

Chapter VI

Financial Management

Chapter-VI: Financial Management

Audit noticed that the Government of Gujarat had not yet prepared a State Health Policy on the line of National Health Policy.

Gujarat's budget outlay of health was only 5.42 per cent (2021-22) against the National Health Policy (NHP) target of spending more than eight per cent of budget by 2020.

National Health Mission (NHM) funds were not utilised fully during 2016-22. Out of seven national programmes under NHM, in three national programmes, utilisation of funds was less than 50 per cent during 2016-22.

Utilisation of available funds by Project Implementation Unit and Gujarat Medical Services Corporation Limited was very low during 2016-22.

6.1 Introduction

The State Government makes budgetary provisions under the Annual Budget for the functioning of Primary, Secondary and Tertiary level healthcare facilities. Apart from the State budget, financial assistance under the National Health Mission (NHM) is also received from the Government of India with corresponding share of the State Government.

This Chapter comments on the policy, planning, provision, allocation, availability and expenditure of funds towards healthcare in Gujarat.

6.2 Policy and Planning

i. Non-formation of State Health Policy

Public health is a State subject and States are expected to frame their own policies on the lines of National Health Policy (NHP) to guide the development of health sector in the State. Audit observed that the Government of Gujarat (GoG) had not framed a comprehensive State Health Policy till January 2024. The CoH replied (January 2024) that the comprehensive State Health Policy was under preparation.

ii Delayed submission of State Programme Implementation Plan

The vision of the National Health Mission (NHM) is the attainment of Universal Access to Equitable, Affordable and Quality healthcare services, accountable and responsive to people's needs, with effective inter-sectoral convergent action to address the wider social determinants of health.

The financing to the State is based on the State's Programme Implementation Plan (SPIP). The SPIP is a document to be prepared by the State annually which helps them in identifying and quantifying their targets required for programme implementation for the proposed year. Para 2.6 of Operational Guidelines for Financial Management of National Rural Health Mission

(NRHM) stipulates that SPIP was to be submitted by 31 December every year by GoG to GoI. Further, GoI had to approve the SPIP by 28 February.

Audit observed that during 2016-22, there was delay in submission of SPIPs by the State Government to GoI. Similarly, there was also delay in the approval of the SPIPs by GoI as shown in **Table 6.1** below:

Table 6.1: Delay in submission of SPIP by GoG to GoI

Financial Year	Date of submission of SPIP by GoG to GoI	Delay in days (calculated from 31 st December of year concerned)	Date of approval of SPIP by GoI	Delay (calculated from 28 th February of the year excluding delay in submission by GoG) in approval (in days)
2016-17	17.03.16	77	22.06.16	38
2017-18	27.03.17	86	31.07.17	71
2018-19	05.03.18	64	27.07.18	85
2019-20	28.01.19	28	22.02.19	00
2020-21	19.12.19	00	13.04.20	45
2021-22	21.01.21	21	21.06.21	92

(Source: Information provided by Mission Director, NHM)

Except during 2020-21, the SPIPs were submitted with delay ranging between 21 and 86 days. The approval of GoI was also received with delays ranging from 38 to 92 days (except during 2019-20). Delay in approval of SPIP not only resulted in late implementation of the Annual Plan but also in less utilisation of funds by implementing units like Project Implementation Unit in that particular year, as has been commented in **Paragraph 6.6**.

6.3 Expenditure by Health and Family Welfare Department

Adequate and timely availability of funds is a fundamental pre-requisite for the delivery of quality and efficient healthcare services. Funds to the Healthcare Institutions (HCIs) are made available through the State budget. Financial assistance under the NHM is also received from the GoI with corresponding share of the State Government.

The year-wise budget estimates and actual expenditure during 2016-22 in Health and Family Welfare Department (HFWD) are shown in **Table 6.2** below:

Table 6.2: Expenditure on health against total State expenditure during 2016-22
(₹ in crore)

Year	Budget Estimate		Actual Expenditure		Saving		Percentage of saving	
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
2016-17	1,543.64	5,618.17	1,237.40	5,284.46	306.24	333.71	20	06
2017-18	1,443.20	6,004.58	1,378.23	5,820.15	64.97	184.43	05	03
2018-19	1,860.48	6,828.63	1,856.26	6,486.64	4.22	341.99	00	05
2019-20	1,157.14	8,063.47	972.75	7,712.12	184.39	351.35	16	04
2020-21	860.84	9,200.07	689.62	8,714.25	171.22	485.82	20	05
2021-22	1,360.99	11,607.26	1,352.12	11,320.12	8.87	287.14	01	02
Total	8,226.29	47,322.18	7,486.38	45,337.74	739.91	1,984.44	09	04

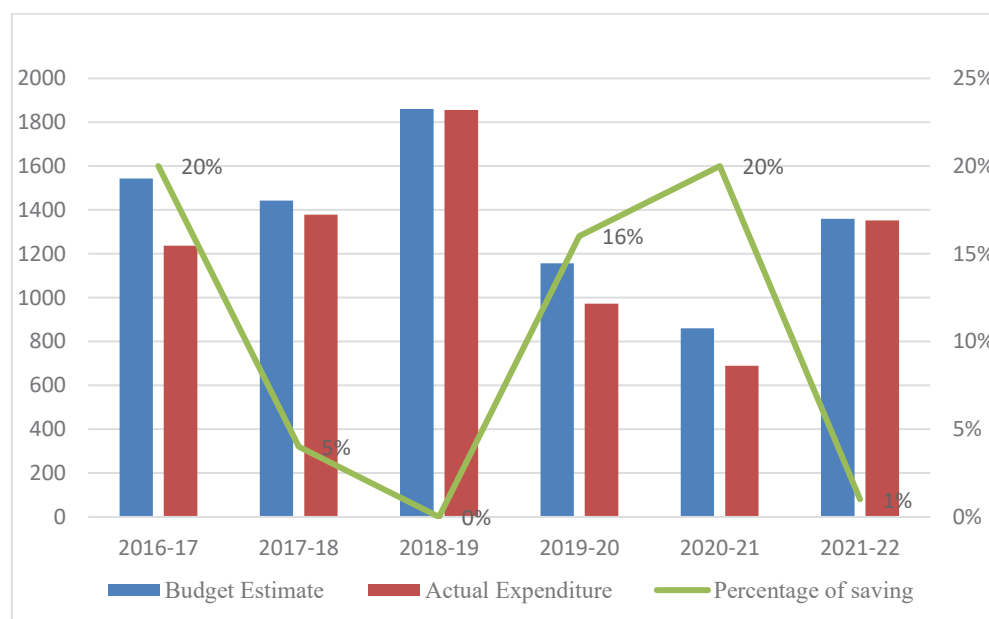
(Source: Appropriation Accounts of the Government of Gujarat for the respective years)

As evident from the above Table, out of the total budget of ₹ 55,548.47 crore from 2016-22, the expenditure incurred was ₹ 52,824.12 crore. There was a total saving of ₹ 739.91 crore (nine *per cent*) under Capital head and of ₹1,984.44 crore (four *per cent*) under Revenue head in Healthcare sector during 2016-22.

i. Saving under Capital head in the Healthcare sector

Saving under **Capital** head in Healthcare sector is shown in **Chart 6.1:**

Chart 6.1: Saving under Healthcare expenditure (Capital)

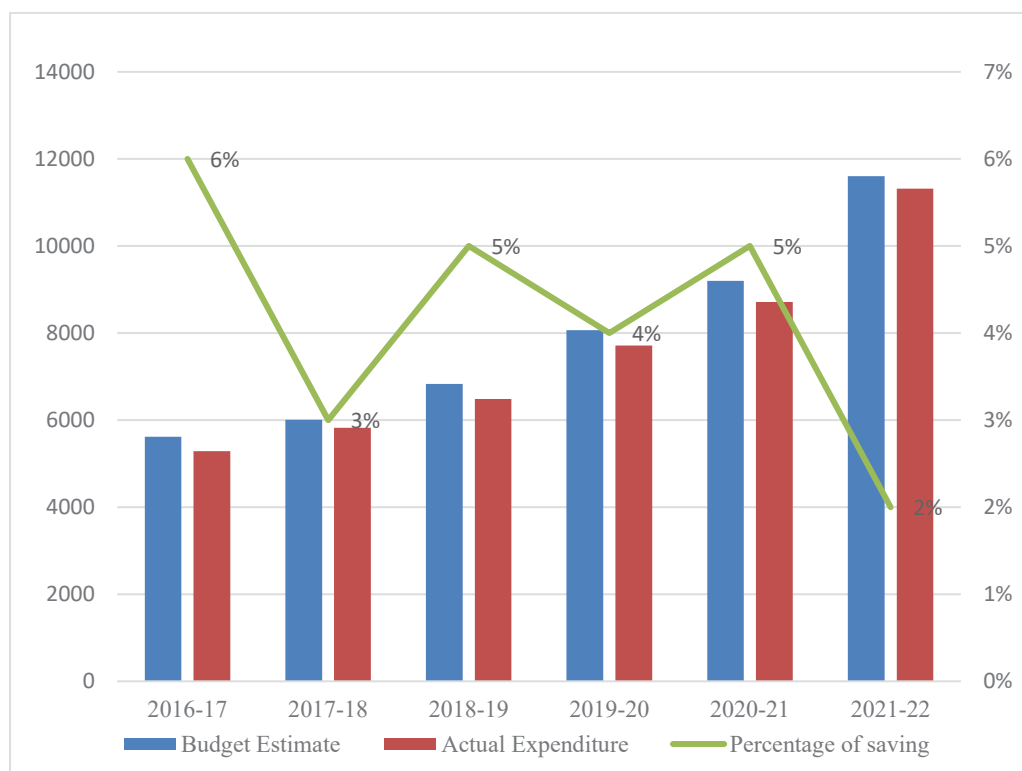


(Source: Appropriation Accounts of Government of Gujarat for respective years)

The above chart shows that savings during 2016-22 under Capital head of Healthcare sector ranged between zero and 20 *per cent*.

ii Saving under Revenue head in the Healthcare sector

Saving under **Revenue** head in Healthcare sector is shown in **Chart 6.2:**

Chart 6.2: Saving under Healthcare expenditure (Revenue)

(Source: Appropriation Accounts of Government of Gujarat for respective years)

The above chart shows that savings during 2016-22 under Revenue head of Healthcare sector had decreased from six *per cent* (2016-17) to two *per cent* (2021-22).

Out of the total expenditure of ₹52,824.12 crore incurred during 2016-17 to 2021-22, ₹45,337.74 crore (85.83 *per cent*) was incurred on revenue expenditure and ₹7,486.38 crore (14.17 *per cent*) was incurred on capital expenditure.

This indicated low priority on the creation and augmentation of infrastructure facilities in the State.

6.4 Adequacy of funds for Healthcare

The National Health Policy, 2017 (NHP) required the State Government to increase their commitment to the health sector to more than eight *per cent* of the budget by 2022. The budgetary outlay on health *vis-à-vis* the total budgetary outlay of the State during 2016-17 to 2021-22 is shown in **Table 6.3** below:

Table 6.3: Budgetary outlay on health *vis-à-vis* State budget

Year	Total budget outlay of the State (₹ in crore)	Budget outlay for health (₹ in crore)	Percentage of health budget to State budget
2016-17	1,60,351.06	7,161.81	4.47
2017-18	1,82,971.32	7,447.78	4.07
2018-19	2,00,575.97	8,689.11	4.33

Year	Total budget outlay of the State (₹ in crore)	Budget outlay for health (₹ in crore)	Percentage of health budget to State budget
2019-20	2,14,271.22	9,220.61	4.30
2020-21	2,28,776.39	10,060.90	4.40
2021-22	2,39,389.22	12,968.25	5.42

(Source: Appropriation accounts of Government of Gujarat for respective years)

As seen from **Table 6.3**, the percentage of the health budget to the total State budget for the year 2021-22 was 5.42 which was less than the target of more than eight *per cent* as laid down under the NHP.

During the exit conference (June 2023), the Additional Chief Secretary (ACS), HFWD stated that the Finance Department would be requested for enhancement of budget for health sector.

A few of the key health financing indicators as per the National Health Account Estimates prepared by the Ministry of Health and Family Welfare, GoI (available up to 2019-20) for the State are shown in **Table 6.4**:

Table 6.4: Key financing indicators in the State during 2016-20

Year	Total Health Expenditure (THE) ⁶⁰		Government Health Expenditure (GHE) ⁶¹			Out of pocket expenditure		
	₹ in crore	Percentage to GSDP	₹ in crore	Percent age to THE	Percent age to GSDP	₹ in crore	Perce ntage to THE	Perce ntage to GSDP
2016-17	23,700	2.1	9,145	38.6	0.8	11,399	48.1	1.0
2017-18	23,681	1.8	10,064	42.5	0.8	10,390	43.9	0.8
2018-19	26,812	1.8	11,910	44.4	0.8	10,922	40.7	0.7
2019-20	28,498	1.8	12,843	45.1	0.8	11,640	40.8	0.7

(Source: National Health Account Estimates prepared by the Ministry of Health and Family Welfare, Government of India of respective years)

As seen from **Table 6.4** above, Total Health Expenditure (THE) and Government Health Expenditure (GHE) increased in absolute terms during 2016-20 in State. The percentage of GHE to THE also increased from 38.60 (2016-17) to 45.10 (2019-20). However, THE as a percentage of GSDP decreased from 2.1 in 2016-17 to 1.8 in 2019-20 while GHE as a percentage of GSDP remained constant (0.8 *per cent*) during 2016-20 in Gujarat.

Out of pocket expenditure is directly made by a household at the point of receiving healthcare and indicates the extent of financial protection available for households towards healthcare payments. As seen from **Table 6.4**, based on National Health Account Estimates, the percentage of out-of-pocket expenditure to THE decreased in Gujarat during the period 2016-20, however it constituted 40.80 *per cent* of THE during 2019-20.

⁶⁰ Total Health Expenditure constitutes revenue and capital expenditures incurred by Government and Private Sources including external funds.

⁶¹ Government Health Expenditure constitutes spending under all schemes funded and managed by Union, State and Local Governments including quasi-Governmental organisations and donors in case funds are channeled through Government organisations.

Recommendation 13: Government may take necessary steps to increase the budgetary allocation for the health sector up to eight per cent of State Budget and make efforts to augment the capital expenditure in Healthcare sector.

6.5 Funds under NHM

National Health Mission (NHM) is a Centrally Sponsored Scheme (CSS) with a cost sharing arrangement of 60:40 between GoI and GoG. Year-wise allotment as per State Programme Implementation Plan (SPIP) and funds received under NHM during 2016-22 are shown in **Table 6.5** below:

Table 6.5: Allotment of funds as per SPIP and funds received

(₹ in crore)

Year	Allotment as per SPIP			Funds received from GoI and GoG			Short/Excess (-) receipt of funds			
	GoI (1)	GoG (2)	Total 3(1+2)	GoI (4)	GoG (5)	Total 6(4+5)	GoI 7(1-4)	GoG 8(2-5)	Total 9(7+8)	(In per cent)
2016-17	675.51	451.01	1,126.52	523.49	508.21	1,031.70	152.02	(-)57.20	94.82	8.42
2017-18	870.19	580.13	1,450.32	718.77	529.90	1,248.67	151.42	50.23	201.65	13.90
2018-19	943.50	629.00	1,572.50	649.80	589.04	1,238.84	293.70	39.96	333.66	21.22
2019-20	1,040.60	693.73	1,734.33	725.68	693.81	1,419.49	314.92	(-)0.08	314.84	18.15
2020-21	1,045.45	696.97	1,742.42	787.70	740.05	1,527.75	257.75	(-)43.08	214.67	12.32
2021-22	1,147.40	764.93	1,912.33	698.50	552.55	1,251.05	448.90	212.38	661.28	34.58
Total	5,722.65	3,815.77	9,538.42	4,103.94	3,613.56	7,717.50	1,618.71	202.21	1,820.92	19.09

(Source: Information provided by Mission Director, NHM)

The above table shows that against the cumulative allotment of ₹9,538.42 crore as per SPIP, ₹7,717.50 crore (81 per cent) was provided by GoI and GoG during 2016-22.

- Funds received and Expenditure incurred under NHM**

Funds received and expenditure incurred under NHM during the period 2016-22 are shown in **Table 6.6**:

Table 6.6: Details of funds receipt and expenditure under NHM during 2016-22

(₹ in crore)

Year	Opening Balance	Grant received		Interest and other funds ⁶²	Total available funds	Expenditure (Percentage)	Closing Balance
		Central	State				
2016-17	718.99	523.49	508.21	233.44	1,984.13	1,396.42 (70)	587.71
2017-18	587.71	718.77	529.90	195.06	2,031.44	1,422.55 (70)	608.89
2018-19	608.89	649.80	589.04	315.94	2,163.67	1,683.12 (78)	480.55
2019-20	480.55	725.68	693.81	448.42	2,348.46	1,836.91 (78)	511.55
2020-21	511.55	787.70	740.05	263.17	2,302.47	1,922.13 (83)	380.34
2021-22	380.34	698.50	552.55	591.43	2,222.82	1,991.23 (90)	231.59

(Source: Information provided by Mission Director, NHM)

Against the total available funds under National Health Mission, the percentage of expenditure ranged between 70 and 90 per cent during 2016-22.

⁶² Funds received under Infrastructure Scheme.

• **Programmes implemented under National Health Mission**

The details of total approved budget as per SPIP for seven national programmes under NHM and expenditure incurred during 2016-22 in the State are shown in **Table 6.7:**

Table 6.7: Programme implementation and utilisation

Budget Head	₹ in crore)		
	Approved Budget as per SPIP during 2016-22	Expenditure incurred during 2016-22	Utilisation in per cent
National Iodine Deficiency Disorders Control Programme (IDD)	3.90	0.88	22.56
National Leprosy Eradication Programme (NLEP)	19.27	16.96	88.01
National Programme for Control of Blindness (NPCB)	246.78	164.29	66.57
National Viral Hepatitis Control Program (NVHCP)	42.79	4.17	9.74
National Mental Health Programme (NMHP)	44.41	25.27	56.90
National Programme for Health Care of the Elderly (NPHCE)	11.39	3.86	33.88
Revised National Tuberculosis Control Programme (RNTCP)	540.62	358.86	66.38

(Source: Information provided by Mission Director NHM, Gujarat)

As seen from the above **Table 6.7**, during 2016-22, out of seven national programmes, in three national programmes, utilisation of funds was less than 50 per cent.

6.6 Short utilisation of funds by PIU and GMSCL

Project Implementation Unit (PIU) and Gujarat Medical Services Corporation Limited (GMSCL) are established under control of Health and Family Welfare Department for construction and maintenance of health care building infrastructure and for procurement and supply of drugs and equipment for public health care facilities in the State respectively.

Out of total available funds of ₹8,540.60 crore⁶³ and ₹5,240.38 crore⁶⁴, expenditure incurred was ₹4,792.18 crore (56 per cent) and ₹4,111.16 crore (78 per cent) during 2016-22 by PIU and GMSCL respectively as shown in **Appendix 6.1**.

The ACS during exit conference (June 2023) stated that the Government had provided more manpower to PIU and GMSCL for more efficient functioning.

Recommendation 14: Government may take necessary steps to ensure that Project Implementation Unit and Gujarat Medical Services Corporation Limited timely utilise the available funds.

⁶³ Opening balance of 2016-17 (₹1,143.89 crore) + Grant received from GoG/GoI (₹7,396.71 crore).

⁶⁴ Opening balance of 2016-17 (₹298.75 crore) + Grant received from GoG/GoI (₹4,941.63 crore).

