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E-Monitoring of Plan Schemes of Government of India: A conceptual review

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Abstract

Government of India every year sanctions huge amount from the consolidated fund of India for the benefits of the general people, especially for the economically marginalized ones. Sanctions under Planned schemes can be further classified into Central Schemes (CS) and Central Assistance to State Plans (CASP). However, during the 11th Plan it was found that the accounting system so followed for reporting and monitoring of the fund released under the Plan Schemes were not fully efficient in bringing transparency in the entire fund flow system. There were a lot of loop holes in the system with the help of which many middlemen could make their personal benefits, rather than availing them to the actual beneficiaries. As such, Government of India introduced Central Plan Scheme Monitoring System (CPSMS) in the year 2009, later modified as PFMS, AS an initiative to monitor Plan Schemes. It is an online Management Information System (MIS) and decision support system which will keep a keen eye on the movement of the funds released under Plan Schemes. CPSMS or PFMS was created with the main intension to provide a comprehensive master data record of all the implementing agencies under various departments/ministries receiving fund. Also, it enables in tracking the funds so sanctioned under different Plan Schemes and ensures that it actually reaches the targeted people. This paper mainly discusses about the conceptual framework on which the entire electronic system of transferring and monitoring of sanctioned funds is based upon. Various secondary sources of data were referred for collecting necessary information, such as reports of CGA, e-newspaper articles, etc. It is a descriptive paper which will help to know in details about how government of India has been managing the accounting of funds so routed under Plan Schemes digitally.

***Keywords**: CPSMS, PFMS, Implementing Agencies, Plan Schemes, DBT*

***JEL Classification**: I18*

Introduction

The Public Financial Management System (PFMS) is an online portal developed and implemented by the Controller General of Accounts (CGA) of Ministry of Finance,

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Government of India. It was launched with the aim to monitor the fund flow from different Planned Schemes of Government of India. PFMS was initially started in the name of "Central Plan Scheme Monitoring System (CPSMS)" in the year 2009 as a pilot study in 4 states of India viz., Mizoram, Punjab, Madhya Pradesh and Bihar under four flagship schemes, NRHM, PMGSY, SSA and MGNREGS. CPSMS aimed at establishing an efficient online platform for MIS and Decision Support System for Government's Plan Schemes.

In the year 2013, CPSMS was further extended and modified to include the direct transfer of payment to the beneficiaries' account, under both Plan & non-Plan Schemes and adopted the name of Public Financial Management System. However, PFMS now covers almost all financial transaction of various Government departments. It is based on (R) EAT module that supports accounting activities related to Receipts, Expenditure, Advance and Transfer. It is one of the innovations of Digital India Initiative of GoI.

PFMS was envisaged with the task of monitoring the programs of social sector and the funds so released. It ensured that the funds are utilized for the pre-determined objectives of the Indian Central Government and provided proper accounting for the same.

PFMS plays an important role of decision support system that provides reliable and real time information to its various stakeholders. One of an important dimension of implementation of PFMS is its integration with the Core Banking System of 150 banks of the nation that includes RBI, Public Sector Banks, Private Sector Banks, RRBs, Post Offices, etc.

This paper mainly discusses the existing literatures available relating to macro and micro areas of PFMS and elaborates the conceptual framework. It also attempts to find out the research gap if any that will lead to the scope of further study and the significance of the studying in concerned topic.

Objective of the Study

The objective of this paper is to discuss and understand the conceptual framework behind the working of PFMS and other such electronic systems adopted by the Government of India from time to time for monitoring and controlling the flow of sanctioned funds under various Centrally Sponsored and Central schemes.

Review of Literature

Andrews (2010) studied on African Public Financial Management (PFM) and found that that the budgets were prepared much well than their execution. Practice lags behind the creation of laws and processes. And processes are stronger where there is engagement of concentrated actors. Moreover, the study also reported that different nations can be classified into various 'PFM performance leagues' and that the countries under different leagues look completely varied from one another. The study suggested that there should be less emphasis on reproduction of the same models of reforms and better understanding of what a context appropriate reform looks like.

Dikshit *et al.* (2007) examined various problems in accounting system fund transfer under Centrally Sponsored Schemes (CSS) and discussed the probable solutions. CSS are the purposive grants provided by the Central Government to be utilised by the respective State Governments under Article 282 of our constitution. According to their research there was a tag of war between union and state government as the former had pointed out that the state governments make unnecessary delays in releasing the Centrally Sponsored Funds to the corresponding implementing agencies. Whereas, the state government on the other side demanded that CSSs should not be disbursed directly to the district agencies, rather it should be properly routed through government budgets.

Balaji (2013) studied the impacts and challenges faced by the New Direct Benefit Transfer Scheme in Kanchipuram District, Tamil Nadu. The study found that DBT has benefitted more to the middle- and low-income level people as compared to those belonging to higher income group. In addition, DBT has positively impacted in widening the scope of Financial Inclusion majorly in rural India. Finally, he concluded that though DBT is performing well in speeding up the process of transferring benefits to the real beneficiaries, still the Government should try to improvise it more to eliminate the middlemen in this entire process completely.

Conceptual Framework

PFMS and its evolution

One of the main problems in implementation of various centrally sponsored schemes was the involvement of middlemen in the process of transferring benefits to the actual beneficiaries. Moreover, government couldn't track down the flow of funds so released to various implementing agencies. Reliable Utilization reports couldn't be collected from various implementing agencies. From various surveys and investigations, it was found that in many schemes the fund so sanctioned are either lying unused or there was a long processing time between procurement and actual utilization of these funds, leading to huge "carrying cost". Our ruling Government realized that the expenditure figures of 27 such schemes under the "Flagship Programs" should be made easily accessible through IT enables and web-based strategies. In simple words, a proper online platform for effective planning and monitoring of these schemes was the need of the hour. The Economic Survey in 2007 had also highlighted the requirement of tracking down the fund flow of Plan Schemes as there were a lot of loopholes in the financial system that led to improper diversion of the money in respect to the objectives of the schemes. This paved the way for extensive Decision Support & Management Information System.

As such, Government of India, through Expenditure Finance Committee (EFC) of Planning Commission sanctioned the phase-wise implementation of Central Plan Scheme Monitoring System (CPSMS) as a watch dog as well as an interface for smooth disbursement of Central Government funds to State Governments, district, block and village level agencies, and other similar implementing agencies. In the year 2009, CPSMS was finally implemented at all central and state ministries. It was initially started in four states viz. Punjab, Bihar, Madhya Pradesh and Mizoram for pilot testing of the system for 4 main Flagship programs viz. MGNREGS, SSA, PMGSY and NRHM. In the same year, the system was honored with Microsoft Developer Innovation & Excellence Award.

Direct benefit transfer, also known as DBT, was introduced by Govt. of India on 1st January, 2013 and it was operated via CPSMS under selected schemes in 43 districts with the aim to transfer amounts due to the beneficiaries directly to their bank accounts. As such, the guidelines were issued by planning commission on 12^{th} April, 2013. DBT thereby eliminates the intervention by middlemen and unnecessary bureaucratic delays. With this, the beneficiary data list prepared in prescribed format could be easily uploaded in CPSMS via DBT App. According to the information so uploaded, e-bill are prepared, sanctioned and finally the amounts are credited to the beneficiaries' bank account via Aadhaar Payment Bridge (APB).

In December, 2014 decision was taken to enhance CPSMS as a single platform for payment, accounting & reconciliation of governmental transactions by integrating various existing standalone systems and renamed it as Public Financial Management System (PFMS). It is a user friendly software application that covers Central Sector and Centrally Sponsored Schemes as well as other expenditure including the Finance Commission Grants. The use of PFMS was made compulsory for payment, accounting and reporting under DBT from 1^{st} April, 2015. No payments under DBT schemes are to be processed, unless the electronic payment files for such payments are received through PFMS. As such, every ministry or department will transfer funds electronically to each and all individuals or institutions through PFMS. Thus, PFMS is a channel for payment, accounting and reporting under Direct Benefit Transfer. Every Ministry or Department under GoI has to rout their funds electronically and make them available to beneficiaries through PFMS.

The main purpose for developing PFMS is to bring accountability and transparency in the utilization of government funds and making all necessary relevant information readily available in an understandable manner so that the government activities and programs can be internationally compared. As such, the objectives of PFMS can be discussed as follows:

1. To provide an effective and efficient system of fund flow and expenditure network.
2. To disburse the funds from central ministries to states, district, block and village level agencies.
3. To ensure direct payment to final beneficiaries of the scheme, with the National Payment Corporation of India (NPCI).
4. To maintain component wise records of funds so disbursed and providing the reliable database to the concerned stakeholders timely, facilitating their decision-making process.
5. Once the beneficiaries are registered in PFMS they get automatic alerts on funds released to various levels of Government of their location and the objective of such sanctions.

Scope of PFMS

PFMS was basically established to keep a close eye on the fund movement of various Government sanctions under the Plan Flagship Schemes, and to ensure that it could reach the ultimate point of utilization in a hazel free manner with the specified time limit. Also, it helps to draw automatic Utilization Certificates of the fund release to different Program Implementing Agencies (PIA). Thus, the Scope of PFMS can be briefly summarized as below:

1. The scope of PFMS has widened as it includes in its purview both the Centrally Sponsored and Central Sector schemes. It also covers the Finance Commission Grants.
2. PFMS has evolved as a prime Decision Support System in monitoring the fund flow from the concerned ministries to various implementing agencies or the ultimate beneficiaries. Also, it ensures that funds so sanctioned are released just-in-time.
3. The system is backed by the Core Banking Solution including all private and public sector banks.
4. CGA has recently developed PFMS to use it for its day-to-day activities such as payments, receipts, accounting, monitoring expenditure pattern, Pension & Provident Fund Management, etc.

Components of PFMS

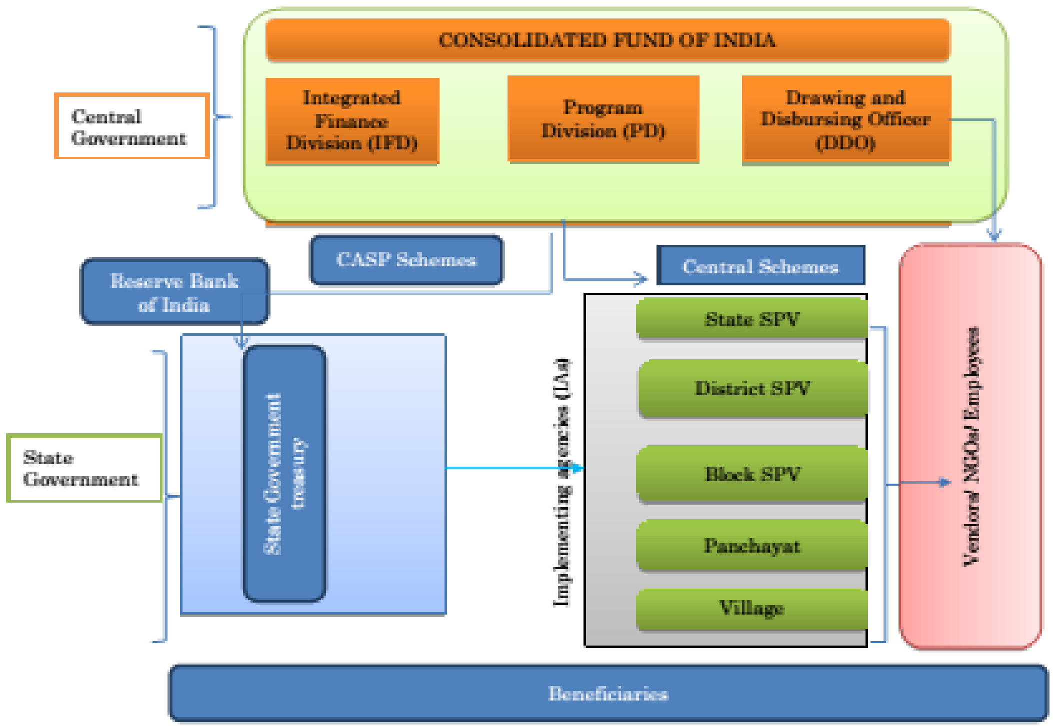
1. Controller General of Accounts: PFMS was developed and implemented by the office of Controller General of Accounts (CGA), Ministry of Finance of Government of India.
2. Implementing Agencies: It includes State Govt. departments, local bodies, trusts, statutory bodies, Registered Societies, etc. registered on PFMS. These agencies are the executive bodies that are entrusted with the task of tracking the flow of funds of plan schemes and also monitoring the bank balances.
3. Intermediaries: PFMS could be made successful only if is supported by Core Banking Solutions that will cover all the banks operating. Moreover, there should be proper treasury interface and integration of Direct Benefit Transfers (DBT) for implementation of the system.
4. EAT module: All the transactions between the higher-level agencies to lower level agencies and vendors, beneficiaries or employees takes place through (R)EAT module, i.e., receipt, expenditure, advance and transfers.

Implementing Authority and Strategy

PFMS was implemented by the office of the Controller General of Accounts (CGA), Ministry of Finance. It is a web-based application software which was established in tandem with CGA's other two accounting software, namely, COMPACT and e-Lekha. All the ministries or departments have to get the details of various agencies working under them and receiving sanctions from GoI, registered in the portal and thereafter the process for fund release will start.

Working of PFMS

Fund flow under PFMS starts with the financial concurrence issued by the Integrated Finance Division (IFD), receiving of which the Program Division (PD) generates the e-sanction through PFMS and sends to the DDO. E-bill is prepared based on the sanction by the DDO and then the PAO either releases the fund to the implementing agencies (who makes the payment via Special Purpose Vehicles at different levels) or makes payment to the concerned beneficiaries directly. Fund release by the Central Govt. through PFMS can be classified into 2 broad categories- Central Sector Schemes (CSS) and Central Assistance to State Plans (CASP). Under CSS, fund is transferred by the PAO to the implementing agencies (IAs) with the help of Core banking Solutions integrated with PFMS. From these IAs, it is directly paid to the bank accounts of the beneficiaries (Employees, vendors, NGOs, etc.) through PFMS. Whereas, in case of CASP, PAO provide instructions to the RBI for releasing fund to the respective state treasuries, who then allot the same to the IAs.



Source: Report of Chief Controller of Accounts on PFMS

Importance of PFMS

Government of India releases a lot of funds through various Plan schemes and programs in order to address various development activities benefitting the citizens of India. However, capital so invested requires to be constantly monitored through some well-defined system to verify that whether it could actually meet the desired purpose. This led to the establishment of PFMS meeting the mandatory goals and has become the backbone of the financial system of the nation. PFMS ventures to remove inconsistency and problems related to accountability and clarity. It has brought improvement in the areas of public financial management by shifting from a system of booking fund releases and going on to a system of monitoring actual utilization of funds. It has also made sure to put all the relevant and reliable information regarding the schemes run by central civil ministries in the public domain so that the concerned stakeholders can access these data and take proper decisions. Moreover, it prepares various reports, classifying the data so updated on fund releases on the basis of Ministry-wise, State-wise, Scheme-wise and Agency-wise. The system generates separate reports on fund releases, transfer of funds and final expenditure incurred by different implementing agencies.

PFMS can generate complete details about various agencies including NGOs, contractors and other vendors drawing grants from more than one schemes of the concerned ministry or department. In fact, the system can generate automatic sanction orders reducing unnecessary delays, workload and errors in preparation of these orders. Especially, for the State Governments, it becomes very easy to have necessary information on plan grants received via Treasury transfers, Special Purpose Vehicles, Societies, Autonomous bodies, etc. Most noteworthy benefit of PFMS is that it reduced intermediary bureaucracy to a large extend which were earlier very common in direct payment to actual beneficiaries of the social sector schemes.

Key Functionalities of PFMS

1. Configuration of the schemes of Indian Government on the portal in order to facilitate fund transfer.
2. To enable various Implementing Agencies (IAs) to manage the sanctioned funds through (R) EAT module.
3. Establishing a transparent linkage of the portal and State Treasury systems.
4. To include core banking system to include all banking interfaces so as to ensure effective payments, reconciliation and reporting to program managers
5. To enable e-collection system for the Non-Tax Receipts.

Centrally Plan Scheme Monitoring System (CPSMS)

The need for effective financial and accounting monitoring of all the Plan schemes of the Government was felt during the Economic Survey 2007-08 and as such, Budget 2008-09 came up with the plan to establish a proper decision support and management information system. Finally in the year 2009, the system was introduced and made available to both the Centre and the States. Initially, it was implemented on pilot basis in 4 states of Mizoram, Punjab, Madhya Pradesh and Bihar. Once it successfully completed its pilots, the system started online payments directly the concerned beneficiaries or vendors under different social sector schemes with the help of core banking services (CBS). It was eventually made mandatory by the Planning Commission of India to make any direct benefit transfers under any Schemes via CPSMS portal only. The intension behind CPSMS is to provide better accountability and transparency in fund flow system of government of India through online monitoring and supervision, which was not present until then. In simple words, this system ensured that public finance in routed as planned, reaches the predetermined destinations and ensures a proper automated accounting of the same.

Direct Benefit Transfer (DBT)

1. The primary objective of Direct Benefit Transfer program is to bring more transparency and reduce pilferage from the distribution of funds sponsored by the Central Government of India. In DBT, subsidy or any other benefit is directly transferred to those living below the poverty line.

2. Direct Benefit Transfer or DBT is a part of the Indian government's anti-poverty program where government is trying to alter the method of transferring subsidies. In DBT, benefit or subsidy will be directly transferred to citizens living below the poverty line. DBT is applied in programs & schemes like Student Scholarship, LPG subsidy etc.

3. Central Plan Scheme Monitoring System (CPSMS) was implemented by the Office of Controller General of Accounts as a common platform for routing DBT. CPSMS was used for preparing the beneficiary list, signing the same digitally and processing of payments directly to the bank accounts of the beneficiary using the Aadhaar System. (Wikipedia)

4. There are two categories of users under CPSMS for the purpose of Direct Benefit Transfer:
   a) **Sponsoring Agencies**: Ministries or the Dept. level organizations that sponsors the scheme.
   b) **Implementing Agencies:** IAs are the agencies who actually utilizes the fund for the pre-determined purpose. These include State level organizations or NGOs. (Office Memorandum by Planning Commission,2013)

The following are some of the advantages of DBT:

1. It avoids unnecessary delays in fund transfer to the ultimate beneficiaries.

2. DBT operates with the main aim to reduce involvement of middlemen as much as possible, and thus eliminates leakage of funds.

3. Fake and duplicate beneficiaries will be eliminated through Aadhaar based biometric identification.

4. It also reduces the structural cost of the government.

5. DBT has made all relevant information available to the stakeholders through the online portal which is very user friendly.

Steps for implementing DBT under CPSMS

Steps followed for implementing DBT can be studied in 2 groups- one which are required for the Implementing Agencies and other which are mandatory for the sponsoring agencies (ministries).

Steps to be adhered by the IAs:

1. Registration: The implementing agencies, who receive the planned funds of the Central Government, had to get themselves registered in the portal of CPSMS along with their bank account details. Moreover, these agencies were also required get the registration of APB user for each of the schemes.

2. Uploading the beneficiaries' list on CPSMS: IAs had to prepare list containing details of the beneficiaries including their bank details, eligible for the benefits under various schemes in the prescribed format of Excel sheet, after thorough verification of the details so provided by beneficiaries, such as name, address, bank

details, Aadhaar number, etc. This list is then signed digitally by the authorised signatories of the respective IAs and was required to be uploaded in CPSMS portal. Also, it was sent to the Program Division (PD) of the central ministries through same portal.

Steps to be adhered by the Sponsoring Agencies:

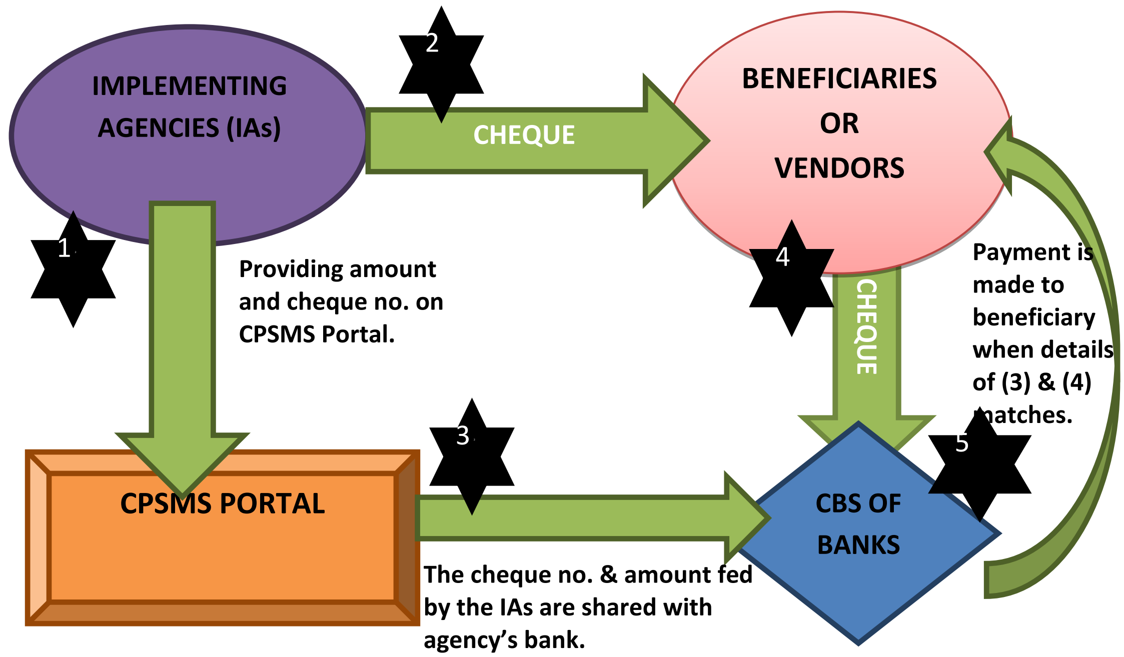
1. First step is to get the sponsoring agency (PD) registered in CPSMS as a “user” and create ID and password to login in the portal.
2. The user would then check the list of beneficiaries so uploaded by the IAs in CPSMS and verify authenticity of the signatories of the IAs who have digitally signed the list. If everything found correct and satisfactory, the list is counter signed by the designated officials of PD and again uploaded state wise/ district wise on CPSMS.
3. E-Sanction for further payment: The user (PD) would generate state/district wise e-sanction letters, with unique IDs for each sanction, on the portal itself once the approval from the competent authority is duly received. The e-sanction is then signed digitally by the Program Officer and submitted so that the Drawing and Disbursing Officer (DDO) could further proceed to prepare the e-bills on CPSMS.
4. Once the e-bill is generated, it was sent to Pay & Accounts Office (PAO) of the concerned dept. /ministry, who would properly verify it and issue Payment advice which is digitally signed on CPSMS. This payment advice was then sent to the concerned bank for directing making the payment to the Aadhaar linked bank accounts of the beneficiaries. Basically, payment advice on CPSMS can be generated through 2 modes: (i) Aadhaar based Payment Advice & (ii) NECS/ECS/NEFT based Payment Advice.
5. CPSMS portal was not only meant for making payments, but also helps in monitoring and tracking the funds utilised under DBT (Report of Direct Benefit Transfer, O/o CGA).

Mechanism behind CPSMS

CPSMS was an online transaction platform that supported e-payment via NEFT, Electronic Clearance Service (ECS), National Electronic Clearing Service (NECS), Aadhaar Payment Bridge (APB), etc. It was developed to facilitate fund management and its timely accounting in the desired format. It was equipped to generate proper MIS reports on utilization of the consolidated funds so released by the government.

Under CPSMS, all ministries and their concerned departments were required to get registered all details of the implementing agencies which are entitled to receive government grants in the portal. After this sanction orders along with the sanction IDs were generated as per which bill numbers are provided by the Drawing and Disbursing Officer (DDO) and payment details were entered by Payment and Accounts Officer (PAO). Accordingly, funds were released to various agencies and payments were disbursed to the actual beneficiaries. All these movements of funds are captured by the system on real-time basis.

The schematic diagram showing the operational mechanism of CPSMS regarding payment to beneficiaries/vendors by the implementing agencies (which prevailed before PFMS), is given below:



Source: Reports of Controller General of Accounts, Ministry of Finance

Government's expectations with the implementation of PFMS

1. It would successfully provide a strong base for ensuring "Just in Time" fund releases Centrally Sponsored and Central Sector Schemes.
2. A transparent and full coverage monitoring system for tracking the utilisation of funds under the above-mentioned schemes so that it could reach the ultimate beneficiaries.
3. It will provide all necessary information regarding the movement of sanctioned funds to the concerned stakeholders as and when required.

Conclusion

The problem of efficient and effective reporting about the utilization of sanctioned funds was always been a matter of concern for Government of India. Thus, CPSMS, PFMS, and other related digital innovations are an influential part of this entire journey to monitor the movement of funds under Plan Schemes. But, one of the biggest hurdles in the successful implementation of these applications is lack of proper knowledge about their usage. Thus, this paper tries to explain the working as well as the conceptual framework of such online platforms, and also discuss the existing research works done in the concerned field. PFMS and other related applications were making remarkable contribution in tracking the fund flow with greater ease for various ministries and other officials. Through such digital innovations government also ensures that the funds can actually reach the real beneficiaries and the vendors without any unnecessary delay.

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