharkhand	96.6	17.8	89.2
Karnataka	94.7	46.4	91.2
Meghalaya	96.7	25.4	83.5
MP	92.3	6.9	83.4
Nagaland	100.0	3.9	68.5
Odisha	57.4	39.5	55.7
Rajasthan	83.8	14.8	75.1
UP	78.8	42.2	70.6
<i>Average of 9 states</i>	<i>88.5</i>	<i>24.7</i>	<i>78.7</i>

Source: SMSA AWP&B, 2024-25. PAB minutes not available for other 3 states.

- The average UR for SMSA is 78.7%. The highest UR is in Karnataka (91.2%) with Bihar (90.9%) and Jharkhand (89.2%) coming close.
- Most states are utilising the SMSA funds and *it appears* that states no longer face handicaps in providing matching shares.
- Allocation on recurring head is mostly utilized, the major part of the non-recurring head remains unutilised even in states such as Karnataka
- Odisha is an outlier, with surprisingly low UR (56%), also observed in other years.

# Utilisation of CSS Funds (Bose et al, 2022)

## Utilisation of **Sarva Shiksha Abhiyan** Fund Flows, Centre and State combined

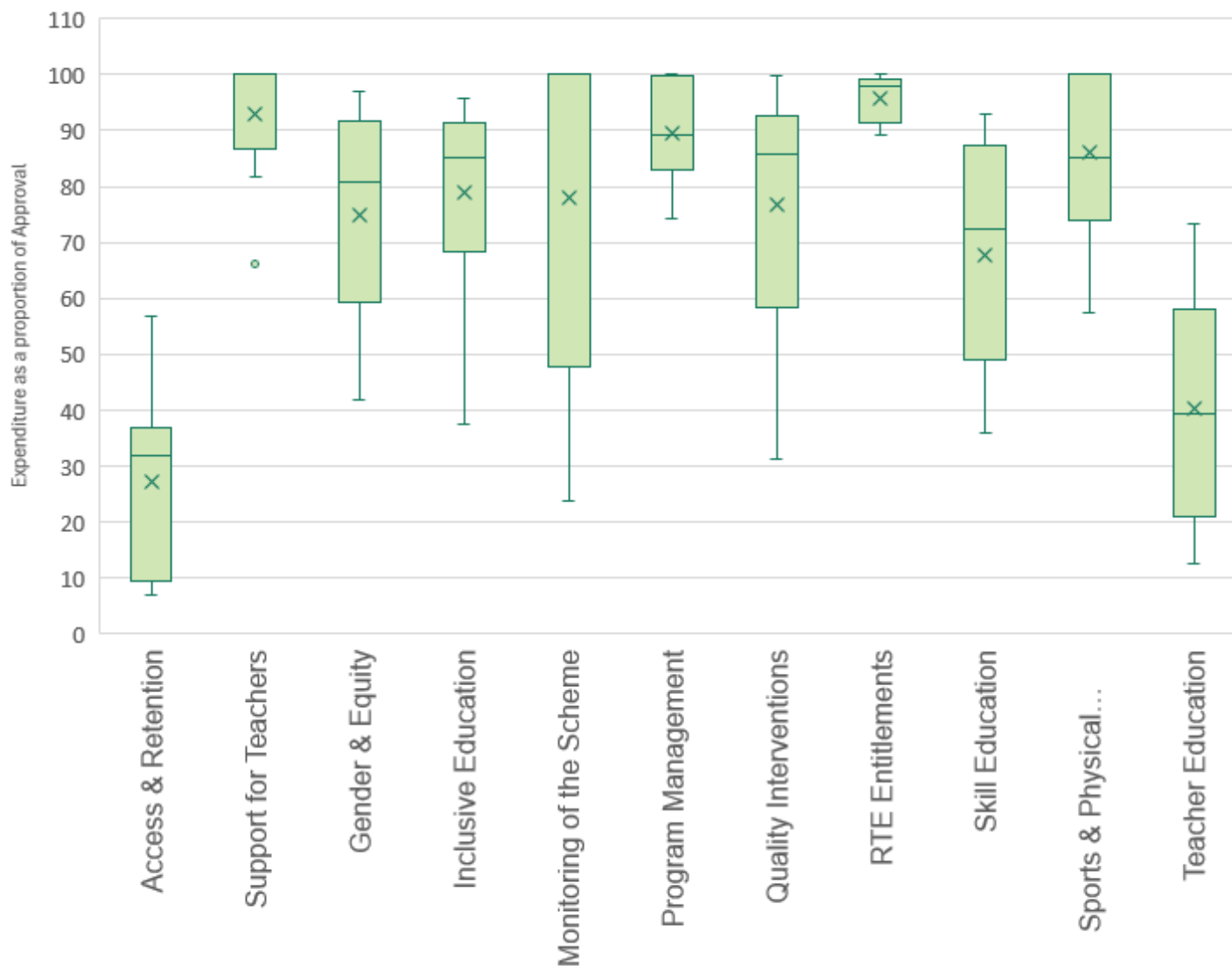
	Expenditure /Funds Available = Utilisation Ratio						Average of Six Years			
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Expenditure /Funds Available	Funds Available/ Allocation	Expenditure / Allocation	State Release/ Total Release
							(1)	(2)	(3)	(4)
Bihar	87	78	95	82	81	73	83	87	71	49
Chhattisgarh	86	89	91		87	99	90	90	78	44
Jharkhand	97	98	74	82	77		86	85	70	42
MP	95	88	91	-	-	-	91	85	67	40
Orissa	100	80	100	59	65	77	80	88	68	40
Rajasthan	93	85	91	93	94	97	92	91	84	48
UP	91	93	90	92	97	92	93	79	73	45
WB	88	77	82	79	82	85	82	63	52	41
Meghalaya	79	83	72	73	64	-	74	88	67	12
Nagaland	99	99	98	66	87	87	89	62	54	11
Average Utilisation	91	87	88	78	82	87				

Source: AWP&B, SSA, Financial Statements of Quarterly Review Meetings, SSA, between 2012-13 to 2014-15, and SSA audit reports for the remaining years.

# Rising Utilisation Rates...

- URs in SSA averaged 68.4% during the six years (2012-17), across 10 states (Bose et al, 2022).
- In 2023-24, the average UR for SMSA is 78.7% averaged across 9 states
- We do not attempt a comparison since the scheme has changed (and data for a few states are not available), it may not be incorrect to say, the ratios in 2023-24 are higher on average than what was the case earlier.
- While there are differences in URs across states, the overall picture doesn't indicate systematic differences in UR between *groups of states* like advanced states versus lagging states.

## Component-wise Utilisation Rates, 2023-24, SMSA



# Component-wise URs

- Financial support for teachers and RTE entitlements have the highest utilisation rates, tending towards 100% for most states.
- While one is an entitlement under law, financial support for teachers is indicative of an area with maximum deficit in most states.
- Utilisation rate for quality interventions, vary substantially across states, the median value is 86%. Over the years there is an increase in emphasis on quality interventions in SMSA budgets.

# “Quality interventions”

- Quality interventions include a range of heads starting with academic support to CRCs and BRCs, early childhood care and education, ICT initiatives, Learning Enhancement Programme (Remedial Teaching), etc.
- Quality interventions include innovations, which has a component of flexi-funding upto 5% of the total AWP&B approved by the GOI.
- Activities like Ek Bharat Shreshta Bharat, Kala Utsav, Yoga Olympiad, Band competitions etc. are suggested for Flexible funds for innovation.

# Access and retention have lowest UR

- It has the highest share of non-recurring allocations (CAPEX) going towards infrastructure expansion, etc. This head has the largest spillover and states have surrendered many of their civil work projects over the years.
- Drawing from another experience of HEFA audit (NIPFP, 2023), it is obvious that finance is one of the many factors required for completing an infrastructure project on time. Climatic conditions, labour and material shortage, price escalations, contractors abrogating contracts midway, issues of land acquisition, litigation, delays in approval, clearance, and permission on environmental sustainability, may interfere. Many real impediments can come in the way of effective utilisation. This is an area where just-in-time finance may limit unutilised funds from building up.

# Low UR for Allocation on Teacher Education

- The underutilisation of teacher education funds in SMSA (and, in the earlier versions) has been a persistent concern over the years. Even the best-case approaches 75% UR with mean near 40%. Reasons: training fatigue, lack of coordination between line departments and SMSA for training, shift towards online trainings, etc. More generally, it is symptomatic of a situation where the central norms and state priorities do not sync.
- Note that Karnataka still devotes a substantial 5% of SMSA spending to teacher education (Table 3).



## Component-wise share in total expenditure, SMSA, 2023-24 (%)

	Financial Support for Teachers	Quality Interventions	RTE Entitlements	Gender & Equity	Program Management	Access & Retention	Skill Education	Teacher Education	Inclusive Education	Sports & Physical Education	Monitoring of the Scheme
Bihar	43.8	24.0	21.5	5.0	3.3	0.3	0.5	0.1	0.7	0.6	0.2
Jharkhand	37.7	25.8	17.3	9.3	4.2	0.7	2.9	0.2	0.4	1.4	0.1
Karnataka	20.1	35.5	22.3	5.5	4.4	1.7	0.9	5.0	3.9	0.3	0.2
Meghalaya	49.7	23.0	9.3	2.6	5.5	3.9	3.0	1.8	0.4	0.6	0.2
MP	34.1	26.9	19.4	4.9	5.1	3.2	3.2	0.8	0.9	1.4	0.1
Nagaland	37.3	31.7	3.5	3.7	7.0	2.8	4.2	8.7	0.3	0.7	0.2
Odisha	42.2	11.8	19.0	8.3	7.1	2.9	2.8	2.0	1.7	2.0	0.0
Rajasthan	42.8	14.0	21.0	4.3	5.2	5.8	3.7	1.0	0.6	1.7	0.0
UP	38.5	14.0	21.5	13.3	4.9	3.9	0.5	1.4	1.0	1.0	0.1
<i>Average</i>	38.5	23.0	17.2	6.3	5.2	2.8	2.4	2.3	1.1	1.1	0.1
<i>Min</i>	20.1	11.8	3.5	2.6	3.3	0.3	0.5	0.1	0.3	0.3	0.0
<i>Max</i>	49.7	35.5	22.3	13.3	7.1	5.8	4.2	8.7	3.9	2.0	0.2

Source: SMSA AWP&B, 2024-25. PAB minutes not available for other 3 states.

# What does it tell us?

- Some components approaching 100% utilisation while others have a slack in spending. **States are able to absorb funds for the basic level interventions, for higher order interventions the progress is slower**
- Since the basic issues of schools, teachers, infrastructure are not in place and interventions like inclusive education (of CWSNs) which needs special educators or skill training which requires instructors and perhaps partnerships with industry, have progressed more slowly (?).
- **While the overall trend shows the gaps in URs between states are closing, there are differences between advanced states and lagging states in the pattern of spending and utilisation of funds.** Karnataka's emphasis on inclusive education and teacher education stands out compared to most other states which downplay these heads.
- Most states have some way to go ...

# New Financial Management Rules & CSSs

- As per the new system of release of funds, unspent balances are expected to further reduce as the funds will be available only at the time of expenditure (just in time finance).
- Single nodal agency and Single nodal account (SNA) are the latest reforms introduced by the GoI.
- State governments have to transfer funds (Central and State) to SNA within 30 days upon receiving from GoI. Interest shall be charged for delay in transfer.
- Expenditure is to be done exclusively through PFMS only.
- The States are to adhere to the implementation of the new financial architecture where CSS funds are being released in 4 instalments, while ensuring 75% expenditure at each stage.
- *Can 25% installment tranches be suitable for every kind of intervention?*
- Earlier, the central assistance was released in two instalments i.e., 60% and 40% under MDM Scheme. It is reported that the central MoE was obtaining administrative approval for release of two instalments of not more than 25% each in one go (instead of four instalments as per MoF order).

*Whether 75% utilization has to be across all interventions or specific interventions because some heads of expenditure may lag behind the rest?*

# New Financial Management Rules & CSSs

- How the recent reforms on financial management would pan out for this very diverse field of intervention and actors (down to school level) and States with different capacities remains to be seen.
- In a fund constrained situation, these new guidelines, which reduces the funds available to a state, at any given time, and makes the releases conditional on utilisation may present newer challenges of implementation for states. From the Centre's point of view, it would free up fiscal space and align releases to expenditure.

# MDM: data availability is an issue

- Much less data is available for the recent years in the public domain.
- Before 2021, AWP&B documents, State writeup, Factsheet, Appraisal Notes, State Presentation, MHRD Presentation and Minutes were available year wise.
- After 2021, the performance scorecard, which has data up to 31st December is the only data available to understand utilisation.

## Utilisation of **PM-POSHAN** Funds and Component-wise Utilisation, 2022-23 (up to 31<sup>st</sup>Dec)

	Utilisation Ratio (Expenditure/ Allocation)					Component-wise Share in Total				
	Recurring Assistance					Recurring Assistance				
State	Cooking Cost	Honorarium to cum-Helper	Transportation Assistance	MME	Total	Cooking Cost	Honorarium to cum-Helper	Transportation Assistance	MME	Total
Bihar	101.4	97.2	85.4	56.0	100.2	80.7	15.7	1.9	1.6	100
Chhattisgarh	68.7	79.9	65.8	99.9	71.7	71.5	24.2	1.8	2.5	100
Jharkhand	86.9	78.6	98.8	65.7	85.6	83.7	12.7	2.2	1.4	100
Meghalaya	100.0	100.0	100.0	100.0	100.0	77.0	17.7	2.8	2.5	100
Nagaland	67.7	81.5	73.0	65.6	70.5	71.4	22.4	3.9	2.3	100
MP	86.9	96.3	41.8	58.7	87.3	75.8	22.1	1.0	1.1	100
Rajasthan	95.0	100.0	29.5	78.6	94.0	81.0	16.9	0.7	1.4	100
UP	97.2	85.4	13.5	88.9	92.1	72.6	25.6	0.3	1.5	100
Odisha	88.0	97.2	71.3	57.2	88.5	80.9	16.3	1.7	1.0	100
West Bengal	100.5	98.8	78.7	75.9	99.1	78.3	18.1	1.8	1.8	100
Tamil Nadu	41.0	85.7	55.3	28.2	49.5	63.7	32.6	2.6	1.0	100
Karnataka	81.0	96.4	81.3	77.0	86.8	55.0	42.2	1.6	1.1	100
Average of States	84.5	91.4	66.2	74.0	85.4	74.3	22.2	1.9	1.6	100.0

Source: AWP&B, PM-POSHAN.

# High overall UR across states

- Overall utilisation levels of funds are high, averaging 85.4% (also considering that the data pertains to three quarters of 2022-23). This concurs with findings from other studies on high URs of MDM.

# High UR and low Unit Costs

- Among the recurring components, cooking costs and honorarium to cook cum helper are the two major expenditure heads and these have high URs across states.
- States provide additional funds, beyond their mandated share, to pay the salaries of MDM cooks and helpers. While cooking costs have been revised from time to time, the unit cost on salary is deliberately kept low (@Rs 1000 for 10 months).
- It reflects the reluctance of the Gol to contribute to salary costs, though salary costs constitute most of the education expenditure.



# Monitoring, management and evaluation

- The need for more complete utilisation of MME funds is flagged by the PAB, MDM every year, where there is some slack (2.7% of non-MME costs).
- Social audits are a part of MME. In addition to top-down reforms in financial management, social audits present possibilities of bottom-up approach for greater transparency and accountability. Issues such as incomplete coverage of students under MDM can be handled through such mechanisms. |

## Coverage of Mid-day Meals in 2022-23

	Percentage of Students approved for PM-Poshan vis-à-vis enrolment		
	Bal Vatika	Primary	Upper Primary
Bihar	-	59	61
Madhya Pradesh	-	81	78
Odisha	100	98	96
UP	-	62	59
Jharkhand	114	78	74
Rajasthan	358	96	91
Chhattisgarh	100	96	94
Meghalaya	105	101	97
Nagaland	89	105	94
WB	91	97	96
Tamil Nadu	-	95	80
Karnataka	-	95	95

Source: AWP&B, PM-POSHAN.

# Need to Strengthen bottom up Accountability

- *Utilisation for what?*
- States need to institutionalise the practice of social audits and conduct it regularly, which is not happening satisfactorily.
- As per MDM social audit guidelines, State Governments are advised to conduct social audits in all the districts in at least 20 schools or 2% schools, whichever is higher.

# Need to Strengthen bottom up Accountability

- Of the 12 states, 3 states (Jharkhand, Odisha and Nagaland) did not conduct social audits in 2022-23.
- Some states conducted social audits but only in limited schools, much below the mandated guidelines.
- Social audit is conducted by different agencies in different states. Gram sabhas are empowered to conduct social audits in Chhattisgarh and MP. In Rajasthan, TN and Meghalaya, specialised institutions conduct social audits. Universities are conducting social audits in UP.
- Submission of reports of social audits and action taken reports are still the exception rather than the rule.

# Need to Strengthen bottom up Accountability

- *Social audit is a democratic process that ensures public accountability of agencies through a systemic demand of information by the community on programmes implemented. Social audit is not only an audit of expenditure or decisions but also covers the issue of equity and equality in programme implementation and may hold the key to more accountability and better implementation of the schemes.*
- *Even as states tackle utilisation issues, there is a need to look beyond utilisation.*

Thank You

# Utilisation of CSS Funds (Bose et al, 2022)

## Expenditure to Allocation Ratio: **Mid-day Meal Scheme: 2010-11 to 2019-20**

State/Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	13th FC Period	14th FC Period
Bihar	73	61	59	69	76	60		103	112		67	92
Chhattisgarh	48	71	74	74	76	80	82	78	69	84	69	77
Jharkhand	97	53	67	59	59	65	86	85	74	97	67	77
MP		71	75	76	66	70	66	92	76		72	76
Odisha	83	100	93	95	82	61	84	73	74	75	91	73
Rajasthan	106	86	98	74	94	95	101	97	81	85	92	93
Uttar Pradesh	54	46	61	59	67	102	79	76	82		57	85
West Bengal	49	89	80	99	98	77	99	108			83	95
Meghalaya	30	7	35	57	78	89	83	94	98	101	41	91
Nagaland	55	36	112	58	29	62	42				58	52
<b>Average Across 10 states</b>	<b>66</b>	<b>62</b>	<b>75</b>	<b>72</b>	<b>73</b>	<b>76</b>	<b>80</b>	<b>90</b>	<b>83</b>	<b>89</b>		

**Figure 1: Govt's Expenditure on Sarva Shiksha Abhiyan, Samagra Shiksha Abhiyan and MDM Scheme (at 2011-12 prices)**

