

## **Does the budgetary allocation for CSS meet the development priorities?**

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### **1. Introduction**

Since independence, state governments in India have been receiving financial assistance from the centre through various channels in order to facilitate their development priorities and welfare entitlements. Centrally Sponsored Schemes (CSSs) take a considerable proportion of this assistance. CSSs are those schemes that are designed and partially or fully funded by the Central Government but implemented by State Governments on subjects in the State and Concurrent Lists following the terms fixed by the Centre (Kumar, 2021)<sup>1</sup>. The constitution of India clearly defined this provision via Article 282. Accordingly, the centre can deliver discretionary grants, even beyond their respective legislative competencies (i.e., other than Centre list subjects), for any 'public purpose'<sup>2</sup>.

Notably, CSSs have a huge part in India's policy landscape as they constitute the largest number of specific purpose grants extended by the union government to the states (Kumar, 2021, Dikshit et al., 2007; NITI Aayog, 2015). Although CSS was initially formulated on 'basic national importance' with a limited number of schemes, they have proliferated enormously in each five-year plan in terms of the number of such schemes as well as the share of CSS in total public expenditure in the country (Saxena, 2005; Das and Mitra, 2013).

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<sup>1</sup> CSS may be viewed in contrast to Central Sector Schemes, which are designed and implemented directly by the Union. CSS operate as discretionary tied grants Since they have to be used in accordance with the Centre's guidelines.

<sup>2</sup> Directive Principles of State Policy (Article 36-51 of the Indian Constitution) are the main guiding force behind most of the Centrally Sponsored Scheme.

Realizing the growing concerns over CSS, the central government initiated the rationalization process as per the roadmap given by the Chattuvedi Committee in 2013. Accordingly, the budgetary provisions were made for 66 CSS in 2014-15, including 17 Flagship Programmes<sup>3</sup> to improve their impact and visibility.

Further, following the recommendations of the Sub-Committee of Chief Minister of the state in 2015, CSS has been re-oriented under "core of core scheme", "core scheme," and "optional scheme" brackets. Of the total schemes<sup>4</sup>, those for social protection and social inclusion are framed under Core of the Core schemes and given the first charge on available funds for the National Development Agenda. While the centre bear 100% of the expenses for a limited number of "Core of Core" schemes, only 60% of the expenses for Core Schemes. Optional Schemes funds are allocated as a lump sum (50%) to the states by the centre, and states would be free to choose which optional Schemes they wish to implement<sup>5</sup>.

Through a series of recommendations in the last decade by various Committees that managed to recast the CSS into the present form, some challenges remain unaddressed. Researchers have already raised concerns on a few issues, i.e., fitting CSS in the scheme of Centre-State relations, the degree of the centre's control over the use of finances by the States, inconsistency in the fund allocation for specific CSS schemes etc. (Kumar, 2021). The ongoing pandemic added fuel to this as it raised fresh concerns on resource needs in social protection, social inclusion, rural development etc. Notably, the rationalization exercise has been still progressing. The centre has recently altered the number by terminating the ones that had outlived their relevance while merging those with a low outlay with more impactful ones. On the other hand, few new schemes like PM-Atmanirbhar Bharat Health Infrastructure Mission, Digitalization of Primary Agriculture Cooperative Societies, Exemplar, Accelerating State Education Program to Improve Results etc. have been added to the recent budgets (Union Budget, 2022).

In such a backdrop, it is essential to see whether the sums allocated to each CSS varied significantly after the rationalization? Is the allocation sufficient to meet the primary objectives such as poverty elimination, rural development, primary sector growth, development spending, and urban transformation, which was earlier part of Mission 2022. Does the allocation for the core of core schemes consistent? Could the current CSS allocation

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<sup>3</sup> Flagship schemes were defined as large schemes with central outlays of more than Rs.1000 crore.

<sup>4</sup> See Niti Ayog (2015) for the details of the core sector schemes.

<sup>5</sup> Notably, the rationalization process is still on.

be adequate to overcome the pandemic shocks? Keeping these questions in mind, we first focus on the trends in sums allocated to various schemes after initiating the rationalization process, particularly mapping the changes in the sums in the 2022-23 budget.

The remainder of the paper are as follows: section 2 analyzes the trends in budgetary allocation for various CSS schemes, Section 3 maps the changes in the 2022-23 budget. Finally, section 4 concludes the study.

## 2. Trends in budgetary allocation for CSS

Table 2.1 provides the budgetary allocation for the core of core CSS, core CSS, and total CSS from 2016-17 to 2022-23. The budgetary allocation for CSS has increased by almost 90% from Rs. 2,31,900 crores in 2016-17 to Rs. 4,42,781 crores in 2022-22, with significant progress in allocating the revenue account. Markedly, compared to the budget estimate for 2021-2022, the budget estimate for 2022-23 witnessed an increase of 16.1%. However, while Core CSS registered an average growth of about 21 percent, the core of core CSS registered only about 3 percent growth in the BE 2022-23 from BE 2021-22. This implies that the centre prioritizes the fund allocation for core schemes with a 40 percent state share.

**Table 2.1:** Budgetary Allocation for CSS (in crores)

Year	Core of Core CSS (BE)			Core CSS (BE)			Total CSS (BE)		
	R	C	T	R	C	T	R	C	T
2016-17	60930	479	61409	170343	148	170491	231273	627	231900
2017-18	71268	488	71757	206329	347	206677	277598	836	278433
2018-19	77283	407	77691	227451	376	227826	304734	783	305517
2019-20	81183	0	81183	249443	66	249508	331544	66	331610
2020-21	85160	0	85160	254203	56	254259	339839	56	339895
2021-22	96773	0	96773	284463	69	284532	381235	69	381305
2022-23	99215	0	99215	343557	10	343566	442772	10	442781

*Source: Union Budget, various year; R=CSS on revenue account, C= CSS on capital account and T= total CSS*

Subsequently, we focused on the trends in core of core schemes, which is essential to ensure social protection and social inclusion, but registered merely six percent average growth (see Table 2.2). It is observed that there is no significant progress in the fund allocation for most of the core of core schemes except Umbrella Scheme for Development of SCs and Minorities. Notably, the centre has allocated Rs. 73,000 crore for Mahatma Gandhi National

Rural Employment Guarantee Program (MGNREGA), the rural jobs guarantee scheme, for 2022-23 financial year, the same as the past (2021-22), while the revised estimate of the same for 2021-22 was Rs. 98,000 crore.

**Table 2.2** CSS allocation for core-of core schemes (in crores)

Year	National Social Assistance Program	Mahatma Gandhi National Rural Employment Guarantee Program	Umbrella Scheme for Development of SCs	Umbrella Programme for Development of STs	Umbrella Programme for Development of Minorities	Umbrella Programme for Development of other Vulnerable Groups
2016-17	9500	38500	4868	3209	3794	1538
2017-18	9500 (0)	48000 (25)	5114 (5)	3490 (0)	4072 (7)	1580 (3)
2018-19	9975 (0)	55000 (15)	5183 (1)	3806 (9)	1440 (-65)	2287 (45)
2019-20	9200 (5)	60000 (9)	5395 (4)	3810 (0)	1551 (8)	1227 (-46)
2020-21	9197 (-8)	61500 (2)	6242 (15)	4191 (10)	1820 (17)	2210 (80)
2021-22	9200 (0)	73000 (18)	6566 (5)	4303 (3)	1564 (-14)	2140 (-3)
2022-23	9652 (5)	73000 (0)	8710 (33)	4111 (-5)	1810 (16)	1931 (-10)

*Source: Union Budget, various year; the change in the fund allocation is in parenthesis ( )*

### 3. Budget 2022-23 and CSS allocation

To check whether the 2022-23 budgetary allocation for CSS meets its development priorities and overcomes the pandemic shocks, we analyzed the schemes based on their relevance, year of inception, rural development priority, and socio-primary importance.

#### 3.1. Budgetary allocation for major centrally sponsored schemes

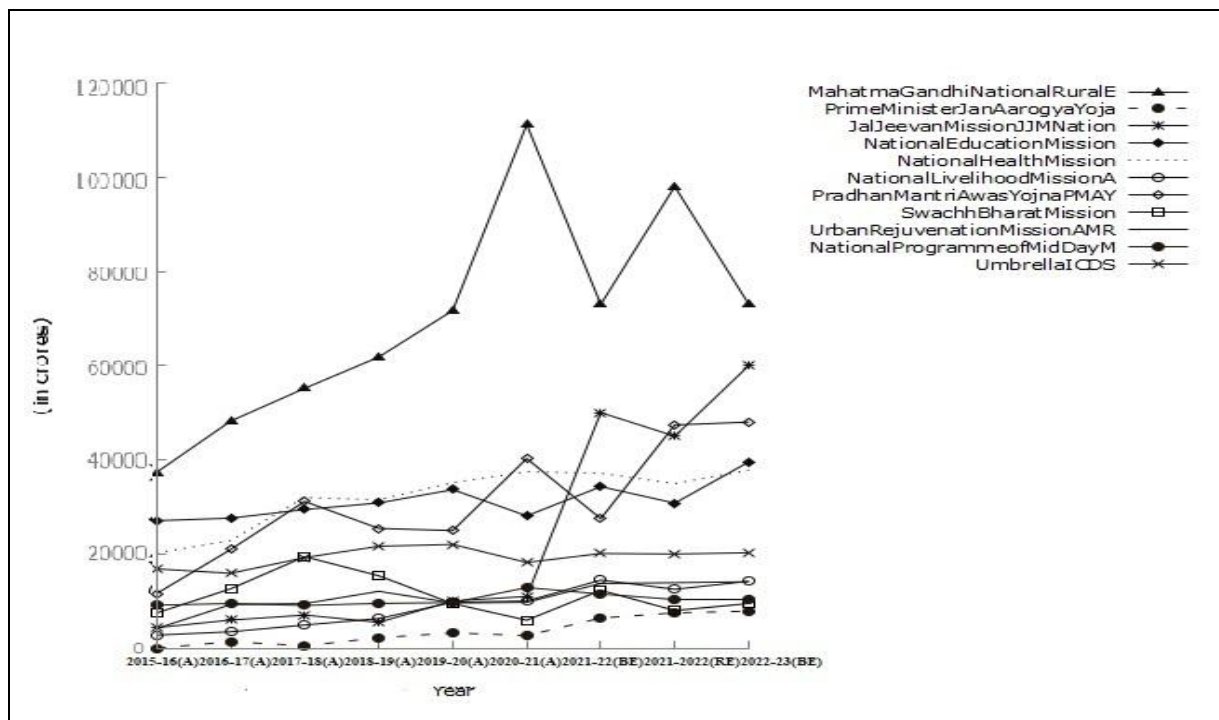
Figure 3.1 depicts the budgetary allocation for major CSSs. We observed that all the major schemes registered a decline in their allocation in 2022-23 compared to the 2021-22, while a moderate to reasonable increase in their allocation in the revised estimates of 2021-22. However, there has been either a same or a decreasing trend in the allocation for the budget in 2022-23.

#### 3.2. Budgetary allocation for old and new CSS

As mentioned in the previous section, since 2014, nationwide policy interventions in sectors such as health, sanitation, and antenatal nutrition were introduced through different CSS. Many older schemes have been revamped and rationalised under umbrella schemes. We attempt to classify them on the year of inception. Schemes introduced before 2014 are

referred to as the old schemes, and those introduced in and after 2014 are new schemes. Table 3.1 depicts the picture of budgetary allocation for both old and new schemes.

**Figure 3.1:** Budgetary allocation for major CSSs



Source: Union Budget, various years

Surprisingly, many old schemes viz. MGNREGA, National Rural Livelihood Mission, and National Programme of Mid-Day Meal in Schools shows the same or a decreasing trend in allocation, while the schemes like National Social Assistance Program(NSAP), Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission, Pradhan Mantri Gram Sadak Yojna, registers a trend with a reasonable increase. Among the new schemes, Pradhan Mantri Awas Yojana, Urban Rejuvenation Mission: AMRUT and Smart Cities Mission, Mission VATSALYA and Pradhan Mantri Krishi Sinchai Yojna show an increase in their allocation. This year's budgetary allocation has concentrated on new schemes rather than strengthening the old schemes that have the potential to stabilize the economy.

**Table 3.1:** Budgetary allocation for Old and new CSS

Scheme	2020-21 (A)	2021-22 (BE)	2021-22 (RE)	2022-23 (BE)
<b>Major Old CSSs</b>				
MNREGA	111170	73000	98000	73000
National Social Assistance Program	42443	9200	8730	9652
National Rural Drinking Water Mission*	10998	50011	45011	60000
National Health Mission	37478	37130	34947	37800
National Livelihood Mission - Ajeevika	10025	14473	12505	14236
Pradhan Mantri Gram Sadak Yojna	13688	15000	14000	19000
National River Conservation Plan -Other Basins	100	100	233	251
National Programme of Mid-Day Meal in Schools*	12878	11500	10234	10234
Old Schemes-Total	238779	210414	223659	224173
<b>Major New CSSs</b>				
Pradhan Mantri Awas Yojna (PMAY)	40260	27500	47390	48000
Shyama Prasad Mukherjee Rurban Mission	369	600	375	550
Swachh Bharat Mission (Shahari)	995	2300	2000	2300
Swachh Bharat Mission (Gramin)	4945	9994	6000	7192
Urban Rejuvenation Mission: AMRUT & Smart Cities Mission	9754	13750	13900	14100
PM Formalisation of MicroFood Processing Enterprises Scheme (PMFME)	395	500	399	900
Strengthening Teaching-Learning and Results for States (STAR)	92	485	340	550
Mission VATSALYA (Child Protection Services and Child Welfare Services)		900	830	1472
Rashtriya Gram Swaraj Abhiyan(RGSA)	567	661	682	663
Pradhan Mantri Krishi Sinchai Yojna	7877	11589	12706	12954
New Schemes-Total	65254	68279	84621	88682

Source: Estimation is based on Union budget 2022-23; National Rural Drinking Water Mission has been renamed as Jal Jeevan Mission and National Programme of Mid-Day Meal in Schools as PM Poshan' scheme in the 2022-23 Budget

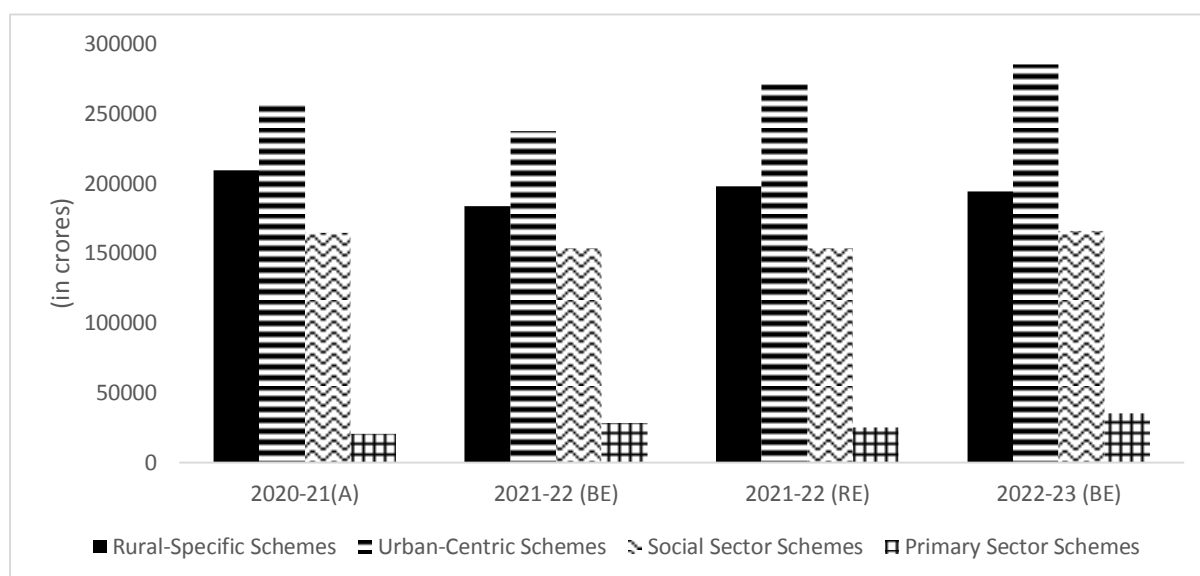
### 3.3. Budgetary allocation for sector-specific CSS

Figure 3.2 exhibits the allocation for various sector CSSs i.e., schemes that are meant for rural development, social protection, and primary sector growth. With respect to the centrally sponsored schemes, in terms of their allocation to the rural and urban, the rural-specific schemes have shown a downward trend, with only 208752 crores allocated for the current year's budget estimate. A closer look at the sector-specific centrally sponsored schemes reveals Jal Jeevan Mission, Pradhan Mantri Gram Sadak Yojna, and Shyama Prasad Mukherjee Rurban Mission have received a considerable share in the budget allocation of Rs. 2022-23. However, the MGNREGA, NSAP, and Rashtriya Gram Swaraj Yojana (RGSY) have witnessed a substantially lower share. In addition, the long-term schemes (i.e, MGNREGA, National Programme of Mid-Day Meal in Schools(MDM)) have received a

lesser allocation, which remains as a question of whether the allocation ensures employment, poverty alleviation, and economic development in the rural areas.

The 2022-23 budgetary allocation was not in the line for an active developmental approach, especially when the country is battling the adversities created by the pandemic. Though some schemes have witnessed a positive trend, schemes that are basic source of sustenance for many have not shown positive allocation. Such a derailment from the national objectives is questionable, especially when the country is in demand to curb unemployment, job losses, etc

**Figure 4.2-** Budgetary allocation for sector-specific CSS



### Concluding remarks

This study analyzed whether budgetary allocation for CSS meets the primary objectives such as poverty elimination, rural development, primary sector growth, development spending, and urban transformation, which was earlier part of Mission 2022. Although the total budget allocation for CSSs has shown a significant increase, no considerable progress is observed for the core of core schemes except the Umbrella Scheme for Development of SCs and Minorities. Notably, schemes like MGNREGA, MDM, RGSA etc., received a poor share comparatively. The budgetary allocation has concentrated on new schemes rather than strengthening the old schemes that have the potential to stabilize the economy. While the allocation for developmental CSSs shows a rising trend, its major subset social sector remains the same. Compared to urban-centric schemes, the rural-specific schemes received a poor allocation. Notably, the primary sector CSSs registered a positive growth. Overall, the budgetary allocation for CSS is off the waymark at the disaggregate level. Hence, the study

doubts whether the Centre is deviating from the primary objective of CSS allocation as defined in the Article 282.

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