

6. Financial Management

A key requirement for any healthcare system is to ensure adequate funds to the responsible organisations, in line with the objectives of the healthcare system. Such funding seeks to give the governments and health authorities, both, the financial capacity and the incentive to fulfill their objectives.

The State Government provides funds for the health sector, under the State Budget. Apart from State funds, financial assistance is also provided by GoI under various Central schemes, *viz.* NHM, Pradhan Mantri Swasthya Suraksha Yojana (PMSSY), National AYUSH Mission (NAM) *etc.*

Allocation of funds, by the State, for the health sector, is discussed in the succeeding paragraphs:

6.1 Public spending on healthcare

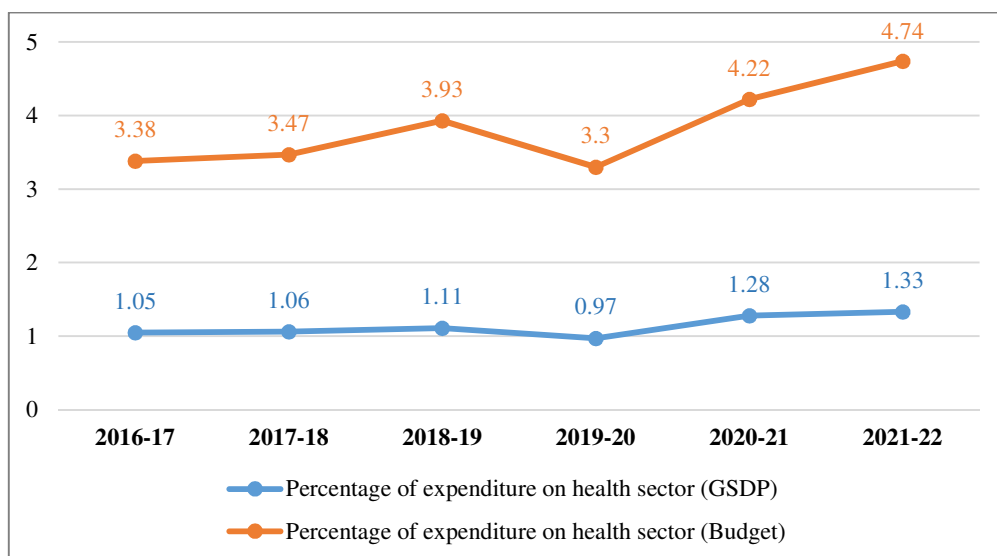
The National Health Policy (NHP), 2017, recommended that States should increase their health sector spending to more than eight *per cent* of the State budget by 2020. It also recommended that States should increase their health expenditure to 2.5 *per cent* of the Gross State Domestic Product (GSDP), by 2025. The health expenditure of the State, with respect to the State budget and GSDP, during FYs 2016-17 to 2021-22, is given in **Table 6.1**.

Table 6.1: Expenditure on the health sector in comparison to the State Budget and GSDP
(₹ in crore)

Financial Year	GSDP	Total Budget of the State	Expenditure on the Health Sector	Percentage of GSDP	Percentage of State budget	Percentage of national expenditure on the health sector to total expenditure (Centre and States, combined)
2016-17	2,36,250	72,966	2,469	1.05	3.38	5.0
2017-18	2,69,816	82,161	2,847	1.06	3.47	5.4
2018-19	3,05,695	86,154	3,383	1.11	3.93	5.3
2019-20	3,21,157	94,765	3,128	0.97	3.30	5.0
2020-21	3,17,079	96,278	4,062	1.28	4.22	5.4
2021-22	3,63,085	1,01,586	4,813	1.33	4.74	6.6

(Source: *Economic Surveys of Jharkhand and GoI and Appropriation Accounts of Jharkhand*)

It can be seen from **Table 6.1** that the State's spending on the health sector had ranged between 0.97 *per cent* and 1.33 *per cent* of GSDP and 3.30 *per cent* and 4.74 *per cent* of the State budgets, during FYs 2016-17 to 2021-22. It was also less compared to the national expenditure (GoI and States, combined) on the health sector. Expenditure on the health sector, to the total expenditure of the State/GSDP, during FYs 2016-17 to 2021-22, is depicted in **Chart 6.1**.

Chart 6.1: Expenditure on Health by Government to Total Expenditure of State (Budget/GSDP)


Thus, the State Government failed to increase health spending to 2.50 *per cent* of GSDP and to more than eight *per cent* of its budget, as recommended in NHP. While accepting the facts, it was stated (March 2023) that the Department is gradually increasing its expenditure to meet the targets as per norms.

6.2 Budget allocation and expenditure on Health Sector (Centre and State Government)

Year-wise budget provisions and expenditure thereagainst, during FYs 2016-17 to 2021-22, pertaining to the Department, has been shown in **Table 6.2**.

Table 6.2: Budget allocation and expenditure on Health Sector (GoI and State Government)

(₹ in crore)

Year	Government of India			Government of Jharkhand		
	Total Budget Provision	Expenditure	Savings	Total Budget Provision	Expenditure	Savings
2016-17	528	352	176 (33)	2,870	2,117	753 (26)
2017-18	726	528	198 (27)	3,318	2,319	999 (30)
2018-19	1,007	779	228 (23)	3,343	2,604	739 (22)
2019-20	1,255	757	498 (40)	3,327	2,371	956 (29)
2020-21	1,102	815	287 (26)	3,975	3,247	728 (18)
2021-22	2,048	1,113	935 (46)	4,440	3,700	740 (17)

It can be seen from **Table 6.2** that the savings, during FYs 2016-17 to 2021-22, against GoI share ranged between 23 and 46 *per cent* whereas it ranged between 17 to 30 *per cent* against the State budget.

The Department accepted the facts and stated (March 2023) that efforts to utilize the entire budgetary provisions could not be achieved due to non-approval of schemes/projects, demand not received from field units, delay in construction works, *etc.*

6.2.1 Revenue and Capital Expenditure

Analysis of health expenditures between Revenue and Capital heads has been shown in **Table 6.3**.

Table 6.3: Revenue and Capital expenditure during 2016-17 to 2021-22

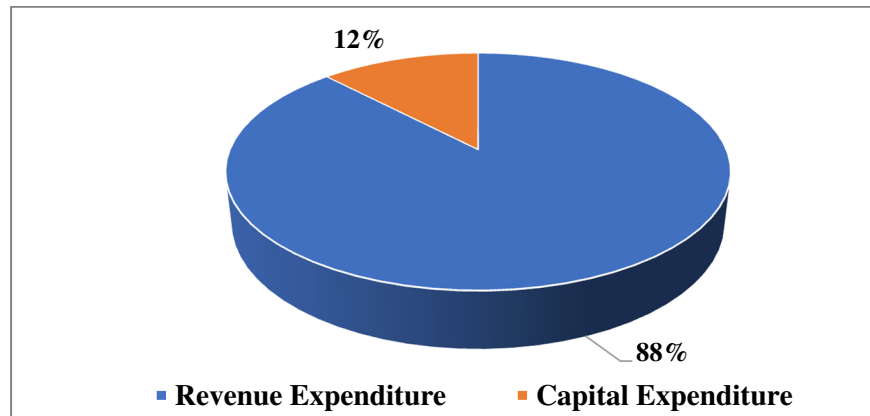
(₹ in crore)

Financial Year	Budget provision		Expenditure (percentage)		Savings (percentage)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2016-17	2,665	733	1,957 (73)	512 (70)	708 (27)	221 (30)
2017-18	3,519	525	2,538 (72)	309 (59)	981(28)	216 (41)
2018-19	3,881	469	3,109 (80)	273 (58)	772 (20)	196 (42)
2019-20	3,819	763	2,781 (73)	348 (46)	1,038 (27)	415 (54)
2020-21	4,416	661	3,476 (79)	586 (89)	940 (21)	75 (11)
2021-22	5,900	558	4,325 (73)	489 (88)	1,575 (27)	69 (12)
Total	24,200	3,709	18,186 (75)	2,517(68)	6014 (25)	1192 (32)

(Source: Appropriation Accounts of respective years)

It can be seen from **Table 6.3** that the budget provision under Revenue head, ranging between 20 and 28 *per cent*, could not be utilized whereas in case of Capital head non-utilisation ranged between 11 and 54 *per cent*, during FYs 2016-17 to 2021-22. The details of Capital Expenditure *vis-à-vis* Revenue Expenditure is shown in **Chart 6.2**.

Chart 6.2: Capital Expenditure *vis-à-vis* Revenue Expenditure (2016-17 to 2021-22)



Further, in the six test-checked districts, utilisation of the State budget ranged between 83 and 92 *per cent* (**Appendix 6.1**).

6.3 Funds released under NHM

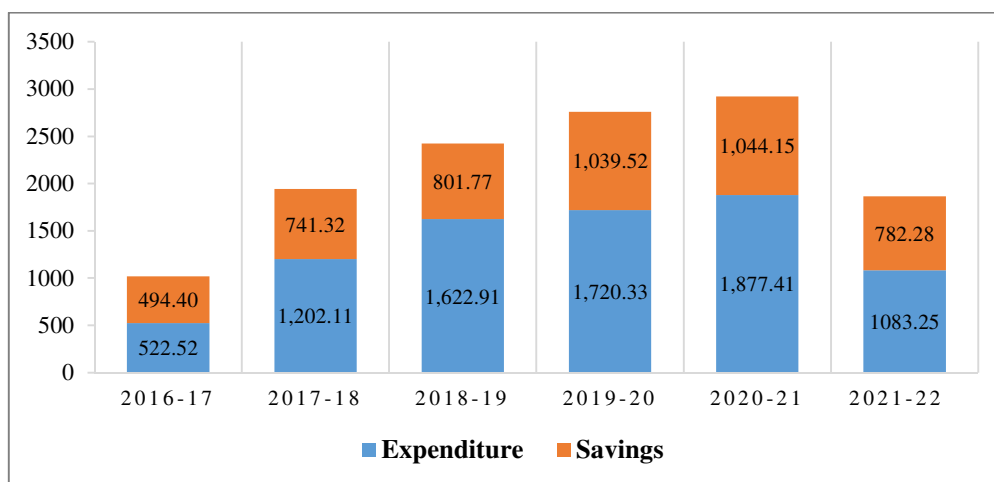
The National Health Mission (NHM) is a major instrument of financing and support to the States for strengthening their public health systems. Financing to the States, under the Scheme, is based on the State Programme Implementation Plan (SPIP), approved by the National Programme Co-ordination Committee (NPCC), Ministry of Health, GoI. Receipt and utilisation of funds, under NHM, during FYs 2016-17 to 2021-22, is shown in **Table 6.4** and **Chart 6.3**.

Table 6.4: Receipt and utilisation of funds under NHM

(₹ in crore)

Year	Opening balance	Receipts during the year	Total funds available during the year	Expenditure	Closing balance (per cent of available funds)
2016-17	497.44	519.48	1,016.92	522.52	494.40 (49)
2017-18	494.40	1,449.03	1,943.43	1,202.11	741.32 (38)
2018-19	741.32	1,683.36	2,424.68	1,622.91	801.77 (33)
2019-20	801.77	1,958.08	2,759.85	1,720.33	1,039.52 (38)
2020-21	1,039.52	1,882.22	2,921.56	1,877.41	1,044.15 (36)
2021-22	1,044.15	821.38	1,865.53	1,083.25	782.28 (42)

(Source: Information provided by the Jharkhand Rural Health Mission Society)

Chart 6.3: Details of funds utilised and savings


It can be seen from **Table 6.4** that the State could not utilise 33 to 49 per cent of the funds available under NHM. Further, Audit noticed a difference of ₹ 553.17 crore in the closing balance, as on 31 March 2021, between the information provided by JRHMS, and the Receipt and Payment Accounts for 2020-21. As per the Receipt and Payment Accounts, the closing balance was ₹ 1,597.32 crore, as on 31 March 2021. The Chartered Accountant, in his report, also commented upon unexplained differences in the closing balances with District Health Societies/CHCs and suggested reconciliation.

Utilisation of NHM funds, by the six test-checked districts, was better, compared to utilisation by the State, as shown in **Table 6.5**.

Table 6.5: Receipt and utilisation of NHM funds in the test-checked districts

(₹ in crore)

District	Total funds available during FYs 2016-17 to 2021-22	Funds utilised	Closing balance, as on 31 March 2022	Funds utilised (in percentage)
Dhanbad	192.41	188.75	3.66	98
Dumka	277.98	257.83	20.15	93
Garhwa	183.69	183.68	0.01	100
Gumla	179.53	165.94	13.59	92
Saraikele Kharsawan	186.04	176.00	10.04	95
Simdega	99.43	92.33	7.10	93

(Source: Data provided by DRHS)

Non-utilisation of NHM funds, by the State, was due to late submission/approval of SPIP and delays in the submission of utilisation certificates. The Department stated (March 2023) that it will be examined and detailed reply will be submitted.

6.4 Outstanding Advances

As per Paragraph 6.9.1 of the Operational Guidelines for Financial Management of NRHM, advances to implementing units, staff and suppliers are to be given for admissible activities, and are preferably to be settled within a maximum period of 90 days. Further, as per the Scheme Guidelines, Detailed Advance Registers and Advance Tracking Registers should be maintained, to monitor the various advances given.

Scrutiny of the Annual Accounts of the Jharkhand Rural Health Mission Society (JRHMS) for the financial year 2021-22, revealed that advances of ₹ 445.55 crore were outstanding, against 125 agencies/ suppliers/ government institutions/ officials. The age-wise analysis of outstanding advances is shown in **Table 6.6**.

Table 6.6: Age-wise analysis of outstanding advances, as of March 2022

(₹ in crore)		
Period of advance	Amount outstanding as of March 2022	No. of agencies/suppliers/ government institutions / officials involved
More than 10 years	34.47	39
5 to 10 years	158.74	39
2 to 5 years	26.06	34
Less than one year	226.28	13
Total	445.55	125

(Source: Latest available Annual Audit Report of NHM)

It can be seen from **Table 6.6** that advances of ₹ 219.27 crore were outstanding against 112 agencies/ suppliers/ government institutions/ officials for more than two years, and, as such, chances of misutilisation of the advances, outstanding for such long period, could not be ruled out. The Department accepted the facts and stated (March 2023) that the MD, NHM has been instructed to further reduce the outstanding advances. It was also stated that funds were deposited with JSBCCL for execution of works which were in progress and adjusted accordingly.

6.5 Inflated utilisation certificates

As per the Scheme Guidelines of NRHM, JRHMS was to submit Utilisation Certificates (UCs) to GoI, certifying the amounts actually spent against the grant disbursed and unspent balances. Audit of the Annual Accounts revealed that inflated UCs had been submitted, as detailed in **Table 6.7**.

Table 6.7: Details of inflated UCs submitted to GoI by JRHMS

(₹ in crore)

Financial Year	Unspent balance, as per Receipt & Payment Account	Unspent balance, as per UCs submitted to GoI	Difference for which inflated UCs submitted
2016-17	675.29	602.25	73.04
2017-18	1,449.76	850.22	599.54
2018-19	1,540.45	914.01	626.44
2019-20	1,496.94	1,175.30	321.64
2020-21	1,597.32	1,099.59	497.73

It can be seen from **Table 6.7** that inflated UCs, for amounts ranging between ₹ 73.04 crore and ₹ 626.44 crore, were submitted, during FYs 2016-17 to 2020-21. The Department accepted the facts and stated (March 2023) that the matter will be examined and detailed reply submitted to Audit.

Recommendation: State Government may increase health expenditure as per NHP 2017 and ensure reconciliation of differences in different Books of Accounts.

6.6 Budget allocation for AYUSH under the State budget

Details of budget allocation by the Department, for AYUSH, during FYs 2016-17 to 2021-22, are given in **Table 6.8**.

Table 6.8: Budget allocation under the State budget for AYUSH during FYs 2016-17 to 2021-22

(₹ in crore)

Financial Year	Budget Allocation in the Health sector	Budget allocation for AYUSH (per cent of the total budget)	Budget utilisation (per cent of the allocated budget for AYUSH)
2016-17	3,397.41	52.71 (1.55)	34.63 (66)
2017-18	4,044.15	79.92 (1.98)	27.53 (34)
2018-19	4,349.89	75.54 (1.74)	24.32 (32)
2019-20	4,581.83	65.61 (1.43)	29.99 (46)
2020-21	5,077.34	69.10 (1.36)	21.59 (31)
2021-22	6,457.84	115.17 (1.78)	49.16 (43)
Total	27,908.46	458.05 (1.64)	187.22 (41)

(Source: Appropriation accounts of respective years)

It can be seen from **Table 6.8** that the overall budget allocation for AYUSH, during the period, was 1.64 per cent of the total health budget and had been decreasing since FY 2018-19 in percentage terms upto FY 2020-21 and marginally increased in FY 2021-22. Further, the overall utilisation, during the period, was also low (41 per cent of the budget allocation) and had also been decreasing over the years (except during FY 2019-20 and FY 2021-22).

Thus, the State Government had not provided due importance to the development of the AYUSH system. The Department confirmed the facts and stated (March 2023) that shortage of manpower was the main reason for non-utilisation of funds.

6.7 Fifteenth Finance Commission Grants

GoI released (November 2021) grants, amounting to ₹ 444.40 crore, to the State Government, for support to primary health care, under the Fifteenth Finance

Commission, for creation of diagnostic infrastructure, development of block public health units, development of urban health & wellness centres & polyclinics, construction of buildings where HSCs/PHCs/CHCs were being run in rented buildings and conversion of rural PHCs/HSCs into HWCs. The State Government released (March 2022) grants of ₹ 114.58 crore, to the Jharkhand Medical Health Infrastructure Development & Procurement Corporation Limited, Ranchi, for creation of diagnostic infrastructure at HSCs/PHCs/UPHCs and ₹ 329.82 crore to the district authorities²³⁶ of all 24 districts of Jharkhand, for conversion of rural PHCs and HSCs into HWCs, development of block public health units, development of infrastructure for HSCs/PHCs/CHCs without buildings, development of urban health & wellness centres and polyclinics. Audit observed that ₹ 85.67 crore had been released (March 2022) to district authorities, in the six test-checked districts, but had remained unutilised, as of March 2022. The Department accepted (March 2023) the facts.

²³⁶ DCs, DDCs, Municipal Commissioners and Executive Officers.

