

CHAPTER-2
FINANCIAL RESOURCES

CHAPTER 2: FINANCIAL RESOURCES

2.1 Fund Management

The Health & Family Welfare Department, Government of Nagaland received funds from two main sources; i) State Budget and ii) Grants in Aid from Government of India under National Health Mission (NHM) with corresponding share of the State Government.

2.2 Funds under State Budget

National Health Policy (NHP) 2002 envisaged the State Governments to increase commitment to Health Sector up to eight *per cent* of their budget by 2010, while NHP 2017 envisaged raising of commitment to Public Health to more than eight *per cent* of the budget by 2020. The overall budget allotment and expenditure of the State Government and of the Health and Family Welfare Department during 2014-19 is as shown in the table below:

Table No. 2.1: Budget allocation and expenditure

Figure	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Overall Budget Allocation	13012.25	13464.75	17062.62	18449.90	20469.96	82459.48
Overall Expenditure	10123.41	11385.72	14810.84	15942.27	15158.20	67420.44
Outlay on Health	521.09	606.53	646.39	683.79	797.48	3255.28
Expenditure on Health	418.09	489.77	496.56	614.09	631.42	2649.93
Savings against Health Allocation	103	116.77	149.83	69.7	166.07	605.37
Percentage Savings	19.77	19.25	23.18	10.19	20.82	18.60
Percentage of Outlay on Health to overall Budget Allocation	4.00	4.50	3.79	3.71	3.90	3.95
Percentage of Expenditure on Health to Total Expenditure	4.13	4.30	3.35	3.85	4.17	3.93
Expenditure of four sampled DHs	31.58	33.52	35.67	37.59	43.71	182.06
Percentage of Expenditure on Health as compared to GSDP of State	2.27	2.51	2.29	2.53	2.37	

Source: Finance & Appropriation Accounts and Departmental records

As can be seen from the above table, budgetary outlay on health services in the State during the five-year period 2014-19 ranged from four *per cent* of the State budget in 2014-15 to 3.90 *per cent* in 2018-19. In none of the years, the State Government allocated eight *per cent* of its budget to the health sector. Expenditure on health services ranged from 4.13 *per cent* of the total expenditure of the State in 2014-15 to 4.17 *per cent* in 2018-19 and never touched eight *per cent* in any year. The Department did not utilise all the allocated funds in five years period 2014-19 with savings ranging from ₹ 103 crore in 2014-15 to ₹ 166.07 crore in 2018-19.

Further, during the period 2014-15 to 2018-19, the State utilised ₹ 382.35 crore on 11 DHs, out of which ₹ 182.06 crore (47.62 *per cent*) was utilised for the four sampled DHs.

2.2.1 Revenue and Capital Expenditure

Out of the total expenditure of ₹ 2649.93 crore incurred on health during 2014-19, revenue expenditure was ₹ 2493.73 crore (94.10 per cent) while capital expenditure was ₹ 156.20 crore (5.90 per cent). As per Appropriation Accounts of the State, the details of year wise allocation and expenditure under Revenue and Capital section in respect of Grant No. 35-Medical, Public Health and Family Welfare during the period 2014-2019 has been shown in table 2.2 below:

Table 2.2: Details of Revenue and Capital Expenditure

(₹ in crore)

Year	Revenue			Capital		
	Allocation	Expdr.	Saving (%)	Allocation	Expdr.	Saving (%)
2014-15	471.17	396.86	74.32 (16)	49.91	21.23	28.68 (57)
2015-16	561.65	458.54	103.11 (18)	44.89	31.23	13.66 (30)
2016-17	582.24	483.37	98.87 (17)	64.15	13.19	50.96 (79)
2017-18	588.32	538.17	50.15 (9)	95.48	75.92	19.56 (20)
2018-19	694.85	616.79	78.06 (11)	102.63	14.63	88 (86)
Total	2898.24	2493.73	404.53 (14)	357.06	156.20	200.87 (56)

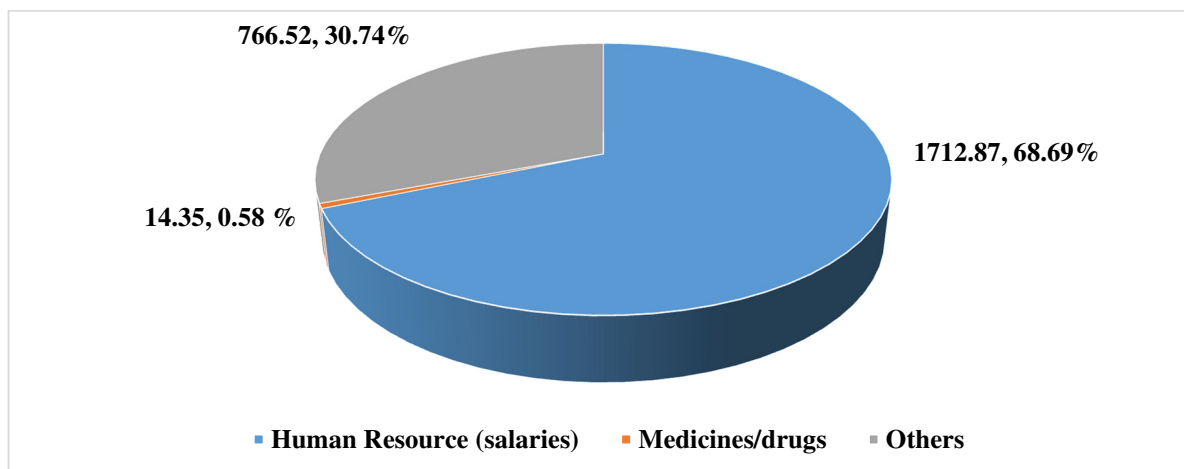
Source: Appropriation Accounts of the respective year

It can be seen from the above that though Revenue expenditure increased from ₹ 396.86 crore in 2014-15 to ₹ 616.79 crore (55.41 per cent) in 2018-19, the Capital expenditure decreased from ₹ 21.23 crore in 2014-15 to ₹ 14.63 crore in 2018-19. The low allocation on Capital account also remained unutilised with savings ranging from 20 per cent to 86 per cent of the allocation during these years. The State had neither utilised the available funds for asset creation in the health sector nor increased its capital spending. Due to less allocation and utilization of capital funds, there was shortage in equipment in health units across the State. The shortage of equipment in Sub-Centres varied from 29 per cent to 55 per cent with an average availability of 37.41 per cent. In the case of PHCs, availability of equipment as per IPHS norms was 52.70 per cent. In the case of CHCs, against 322 IPHS recommended equipment, the availability was only 50 per cent across the State. In the case of DHs, against 485 types of recommended equipment, the availability was only 33 per cent.

Lower utilisation of capital budget also adversely affected creation of the required number of Sub-Centres for the benefit of inhabitants at the lowest levels. Therefore, the people were deprived of the effective affordable health care services and fully equipped district hospitals.

2.2.2 Component wise Revenue Expenditure during 2014-19

The details of component wise Revenue expenditure incurred during 2014-19 by the Health & Family Welfare Department is depicted in the chart 2.1 below:

Chart 2.1: Component wise details of Revenue expenditure during 2014-19(**₹ in Crore**)

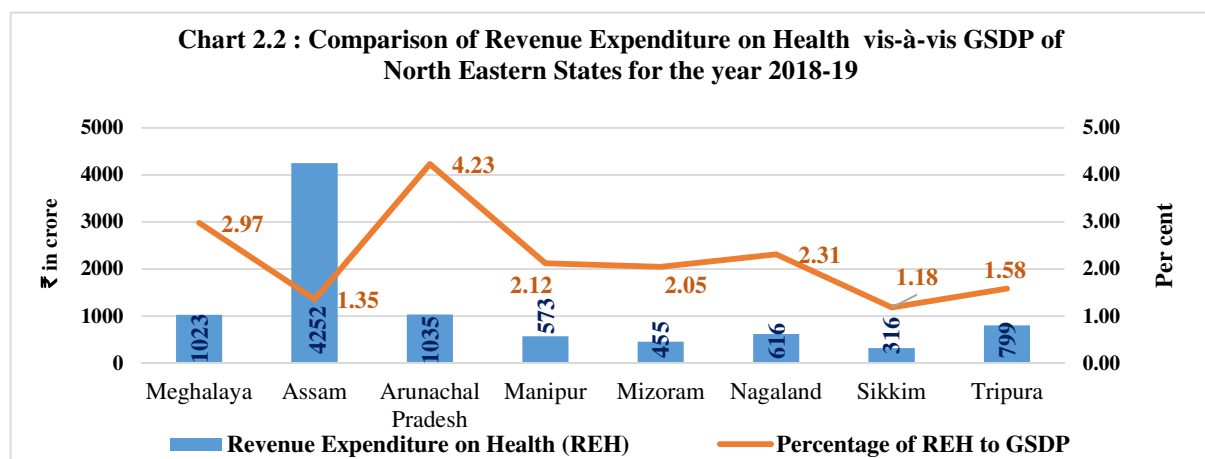
Source: Data from Voucher Level Compilation

As can be seen from the chart above, 68.69 per cent of the Revenue expenditure was incurred on Human Resources (salary), 0.58 per cent on drugs/medicines and 30.74 per cent towards 'Others'. It is observed that expenditure under 'Others' which comprised mainly of Office Expenses, POL, Motor Vehicles etc., had increased by 62.61 per cent from ₹ 120.18 crore in 2014-15 to ₹ 195.43 crore in 2018-19. Despite increase in revenue expenditure over the years, the expenditure on drugs and medicines declined from 0.52 per cent to 0.38 per cent of the revenue expenditure during the period. Due to decline in revenue expenditure on drugs and medicines, there was shortage of drugs in health units across the State. Availability of drugs in the Sub-Centres varied from five per cent to 73 per cent with an average of 33 per cent. In the case of PHCs, availability of drugs was 36 per cent. In the case of CHCs, availability of drugs was very poor as out of 225 recommended drugs only 39 per cent drugs were available across the State.

The minimal expenditure on medicines/drugs is not justifiable and has impacted the effective delivery of health care services provided in all health facilities. The impact in District hospitals, is discussed in the succeeding paragraphs.

2.3 Revenue Expenditure on Health compared to other North Eastern States

In terms of quantum of revenue expenditure on health during the financial year 2018-19, Nagaland (₹ 616 crore) was fifth amongst North Eastern States. When we compare the revenue expenditure on health with GSDP, the position of Nagaland was third amongst the North Eastern States with revenue expenditure of 2.31 per cent as shown in the Chart 2.2 below. The States, Arunachal Pradesh and Meghalaya were above Nagaland when revenue expenditure on health with GSDP is compared.



Source: Appropriation accounts of Nagaland 2018-19

2.4 Receipt and Utilisation of Funds by State Health Society (NHM)

During 2014-15 to 2018-19, the position of fund available with State Health Society (NHM) is as shown in **Table 2.3**.

Table 2.3: Statement showing details of fund received and utilised by State Health Society

(₹ in crore)

Year	Opening balance	Funds received from				Expenditure	Unspent balance (% age)
		GoI	GoN	Interest	Total		
2014-15	69.56	83.26	0	1.35	154.17	48.91	105.26 (68.28)
2015-16	105.26	87.48	20.81	1.3	214.85	115.5	99.35 (46.24)
2016-17	99.36	70.86	14.53	1.44	186.19	91.82	94.37 (50.68)
2017-18	94.38	88.04	2.99	1.13	186.54	106.18	80.36 (43.08)
2018-19	80.37	106.91	13.05	1.29	201.62	110.85	90.77 (45.02)
Total		436.55	51.38	6.51		473.26	

Source: Records from Department

During 2014-19, against available funds of ₹ 564 crore (OB - ₹ 69.56 crore, GoI - ₹ 436.55 crore, GoN - ₹ 51.38 crore, Interest - ₹ 6.51 crore) the Department could utilise only ₹ 473.26 crore, with the yearly unspent balances ranging from 43.08 per cent to 68.28 per cent. In none of the years, the State Health Society could fully utilise the available funds.

Audit further observed that in respect of three out of 19 NHM programmes, savings ranged between 50 to 99.71 per cent of the funds received during 2014-19 i.e. National Oral Health Programme (50 per cent), National Programme for the Health Care of Elderly (96.92 per cent) and Non-Communicable Disease (99.71 per cent), thereby indicating that these programmes were not implemented effectively in the State, despite availability of funds. The DHs were deprived of funds under these planned programmes and the intended beneficiaries did not get the benefits of these programmes.

Due to persistent savings of funds under the State budget and also funds under NHM, the secondary healthcare facilities in the State suffered from inadequacy of physical infrastructure, shortage of drugs, equipment, specialist services, emergency and other diagnostic services, as brought out in the audit observations later in the Performance Audit Report.

2.5 Conclusion

The budget allotment and expenditure of the Health and Family Welfare Department against the overall State Budget during the five-year period 2014-19 ranged from ₹ 521.09 crore (4.0 per cent) in 2014-15 to ₹ 797.48 crore (3.90 per cent) in 2018-19, even as the National Health Policy, 2017 envisaged allocation of at least eight per cent of the total budget of the State for Health Sector. The expenditure on health ranged from ₹ 418.09 crore (4.13 per cent) to ₹ 631.42 crore (4.17 per cent) of the total State Budget during the period. The department did not utilise the allocated funds in five years period 2014-19 with savings ranging from ₹ 103 crore in 2014-15 to ₹ 166.07 crore in 2018-19. Though Revenue expenditure on health increased by 55.41 per cent from ₹ 396.86 crore to ₹ 616.79 crore during 2014-19, the Capital expenditure decreased from ₹ 21.23 crore to ₹ 14.63 crore (31.09 per cent) during the same period.

The Department incurred Revenue expenditure of ₹ 1712.87 crore (68.69 per cent) on Human Resources (salaries), 0.58 per cent on drugs/medicines and 30.74 per cent towards 'Others'. The expenditure under 'Others' which comprised mainly of Office Expenses, POL, Motor Vehicles etc., had increased by 62.61 per cent from ₹ 120.18 crore in 2014-15 to ₹ 195.43 crore in 2018-19, while expenditure under drugs and medicines had remained same except in the year 2017-18.

Due to inadequate allocation of budget under Capital and Revenue there were shortage of infrastructure, equipment and medicines in health units across the State. Availability of equipment in PHCs was 53 per cent and in CHCs 50 per cent across the State. In the case of DHs, against 485 types of recommended equipment, the availability was only 33 per cent.

The fund utilisation under NHM was merely 50 per cent during 2014-19 indicating poor/non-implementation of various important National Health Programmes. Due to persistent savings of funds under the State budget and also funds under NHM, the secondary healthcare facilities in the State suffered from inadequate physical infrastructure, shortage of drugs, equipment, specialist services, emergency and other diagnostic services.

2.6 Recommendations

- (i) *The State Government may enhance its budget provision and expenditure on healthcare services as required under NHP. The spending may particularly be enhanced to meet deficiencies in infrastructure like Trauma Centres, for providing adequate supply of medicine and equipment across health facilities and for enhancing human resources in the secondary healthcare facilities in the State.*
- (ii) *The declining trend in utilisation of funds under Capital budget is a matter of concern, which has adversely affected provision of adequate infrastructure in health facilities. Apart from increasing the allocation under capital head, the utilisation requires close monitoring to ensure that the allocated funds are utilised for the intended purpose.*
- (iii) *The State Health Society may take appropriate action to optimally utilise the available funds under various NHM programmes.*