

Special Assistance to States for Capital Investment 2023-24

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The **Scheme for Special Assistance to States for Capital Expenditure**, launched in FY21, has been expanded and continued as '**Scheme for Special Assistance to States for Capital Investment 2023-24**' with allocation of ₹1.3-lakh crore.



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About Special Assistance to States for Capital Investment 2023-24:

- To increase capital spending by states, the 'Special Assistance to States for Capital Investment 2023-24' scheme was introduced in the **Union Budget 2023-24**.
- This scheme offers **special assistance to state governments** in the form of a **50-year interest-free loan**, totaling up to **Rs. 1.3 lakh crore** for the **financial year 2023-24**.
- The aim is to **enhance capital expenditure**, considering its **higher multiplier effect**.
- **Ministry:** The Department of Expenditure under the **Finance Ministry**.

Basis for allocation of funds:

- The scheme comprises **eight parts**, with **Part-I** having the **highest allocation of Rs. 1 lakh crore**.
- This amount has been allocated amongst States in **proportion to their share of central taxes & duties** as per the award of the **15th Finance Commission**.
- The remaining parts of the scheme are either **linked to reforms** or are for **sector specific projects**.

Part-II:

- **Part-II** of the scheme allocates **Rs. 3,000 crore** to provide incentives to states.
- This includes encouraging states to **scrap state government vehicles and ambulances**, waiving liabilities on old vehicles, giving tax concessions to individuals for scrapping old vehicles, and establishing **automated vehicle testing facilities**.

Parts III and IV:

- Parts III and IV of the scheme focus on providing incentives to states for reforms in **Urban Planning and Urban Finance**.

- Rs. 15,000 crore is set aside for **Urban Planning Reforms**, and an additional Rs. 5,000 crore is allocated to incentivize states in making **Urban Local Bodies creditworthy** and enhancing their finances.

Part-V and Part-VI:

- The scheme has additional objectives, including **increasing housing for police personnel** and their families within **urban police stations**, with Rs. 2,000 crore allocated for this **in Part-V**.
- It also aims to promote national integration, advance the "**Make in India**" concept, and support "**One District, One Product (ODOP)**" through the construction of **Unity Mall in each state**, with Rs. 5,000 crore earmarked for this purpose **in Part-VI**.

Part-VII

- Part-VII of the Scheme, with an allocation of Rs. 5,000 crore is for **providing financial assistance to States for setting up libraries with digital infrastructure at Panchayat and Ward level** for children and adolescents.

States which has received maximum amount of fund:

- Over the **past four years, Uttar Pradesh and Bihar**, being the top two states meeting the specified criteria, have received the **highest allocation under the Scheme**.
- In contrast, Uttarakhand, Haryana, Kerala, and Punjab have received about **1-2% of the total released amount** under the Scheme during this period.
- As per recent data from the Ministry of Finance provided to the Lok Sabha, **Andhra Pradesh, Kerala, Manipur, and Punjab** did not receive any allocation in the fiscal year 2023-24.
 - This is because these states **did not meet the eligibility criteria** specified under the Scheme.