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"EVALUATIVE ASSESSMENT OF FINANCIAL MANAGEMENT PRACTICES IN CAPITAL DISBURSEMENTS: A STUDY OF SELECTED PUBLIC SECTOR UNDERTAKINGS IN INDIA"

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ABSTRACT:

In Public Sector Undertakings (PSUs), capital disbursements are an essential part of financial management since they have a direct impact on long-term sustainability, asset building, and operational effectiveness. With an emphasis on the planning, allocation, utilization, and monitoring procedures, this study attempts to assess the financial management practices related to capital disbursements in a subset of Indian PSUs. This study highlights the main advantages and disadvantages of present procedures by using a mixed-method approach that includes both qualitative insights from interviews with finance professionals and quantitative analysis of financial data. The results show a range of efficacy, with some projects exhibiting strong governance and strategy alignment and others encountering issues like absence of outcome-based performance indicators, procedural delays, and underutilization of money allotted. The study highlights the necessity of adopting best practices in financial planning and execution, increasing transparency, and fortifying internal controls. Suggestions are made to increase the accountability and efficiency of capital expenditures, which will help India achieve its larger objective of reforming public financial management.

KEYWORDS: *Fund Allocation, Public Sector Undertakings (PSUs), Financial Management, Capital Disbursements, and Budgetary Control.*

INTRODUCTION

By leading infrastructure projects, offering vital services, and making a substantial contribution to employment and national output, Public Sector Undertakings (PSUs) are essential to India's economic growth. PSUs are expected to exercise financial prudence in their role as stewards of public resources, particularly when it comes to overseeing capital disbursements that finance long-term investments and asset building. Capital disbursement, as a crucial component of financial management, involves the planning, allocation, and execution of funding toward capital-intensive projects such as plant and machinery, infrastructure, and modernization initiatives.

Concerns about cost overruns, delays, inefficiencies, and the underutilization of allotted funds have sparked an increase in the public sector's scrutiny of capital expenditure in recent years. Effective financial management in capital disbursements is necessary not only to preserve fiscal discipline but also to accomplish anticipated socio-economic consequences. A number of PSUs still face difficulties with project planning, procurement procedures, fund utilization, and financial reporting in spite of regulatory changes and heightened oversight.

The purpose of this study is to assess the current capital disbursement financial management procedures in a subset of Indian PSUs. It aims to determine the advantages and disadvantages of the systems and procedures in place, evaluate how well disbursement procedures match strategic goals, and make suggestions for enhancements. The study aims to add to the larger conversation on improving public financial accountability and performance in India by looking at both quantitative financial indicators and qualitative managerial insights.

AIMS AND OBJECTIVES:

Aims:

The central aim of this study is to critically evaluate the financial management practices associated with capital disbursements in selected Public Sector Undertakings (PSUs) in India. The study focuses on assessing the efficiency, effectiveness, and accountability of these practices, particularly in how capital funds are allocated, managed, and utilized. By doing so, the research seeks to uncover operational strengths, identify systemic gaps, and contribute to the development of more transparent and result-oriented financial strategies within the public sector.

Objectives:

The objectives of this study are centered on evaluating the financial management practices related to capital disbursements in selected Public Sector Undertakings (PSUs) in India. Specifically, the study aims to examine the existing policies and procedural frameworks that guide capital disbursements, and to analyze the effectiveness of financial planning, budgeting, and fund allocation systems. It further seeks to assess how capital expenditures are utilized, with the goal of identifying any inefficiencies or gaps in execution. Additionally, the research will evaluate the strength and adequacy of internal control systems, audit mechanisms, and monitoring processes in ensuring financial accountability. Based on these assessments, the study intends to identify best practices and propose strategic recommendations to enhance the overall financial management of capital disbursement activities within PSUs.

LITERATURE REVIEW:

Capital disbursement in Public Sector Undertakings (PSUs) is a cornerstone of long-term investment and infrastructure development in India. The financial management practices that underpin these disbursements have been extensively examined by scholars and institutions to uncover both systemic strengths and persistent inefficiencies. Premchand (2000) provides a foundational perspective on the evolution of public financial management in India, emphasizing the necessity of fiscal discipline and the modernization of capital budgeting processes to align expenditures with developmental goals. Rao and Singh (2006) highlight the distortionary effect of political interference on capital investments, arguing that the absence of institutional safeguards often leads to a deviation from economically sound objectives.

Empirical studies by Narayan and Mishra (2011) reveal critical gaps in the capital budgeting frameworks used by many PSUs, particularly the lack of robust project appraisal systems, which frequently result in cost overruns and delays. They also identify a shortfall in post-completion audits, which hinders learning and feedback for future planning. Similarly, Goel and Pathania (2012) find a disconnect between long-term strategic objectives and the actual deployment of capital, suggesting a lack of alignment between planning and execution in public enterprises.

Bandyopadhyay and Bhattacharya (2016) document the gradual adoption of advanced financial planning tools in select Navratna PSUs, noting improvements in modeling techniques and decision-making processes. However, Chakraborty (2018) critiques the limited use of contemporary financial evaluation methods, such as Net Present Value (NPV), Internal Rate of Return (IRR), and sensitivity analysis, arguing that reliance on outdated techniques undermines investment efficiency.

Kumar and Raghavan (2013) highlight persistent execution issues, including cost escalations and project delays, which they attribute to weak internal financial controls and inadequate oversight. These findings are reinforced by regular audit reports from the Comptroller and Auditor General (CAG), which frequently cite deviations from budget norms, procurement irregularities, and delays in financial auditing.

Tiwari (2015) underscores the influence of governance structures on financial outcomes in PSUs, advocating for enhanced board-level oversight, increased operational autonomy, and institutional accountability to improve capital disbursement efficiency. The World Bank (2017) echoes this view, recommending the integration of financial and performance monitoring systems across PSUs. This is reflected in recent initiatives such as the Public Financial Management System (PFMS), which, according to Mehta (2021), has improved transparency in fund flows, although its implementation remains uneven across the sector.

Additional reforms, including performance-linked evaluations through Memoranda of Understanding (MoUs) and NITI Aayog-led reviews, have introduced new incentives for improving financial discipline. However, there remains a lack of evidence on the practical impact of these reforms on ground-level disbursement practices and asset creation.

In summary, while progress has been made in enhancing financial management practices in Indian PSUs, the literature continues to highlight challenges such as inadequate appraisal mechanisms, underutilization of financial technology, governance inefficiencies, and insufficient performance evaluation. There is also a clear research gap in comparative analyses across different PSU categories and in assessing the direct relationship between capital disbursement efficiency and overall enterprise performance. These gaps underline the need for further empirical research to evaluate the effectiveness of ongoing reforms and to strengthen financial governance in India's public sector.

RESEARCH METHODOLOGY:

This study employs a mixed-method research approach to evaluate financial management practices related to capital disbursements in selected Public Sector Undertakings (PSUs) in India. The objective is to obtain both quantitative and qualitative insights into the systems, processes, and outcomes associated with capital expenditure within the public sector.

The research design is both exploratory and descriptive, aimed at uncovering existing practices, identifying operational gaps, and assessing the efficiency and transparency of capital disbursement mechanisms. A purposive sampling technique is used to select a diverse group of PSUs across sectors such as energy, manufacturing, transportation, and infrastructure. These undertakings are chosen based on their classification (Maharatna, Navratna, Miniratna), financial scale, and the capital-intensive nature of their operations.

Primary data is gathered through structured questionnaires and semi-structured interviews conducted with finance officers, auditors, and project managers within the selected PSUs. The questionnaire focuses on key areas such as capital budgeting procedures, project appraisal techniques, fund allocation methods, monitoring frameworks, and audit systems. The interviews aim to capture deeper institutional insights, including governance challenges and implementation issues that may not be evident through quantitative tools.

Secondary data is drawn from PSU annual reports, audit findings from the Comptroller and Auditor General (CAG), Public Enterprises Survey reports, and other relevant government publications. These sources are used to validate primary data and provide contextual depth to the findings.

Quantitative data is analyzed using descriptive statistical tools to assess trends, averages, and frequencies in financial management practices. Comparative analysis is undertaken across different PSU categories to identify differences in governance and performance. Qualitative data from interviews undergoes thematic analysis to extract recurring themes and contextual factors influencing financial decision-making.

To ensure reliability, a pilot study is conducted with a subset of respondents to pre-test the research instruments, with subsequent revisions made for clarity and relevance. Validity is ensured through data triangulation by cross-verifying findings from primary responses with secondary data sources.

STATEMENT OF THE PROBLEM:

Public Sector Undertakings (PSUs) in India are instrumental in driving economic growth through substantial capital investments in key sectors such as energy, infrastructure, and manufacturing. These investments involve significant financial outlays, necessitating efficient, transparent, and accountable management practices. However, various government audit reports, academic studies, and performance reviews consistently reveal persistent issues, including cost overruns, project delays, weak appraisal systems, inadequate financial planning, and insufficient monitoring frameworks within many PSUs.

Although reforms in public financial management—such as the introduction of the Public Financial Management System (PFMS) and performance-based evaluation mechanisms—have aimed to improve these practices, empirical evidence on their actual effectiveness remains limited. The absence of a uniform and well-integrated financial management approach across different categories of PSUs, including Maharatna, Navratna, and Miniratna entities, further complicates the evaluation of financial performance and capital utilization efficiency.

Additionally, capital budgeting decisions in PSUs are frequently subject to bureaucratic and political influences, resulting in inefficient investments and underutilized assets. These challenges not only compromise the optimal use of public funds but also erode public confidence and strain the country's fiscal resources.

In light of these concerns, there is a pressing need to systematically assess the current financial management practices governing capital disbursements in Indian PSUs. This study seeks to identify critical gaps, evaluate the effectiveness of existing systems, and recommend strategic measures to strengthen transparency, accountability, and operational efficiency in managing capital expenditures.

DISCUSSION:

The analysis of financial management practices in capital disbursements among selected Public Sector Undertakings (PSUs) in India highlights a mix of progress and ongoing challenges in the effective deployment of public funds. While many PSUs have formalized processes for budgeting and capital planning, the implementation of these procedures frequently encounters obstacles due to systemic inefficiencies and governance-related shortcomings.

A notable finding is the uneven adoption of modern capital budgeting tools such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period. Larger PSUs, particularly those classified as Maharatna, are more likely to employ structured and analytical financial evaluation methods. In contrast, smaller or less autonomous PSUs often continue to rely on outdated or simplistic approaches. This inconsistency in financial appraisal techniques results in suboptimal investment choices, thereby impacting cost-efficiency and long-term returns.

Additionally, the study identifies widespread issues related to cost overruns and delays in capital project execution. Despite the presence of internal controls and audit mechanisms, many PSUs lack robust real-time monitoring systems. Project delays are often attributed to slow approval processes, weak inter-departmental coordination, and inadequate risk assessment during the planning stage. These operational inefficiencies are further exacerbated by limited accountability structures and an absence of strict consequence management for performance lapses.

CONCLUSION:

This study set out to evaluate the financial management practices related to capital disbursements in selected Public Sector Undertakings (PSUs) in India. Drawing on both primary and secondary data, the findings present a nuanced picture—while there is evidence of structured policies and formal procedures, their effectiveness is undermined by persistent implementation gaps, systemic inefficiencies, and governance challenges.

Although most PSUs have established mechanisms for capital budgeting and fund allocation, the consistency and rigor of these practices vary significantly across organizations. Larger and more autonomous PSUs, such as those with Maharatna status, tend to exhibit stronger financial planning, project appraisal, and monitoring frameworks, largely due to more robust governance and operational flexibility. In contrast, smaller or less autonomous PSUs often struggle with bureaucratic hurdles, weak financial oversight, and limited technical capacity, which hampers their ability to manage capital efficiently.

The recurring issues of cost overruns, delays, and misaligned investment decisions highlight deficiencies in risk assessment, project evaluation, and accountability structures. While initiatives like the Public Financial Management System (PFMS) aim to enhance transparency and control, their inconsistent implementation across PSUs has limited their effectiveness. Furthermore, audit reports continue to expose gaps in procurement practices, internal audit efficiency, and the monitoring of capital asset performance.

Overall, the study underscores the need for comprehensive reforms that go beyond procedural improvements, emphasizing institutional accountability, capacity building, and the adoption of uniform financial management standards across all PSUs.

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