

# Assessing Public Finance Management Issues in the Post-matric Scholarship Scheme for Scheduled Castes

A Discussion Paper

June 2021

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# Table of Contents

List of Figures	2
List of Tables	2
Abbreviations	3
<b>1 Introduction</b>	<b>4</b>
1.1 Key Objectives	5
1.2 Research Methodology and Data Sources	5
1.2.1 Data sources for qualitative analysis	5
1.2.2 Data sources for quantitative analysis	6
1.2.3 Method of primary data collection	6
1.3 Sections in the Paper	7
<b>2 Commentary on PMS-SC Scheme Guidelines (2021) in the Context of Current Implementation Challenges</b>	<b>8</b>
<b>3 Key Issues in the PMS-SC Scheme Design Impacting Fiscal Governance</b>	<b>13</b>
3.1 Fund Sharing Mechanism between the Centre and the States	13
3.1.1 Issues related to the method of committed liability	13
3.1.2 Issues with the new fund sharing system	15
3.2 Fund Flow Mechanism for the PMS-SC Scheme	16
3.2.1 Previous demand and fund flow process	16
3.2.2 Changes in the fund flow mechanism for the PMS-SC scheme under the new guidelines	18
3.2.3 Challenges in the new fund flow mechanism	18
<b>4 Financial Management System and Budgetary Priorities for PMS-SC Scheme</b>	<b>20</b>
4.1 Analysis of Budget Allocation for the MoSJE and its Implications for the PMS-SC Scheme	20
4.2 Analysis of Budget Allocation for the PMS-SC Scheme at the Union Level	21
4.3 Analysis of Budget Allocation for the PMS-SC scheme in Select States	22
4.4 Assessment of Budget Adequacy in Terms of the Unit Cost of Different Scholarship Components under the PMS-SC Scheme	24
4.5 Assessment of Budget Adequacy in Terms of Coverage of Beneficiaries under the PMS-SC Scheme	27
4.6 Adequacy of the Administrative Cost component	28
<b>5 Conclusion and Recommendations</b>	<b>29</b>
References	33

## List of Figures

Figure 3.1:	Build-up of arrears under the PMS-SC scheme (amount in Rs crore)	14
Figure 3.2:	Demand assessment and fund flow process under the PMS-SC scheme	17
Figure 3.3:	Fund flow process under the new guidelines of the PMS-SC scheme	18
Figure 4.1:	Budgetary allocations to MoSJE and shortfall therein (amount in Rs crore)	20
Figure 4.2:	Budgetary allocation and expenditure under the PMS-SC scheme at the Union level (amount in Rs crore)	22
Figure 4.3:	Gaps in the process of availing benefits under the PMS-SC scheme in Jharkhand	28

## List of Tables

Table 2.1:	Timeline for receipt of application forms for the PMS-SC scheme	9
Table 3.1:	Fund flow timeline for the PMS-SC scheme specified by the new scheme guidelines	19
Table 4.1:	Budget allocation and utilisation of funds in Jharkhand, Andhra Pradesh and Uttar Pradesh (amount in Rs crore)	23
Table 4.2:	Unit cost of different components under the PMS-SC scheme	25
Table 4.3:	Maintenance allowance as specified by the PMS-SC scheme guidelines in 2010, 2018 and 2021 (amount in Rs for ten months; rate of change in percentage terms shown in parentheses)	26
Table 4.4:	Physical progress (number of student beneficiaries) under the PMS-SC scheme	27

# Abbreviations

AP	Andhra Pradesh
CA	Chartered Accountant
CAG	Comptroller and Auditor General
CS	Company Secretary
CS	Central Sector Scheme
CSOs	Civil Society Organisations
CSS	Centrally Sponsored Schemes
DDGs	Detailed Demand for Grants
FCC	Finance Commission Cycle
FYP	Five-Year Plan
GER	Gross Enrolment Ratio
ICFA	Institute of Chartered Financial Analysts of India
ICT	Information, Communication and Technology
ICWA	Institute of Cost & Works Accountants of India
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoF	Ministry of Finance
MoSJE	Ministry of Social Justice & Empowerment
NIC	National Informatics Centre
NITI Aayog	National Institution for Transforming India Aayog
NRDWP	National Rural Drinking Water Programme
NRLM	National Rural Livelihoods Mission
NSAP	Nation Social Assistance Programme
PMAY	Pradhan Mantri Awas Yojana
PMS	Post-Matric Scholarship
UP	Uttar Pradesh

# 1 Introduction

The Post-Matric Scholarship for Scheduled Castes (PMS-SC) scheme, operational since 1944, is a centrally sponsored scheme for the empowerment of SC students in higher education. It is a demand driven scheme, whereby financial assistance is provided to all eligible applicants studying at the post-matriculation or post-secondary stage. To be eligible, a student should fulfil the following criteria: i) s/he should be an Indian national belonging to the SC community; ii) the parents'/guardians' income should not exceed Rs 2.50 lakh per annum; and iii) s/he should be studying in a recognised post-secondary course in a recognised institution/college/university.

The PMS-SC scheme has a key role to play in bringing about equity in society as SCs are an educationally and economically backward community as per the provision of article 46 of the constitution. And it is achieving that end to an extent — according to the Ministry of Social Justice and Empowerment's (MoSJE) annual reports for 2018-19 and 2019-20, enrolment of SC students in higher education under the PMS-SC scheme has risen from 19.94 lakh in 2002-03 to 52.86 lakh in 2019-20 (as reported by States/UTs as on 31.12.2020). However, there still exists a gap in the Gross Enrolment Ratio (GER) for higher education between 'All students' and 'SC students' and a high dropout rate for the latter at the secondary and higher education level. The GER for 'all students' stood at 25.8 percent, while the GER for SC students was 21.8 per cent in 2017-18.<sup>1</sup> The GER for SC students also declined significantly from 86.9 per cent at the secondary level to 58.6 per cent in the senior or post-secondary level.

The dropout rate at the secondary level of education among SC students was 19.36 per cent in 2014-15. While the GER for SCs at the secondary level increased from 78.7 per cent to 82.7 percent from 2013-14 to 2014-15, the dropout rate rose from 18.66 per cent to 19.36 per cent over the same period.<sup>2</sup> The higher dropout rate for SC students at the secondary school level is because many of them cannot afford to go to college due to the low income levels of their families, which leads to them joining the workforce instead.<sup>3</sup> The GER in three States chosen for this study (Andhra Pradesh, Jharkhand, and Uttar Pradesh) shows the same trend, falling drastically at the senior secondary level. But while, Andhra Pradesh (AP) and Uttar Pradesh (UP) show a GER either higher or closer to the national average at the senior secondary or higher education level, Jharkhand is far behind.

The higher dropout rate at the secondary level and low GER at the post-secondary level leads to a few SC students opting for higher education. Therefore, effective implementation of the PMS-SC scheme becomes important in order to encourage SC students to pursue higher education. However, the PMS-SC scheme has several challenges such as a poor design, inadequate budget allocation, as well as weak implementation and monitoring, all of which impact the effectiveness of the scheme. Further, the Central government provides only about 10 per cent of the total funding, and arrears have led to the scheme shrinking in size in as many as 14 states, including Andhra Pradesh, Jharkhand, and Uttar Pradesh.<sup>4</sup>

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<sup>1</sup> Ministry of Social Justice & Empowerment, Government of India, 2020

<sup>2</sup> Ministry of Human Resource Development, Government of India, 2018

<sup>3</sup> Pallical, 2020

<sup>4</sup> HT correspondent, 2020

However, since December 2020, the Central government has begun making fresh efforts to renew the PMS-SC scheme and has committed itself to ensuring that the SC students' gross enrolment ratio in higher education reaches the national standard within five years.<sup>5</sup> The new guidelines drawn up for the scheme include some amendments and new provisions to correct infirmities in previous policies and guidelines. Despite this, however, many issues remain unaddressed and unresolved.

## 1.1 Key Objectives

The goal of this discussion paper is to analyse the guidelines and budget of the PMS-SC scheme to identify the issues hindering its implementation, and to suggest policy measures to overcome these hurdles. To this end, the key objectives of this note are:

- To identify the issues encumbering the Post-Matric Scholarship – Scheduled Castes scheme
- To assess how the new guidelines and recent decisions by the Union Government address the scheme's fiscal and implementation challenges
- To study the scheme's design and identify issues in terms of the fund-sharing pattern, planning and fund flow
- To assess Public Finance Management (PFM) issues in the scheme in terms of budgetary adequacy and expenditure

## 1.2 Research Methodology and Data Sources

The methodology of the discussion paper relies heavily on secondary sources of data and literature. This is supplemented by primary data collected through online interviews and discussions with student volunteers and CSOs working to strengthen implementation of the PMS-SC scheme in Andhra Pradesh, Jharkhand, and Uttar Pradesh.

### 1.2.1 Data sources for qualitative analysis

Data on the status of SC students in higher education in terms of GER and their dropout rate has been gathered from Educational Statistics: At A Glance (Ministry of Human Resource Development, Government of India, 2018), and the Departmentally Related Standing Committee report for the Ministry of Social Justice & Empowerment, Government of India. To understand the key issues and bottlenecks related to planning, implementation and the level of access to scholarships, a detailed survey of literature was carried out. Important literature and reports on the scheme include a report by the Comptroller and Auditor General of India (Performance Audit of Scheme of Post Matric Scholarships to the Students belonging to Scheduled Castes, 2018), Departmentally Related Standing Committee reports for the MoSJE for several years, PMS-SC scheme guidelines issued in 2010 and 2018, Press Information Bureau (PIB) documents, Parliamentary questions, as well as media reports.

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<sup>5</sup> Press Information Bureau, 2020

Further, the PMS-SC scheme guidelines issued in 2021 have been reviewed to assess how far new policy initiatives by the Union government try to address the existing challenges in planning, implementation and the level of access to scholarships, as highlighted by the Performance Audit report of the CAG, and other reports.

### 1.2.2 Data sources for quantitative analysis

The overall quantitative data for budget analysis has been collected from several sources, such as the Department of Social Justice and Empowerment's Note on Demand from the Union Budget, Departmentally Related Standing Committee Reports on Social Justice and Empowerment, State budget documents (Detailed Demand for Grants or DDG) of Andhra Pradesh, Jharkhand, and Uttar Pradesh. Allocation and expenditure details on the PMS-SC scheme for seven financial years from 2015-16 to 2021-22 have been gathered and analysed at the level of the Union Government from the Note on Demand of the Expenditure Budget, Ministry of Finance (MoF).

Similarly, for a State-level budget analysis of the PMS-SC scheme, the DDGs for the Department of Social Welfare in Andhra Pradesh and Uttar Pradesh, and the Department of Welfare in Jharkhand, have been referred to for five financial years from 2017-18 to 2021-22. The status of fund utilisation in the PMS-SC scheme has been assessed for 2017-18, 2018-19 and 2019-20 at the State level from the DDGs.

The paper also looks into funding arrears due from the Central government from 2012-13 to 2019-20 by reviewing the Departmentally Related Standing Committee Reports on Social Justice and Empowerment for several years. To assess the number of beneficiaries State-wise, physical data has been collected for three financial years — from 2016-17 to 2019-20 — from Parliamentary questions and annual reports of the MoSJE for several years.

### 1.2.3 Method of primary data collection

Different methods ranging from online survey to telephonic/online discussions have been employed to collect primary data — the views and inputs of students, civil society organisations (CSOs) and government officials.

The online discussions with the students focused on gathering their experiences. Additionally, a small primary survey has been conducted focussed on unearthing the challenges they face in accessing the scholarship and ascertaining its adequacy. The survey has been conducted using the stratified (from the strata of SC students in higher education) convenience (whoever is readily available in that strata) sampling method. Responses on the PMS-SC scheme and related issues were collected from 144 students through a well-structured questionnaire shared online using Google forms. The responses were collected from the States of Bihar (47), Jharkhand (40), Andhra Pradesh (23), Odisha (18), and Uttar Pradesh (5). Eleven respondents did not share information about their State. Of the respondents, 121 are day scholars, while 20 are hostellers; 4 did not specify this detail. Of the 143 who specified their course, 56 are senior secondary students, while 69 are in undergraduate courses, 16 are post-graduate students, and 2 have enrolled for an M.Phil/Ph.D.

CSOs have been consulted to gather their insights on both challenges in implementation and access to scholarships by the students. This has been done through telephonic discussions. Similarly, State-level



government officials have been consulted over the phone to gather their perceptions on planning, budget adequacy, fund flows under DBT, implementation and monitoring of the PMS-SC scheme, as well as to get their feedback on the new PMS guidelines with regard to PFM issues.

**Data Limitations:** The Covid-19 pandemic posed a challenge in data collection. Field visits to meet State and district level officials, CSOs, and the student body were not possible. Alternative methods were therefore employed to gather insights from these stakeholders.

### 1.3 Sections in the Paper

This paper consists of five sections, including an introduction and a conclusion. Section 1, the introduction, provides context in terms of educational indicators among SC students, and also lays out the key objectives and methodology. Section 2, based on the literature review, primary survey and consultations, is a commentary on the new PMS-SC guidelines (2021) in the context of implementation challenges. Section 3 discusses key challenges in the fund sharing between the Centre and the States, and issues in fund flow. Section 4 is a budgetary analysis, commenting on issues related to adequacy, utilisation and delays. Lastly, the key findings and recommendations of this study have been presented in section 5.

## 2. Commentary on PMS-SC Scheme Guidelines (2021) in the Context of Current Implementation Challenges

As highlighted by several government documents (CAG Performance Audit report–2018,<sup>6</sup> Departmentally Related Standing Committee reports) and media reports, there are various issues and challenges, including fiscal governance, that have been affecting implementation of the PMS-SC scheme. The major issues include lack of a proper timeline for planning and fund flow, exclusion of certain components of the scholarship, undisbursed scholarships, denial/short reimbursement of scholarships, the irregular practice of charging a tuition fee from SC students by the education institutions, inadequate scrutiny in processing of applications, non-adherence to income-ceiling norms, ineffective monitoring and evaluation and lack of controls at the information technology (IT) system level. The MoSJE took three years to respond to some of the recommendations made by the CAG for effective implementation of the PMS-SC scheme in the context of the new guidelines issued in April 2021.<sup>7</sup> This section identifies the implementation and monitoring issues and looks at how the new guidelines have tried to overcome these issues.

**Timelines for submission of action plan, application forms and disbursal of funds:** The 2010 and 2018 guidelines for the scheme did not clearly specify a timeline for either preparation or submission of Annual Action Plans/or perspective plans. In such a situation, States often do not make an Annual Action Plan. The absence of an action plan for successive years translates into the lack of a year-wise database on beneficiaries, which would have proved useful to draw up estimates of budgetary resources for the subsequent financial year. Without a comprehensive Annual Action Plan and credible database on eligible students, State governments' demands for central assistance from the Union government end up being based on inaccurate data.<sup>8</sup> Further, this also leads to a lack of uniformity among States in preparing and submitting annual proposals/plans to the MoSJE.

There is also no fixed timeline for submission of application forms or sanction and disbursal of scholarships to students. The application dates are announced randomly and in different months in different States. Often, they are announced during the examination period, leaving students with very little time to apply with all the required documents. The respondents in our survey stated that they largely became aware of the PMS-SC scheme through the efforts of NGOs. The respondents also got information through other sources such as their school, college or university. The Department of Social Welfare, however, plays a limited role in this regard, whereas policy says about making the students aware.

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<sup>6</sup> [https://cag.gov.in/webroot/uploads/download\\_audit\\_report/2018/Report\\_No\\_12\\_of\\_2018\\_-\\_Performance\\_Audit\\_on\\_Post\\_Matric\\_Scholarships\\_to\\_the\\_Students\\_belonging\\_to\\_Scheduled\\_Castes\\_for\\_studies\\_in\\_India\\_in\\_Ministry\\_of\\_Social\\_Justice\\_and\\_Empo.pdf](https://cag.gov.in/webroot/uploads/download_audit_report/2018/Report_No_12_of_2018_-_Performance_Audit_on_Post_Matric_Scholarships_to_the_Students_belonging_to_Scheduled_Castes_for_studies_in_India_in_Ministry_of_Social_Justice_and_Empo.pdf)

<sup>7</sup> [https://socialjustice.nic.in/writereaddata/UploadFile/PMS\\_for\\_SCs\\_Scheme\\_Guidelines.pdf](https://socialjustice.nic.in/writereaddata/UploadFile/PMS_for_SCs_Scheme_Guidelines.pdf)

<sup>8</sup> Ministry of Social Justice and Empowerment, 2018a

Most of the respondents said the window to fill application forms for the PMS-SC scheme opened in August. A sizeable number of respondents said the application process runs until November, which goes to show that there is no fixed month to close the application process. The respondents stated that there was no clarity or fixed time given to fill the form, which led to many (mostly students from Jharkhand and Bihar) missing the submission deadline. Many students felt they did not get adequate time to fill and submit the form with required documents. They opined that a specific month every year to fill the form would make it easier for applicants, giving them sufficient time to prepare beforehand.

In the recently (2021) released guidelines for the PMS scheme, a clear timeline has been proposed for preparation of the action plan, receipt of application forms, scrutiny of forms and disbursement of the scholarship amount to students by the Centre and States. An Annual Action Plan has to be prepared by all States/UTs before the 28th of February of the preceding year, with targets and eligibility, proposed coverage for the poorest households, identification process, identification of courses having employment potential, and systems of monitoring. The guidelines identified four fixed periods in a year to receive applications forms, as presented in Table 2.1 below. So far, notifications for the application form for the period starting from 1st April to 31st July have not been issued in Andhra Pradesh, Jharkhand, and Uttar Pradesh, the States covered by this study.

**Table 2.1: Timeline for receipt of application forms for the PMS-SC scheme**

Dates for receipt of applications
From 1st April to 31st July
From 1st August to 30th November
From 1st December to 31st January
From 1st February to 31st March

Source: Guidelines for Post Matric Scholarships to Students Belonging to Scheduled Castes (2020-21 to 2025-26) Ministry of Social Justice and Empowerment, March 2021

**Lower reimbursement or exclusion due to violation of provisions or improper verification:** In contravention with the scheme guidelines, some educational institutes collected a non-refundable tuition fee in Karnataka, Maharashtra, Punjab and Tamil Nadu during the 2012-17 period (CAG Performance Audit report, 2018). This used to happen in the case of delays in the release of scholarship amounts to the bank accounts of students. To address this problem, a Freeship card will be issued to eligible students. It will help students study in an institution without pre-payment of tuition fees, on the condition that as and when the scholarship amount is released, the institutions would be intimated and collect the same from the students.

The issue of lower reimbursement or denial due to problems with parents' income certificates was flagged by many students, especially those from Uttar Pradesh. Separately, the CAG Performance Audit report for 2018 identified instances of scholarships remaining undisbursed in Maharashtra, Tamil Nadu and Uttar Pradesh to the tune of Rs 375.30 crore for the 2012-17 period due to a mismatch in bank details or dormant bank accounts in the case of Uttar Pradesh. Of the Rs 375.30 crore, Uttar

Pradesh accounts for Rs 343.29 crore (91 per cent). The CAG audit also flagged the following issues, among others: improper scrutiny of forms leading to a mismatch between certificates and/or other particulars with those available online, in departmental records and physical application forms; scholarships paid to ineligible students; denial/lower or excess payment of scholarships.

To resolve the aforesaid problems, the new guidelines state that the State will carry out full-proof verification of eligibility, caste status, Aadhaar identification, and bank account details on the online portal. Certificates (school board result, income, caste and domicile) will not be uploaded on the system; instead, the data will have to be verified by linking the database through Digi locker or any such mechanism using the Aadhaar ID as the link. The verification process will thus become automatic/digital, with little or no manual intervention. There should be no verification by institutions or even district officers. Further, the Departmentally Related Standing Committee on Social Justice — 2020-21 requested the Central government to ask banks to evolve a mechanism whereby students' accounts do not become dormant due to the lack of periodic transactions.

**Low and unrevised family/parental income ceiling criteria:** Inappropriate eligibility criteria are another problem associated with low coverage/exclusion of beneficiaries. Many States have not adhered to the revised income ceiling of Rs 2.5 lakh per annum w.e.f. 2013-14 — the earlier cap was Rs 2 lakh per annum, leading to the exclusion of many SC students, as witnessed in Maharashtra and Uttar Pradesh. Another issue is use of incorrect criteria to compute parental income, leading to lower number of application of scholarships.<sup>9</sup> Interactions with SC students from Uttar Pradesh, Bihar, Jharkhand, Andhra Pradesh and Telangana revealed that despite the income ceiling being specified at Rs 2.5 lakh per annum, in actual practice, only students with far lower family income (less than the ceiling) are accepted, while the rest are excluded due to budget constraints.

Apart from issues related to non-adherence with the revised income-ceiling norm, it also has been noted that the ceiling has not been revised for eight years, and therefore does not factor in inflation. The parental/family income eligibility criteria were revised from Rs 1 lakh per annum to Rs 2 lakh per annum in 2010, and then to Rs 2.5 lakh per annum in 2013-14. The current income ceiling limit has not been revised since then. The new guidelines for the PMS-SC scheme have not taken up this issue nor do they contain any monitoring provisions to ensure SC students who meet the existing income criteria are not excluded. Most of the respondents in the survey felt that the current eligibility criterion fixing parental income/family income at Rs 2.5 lakh per annum is a hurdle in the way of SC students seeking higher education and should be revised. A seventy percent of students stated that the limit should be above Rs 3.5 lakh per annum at the very least.

**Information, Communication and Technology (ICT):** Many State governments have been using the State portal instead of the National Scholarship Portal (NSP) to disburse payment to students under the PMS-SC scheme due to technical issues.<sup>10</sup> The interactions with students revealed that Andhra Pradesh, Jharkhand, Uttar Pradesh, and Bihar still use the state portal. However, these portals have their own deficiencies, such as junk/duplicate data, payments to duplicate bank account numbers, payments to the same students via different college IDs, duplicate caste certificate numbers, high

<sup>9</sup> Ministry of Social Justice and Empowerment, 2018a

<sup>10</sup> Ministry of Social Justice and Empowerment, 2018a

school roll numbers etc, all of which leads to repetition and also keeps benefits from reaching genuine recipients.<sup>11</sup>

To address these problems, the new PMS-SC scheme guidelines talk about an online platform with robust cybersecurity measures that assure transparency, accountability and timely delivery of assistance. For this purpose, the NSP will be modified suitably and the State portal may be linked to the NSP in case a State runs its existing portal on a standalone basis. In the latter case, States will have to share data on a real-time basis on NSP or any other portal suggested by the MoSJE.

**Monitoring of PMS-SC:** The 2018 CAG Performance audit found ineffective monitoring in the selected States in terms of the lack of internal audits at the State and district level; non-submission or partial submission of quarterly progress reports, shortcomings in annual inspections of institutes; lack of a grievance redressal mechanism at the ministry, State, and district level; and deficiencies in evaluation of the scheme. For example, Bihar has not submitted a status report on the PMS-SC scheme since 2013 (gleaned from interaction with students). These shortcomings in monitoring and evaluation can result in faulty execution as physical and financial progress as well as grievances and mala fide activities cannot be ascertained and addressed. There is no accountability mechanism in the scheme's entire framework of allocation and utilisation. Even eligible students have not received scholarships in Jharkhand, Bihar and Uttar Pradesh despite successfully submitting their applications with all the requisite documents.

The absence of a monitoring mechanism also leads to frauds and scams. Fraudulent practices in the PMS-SC scheme have been reported from many States, including Punjab and Maharashtra. Recently, scams by middlemen, educational institution staff and State government employees to illegally divert funds under the PMS-SC scheme for minority students have been reported in Jharkhand<sup>12</sup>. Interactions with students reveal a similar problem in Uttar Pradesh, where a large number of private institutes do not let students fill the scholarship application forms, instead filling the forms themselves, which leads to corrupt practices. External factors such as the lack of internet connectivity and computers also force students to depend on internet cafes and the educational institutes. This not only leads to rejection of forms due to errors, but also allows institutions to divert funds. Further, as institutions often use their own phone numbers instead of students' numbers, the beneficiaries remain unaware of the progress or the correction period.

To make the monitoring mechanism of the PMS scheme robust and effective, the new guidelines call for an annual social audit, annual third-party evaluation, and half-yearly self-audited reports from each institution. In order to ensure proper accountability, a physical verification (Block, District and State Levels) has to be carried out by States, covering at least 10 per cent of the public and private institutions/students, who will be chosen randomly through an algorithm.

**Issues in beneficiaries' data and gender representation in the same:** The details available on beneficiaries do not have disaggregated data on fresh and renewal candidates. Data on award of scholarships to fresh candidates shows the number of students availing the scholarship for the first time, whereas the data on candidates who renew their scholarship shows the number of scholars

<sup>11</sup> Ibid.

<sup>12</sup> Angad, 2020

securing promotion to the next class. The dropout rate of beneficiaries should ideally be 'nil' or minimum for the scholarship to be a success. It is also very important to have data on the number of fresh applications, applications found eligible, and reasons for rejection along with award of fresh scholarships to assess the progress of the scheme. A test check of the records/database by the CAG in Karnataka, Tamil Nadu, and Uttar Pradesh revealed low renewal rates in certain courses. The 2018 CAG Performance Audit report says that these governments failed to ascertain the reasons for the poor renewal rate of students pursuing professional and other courses.

Additionally, while female students are given importance under similar schemes for minorities, neither the new PMS-SC scheme guidelines, nor the 2018 CAG Performance Audit report or Departmentally Related Standing Committee reports have paid attention to the key issue of representation of female students within the PMS-SC scheme. So far, no gender-wise data has been provided on those availing the benefits of the scholarship. The guidelines for the PMS scheme for minorities state that girl students should be allotted at least 33 per cent of the total number of scholarships, whereas actual data on those accessing the scholarship reveal that female students have been getting more than 50 per cent of the benefits under the PMS scheme for minorities.<sup>13</sup>

Proper and timely implementation of these new provisions will show how effective they are in minimising implementation challenges and addressing public finance issues within the PMS-SC scheme.

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<sup>13</sup> Ministry of Minority Affairs, 2021 March

## 3. Key Issues in the PMS-SC Scheme Design Impacting Fiscal Governance

This section looks at the fund sharing pattern and the fund flow mechanism under the PMS-SC scheme and issues therein that affect implementation of the scheme. It also examines the provisions announced recently by the Central government to overcome persistent problems in the fund sharing pattern and the fund flow mechanism.

### 3.1 Fund Sharing Mechanism between the Centre and the States

The PMS-SC scheme has had a complicated fund sharing history. Before discussing the issues and challenges in the fund-sharing mechanism, it is important to understand how different kinds of schemes are funded by the Union Government. There are two categories of development schemes implemented by the Central government, namely, Centrally Sponsored Schemes (CSS: where funding is shared by the Centre and State in varying ratios) and Central Sector Schemes (CS: where the entire expenditure is borne by the Centre).

In 2016, CSSs were restructured and rationalised on the basis of recommendations by a Sub Group of Chief Ministers constituted by the National Institution for Transforming India (NITI) Aayog. The CSSs were divided into three categories: core, core of the core, and optional schemes. A core of the core scheme is defined as a legislative-backed scheme designed to target vulnerable sections of the population and includes some of the umbrella schemes for SCs, STs and minorities. All core-of-the-core schemes are funded in a 75:25 or 90:10 Centre-State ratio, whereas the Centre-State funding ratio for core schemes has been fixed as 60:40.

Although, the PMS-SC scheme is classified as a CSS by its guidelines, until 2021, the scheme was implemented as a Central Assistance (CA) Programme (explained in the next section) and the fund-sharing quantum was decided on the basis of a committed liability formula, whereby the Centre provided 100 per cent Central assistance to States over and above its committed liability.

With the fund-sharing ratio of 60:40 set by the new guidelines in 2021, the PMS-SC scheme has the fund-sharing pattern of a core scheme rather than a core-of-the-core scheme as it should, given that it is under the umbrella scheme for development of SCs, STs and minorities. As core-of-the-core schemes, PMS scheme for minorities is implemented as a Central Sector scheme with 100 per cent funding from the Central government and PMS scheme for STs is being implemented as a CSS, with States contributing 25 per cent of the funding.

#### 3.1.1 Issues related to the method of committed liability

Under the committed liability system, the expenditure incurred by a State during the terminal year (last year) of the last Five-Year Plan becomes the committed liability of that State for each year of the next Five-Year Plan, and the Centre provides additional funding to the State (or UT) to meet its entire demand in excess of this committed liability. This additional funding is called Central Assistance. North East

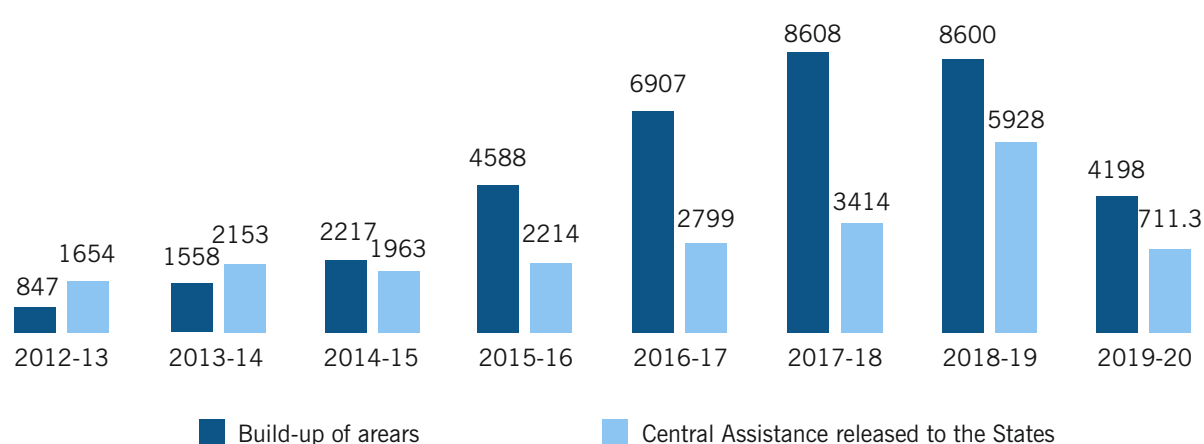


(NE) States are exempted from this committed liability and the Central government bears their entire funding requirement.

As per revisions in the PMS-SC scheme guidelines in April 2018, the formula of committed liability changed from the actual expenditure on the PMS scheme by the State in the terminal year of the previous Five-Year Plan period to the highest demand, i.e., the total of the State's as well as the Central Government's share for any of the financial years of the previous Plan Period/Finance Commission Cycle (FCC). The committed liability put greater financial responsibility on the States, and the revision in the definition of committed liability in 2018 increased it further. The central share in the funding of the scheme, which had been 53.38 per cent (Rs 7,345 crore) in the 11th Plan (2007-12) and 57.42 per cent (Rs 20,191 crore) in the 12th Plan (2012-17), fell to 11.70 per cent (Rs 3,020 crore) by 2018-19, which in itself amounts to a near withdrawal by the Union Government from its financial responsibility for the scheme. The amount of committed liability by States during the 14th FCC (2017-18 to 2019-20) was Rs 8,977.91 crore annually and Central share was Rs 1,092 crore annually, i.e., only 11 per cent of the total expenditure on the PMS-SC scheme.

In reality, the committed liability formula acted as a disincentive for States due to the consistent increase in expenditure on their part to implement the PMS-SC scheme. The inadequate funding for the scheme is also the result of the uneven fund-sharing pattern between the Centre and the States and the excessive burden of the committed liability on States. On the other hand, the budget estimates (BE) and revised estimates (RE) under the scheme have been consistently lower than the demand by States and UTs for Central Assistance over the years. The build-up of arrears as shown in Figure 3.1 has been a regular problem within the PMS-SC scheme's funding, as there is a gap between the demand by the State governments and disbursement by the Central government. The difference in the timing of their respective budget presentations is also a factor here.

**Figure 3.1: Build-up of arrears under the PMS-SC scheme (amount in Rs crore)**



Source: Departmentally Related Standing Committee Report on DDGs of MOSJE for several years



The 2018 CAG Performance Audit report reveals that the gap between availability of funds with the MoSJE and the demand raised by the States due to accumulation of arrears has been widening since 2014-15. The persistent deficit between allocation and demand for the PMS-SC scheme resulted in an accumulation of arrears amounting to Rs 8,600 crore<sup>14</sup> (Rs 1,829.30 crore only for Uttar Pradesh<sup>15</sup>) till 2017-18. In 2019-20, these arrears amounted to Rs 4,198.18 crore, after some dues were cleared in 2018-19. The average demand for Central Assistance from States/UTs is approximately Rs 4,500-5,000 crore per annum. The MoSJE requested the MoF vide letters dated 16.06.2015, 30.06.2015, 17.12.2015, 10.02.2016 and 08.12.2016 and the Prime Minister vide letter dated 15.02.2016 for an additional budget allocation to clear the rising arrears. These requests were reportedly not heeded. Consequently, the build-up of arrears under the scheme has not been cleared. Consequently, many eligible students have been left out of the ambit of the scheme, or face delays in getting their scholarship money.

On the other hand, it is important to note that enrolment of SCs under the PMS-SC scheme during the same period has increased from 31.58 lakh in 2007-08 to 49.42 lakh in 2012-13 to 52.86 lakh in 2019-20 (as on 31.12.2020), indicating that demand is high. The low level of fund sharing by the Union Government, however, reflects the poor priority given to enabling SC students to pursue higher education. As presented in Figure 4.2 below, an allocation of Rs 3,815.87 crore for the PMS-SC scheme was made after a revision in the fund share at the RE stage in 2020-21. This should have been Rs 6,000 crore. Hence, it is difficult to say when the entire arrears will be cleared.

### 3.1.2 Issues with the new fund sharing system

Given the problems with the system of committed liability and the build-up of arrears, the funding pattern for the scheme was revised in a cabinet meeting on December 23, 2020 to a fixed sharing Centre-State/UT ratio of 60:40 and 90:10 for NE States. The revised funding pattern is applicable w.e.f. 2020-21, with States/UTs instructed to disburse their 40 per cent share by 28th February 2021, following which the Central government is supposed to disburse its 60 per cent share, by 31st March 2021.

There is an issue with the new funding pattern for the PMS-SC scheme going by the NITI Aayog report on rationalisation of CSSs. The report states that the scheme is in the core-of-the-core category. However, the fund sharing ratio between the Centre and the States for this category does not exceed 75:25. In fact, the 60:40 fund sharing ratio is for the core scheme category. Hence, the new fund-sharing ratio for the PMS-SC scheme is in violation of the recommendations made by the NITI Aayog Committee.

This new fund-sharing formula took effect in 2020-21 and will go on until financial year 2025-26. The new funding pattern will be applicable on the average demand from States for the three-year period from 2017-18 to 2019-20 (taken as the base period). There will be a 5 per cent annual increase in the Central Assistance for all States put together in absolute terms w.r.t the base period. The new guidelines further state that the average demand or actual demand for 2020-21, whichever is lower, will be

<sup>14</sup> Ministry of Social Justice and Empowerment, 2018a

<sup>15</sup> Ibid.

applied in the new fund-sharing formula. From 2021-22 onwards a 5 per cent increase will be ensured over the average demand by the Project Appraisal Committee at the time the Annual Action Plan is reviewed.

Further, the MoSJE will have the flexibility of adjusting the allocation of funding between the States subject to approval of the total allocation, without disrupting the 60:40 sharing ratio. If the total funding requirement exceeds the annual 5 per cent limit, the additional ask will have to be met by the States from their own resources.<sup>1617</sup> So, while the revised funding pattern seems to reduce the funding share of the States from around 90 per cent to 40 per cent, the new conditions in the PMS-SC scheme guidelines indicate that the States' share can be more in the event actual demand is more than 5 per cent of the base period demand.

Under the new guidelines, States have to first transfer their share of 40 per cent of the scholarship to the bank accounts of students and report this to the Centre. Only then will the 60 per cent Central share be released to the students. This shows that while on the one hand, the Centre claims that States' liability has been reduced by the new fund-sharing pattern, on the other hand, it has made the release of its own share conditional on States first doing their bit.

## 3.2 Fund Flow Mechanism for the PMS-SC Scheme

This sub-section looks at the process of identifying demand for funding, the fund flow from the government to beneficiaries, and changes brought about by the new guidelines. Further, it looks at the challenges associated with the process of demand and fund flow.

### 3.2.1 Previous demand and fund flow process

For the PMS-SC scheme to have better outcomes, timely preparation of a comprehensive annual plan with a realistic demand estimate, and smooth fund flow from the government to beneficiaries are pre-requisites. It is evident from a review of the literature, discussion with officials, CSOs and students those multiple stakeholders are involved in preparing the demand, scrutinising applications, approving the scholarships, releasing the allocation for the PMS-SC scheme, and disbursing the scholarship to the bank accounts of students/mothers.

**Demand-side process:** The demand-side process begins with the announcement and opening of the application window by the Department of Social Welfare. Students access the scholarship forms online through the State portal and submit hard copies to educational institutes with the relevant documents. Thereafter, the respective educational institutes verify the applications and forward them to the District Education Officer. The District Education Officer then counter-verifies the applications and locks them online. The State National Informatics Centre (NIC) then segregates the total data into 'correct' and 'suspect' data based on information obtained online from the concerned department's portals. 'Correct'

<sup>16</sup> Ministry of Social Justice and Empowerment, 2021 March

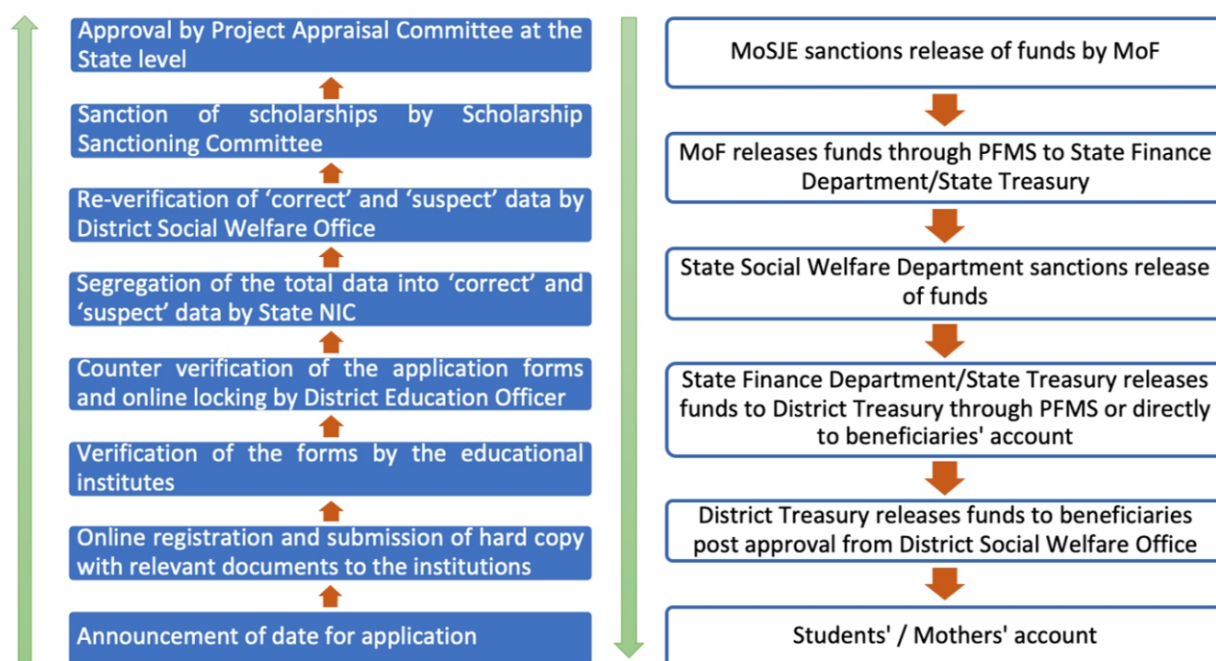
<sup>17</sup> For instance if a State, has a Rs 1,000 outlay for the PMS-SC scheme, the Centre has to contribute Rs 600 crore while the State has to chip in Rs 400 crore. Now, if the actual funding requirement rises to Rs 1,200 crore, the Centre will contribute only an additional Rs 50 crore or 5 per cent of the excess. The remaining Rs 150 crore excess will have to be funded by the State from its own resources.

and 'suspect' data generated online is then re-verified before approval by the District Social Welfare Office. The scholarship sanctioning committee then sanctions the scholarships and submits the data online to State-level treasuries with digital signatures for the release of payments to the beneficiaries by Drawing and Disbursal Officers (DDOs). The same process is followed countrywide with little or no variation across States. All three States in this study follow the above process.

**Supply-side process:** After the Centre approves the demand, funds for the PMS-SC scheme are released through the Public Financial management System (PFMS) of the Controller General Accounts under the Ministry of Finance, as provisioned by the MoSJE, to State treasuries (State Finance Departments). The State government, too, releases its share for the scheme. The State Finance Department, in consultation with the State Department of Social Welfare (DSW), then releases the budget for districts based on demand. Subsequently, the PMS-SC scheme funds from the State flow to districts/beneficiaries as per the budget approved for various districts. From the State treasury, money either goes to the district treasury or to the bank accounts of the beneficiaries, based on the mechanism adopted by the respective State departments. For instance, in Andhra Pradesh and Uttar Pradesh, the PMS-SC funds go to the State Department for Welfare of Scheduled Castes from where the scholarship is directly credited to the students' accounts by the director of the department/DDOs. In Jharkhand, the funds go to the district treasury, then to the bank accounts of the beneficiaries. Further, in the case of Jharkhand and Uttar Pradesh, the scholarship amount is transferred through the PFMS to the students' accounts, while in Andhra Pradesh, it is transferred to the students' mothers' accounts.

The general (countrywide) demand-assessing process and flow of funds under the PMS-SC scheme involves various stages and is shown below:

**Figure 3.2: Demand assessment and fund flow process under the PMS-SC scheme**

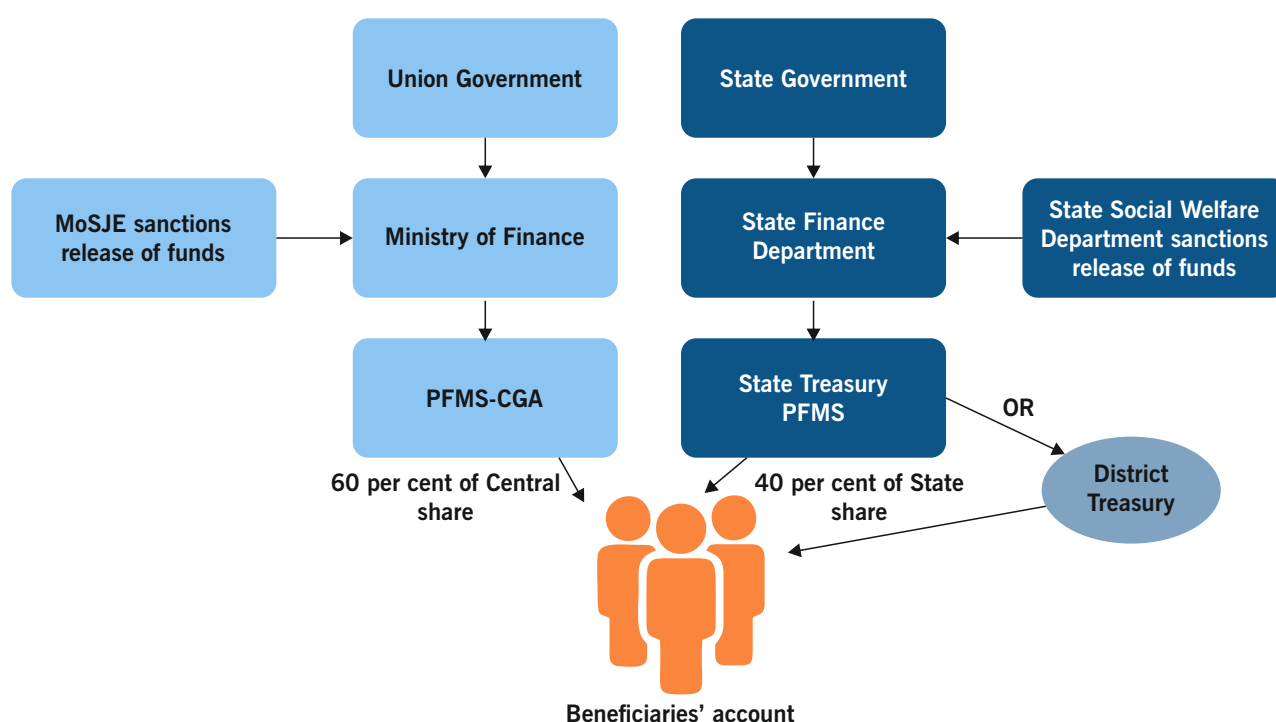


Source: Developed by CBGA using CAG Performance Audit Report, 2018 and relevant government Orders and documents of UP, AP and Jharkhand

### 3.2.2 Changes in the fund flow mechanism for the PMS-SC scheme under the new guidelines

As per the new guidelines, the Central and State share (60 percent and 40 percent, respectively) will be transferred separately to the beneficiaries. This implies that after receiving the funds from the Ministry of Finance, the Central share of the scholarship will be transferred to the beneficiaries by the MoF/Ministry of Social Justice and Empowerment through the PFMS/CGA. Similarly, the State share will be transferred to the beneficiaries directly by the State or District treasury, based on demand and approval from the State departments/Districts departments responsible for implementation of the PMS-SC scheme. From 2021-22, payment of the scholarship (tuition fee, maintenance allowance and other components) to the students by the Centre and State is through a Direct Benefit Transfer (DBT) mechanism using an Aadhaar-based payment system (Aadhaar Payment Bridge). States can also use the PFMS to transfer their share into students' bank accounts. This does not require validation of the bank accounts another time.

**Figure 3.3: Fund flow process under the new guidelines of the PMS-SC scheme**



Source: Developed by CBGA, 2021

### 3.2.3 Challenges in the new fund flow mechanism

As mentioned above, the new PMS-SC scheme guidelines talk about transferring the Central share of the scholarship amount directly to the beneficiaries, bypassing the State budget/treasury. This new system of fund flow may create problems in ensuring accountability and transparency at the State level because the central share will not reflect in the Detailed Demand for Grants of States. The PFMS process used by the Central and State governments may also face challenges and transparency issues

due to the Central and State funds reaching the beneficiaries through separate channels. The new mechanism, rather than expediting the fund flow process, might create delays in the receipt of the scholarship amount. Moreover, the new mechanism is also not in the consonance with the decision taken in the Interim Union Budget of 2014-15 for budget accountability and transparency. That decision had focussed on transferring funds under 66 centrally sponsored schemes (CSS) via the State Consolidated Fund / State treasury and not through a direct release by the Centre to implementing agencies or beneficiaries. The objective was to provide greater accountability and transparency in disbursement of funds by the Central government to the States. The entire funding allocation for a CSS was to be transferred via Central ministries to States' budgets/treasury, with the States adding their share and releasing the money to the implementing agencies/beneficiaries.

Further, there are no specified timelines for the sanction and disbursement of scholarships, leading to delays in receipt of funding by the students. Maharashtra, Punjab, Tamil Nadu, and Uttar Pradesh saw delays ranging from one to six years in payment of scholarships to 18.58 lakh students.<sup>18</sup> As per media report,<sup>19</sup> the scholarships of 50,000 students in Jhansi and 21,000 students in Lalitpur district of Uttar Pradesh for financial year 2020-21 had not been disbursed as of February 2021. The following table shows the fund flow timeline for the PMS-SC scheme from States and the Centre to students' accounts.

**Table 3.1: Fund flow timeline for the PMS-SC scheme specified by the new scheme guidelines**

Date by which State share should be released	Date by which Central share should be released
15th August	30th August
30th December	26th January
28th February	15th March
Within 75 days of application	Within 90 days of application

Source: Guidelines for Post Matric Scholarships to Students Belonging to Scheduled Castes (2020-21 to 2025-26) Ministry of Social Justice and Empowerment, March 2021

<sup>18</sup> Ministry of Social Justice and Empowerment, 2018a

<sup>19</sup> Amar Ujala Bureau, Uttar Pradesh, February, 20, 2021

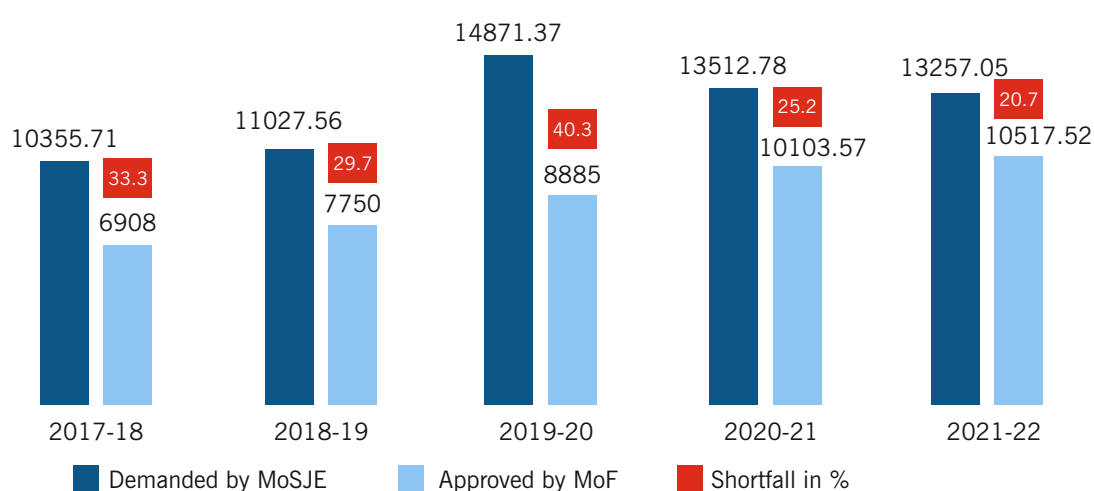
## 4. Financial Management System and Budgetary Priorities for PMS-SC Scheme

Public finance management (PFM) is concerned with budget allocation, i.e. raising sufficient resources at national and state level; budget execution or utilisation, i.e. ensuring that the allocated budget is spent in full and in a timely manner. The adequate budgetary allocation along with comprehensive planning and timely fund flow would make the implementation of the PMS-SC scheme more effective. This section looks at the quantum of budget made available to the MoSJE from MoF, followed by Union and state wise budgetary allocation for PMS-SC, and comments on the adequacy of allocation and execution of the budget.

### 4.1 Analysis of Budget Allocation for the MoSJE and its Implications for the PMS-SC Scheme

In seeking its budgetary outlay, the MoSJE formulates an annual plan proposal/ Detailed Demand for Grant as per the directions of the Department of Expenditure, MoF. Figure 4.1 shows that the budget approved for the MoSJE by the MoF has been constantly lower than the ministry's demand, even when the utilisation of funds is more than 95 per cent (percentage of actual expenditure out of budget estimates (BE) of the MoSJE budget), except for FY 2020-21. FY 2020-21 had seen a utilisation of 45.5 per cent as of 24th February 2021. As per the 20th Standing Committee Report on Social Justice and Empowerment, the lower utilisation in 2020-21 was due to the monthly expenditure ceiling of 5 per cent till September 2020 imposed by the Ministry of Finance as well as due to other operational restrictions in the face of Covid-19<sup>20</sup>.

**Figure 4.1: Budgetary allocations to MoSJE and shortfall therein (amount in Rs crore)**



Source: Departmentally Related Standing Committee Report on DDGs of MOSJE for several years

Note: The Departmentally Related Standing Committee Report on DDGs of the MoSJE for 2021-22 mentions two different figures for the approved budget by the MoF (Rs 10,517.62 and Rs 10,567.62 crore). This paper has taken Rs 10517.62 crore as the approved budget.

<sup>20</sup>[http://164.100.47.193/lsscommittee/Social%20Justice%20&%20Empowerment/17\\_Social\\_Justice\\_And\\_Empowerment\\_20.pdf](http://164.100.47.193/lsscommittee/Social%20Justice%20&%20Empowerment/17_Social_Justice_And_Empowerment_20.pdf)



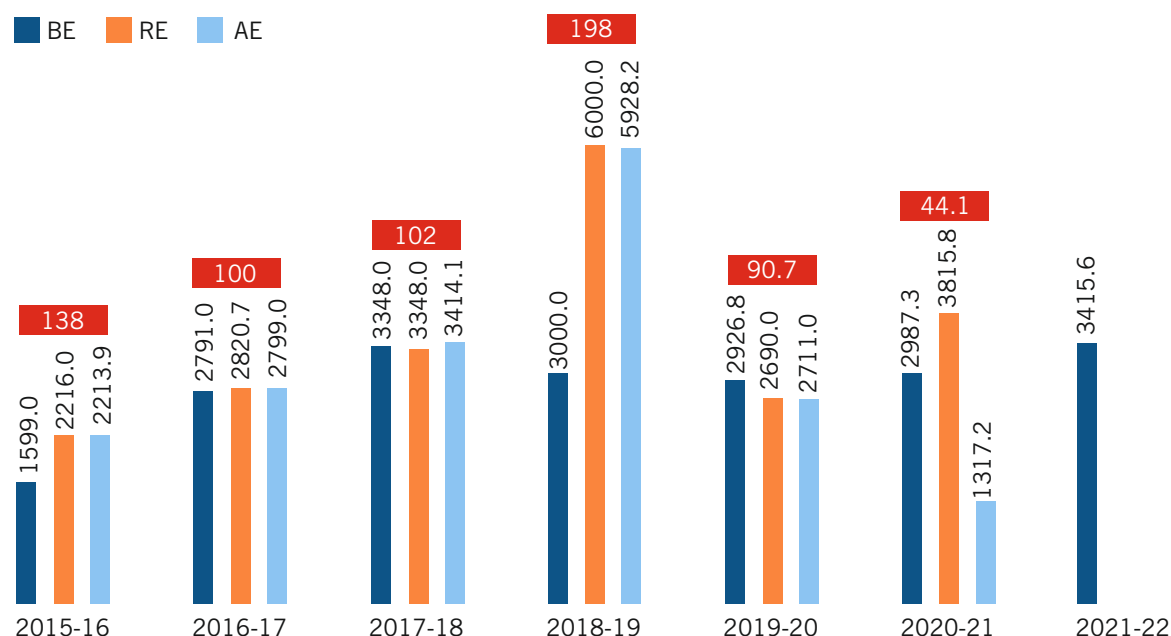
Given that the socially, educationally, and economically marginalised sections of society have had to face the worst of the Covid-19 pandemic's impact on life and livelihoods, education and health, the Standing Committee report on Social Justice and Empowerment held that the budgetary requirement projected by the MoSJE should have been considered favourably by the MoF. However, the allocation for FY 2021-22 still remained lower than demanded. The CAG's 2018 Performance Audit Report found that the deficit in funding of the MoSJE against the projected requirement by the MoF during the 2012-17 period affected the proposed outlay for the PMS-SC scheme and other schemes. The first Standing Committee's report corroborates this by stating that the approval of only 60 per cent of the budgetary requirement projected by the MoSJE for 2019-20 adversely affected the PMS-SC scheme, which saw a shortfall of Rs 4,198.18 crore that year. It is clear that although the gap between the proposed budgetary requirement and approved budget narrowed in FY 2020-21 and 2021-22, it is still a very wide gap.

## 4.2 Analysis of Budget Allocation for the PMS-SC Scheme at the Union Level

Having noted that the lower funding of the MoSJE during the 2012-17 period affected implementation of the PMS-SC scheme and others implemented by the department, it can be seen from Figure 4.2 that the budget allocation for the PMS-SC scheme was increased over financial years 2016-17, 2017-18, and 2018-19, before dipping in 2019-20 and 2020-21. This dip was despite utilisation ranging from 98 per cent to 102 per cent, which goes to show that the lower allocation in subsequent years was also short of the demand. Further, it is important to note that even when the budget was increased, it was short of the demand in terms of the arrears accumulated — this was because of the lag between the demand by States and disbursal by the Central government due to the difference in the timing of their budget presentations. In addition, the high revised budget allocation of Rs 6,000 crore for FY 2018-19 was to cover pending arrears up to 2017-18, after which the allocation declined though the scheme showed full utilisation of the funds released in FY 2019-20. The allocation declined again in FY 2020-21 due to the Covid-19 pandemic.

Union Budget 2021-22 announced that Rs 35,534 crore would be provided over the following six years (until 2025-26) for the PMS-SC scheme, translating into central assistance of Rs 6,000 crore each year. In light of this announcement a significant increase was expected in the annual outlay for the PMS-SC scheme. However, the increased budget estimate of Rs 3,415.62 for FY 2021-22 falls well short of those expectations and is also lower than the revised budget of the previous year.

**Figure 4.2: Budgetary allocation and expenditure under the PMS-SC scheme at the Union level (amount in Rs crore)**



Sources: Union Government Expenditure Budget and Departmentally Related Standing Committee Reports on DDGs of the MoSJE for several years

Note: \*as on 31 December 2020

**Utilisation and timeliness:** In 2020-21, out of a total of Rs 3,815.8 crore, only Rs 1,317.16 crore (RE) was released until December 2020. The MoSJE released 44 per cent over the first three quarters and 56 per cent was left to be released in the last quarter of the financial year. This shows that not only was the budget allocation inadequate, utilisation, too, was uneven. A delay in the release of funds impacts implementation of the scheme. When funds from the Central government reach States towards the end of the financial year, it leads to delays in the disbursement of scholarships into students' accounts, as was the case in Andhra Pradesh, Jharkhand, and Uttar Pradesh.<sup>21</sup>

### 4.3 Analysis of Budget Allocation for the PMS-SC scheme in Select States

Table 4.1 shows that despite the hike in the overall budget allocation for the PMS-SC scheme by the Central government in December 2020, the three States in our study did not increase the allocation in their 2021-22 budget. In Jharkhand, the budget allocation for the PMS-SC scheme remained the same as in the Budget Estimate for 2021, while Andhra Pradesh and Uttar Pradesh lowered their BE for the same period.

<sup>21</sup>[http://164.100.47.193/Isscommittee/Social%20Justice%20&%20Empowerment/17\\_Social\\_Justice\\_And\\_Empowerment\\_20.pdf](http://164.100.47.193/Isscommittee/Social%20Justice%20&%20Empowerment/17_Social_Justice_And_Empowerment_20.pdf)



**Table 4.1: Budget allocation and utilisation of funds in Jharkhand, Andhra Pradesh and Uttar Pradesh (amount in Rs crore)**

State	2017-18 BE	2017-18 AE	2018-19 BE	2018-19 AE	2019-20 BE	2019-20 AE	2020-21 BE	2021-22 BE
Jharkhand	68	23 (33.8 %)	68	25 (36.5%)	53	23 (43%)	53	53
Andhra Pradesh	706	661 (93.6 %)	762	509 (66.7%)	799	817 (95%)	996	900
Uttar Pradesh	1761	1810 (103%)	1761	1761 (100 %)	1830	1830 (100%)	1830	800

Source: State Budget Documents (Detailed Demand for Grants) of Jharkhand, Andhra Pradesh and Uttar Pradesh

Note: Utilisation in percentage terms is shown in parentheses

**Utilisation and timeliness:** An analysis of the PMS-SC scheme's expenditure at the State level found inefficiency in the utilisation of funds by Andhra Pradesh and Jharkhand. Table 4.1 shows that Jharkhand and Andhra Pradesh have a poor record of fund utilisation while Uttar Pradesh shows 100 per cent utilisation. In the case of Uttar Pradesh, however, it is to be noted that the full utilisation of funding does not necessarily mean that the scholarship reaches the beneficiaries on time.<sup>22</sup>

The 2018 CAG Performance Audit found delays in fund releases at various levels (from the Union Ministry of Finance to the MoSJE, and from the MoSJE to States, as the States were late in submitting their proposals). This, in turn, led to delays in the release of the scholarship to the students. At the State level, educational institutions are often late in submitting documents / Utilisation Certificates (UCs) to the State Social Welfare department, resulting in further delays. Consequently, several eligible students fail to avail of the benefits offered by the scheme. Respondents to the survey conducted for this study said that the scholarship reached them after a delay, particularly in Bihar, Jharkhand, and Uttar Pradesh. It is interesting to note here that all of the respondents from Odisha claimed there was no delay at all. The majority of the survey's respondents stated that they received the scholarship in February. Most did not know why exactly there was a delay in their State. Some students cited problems in the scheme design, policies and the government's carelessness towards the SC/ST community for the delay. A few others believe that institutions and the Social Welfare Department/Education Department are responsible for the delay as they do not submit forms to the State on time.

In addition, it was found that verification of application forms is done very late by the District Welfare Society. Consequently, funding for the scholarship is not sanctioned on time by the higher authorities, leading to huge delays in disbursement to beneficiaries. Non-release of the scholarship amount to the students within the academic year often leads to discontinuation of studies.<sup>23</sup> Sometimes colleges deny them registration for the next year. In Uttar Pradesh, even after receiving money on the basis of demand in 2020-21, the Department of Finance asked the Department of Social Justice to once again obtain a sanction before disbursing money into the accounts of the students, causing a delay.<sup>24</sup>

<sup>22</sup> Dynamic Action Group (DAG)- Dalit Rights NGO, Lucknow

<sup>23</sup> Ibid.

<sup>24</sup> Amar Ujala Bureau, Uttar Pradesh, February, 20, 2021

### PMS-SC: State Level Experiences from Andhra Pradesh and Bihar

Andhra Pradesh is implementing PMS-SC as — *Jagananna Vidya Deevena* (Reimbursement of Tuition Fee–RTF) and *Jagananna Vasathi Deevena* (Maintenance Fee–MTF) in 2020. The schemes provide universal access to higher education to students from financially weak families by reimbursing their fees fully and also covering their food and hostel expenses. The amount is transferred directly to the bank accounts of the mothers of eligible students in order to bring in transparency and enforce accountability from college managements.

However, these schemes, which replace the PMS-SC scheme in the State, exclude students from Class 11 and 12, which are covered by the PMS-SC scheme. Scholarships for secondary-class students are now provided under the *Jagananna Amma Vodi* scheme. An incentive of Rs 15,000 per annum will be provided to 44,49,000 Below Poverty Line (BPL) mothers, including SCs, under this scheme, benefiting 84 lakh students. For this, in 2021-22, Rs 1,219.11 crore of the total budget of Rs 6,107.36 crore for the scheme is allocated for SCs.

However, following the announcement of the *Jagananna Vidya Deevena* scheme in April 2020, students were not given a proper notification or time to submit their applications. Similarly, in Bihar, the government reduced the budget allocation for the PMS-SC scheme after the launch of the Student Credit Card Yojana, which is a loan-based scheme for technical courses.

Source: <https://janabhumi.ap.gov.in/> and Social Welfare Department, Govt. of Bihar

## 4.4 Assessment of Budget Adequacy in Terms of the Unit Cost of Different Scholarship Components under the PMS-SC Scheme

The sufficiency or insufficiency of the unit cost of services offered under the PMS-SC scheme sheds light on the adequacy or inadequacy of the allocation for the scheme. Further, this also has a bearing on the continuation or discontinuation of education by the students. The PMS-SC scheme guidelines of 2010 and 2018 list different components provided to the students, including a maintenance allowance for hostellers and day scholars, reimbursement of compulsory non-refundable fees, study-tour charges, thesis typing/printing charges for research scholars, a book allowance, a book bank facility for specified courses, and an additional allowance for students with disabilities for the entire duration of the course.

After a review of the new guidelines of 2021, it appears that certain components of the PMS-SC scheme, such as study-tour charges, typing/printing charges, the book allowance and book bank facility have been dropped by the MoSJE. The PMS-SC scheme now has two components: compulsory non-refundable fees (including the tuition fee, as fixed by the fee fixation/rationalisation committee of the State government) and academic allowances. An additional allowance of around 10 per cent shall be provided to *Divyang* students (students with disabilities). Further, students pursuing courses to become Chartered Accountants (CA), Company Secretaries (CS), or courses with the Institute of Cost & Works Accountants of India (ICWA) and Institute of Chartered Financial Analysts of India (ICFAI) shall be treated as day scholars for the purpose of the maintenance allowance. Students enrolled in correspondence and online courses shall not be eligible for a maintenance allowance. These criteria will be applicable from 2021-22.

Other than the tuition fee and maintenance allowance, many States have not reported details of their expenses on the different components of the PMS-SC scheme. Uttar Pradesh did not disburse the scholarship for study tour charges, typing/printing charges, book allowance, book bank facility and the allowance for students with disabilities during the 2012-17 period.<sup>25</sup> In our student survey, most of the respondents stated that components such as book allowance, study-tour charges and thesis typing should be in the compulsory non-refundable category.

Table 4.2 shows that no revision has been made in the unit cost of different components provided under the PMS-SC since 2010.

**Table 4.2: Unit cost of different components under the PMS-SC scheme**

PMS-SC scheme components	PMS-SC scheme guidelines, 2010	PMS-SC scheme guidelines, 2018	PMS-SC scheme guidelines, 2021
Study tour charges	Rs 1600	Rs 1600	Not Available
Thesis typing/printing charges for research scholars	Rs 1600	Rs 1600	-
Book allowance for students pursuing correspondence courses	Rs 1200	Rs 1200	-
Book bank facility for specified courses	Rs 2400 to Rs 7500	Rs 2400 to Rs 7500	-

Source: PMS-SC guidelines, 2010, 2018 and 2021

Table 4.3 shows that the maintenance allowance for day scholars and hostellers has not been revised for almost a decade despite the commitment of a revision every year. Even after revising it in 2021, the current scholarship amount under the maintenance/academic category is not sufficient to meet the actual needs of students. The PMS-SC scheme guidelines issued in 2021 have increased the maintenance allowance slightly — it now ranges from Rs 4,000 to Rs 13,500 for ten months in an academic year for hostellers and Rs 2,500 to Rs 7,000 for day scholars, as compared to the previous range of Rs 3,800 to Rs 12,000 for hostellers and Rs 2,300 to Rs 5,500 for day scholars as per the PMS-SC scheme guidelines of 2010. It is also to be noted here that the new PMS-SC scheme guidelines offer the scholarship only for ten months in an academic year. However, it should be provided for 12 months, as in the case of the Post Matric Scholarship for minorities in Uttar Pradesh. Providing a scholarship under PMS-SC for 12 months will enhance the scholarship amount given to students, and doing so will require more budgetary resources.

Student respondents in the survey stated that the current maintenance allowance is not sufficient to meet their expenses, keeping in view the rise in inflation. A large percentage of students (65 percent) suggested a scholarship of at least Rs 5,000 per month, which is many times higher than the current amount. Some specified that the cost of food, lodging, transportation, stationery, books, and coaching have become expensive.

<sup>25</sup> Ministry of Social Justice and Empowerment, 2018a

With regard to the annual revision in the maintenance allowance, the new PMS-SC scheme guidelines say that the allowance will now be linked with the consumer price index number for industrial workers. The annual increment will be applicable with effect from April each year and will be based on the index for the January-December period of the preceding year. The first revision is due in April 2022 and an annual order will be issued by the department. However, the guidelines say that States are free to top up the academic allowances from their own resources if they so wish.

**Table 4.3: Maintenance allowance as specified by the PMS-SC scheme guidelines in 2010, 2018 and 2021 (amount in Rs for ten months; rate of change in percentage terms shown in parentheses)**

		2010 and 2018		2021		Rate of increase in 2021	
		Hostellers	Day scholars	Hostellers	Day scholars	Hostellers	Day scholars
Group I	Degree and post-graduate level professional courses	12000	5500	13500	7000	1500 (11)	1500 (21)
Group II	Other professional courses leading to diploma/ degree/ certificates	8200	5300	9500	6500	1300 (14)	1200 (18)
Group III	Graduate and post-graduate level courses not covered under Group I & II	5700	3000	6000	3000	1500 (25)	0
Group IV	All matriculation and non-degree courses	3800	2300	4000	2500	1300 (33)	200 (8)

Source: PMS Guidelines, 2021

**Per capita spending under the PMS-SC scheme:** Based on the analysis of State expenditure on scholarships (tuition fee and maintenance) and the number of targeted beneficiaries, the per annum per capita spending for 2018-19 was Rs 7,709 for Andhra Pradesh, Rs 11,047 for Jharkhand and Rs 8,629 for Uttar Pradesh. The average academic or maintenance allowance calculated from Table 4.3 is Rs 11,450, which is higher than the total (tuition fee and maintenance allowance) per capita spending by the three States. Further, as Andhra Pradesh provides expenditure separately for reimbursement of tuition fee (RTF) and maintenance allowance (MTF), per capita MTF spending by Andhra Pradesh in 2018-19 was Rs 2,317, which is much lower than the average maintenance allowance of Rs 11,450 calculated using the scheme guidelines for 2010 and 2018. It must also be noted that allocation and expenditure data for the tuition fee and maintenance allowance is presented separately by Andhra Pradesh, thereby enabling better transparency and deeper analysis. Other State governments should be directed to do the same.

Discussion: It can be seen from this section that even the revised amount for the maintenance/academic allowance prescribed by the new PMS-SC scheme guidelines is not sufficient to meet the needs of students especially given the rise in inflation. Further, the actual maintenance allowance provided by States is much lower than the prescribed amount. Hence, the current allocation is not enough to provide beneficiaries with the prescribed maintenance allowance, which in itself is insufficient. A bigger budgetary allocation is therefore required to increase the maintenance allowance.

## 4.5 Assessment of Budget Adequacy in Terms of Coverage of Beneficiaries under the PMS-SC Scheme

Table 4.4 shows the number of beneficiaries in Andhra Pradesh, Jharkhand and Uttar Pradesh under the PMS-SC scheme from 2016-17 to 2018-19. Actual details of the beneficiaries were reported by the Central government from 2016-17 until December 2019-20, but this data is not available for the States.

**Table 4.4: Physical progress (number of student beneficiaries) under the PMS-SC scheme**

States/Union Territories	2016-17	2017-18	2018-19	2019-20*
Andhra Pradesh	685102	658534	660193	NA
Jharkhand	NA	20177	22629	NA
Uttar Pradesh	1095469	1238139	1274740	NA
All India	5861975	5925544	6029000	5286000

Source: Departmentally Related Standing Committee Report on DDGs of the MoSJE, 2019-20

Note: \* as on 31 December, 2020

In December 2020, the Cabinet Committee on Economic Affairs announced that a total of 4 crore SC students would benefit from the PMS-SC scheme over the next five years.<sup>26</sup> This number would include an estimated 1.36 crore very poor students from State Government/Municipality/Local Body schools, with one or both parents illiterate. The government's aim is to give a push to the gross enrolment ratio of SCs so that it reaches the national average within the prescribed five-year period. This means that 80 lakh scholarships will have to be provided annually at the national level, as opposed to the current figure of around 52.86 lakh for the year 2019-20. Even though the PMS-SC scheme is a demand driven scheme, the government has set a fixed target for it. Moreover, despite fixing a higher target of 80 lakh beneficiaries per annum, the allocation for the scheme was not increased accordingly in Union Budget 2021-22.

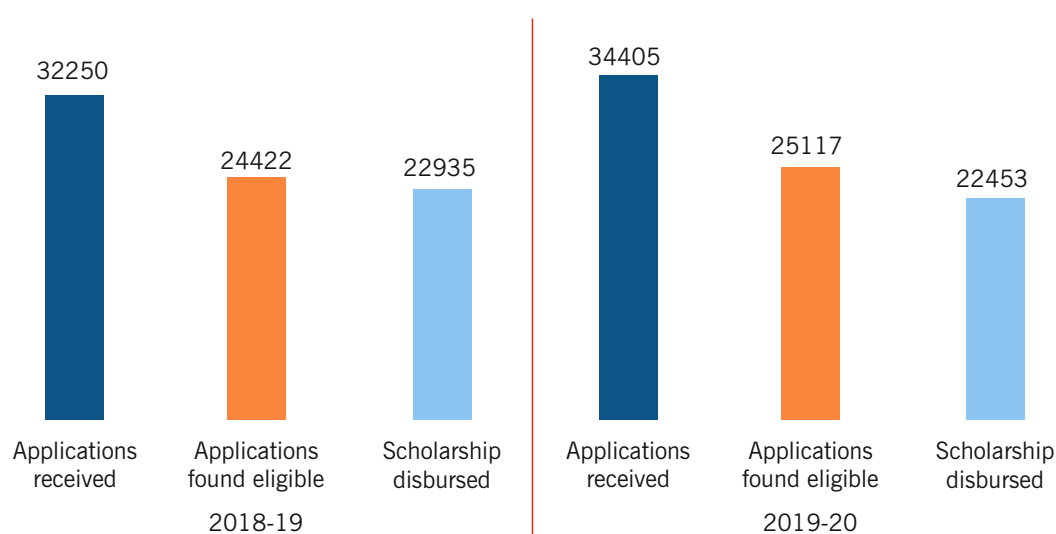
Further, as mentioned in Section 2, parental income/family income has not been revised as an eligibility criterion since 2013-14. The absence of such a revision in the face of inflation excludes many poor students from higher education. As noted in Section 2, students feel that the income ceiling of parents

<sup>26</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1682967>

for eligibility should be increased from Rs 2.5 lakh per annum to Rs 3.5 lakh per annum. This would open the doors to a larger number of potential beneficiaries, thereby increasing the demand for budgetary resources.

Similarly, gaps between the scholarship demanded and provided can also be seen at the State-level in the case of Jharkhand (for which data is available). Figure 4.3 shows the status of applications received, applications found eligible and scholarships received in Jharkhand. It is clear from Figure 4.3 that there is a gap between the number of applications and award of scholarships. Similar data is not available for Andhra Pradesh, Uttar Pradesh or the national level.

**Figure 4.3: Gaps in the process of availing benefits under the PMS-SC scheme in Jharkhand**



Source: <https://ekalyan.cgg.gov.in/>

Discussion: In terms of the number of beneficiaries to be covered, even when the Union Government has set a target in a demand driven scheme, the budget allocated is not enough to cover the target. Further, the budgetary allocation will fall short if the income ceiling eligibility criterion of Rs 2.5 lakh per annum is revised to increase the number of eligible beneficiaries. State-level data shows that even eligible applicants were not awarded scholarships, indicating the inadequacy of the budget.

## 4.6 Adequacy of the Administrative Cost component

An adequate administrative cost component is important for proper functioning of the PMS-SC scheme. Under the new guidelines issued in 2021, however, only 1 percent of the total budget for the PMS-SC scheme can be spent on administrative expenses such as IT infrastructure, setting up of a technical support group cum project monitoring unit at the Central and State level, and social audits. The guidelines do not talk about spending money from the administrative cost on hiring finance and accounts personnel and for other regular work. It is very well known that there are numerous vacancies in the Social Welfare Department at the State and district level, which affects planning, implementation, and monitoring of the PMS-SC scheme. For instance, 56 percent of the posts in the

Department of Social Welfare are vacant against the total number of sanctioned posts.<sup>27</sup> Indeed, the administrative cost fixed for the PMS-SC scheme is relatively low compared to other flagship programmes. The administrative cost component in the total budget allocation for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), National Rural Livelihoods Mission (NRLM) and *Pradhan Mantri Awas Yojana* (PMAY) is 6 per cent. The limit for the National Social Assistance Programme (NSAP) is 3 per cent, while it is 5 per cent for the National Rural Drinking Water Programme (NRDWP). The PMS scheme for minorities has an administrative cost component of 2 per cent, while it is 10 per cent of the total budget allocation for Fifteenth Finance Commission Grants (FFC Grants). Administrative costs on these flagship programmes are incurred on setting up administrative, implementation, and monitoring apparatus at all levels of governance, including *Gram Panchayats*.

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<sup>27</sup> Performance Budget, 2021-2022, Department of Social Welfare, Government of Uttar Pradesh



## 5. Conclusion and Recommendations

In sum, the impact of the PMS-SC scheme has been limited in terms of increasing the Gross Enrolment Ratio of Scheduled Castes due to critical challenges in its funding, implementation and monitoring processes. The primary challenges before the scheme include a poor design in terms of the complex fund-sharing and fund-flow mechanism between the Centre and the States; the absence of a regular revision in the scheme's guidelines; inefficient adherence to the prescribed guidelines; inadequate beneficiary targets and coverage, as well as funding for the same; accumulation of arrears; low fund utilisation in many States; poor planning and lack of a proper monitoring mechanism. The Central Government has not considered the recommendations made by the Parliamentary Standing Committee reports and the CAG Performance Audit Report of 2018. In fact, the MoSJE took three years to respond to some of the recommendations made by the 2018 CAG audit report in the form of new guidelines for effective implementation of the PMS-SC scheme. The new guidelines, issued in April 2021 by the ministry, have tried to overcome these issues, but many gaps persist. In the given context, the following recommendations have been made to address some of the challenges in implementation of the scheme.

### **Strengthening public finances**

- The Ministry of Finance should approve the total budget demand, including the PMS-SC amount sought by the MoSJE. As announced by the Cabinet Committee on Economic Affairs, the Central government should allocate Rs 6,000-7,000 crore to meet the expenditure of the 80 lakh scholarships targeted annually. In addition, States' pending arrears should be cleared as soon as possible.
- The fund-sharing ratio between the Centre and the States has been revised to 60:40 to reduce the financial burden on States. However, as the PMS-SC scheme is a core-of-the-core category scheme, the Centre actually bears a larger responsibility in terms of earmarking funds for the scheme. Therefore, it is suggested that the funding pattern of the PMS-SC scheme should be similar to the PMS for minorities, PMS for STs or MGNREGS. In fact, the PMS for Scheduled Castes and Scheduled Tribes should be changed from a CSS to a CS given the huge fiscal stress on the States after Covid-19 and the high level of educational deprivation of SCs and STs. Consequently, the PMS-SC scheme should follow the Centre-State fund sharing formula for core-of-the-core schemes such as MGNREGS (90:10) and PMS-ST (75:25), instead of the previous committed liability system or the current 60:40 ratio.
- Since PMS-SC scheme is a demand driven scheme and is doing away with the committed liability formula in terms of fund sharing, the Union Government should not place any limits in terms of the number of student beneficiaries while releasing funds to the States.
- It is well known that not all States are capable of providing their share on time due to their poor fiscal health. Hence, to ensure that students are not deprived of their scholarship due to a delay by the States in providing their share, the Centre should not impose any time-based preconditions on States. Further, this stipulation may again lead to a build-up of arrears in funding from the Centre as had happened with the committed liability system.



- This new system of fund flow may create problems in ensuring accountability and transparency at the State level because the Central share will not be reflected in the Detailed Demand for Grants of the States. The Central share should therefore not bypass the State budget and the Central and State shares should be transferred to the students from the State Consolidated Fund, instead of being disbursed separately by the States and the Centre.
- Under the new PMS-SC scheme guidelines, only 1 percent of the total budget for the scheme can be spent on administrative expenses such as IT infrastructure, setting up of a technical support group cum project monitoring unit at the Central and State level, and on social audits. The Central government should fix the administrative cost for the PMS-SC scheme along the lines of the administrative cost for other flagship programmes such as MGNREGS, NRLM, PMAY, NSAP, NRDWP, FFC Grants and the PMS scheme for minorities.

### **Increasing unit cost of maintenance allowances**

- The scholarship amount pertaining to the maintenance allowance for day scholars and hostellers has not been revised for almost a decade despite the commitment of a revision every year. The current amount and unit cost of different components under the scholarship should be increased to make the PMS-SC scheme more attractive for students. There is a need to revise the scholarship amount on the basis of the type of course taken up by beneficiaries and the location of the institution in view of the increase in fee structures and the rate of inflation. The maintenance allowance should be at least Rs 5,000 per month.
- The PMS-SC guidelines should be revised to extend the scholarship period from 10 months to 12 months as is the case with the PMS for minorities in Uttar Pradesh.
- A review of the new PMS-SC scheme guidelines suggests that many components of the scheme, such as study-tour charges, typing/printing charges, the book allowance, and book bank facility and allowance have been dropped by the MoSJE as seems from the new guideline of PMS. Components such as book allowance, study-tour charges, and thesis typing should be continued and these should be classified as compulsory non-refundable fees.

### **Raising the income ceiling for parents**

- The Rs 2.5 lakh per annum eligibility criterion of parental income/family income for the PMS-SC scheme is very low and prevents many SC students from pursuing higher education. The criterion should be raised above Rs 3.5 lakh per annum to widen the pool of potential beneficiaries.

### **Information, Communication and Technology (ICT)**

- The National Scholarship Portal should be used instead of State portals for disbursement of funds to students under the PMS-SC scheme. Andhra Pradesh, Jharkhand, Uttar Pradesh, and Bihar still use their state portals. Online end-to-end processing and verification of eligibility credentials have to be tightened to ensure greater transparency and control duplication as well as incorrect claims by institutions.

### **Preparing a comprehensive annual work plan and making disaggregated data available**

- To avoid delays in fund transfers, the Central and State governments should prepare a comprehensive work plan in a timely manner. This should be done using proper student databases to draw up a credible estimate of the demand for central assistance.
- The new PMS-SC scheme guidelines, the 2018 CAG Performance Audit report, and Departmentally Related Standing Committee reports have not paid attention to the key issue of whether girl students are benefiting from the PMS-SC scheme. So far, no separate data is available in terms of the number of boys and girls availing the benefits of the scholarship. The PMS-SC scheme guidelines should fix at least a 33 per cent quota for female students.
- Further, details of beneficiaries should be provided as disaggregated data in terms of fresh applicants and renewals, as well as in terms of male and female candidates.
- The allocation and expenditure data for tuition fees and maintenance allowance should be presented separately in the DDGs, as done by Andhra Pradesh.
- The recommendation made by Departmentally Related Standing Committee on Social Justice and CAG should be implemented realistically.
- Performance Audit of PMS by CAG should be conducted once in three years which due in 2022.
- The rules for social audit of PMS should be framed in consultation with the states as soon as possible with adequate role for Civil Society Organisation (CSOs).

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