Parliamentary Panel Flags Poor Financial Planning by NITI Aayog

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Financial Planning Latest News

- A Parliamentary Standing Committee has criticised financial planning by NITI Aayog and the Ministry of Planning for persistent underutilisation of budgetary allocations.

Role of NITI Aayog in India's Governance

- **NITI Aayog** (National Institution for Transforming India) serves as the government's premier policy think tank.
- Established in 2015, it replaced the Planning Commission with the objective of promoting cooperative federalism and evidence-based policymaking.
- Its key functions include:
  - Designing long-term policy frameworks
  - Monitoring and evaluating government schemes

  - Providing strategic and technical advice to the Centre and States
  - Facilitating innovation and development initiatives
- Although NITI Aayog does not directly allocate funds like the erstwhile Planning Commission, it plays a crucial role in shaping development priorities and ensuring efficient utilisation of public resources.

Parliamentary Committee’s Observations

- The Parliamentary Standing Committee on Finance has raised serious concerns regarding financial management by the Ministry of Planning and NITI Aayog.
- The Committee found that the Ministry consistently spent significantly less than the budget allocated to it. Key findings include:
  - In **2023-24**, actual expenditure was about **Rs. 290.81 crore** against a Budget Estimate (BE) of Rs. 824.39 crore (around 35%).
  - In **2024-25**, expenditure stood at **Rs. 282.61 crore** against a BE of Rs. 837.26 crore (around 34%).
- This pattern indicates a structural issue in planning and execution, where funds remain idle instead of being effectively utilised.
- **Rising Budget Allocations Despite Low Spending**
  - Despite the low utilisation rates, the Ministry continued to seek higher allocations.
  - The Ministry requested **Rs. 1,203.38 crore for 2026-27**, which is about **22% higher** than the previous year’s allocation.
- The Committee questioned this trend, noting that increasing allocations without proper utilisation reflects poor fiscal discipline.

Weak Implementation and Planning Gaps

- The Committee highlighted that the problem is not merely financial but also administrative.
  - There is dismal implementation of planned activities on the ground.
  - The Quarterly Expenditure Plan (QEP) shows persistent gaps between planned and actual spending.
- This indicates that schemes and initiatives are either delayed or inadequately executed.

Issues in Expenditure Management

- One major concern raised by the Committee is the tendency to spend large amounts in the final quarter of the financial year.
- In **2025-26**, a significant portion of spending was projected in the fourth quarter.
- This creates a “rush to exhaust funds,” which can compromise the quality of expenditure.
- Such practices may also violate government norms that aim to distribute spending evenly throughout the year.

Violation of Fiscal Discipline Norms

- The Central government has guidelines to ensure balanced expenditure patterns, including limits on monthly spending.

- The Committee warned that excessive spending in the last quarter may breach these norms, leading to:
    - Inefficient allocation of resources
    - Reduced accountability
    - Poor outcomes from public expenditure

Recommendations by the Committee

- The Parliamentary panel has made several recommendations to improve financial management.
- **Realistic Budgeting**
    - Accurate estimation of expenditure
    - Avoiding inflated budget demands
    - Aligning allocations with actual requirements
- **Strengthening Monitoring Mechanisms**
    - Conduct regular internal reviews
    - Ensure timely administrative approvals
    - Synchronise planning with expenditure targets
- **Better Utilisation of Funds**
    - Avoid idle funds and resource blocking
    - Ensure the timely implementation of schemes
    - Improve coordination between planning and execution

Broader Implications for Governance

- The issue of underutilisation of funds reflects deeper challenges in public financial management in India.
- **Impact on Development Outcomes –** Inefficient use of funds can delay development projects and reduce the effectiveness of government programmes. This ultimately affects service delivery and economic growth.
- **Fiscal Responsibility and Accountability –** Proper financial planning is essential for maintaining fiscal discipline. Persistent underutilisation, coupled with rising allocations, undermines accountability in public spending.

Source : TH
