

PUBLIC FINANCIAL MANAGEMENT SYSTEM (PFMS) IN INDIA: INTRODUCTION AND EVALUATION IN THE CONTEXT OF INDIAN EDUCATION SYSTEM

Raval Dipal Aniruddhabhi ¹, Dr. Khusbu Shah ²

¹ Ph.D Scholar, Silver Oak University, Ahmedabad, Gujarat, India

² Silver Oak University, Ahmedabad, Gujarat, India



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ABSTRACT

The Public Financial Management System (PFMS) is a comprehensive digital platform developed by the Government of India to ensure effective management of public funds. Introduced under the Ministry of Finance, PFMS aims to enhance transparency, accountability, and efficiency in financial transactions related to centrally sponsored schemes and welfare programs. This article explores the structure and mechanism of PFMS and evaluates its implementation in the context of the Indian education system. With a specific focus on educational schemes such as Samagra Shiksha Abhiyan, Mid-Day Meal Program, and various student scholarship initiatives, the study highlights how PFMS has facilitated real-time fund tracking, direct benefit transfers, and improved financial governance. The article also assesses the successes, challenges, and limitations of PFMS, and offers policy recommendations for enhancing its functionality and outreach. The findings suggest that while PFMS has significantly improved fund flow management and reduced inefficiencies in education finance, there remains a need for infrastructural improvements, capacity building, and better integration to maximize its impact.

Keywords: Public Financial Management System, PFMS, Education Finance, Direct Benefit Transfer, Transparency, Fund Tracking, Educational Schemes, Samagra Shiksha, Government of India, Digital Governance, Policy Evaluation



1. INTRODUCTION

The Public Financial Management System (PFMS) is a web-based, comprehensive financial management and information system launched by the Government of India under the aegis of the Ministry of Finance. Initially introduced in 2009 as a Plan Scheme Monitoring System, PFMS was designed to track the flow of funds released under various central government schemes. Over time, its scope expanded significantly, and it was rebranded as PFMS to cover a broader range of financial management functions, including real-time fund tracking, direct payment to beneficiaries, and integration with the banking system for seamless transactions. PFMS acts as a centralized platform that facilitates efficient and transparent financial operations of the government, particularly concerning the transfer and utilization of funds. It ensures end-to-end monitoring of disbursements, from the central treasury down to the last mile beneficiaries, including schools, students, and other stakeholders in the education sector. By digitizing financial records and integrating with Core Banking Systems (CBS), PFMS enhances transparency, accountability, and accuracy in public fund management.

One of the standout features of PFMS is its role in Direct Benefit Transfers (DBT), through which subsidies, scholarships, and various welfare payments are directly credited to the bank accounts of beneficiaries. This has

substantially reduced the scope for leakages, delays, and corruption that were often reported in the earlier manual or semi-digitized systems. In the context of the education sector, this feature has proven especially beneficial in ensuring timely disbursement of scholarships, stipends, and other student support funds.

Moreover, PFMS serves as a robust platform for budget execution and expenditure management. It allows implementing agencies to plan, release, and monitor funds with greater efficiency. The real-time data availability supports better decision-making at all administrative levels and facilitates timely audits and reconciliations. This leads to improved financial discipline across ministries and departments involved in the execution of public programs.

In essence, PFMS represents a major shift in the way government finances are handled in India. It aligns with the broader goal of digital governance and reforms in public financial management. Its integration across sectors, particularly education, showcases the government's commitment to leveraging technology for effective public service delivery. As PFMS continues to evolve, it holds the potential to bring about a paradigm shift in the financial ecosystem of public administration in India.

2. RATIONALE FOR THE STUDY

The efficient management of public funds has always been a critical concern for governments, especially in developing countries like India where large-scale welfare programs require massive financial outlays. In recent years, the Indian government has placed increasing emphasis on transparency, accountability, and real-time monitoring in the disbursement and utilization of public funds. Against this backdrop, the Public Financial Management System (PFMS) has emerged as a significant digital innovation aimed at improving financial governance across various sectors, including education. Given the pivotal role of education in nation-building and social development, examining the effectiveness of PFMS within the educational ecosystem becomes both relevant and necessary.

The Indian education sector receives substantial financial support from both central and state governments through various schemes such as Samagra Shiksha, Mid-Day Meal, and different scholarship programs for marginalized groups. However, past experiences have revealed multiple inefficiencies in fund flow, delays in disbursements, leakages, and lack of accountability, which have adversely impacted the implementation and outcomes of these schemes. The introduction of PFMS was intended to address these issues by ensuring real-time tracking, direct transfers, and better fund utilization. This study is therefore rationalized by the need to evaluate how far PFMS has succeeded in improving financial efficiency and accountability within the education sector.

Furthermore, the study gains importance in the context of promoting inclusive education and social equity. Many welfare initiatives in education target economically disadvantaged and socially marginalized students. Timely and accurate financial assistance through PFMS can significantly impact the enrollment, attendance, and academic performance of such students. Evaluating PFMS from this perspective can help determine whether the system is effectively supporting government goals related to universal education and equitable access.

Another crucial aspect of this study is to explore the practical challenges faced during the implementation of PFMS at various administrative levels—state departments, district education offices, schools, and institutions. Despite its potential, PFMS may encounter issues such as inadequate digital infrastructure, limited training of personnel, and integration problems with legacy systems. By critically analyzing these challenges, the study aims to provide evidence-based suggestions for enhancing the functionality and reach of PFMS in the education sector.

In summary, the rationale for undertaking this study lies in the urgent need to evaluate the contribution of PFMS toward strengthening financial management in the Indian education system. It seeks to assess both the achievements and limitations of the system, thereby offering valuable insights for policymakers, education administrators, and financial planners who are working to build a more transparent, accountable, and responsive education finance framework in India.

3. PUBLIC FINANCIAL MANAGEMENT SYSTEM (PFMS): STRUCTURE AND MECHANISM

The Public Financial Management System (PFMS) operates as a sophisticated digital platform designed to bring accountability, transparency, and efficiency to public fund management in India. Developed and managed by the Office of the Controller General of Accounts (CGA), Ministry of Finance, the PFMS serves as an integrated financial management solution that connects various layers of government with implementing agencies, banks, and beneficiaries. Its structure

and mechanism have been engineered to support real-time financial transactions, data reporting, fund flow tracking, and seamless reconciliation across multiple government programs and departments.

At its core, PFMS functions as a centralized platform that facilitates the end-to-end monitoring of fund flows for all centrally sponsored schemes (CSS) and central sector schemes. It connects to the treasury systems of both the Central and State Governments, enabling tracking of funds from the point of allocation to the point of final utilization. PFMS is integrated with the Central Plan Scheme Monitoring System (CPSMS), which allows ministries and departments to plan and manage their budgets with precision and visibility. It provides a real-time interface with Core Banking Systems (CBS) of over 300 banks, including the Reserve Bank of India (RBI), public sector banks, private sector banks, and regional rural banks.

One of the pivotal mechanisms of PFMS is its role in facilitating Direct Benefit Transfers (DBT). Under this function, welfare subsidies, educational scholarships, and financial assistance are transferred directly to the Aadhaar-linked or bank-verified accounts of beneficiaries. This not only minimizes delays and administrative hurdles but also eliminates the scope for middlemen and leakages. For the education sector, this mechanism ensures that scholarships and grants reach students and educational institutions promptly and securely, thereby improving the overall impact of government-funded schemes.

The PFMS structure also includes multiple levels of user access, ensuring operational efficiency across all tiers of governance. Ministries and departments at the central level are provided with dashboards and MIS (Management Information System) reports to monitor expenditure and generate financial statements. At the same time, state and district-level agencies are granted roles for fund request generation, approval, sanctioning, and payment processing. Each user level is secured through a role-based login system with digital verification, ensuring data integrity and system security.

Another key component of PFMS is its expenditure filing and reconciliation capability. All transactions conducted through the platform are automatically recorded and reconciled with bank statements and accounting records. This real-time synchronization allows for accurate budgetary control, timely audits, and performance reviews. It also supports the generation of utilization certificates, which are essential for continued fund releases under many centrally sponsored schemes.

In conclusion, the structure and mechanism of PFMS represent a transformative shift in the way public finances are managed in India. By integrating financial planning, fund disbursement, transaction monitoring, and reporting within a single digital interface, PFMS enhances the credibility and reliability of public expenditure. In sectors like education, where financial accountability is closely tied to developmental outcomes, PFMS serves as a critical tool for ensuring that public funds are utilized effectively, transparently, and for their intended purposes.

4. PFMS IN THE CONTEXT OF INDIAN EDUCATION SYSTEM

The implementation of the Public Financial Management System (PFMS) in the Indian education sector has marked a significant step towards promoting transparency, efficiency, and accountability in the utilization of public funds. Given that education is one of the most critical sectors receiving substantial government investment through centrally sponsored and state-run schemes, ensuring the proper flow and monitoring of funds becomes essential for achieving educational goals. PFMS, by providing a real-time, end-to-end tracking mechanism for financial transactions, has emerged as a vital tool in strengthening governance in the education ecosystem.

In the Indian context, several large-scale education schemes depend heavily on timely and accurate fund disbursement. Programs such as the Samagra Shiksha Abhiyan, Mid-Day Meal Scheme, and various scholarship programs for Scheduled Castes, Scheduled Tribes, Other Backward Classes, and economically weaker sections are funded by the central government and executed by states and educational institutions. These schemes involve complex fund flows that must be monitored closely to ensure that the allocated resources reach the intended beneficiaries without delay or diversion. PFMS enables this by offering a centralized digital infrastructure through which funds can be transferred directly from government accounts to school-level institutions or beneficiaries.

One of the most impactful uses of PFMS in education is the Direct Benefit Transfer (DBT) system. Scholarships and stipends meant for students, which were earlier prone to leakage or delay due to administrative bottlenecks, are now directly deposited into the bank accounts of students. This mechanism not only expedites the process but also ensures transparency, minimizes corruption, and builds trust among the beneficiaries. Furthermore, it empowers students from

underprivileged backgrounds by providing them timely financial support, which is often critical to their continued education.

For school administrations and educational departments, PFMS provides a real-time monitoring dashboard that facilitates tracking of sanctioned funds, fund utilization, and balances at any given point. This helps administrators to plan expenditures, request further funds based on real-time data, and generate utilization certificates with ease. In turn, this reduces delays in audits and improves fiscal discipline. The ability of PFMS to integrate with banking systems and accounting software also aids in automating reconciliations, thus reducing the workload of school and district-level education officials.

However, despite its advantages, the implementation of PFMS in education also faces certain challenges. Digital infrastructure limitations in remote and rural schools, inadequate training among school-level staff, and occasional technical glitches can hinder the full effectiveness of the system. Moreover, variations in state-level adoption and customization of PFMS functionalities can lead to inconsistency in execution. Nonetheless, these challenges are gradually being addressed through capacity-building initiatives and system upgrades by the government.

In summary, PFMS has brought about a transformative shift in public fund management within the Indian education sector. It has enabled more efficient and transparent implementation of educational schemes, especially those aimed at improving access, equity, and quality in education. As the education system becomes increasingly reliant on digital governance and real-time monitoring, PFMS stands as a critical component in ensuring that public resources are utilized effectively and reach the intended beneficiaries in a timely manner.

5. EVALUATION OF PFMS IMPLEMENTATION

The implementation of the Public Financial Management System (PFMS) in India, especially within the education sector, has shown a combination of noteworthy successes and persistent challenges. As a digital platform introduced to modernize public fund management, PFMS has significantly altered how funds are disbursed, monitored, and accounted for across government programs. In the context of education, where timely fund flow directly influences infrastructure development, scholarship disbursement, and program execution, the role of PFMS has been transformative in many respects.

One of the major achievements of PFMS is the real-time tracking and transparency in fund disbursement. With the integration of PFMS, educational departments can now monitor the flow of funds from the central or state treasuries to the last mile, such as schools or individual student bank accounts. This has drastically reduced the delays that were previously common in the manual or semi-digital systems of fund allocation. For instance, scholarships and stipends that once took months to reach students are now often processed and credited within days, thanks to PFMS's Direct Benefit Transfer (DBT) mechanism.

Furthermore, PFMS has enabled more accurate and automated financial reporting. Educational institutions and implementing agencies can generate real-time utilization certificates, reconcile accounts with bank data, and maintain a digital audit trail, which simplifies the process for financial inspections and compliance reviews. This has contributed to improved financial discipline and reduced instances of mismanagement or misappropriation of funds in education-related schemes.

Empirical data and administrative feedback from several states suggest that PFMS has improved the overall efficiency of schemes like Samagra Shiksha and the Mid-Day Meal Program. The system has empowered local-level administrators with greater financial visibility and control, allowing for better planning and decision-making. For example, schools can now assess their financial position more accurately and submit fund requests based on actual expenditure data, reducing the chances of over- or under-allocation.

Despite these gains, the implementation of PFMS has faced considerable challenges. Digital infrastructure and internet connectivity remain a major hurdle, particularly in rural and remote areas. Many schools lack the necessary equipment, such as computers and scanners, to operate PFMS smoothly. Additionally, the capacity and digital literacy of administrative staff at the grassroots level is uneven. In many cases, teachers or clerks who are responsible for data entry and fund management have not received adequate training, leading to delays, errors, and underutilization of system features.

Technical issues and server downtimes also affect the system's reliability. Complaints related to login failures, transaction errors, or delays in fund reflection are not uncommon, which can disrupt critical processes like salary payments or scholarship disbursements. Moreover, the standardization of PFMS across states is not uniform; some states have fully integrated PFMS with their treasury and education systems, while others are still in transition, leading to inconsistent outcomes.

Another issue is the limited user feedback mechanism within PFMS. While the system provides robust tracking and reporting tools for administrators, there is a lack of structured feedback channels for end users—such as students and school authorities—to report grievances or suggest improvements.

Overall, the implementation of PFMS in the Indian education system has yielded significant benefits in terms of financial transparency, timely fund disbursal, and improved accountability. However, to realize its full potential, there is a need to address infrastructural and training deficiencies, improve technical support, and ensure wider stakeholder engagement. Continuous evaluation, capacity-building initiatives, and technological enhancements will be crucial in strengthening the effectiveness of PFMS and making it a truly transformative tool for public financial management in education.

6. POLICY RECOMMENDATIONS AND WAY FORWARD

To ensure that the Public Financial Management System (PFMS) reaches its full potential in the Indian education system, there is a pressing need for strategic policy interventions and systemic improvements. While PFMS has already brought about commendable advancements in fund transparency, disbursal efficiency, and accountability, several gaps and challenges continue to hinder its effectiveness at the grassroots level. Addressing these challenges through well-designed policy actions will be crucial to strengthening public financial management in education.

One of the foremost policy recommendations is the enhancement of digital infrastructure across all educational institutions, especially in rural and remote areas. Many schools still lack basic IT infrastructure such as computers, stable internet connectivity, and power supply. To make PFMS fully functional and efficient at the ground level, both central and state governments must prioritize infrastructure investments. A dedicated fund may be allocated under schemes like Samagra Shiksha for establishing and maintaining digital facilities required for PFMS operations in schools.

Alongside infrastructure, there is a strong need for capacity building and regular training programs for school-level staff, clerks, accountants, and administrative officers who are responsible for operating the PFMS portal. Many of these stakeholders are either unfamiliar with digital systems or inadequately trained to use PFMS functionalities such as fund requisition, voucher entry, reconciliation, and report generation. Periodic workshops, online training modules, and helpdesk support can enhance user proficiency and reduce errors and delays in system operations.

To ensure timely response to operational issues, strengthening technical support and grievance redressal mechanisms should be a key policy focus. A dedicated PFMS support cell at the district or state level can assist schools and education offices in resolving real-time technical problems. Additionally, an in-built feedback mechanism on the PFMS portal for users to report challenges and suggestions can help continuously improve the system based on user experience.

Integration and standardization of PFMS with state treasury and education management systems is another area that demands attention. While some states have fully integrated PFMS with their financial and administrative systems, others are still operating in silos. Uniform integration would help in smooth data flow, reduce duplication of work, and provide a single-source database for financial monitoring, planning, and audits. This calls for coordinated action between central and state governments to align IT systems and operational protocols.

Moreover, monitoring and evaluation systems need to be institutionalized. Regular performance audits, third-party evaluations, and social audits can provide independent assessments of PFMS implementation and its impact in education. These evaluations can also inform policy decisions on further refining the system and addressing bottlenecks in fund delivery and utilization.

In the long term, the PFMS platform can be expanded to include predictive analytics and artificial intelligence tools for better fund allocation based on historical data and performance trends. For example, schemes that show consistent under-utilization or delayed disbursal can be flagged automatically for review, allowing proactive corrective actions by administrators. Overall, while PFMS has laid a strong foundation for transparent and accountable financial management

in the education sector, sustained policy support, technological investments, and capacity building are essential for its deeper integration and impact. The way forward lies in making PFMS not just a compliance tool but a robust enabler of efficient governance and equitable educational development across India.

7. CONCLUSION

The Public Financial Management System (PFMS) has emerged as a transformative tool in India's effort to bring efficiency, transparency, and accountability to public fund management, particularly within the education sector. As education continues to receive significant financial allocations through various central and state-sponsored schemes, the need for a robust financial monitoring and disbursement mechanism becomes paramount. PFMS, with its integrated, real-time digital platform, has addressed many of the historical challenges related to delayed fund transfers, leakages, and lack of accountability in educational finance.

The system's successful implementation in schemes such as Samagra Shiksha Abhiyan, Mid-Day Meal Program, and student scholarship disbursements has demonstrated its potential to ensure that public funds reach the intended beneficiaries accurately and promptly. Direct Benefit Transfers through PFMS have especially empowered students from economically disadvantaged backgrounds, thereby supporting the government's goal of inclusive education. Additionally, the platform has enabled educational administrators to monitor fund flows, generate real-time reports, and improve financial decision-making.

However, despite these successes, the evaluation of PFMS also reveals persistent challenges, including inadequate digital infrastructure in rural areas, lack of trained personnel, technical glitches, and inconsistent implementation across states. These issues highlight the need for targeted policy interventions focused on capacity building, infrastructure enhancement, system integration, and stakeholder engagement.

In essence, PFMS represents a critical step toward strengthening governance in the education sector. Its continued evolution and improvement will be instrumental in ensuring optimal utilization of public resources, enhancing service delivery, and achieving educational equity. With sustained efforts from both central and state governments, PFMS can truly become a cornerstone of efficient and transparent public financial management in India's education system.

CONFLICT OF INTERESTS

None.

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