Just-in-Time & Direct Transfer of Funds in India

PFMS
Controller General of Accounts
Ministry of Finance
Govt. Of India
Public Finance in India – Overview

6 Federal Nation
Public Finance in India – Overview

- Federal Nation
- 3-Tier Government

- Government Of India
- 29 State Governments
- Local Governments (Rural 250,000/ Urban 4,000)
 Public Finance in India – Overview

<table>
<thead>
<tr>
<th>Federal Nation</th>
<th>Nominal USD 2.8 Trillion</th>
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<tr>
<td>3-Tier Government</td>
<td>Per Capita Income ~ USD 2,000</td>
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<td>GDP (2018)</td>
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Public Finance in India – Overview

- Federal Nation
- 3-Tier Government
- GDP
- Annual Budget (FY ‘19)

Government Of India
Rs. 28 Trillion
(≈ USD 410 Billion)

State Governments
Rs. 30 Trillion
(≈ USD 460 Billion)
Public Finance in India – Overview

- Federal Nation
- 3-Tier Government
- GDP
- Annual Budget
- Types of Expenditure of Federal Govt.

1. Establishment Expenditure

2. Central Sector Schemes
   (Expenditure/Implementation by Govt. Of India)

3. Centrally Sponsored Schemes
   (Expenditure shared with States, implemented by States)
Key Problems to be solved/ Objectives
Financial Inclusion of Marginalised Citizens

Idle/Parked Funds at Downstream Agencies (Fiscal Deficit)

Inefficient PFM & Redistribution of Income

Fake/Duplicate/Ghost Beneficiaries
The Solution – JAM Trinity

Financial Inclusion
350M new Bank A/C

Unique ID
of Beneficiaries

Mobile-linked Services
PFMS – Background

- Project started in 2009
- **Mandate:**
  - Direct Transfer of funds – in Beneficiary’s Bank Account
  - Just in Time transfer of funds
  - Complete tracking of funds – up to the last account in the payment chain
- To achieve the mandate:
  - Developing finance related functionality on PFMS
  - Integration with all the stakeholders in the process
  - Training/ Capacity Building of stakeholders
PFMS Functionality/Design

- Budget Configuration
- Sanction for payments
- Scrutiny of Bills (Pre-Check)
- EIS – Employee Information System (HRM)
- Bank Account Validation
- Payments
- Receipts (Non-Tax)
- Accounting
- MIS
- External system integration for payments

Gradually, transforming into an ERP of Govt. of India
PFMS Integration
PFMS – Achievements till date

- Average Daily Credit Transactions: 2 Million
- Peak Daily Credit Transactions: 10 Million
- States’ Treasuries integrated: All (31)
- No. of Agencies registered: 2.5 Million
- No. of Banks integrated: 280
- No. of Schemes: 1500 (300 DBT)
PFMS – Achievements till date

- Bank Accounts Validated: 320 Million +
- DBT Beneficiaries: 220 Million +
- Duplicate/ Fake/ Ghost Accounts: 80 Million +
- 2018-19 DBT Amount: INR 1.5 Trillion (USD 20B)
- Estimated Savings till Date: INR 1.2 Trillion (USD 17B) (from 01/01/2013)
Benefits of PFMS

Achieved:

- Bank Account validation before initiating payment
- End-to-end e-payment & Accounting solution
- Real-time tracking of Govt. money
- Direct Transfer – reducing levels of intermediaries between the Govt. and the end beneficiary

Overall, a paradigm shift in financial inclusion of a large part of the population hitherto outside the banking network
Benefits of PFMS

Identification of idle money, parked in Agency Accounts

Thereby,

- Reduce Fiscal Deficit
- Reduce borrowing cost for Govt.
PFMS – Present/ Future Endeavours

- Decision Support System
- Data Analytics and Business Intelligence – Fraud Detection
- Artificial Intelligence and Predictive Modelling
- Expanding the functionality – towards a Govt.’s IFMIS
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<th>Rank</th>
<th>Bank Name</th>
<th>Total Score (Max. 160)</th>
<th>Average Time for Debit (In Days)</th>
<th>Average Time for Credit (In Days)</th>
<th>Average Ack Response Time (In Days)</th>
<th>Average Scroll Response Time (In Days)</th>
<th>Average Time for Acc Validation (In Days)</th>
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<th>Average No. of Files in Error</th>
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Lessons Learnt – Critical to Success

- Start Small
- Buy-in of Political Executive
- Good DPR
- Treasury led Reform
- Lean & Stable Team
- Admin/Fin Autonomy
Implementation Challenges

Management
- Administrative
- Structural
- Financial

Political
- Federal Relations

Cultural
- Change Management
- Resistance to Transparency
Implementation Challenges

**Technology**
- Availability
- Varied Users' Demands
- Data Management
- Data Privacy

**Banking**
- Response Time
- Reconciliation
- Non-CORE Banks

**Capacity Building**
- Change Management
- Training/Handholding at Ground level
- Helpdesk
PM-KISAN – Case Study

- 100% Centrally funded scheme - Budgeted at ~USD 11B
- Targeting poor & marginalised farmers - 120 Million households
- Cabinet’s approval (announcement) on 01/02/2019
- First installment paid to over 10 Million Farmers on 24/02/2019