

ANALYSIS OF RECENT TRENDS AND PATTERNS OF SOCIAL SECTOR EXPENDITURE IN INDIA: SPECIAL REFERENCE TO HEALTH AND EDUCATION

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ABSTRACT: Considering country's demographic dividend of a largest young population in the working age class, progress in social infrastructure such as education, health services, are needed for improvement in both quality of life and productivity of the economy. The levels of public expenditure on social sector services indicate the commitment of the government towards social sector development. The recent government reports and data claims that, the public expenditure in social sector has increased. In this context in the current paper we made an attempt to analyse the recent trends of public expenditure on education, health and social sector and its composition. We found that in recent years the public expenditure in social sector and health has increased gradually, but decreased in sector. It reveals that the Indian states are incurring highest spending on revenue account and the capital expenditure constitutes very small portion of total expenditure on education, health and social sectors.

KEYWORDS: Public expenditure on social sector, Health, Education, Human Development, Composition of public expenditure on social sector.

JEL CLASSIFICATION: Health, Education and Society, Public Economics, Development Economics, Welfare Economics.

INTRODUCTION

In India, since the independence it is well acknowledged that the social sector expenditure is the key to improve the quality of human life. All the successive

governments have taken continuous efforts towards inclusive social development and the process of human development. Considering country's demographic dividend of a largest young population in the working age class, progress in social infrastructure such as education, health services, clean drinking water, sanitation facilities are needed for improvement in both quality of life and productivity of the economy. The education and health care services are essential components of inclusive social development. The open market mechanism and private sector doesn't give any guarantee of providing the widespread and equal access of primary education and health care services to all people. Hence the role of government is significant in making provision of the widespread of basic education and health care services to mass of the people.

The country has achieved success on different agendas of social sector development in the past seventy years. The literacy rate has increased from mere 18% in 1947 to 77.7% in 2018 (as per NSSO Data). The life expectancy at birth of country has increased from 31 years in 1947 to 68.7 years in 2012-16. The poverty ratio has declined from 50% in 1950 to 21.9% in 2011 (as per Suresh Tendulkar Committee). India has escaped from low category human development in 1990s to medium human development and as per recent UNDP's Human Development Report 2020 its rank is 131 in 189 countries with 0.645 HDI value. The Indian economy, with GDP at current USD prices of 2.94 trillion, emerged as the fifth largest economy in the world and it overtook the United Kingdom and France economy in 2019. The Union Budget 2019 announced the vision of making India as a USD 5 trillion economy by 2024 with this announcement the country is dreaming to become as a USD 5 trillion. In spite of this glory of development and high economic growth over the period, India's progress in social indicators and Human development is much slower than its GDP growth.

The levels of public expenditure on social sector services indicate the commitment of the government towards social sector development. The public investment in social sector is a pre-requisite to achieve the sustainable development goals (SDGs) by 2030 as well as to come true the dream of making India as a USD 5 trillion economy by 2024. The recent government reports and data claims that, the public expenditure in social sector has increased. In this context in the current paper we made an attempt to analyse the recent trends of public expenditure on education, health and social sector and its composition.

DATABASE

In this present study, we have used secondary data as per the requirement of the study. We have taken data from various institutions and government publications. Among them, major sources are Global Human Development Reports, economic surveys of India, RBI reports, and annual reports of the Ministry of Human Resource Development of India.

METHODOLOGY

We have analyzed recent trends of total public expenditure on education, health and social sector in India. We tried to compare the public expenditure on education, health and social sector in terms of total state expenditure and total GDP. We used the simple statistical tools like percentage, average and maximum and minimum, to analyze the recent trends and comparison of public expenditure on education, health and social sector in terms of total state expenditure and total GDP.

RECENT TRENDS IN PUBLIC EXPENDITURE ON EDUCATION, HEALTH AND SOCIAL SECTOR IN INDIA

Since the independence the social sector has received considerable attention of the planners in almost all five year plans of the country. The trends of combined public expenditure on social sector give the clear idea about the commitments of governments towards these sectors. There are three basic methods for evaluating the budgetary expenditure on education and health sector. First method is to observe at education and health expenditures as a percentage of GDP of the country. Second method is to look at education and health expenditures as a proportion to average budget expenditure. The third method is to calculate the per capita expenditure on education and health in country. The following table (1) represents all three methods to observe the commitments of the government towards the social, education and health sector expenditure for the period 2000-01 to 2019-20.

**Table 1: Trends in Public Expenditure on Education and Health:
(Combined Centre and State Governments)**

Year	Expenditure As % to GDP		As % to total expenditure		Per capita Expen- diture	Expen- diture As % to GDP	As % to total expenditure on social services	
	Education	Health	Education	Health	Health	Social Sector	Education	Health
2000-01	4.14	0.9	14.4	—	184.56	7.45	45.28	19.32
2010-11	3.1	1.3	11.4	4.7	701	7.02	46.1	19
2013-14	3.0	1.2	11.6	4.6	913	6.6	46.7	18.7
2017-18 (RE)	2.8	1.4	10.7	5.4	1657	6.7	42.4	21.4
2019-20 (BE)	3.1	1.6	10.6	5.3	1944	7.7	40.7	20.5

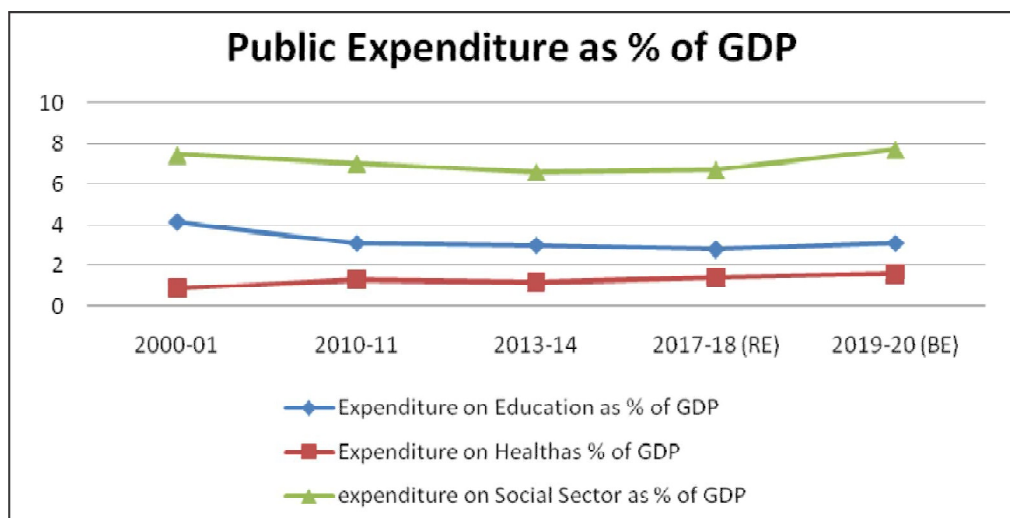
Source: Economic Survey of India 2003-04, 2013-14, 2019-20, Health Profile 2018, 2019.

Note: Expenditure on 'Education' includes expenditure on 'Education, Sports, Arts and Culture'. Expenditure on 'Health' includes expenditure on 'Medical and Public Health', 'Family Welfare' and 'Water Supply and Sanitation'. RE: Revenue Expenditures BE: Budget Estimates.

The social sector expenditure has multidimensional importance in view of developing countries human development, as it benefiting deprived people more than rich, supporting in enhancement of human capital and essential to attain the targets of sustainable development goals (SDG). The above table indicates that the social sector expenditure declined from 7.45% of GDP in 2000-01 to 6.6% in 2013-14 and then increased to 7.7% in 2019-20. Thus in the last 20 years the increase in social sector expenditure is negligible. The above table 1 also discloses that the education in terms of percentage to GDP is decreased over the period instead of increase. In 2000-01 the expenditure on education was 4.14% of the GDP that declined to 3.1% in 2010-11 and further 2.8% in 2018-19 then it slightly increased to 3.1% of the GDP in 2019-20. However here one positive thing can be observed that, the public expenditure on health is gradually increasing. The public expenditure on health was mere 0.9% of the GDP in 2000-01 that increased up 1.6% of the GDP by 2019-20, but the rate of increase is very lower. The same trend is followed in terms of public expenditure on education and health as of percentage to total expenditure. The expenditure on education was incurred 14.4% of total government expenditure was in 2000-01 which declined up to 10.6% in 2019-20. On the other hand the expenditure on health was 4.7% of total government expenditure in 2010-11 that marginally increased up to 5.3% in 2019-20. The public expenditure on health in terms of both as percentage to GDP and total expenditure has increased therefore in terms of per capita expenditure on health also continuously increased over the period. The above table clearly shows that the per capita health expenditure has risen from Rs.184.4 in 2000-01 to Rs.913 in 2013-14 and further Rs. 1944 in 2019-20, the increase is more than nine times in last 20 years.

In India education and health are core sectors which are continuously attracting highest funds of total social sector expenditure. Moreover the education is a far largest head as the Indian government spends about 26% on social sector of the total expenditure, on account of education sector government is incurring more than 40% of the total social sector expenditure. However over the period the share of expenditure on education in total social expenditure is continuously declining. In 2000-01 the expenditure on education was around 45.28% of the total social sector expenditure that declined to 42.4% in 2017-18 and further 40.7% in 2019-20. On the basis of above data it can be observed that the share of health expenditure in total social sector expenditure is increasing slowly. The share of health expenditure was about 19.32% of the social sector expenditure in 2000-01 that increased up to 21.4% in 2017-18 and declined 20.5% in 2019-20.

The above graph shows public expenditure on education, health and social sector as percentage to GDP. The social sector expenditure declined 2013-14 and then increased in 2019-20. The expenditure on education declined till 2017-18 and then marginally increased in 2019-20. However the public expenditure on health



Graph 1: Public Expenditure on Education, Health and Social Sector as % of GDP

has been increased continuously but at sluggish rate from 0.89% in 2000-01 to 1.6% in 2019-20. Thus the government is increasing health expenditure at the cost of reduction in education sector expenditure. This is not tolerable at all as both education and health are equally essential for progress in the human development.

COMPOSITION OF PUBLIC EXPENDITURE ON EDUCATION, HEALTH AND SOCIAL SECTORS: (ALL STATES)

The table 2, represents the composition of state government's expenditure on education, health and total social sector. The public expenditure on education, health and total social sector is generally divided in to two components revenue expenditure and capital expenditure. In the case of education the revenue expenditure comprises on an average about 97% of total expenditure, it was highest 99.15 % in 2002-03 gradually decreased by 96.09% in 2019-20. Hence, the share of capital expenditure was very short throughout the period. The lowest capital expenditure on education was 0.80% in 2002-03 highest 3.76% in 2019-20.

Compare to education sector the contribution of revenue expenditure in total health expenditure was lower and capital expenditure share was more. The share of revenue expenditure on an average was 79.14% and varied between 83.62% in 2003-04 and 73.3% in 2008-09. On the other hand the capital expenditure was on an average 20.86 of total health expenditure and the variation is observed from 26.87% in 2008-09 to 16.38% in 2003-04. The component of revenues expenditure of total social sector was highest (91.18%) in 2002-03 and it was lowest (85.93) in 2007-08 while the revenue expenditure constituted on an average of 88.25% during the period of 2002-03 to 2019-20. Percentage of capital in total social sector

Table 2 Composition of Public Expenditure on Education, Health and Social sectors: (All States) (Rs in Crores)

Year	Education				Health				Social Sector			
	Rev Expe % to Total Exp	Cap Expe % to Total Exp	Ln & Adv Expe % to Total Exp	Total Expenditure	Rev Expe % to Total Exp	Cap Expe % to Total Exp	Total Expenditure	Total Expenditure on Health	Rev Expe % to Total	Cap Expe % to Total	Ln & Adv Expe % to Total	Total Expenditure
2002-03	99.15	0.80	0.056	61,779.6	83.59	16.41	25,506.8	91.18	6.75	2.06	133,647.9	
2003-04	98.93	1.00	0.076	64,976.6	83.62	16.38	27,598.7	90.45	7.64	1.91	146,164.3	
2004-05	98.42	1.40	0.182	70,483.1	79.95	20.05	30,874.1	88.98	9.49	1.53	164,076.7	
2005-06	97.79	2.15	0.066	79,916.0	80.64	19.36	35,677.5	88.57	9.64	1.79	189,430.2	
2006-07	97.40	2.59	0.017	91,972.6	75.94	24.06	40,795.9	87.73	10.14	2.13	222,988.2	
2007-08	96.76	3.23	0.018	104,154.3	73.37	26.63	48,065.7	85.93	11.23	2.83	265,466.4	
2008-09	96.34	3.65	0.011	125,885.1	73.13	26.87	55,965.3	86.00	11.61	2.39	331,538.2	
2009-10	97.33	2.66	0.006	155,825.5	77.48	22.52	63,010.9	87.28	10.77	1.95	399,737.2	
2010-11	97.34	2.62	0.035	192,739.9	81.20	18.80	69,455.7	89.15	9.02	1.83	451,936.5	
2011-12	97.89	2.08	0.034	220,724.2	82.10	17.90	78,239.0	89.36	8.77	1.87	523,569.3	
2012-13	97.69	2.30	0.017	251,211.6	80.50	19.50	90,180.0	89.01	9.36	1.63	602,942.7	
2013-14	97.38	2.61	0.012	280,897.4	79.09	20.91	102,640.8	89.85	8.97	1.18	679,201.1	
2014-15	97.29	2.70	0.008	324,211.1	78.23	21.77	135,850.0	89.15	10.10	0.74	830,060.0	
2015-16	97.03	2.94	0.035	360,210.3	79.90	20.10	156,010.7	88.91	10.18	0.91	968,936.4	
2016-17	97.06	2.93	0.012	398,654.9	80.08	19.92	183,110.0	86.25	10.09	3.66	1,128,188.3	
2017-18	96.92	3.00	0.087	438,312.3	80.23	19.77	214,274.6	88.15	10.42	1.43	1,200,934.1	
2018-19*	96.20	3.67	0.123	532,415.7	79.46	20.54	261,454.9	87.22	11.52	1.26	1,544,801.8	
2019-20@	96.09	3.76	0.154	591,325.5	77.16	22.84	285,559.1	87.01	11.86	1.13	1,679,941.8	
Average	97.31	2.64	0.051	256,808.5	79.14	20.86	113,825.4	88.25	9.87	1.75	636,864.5	
Maximum	99.15	3.76	0.182	591,325.5	83.62	26.87	285,559.1	91.18	11.86	3.66	1,679,941.8	
Minimum	96.09	0.80	0.006	61,779.6	73.13	16.38	25,506.8	85.93	6.75	0.74	133,647.9	

Note: * 1) Revised Estimation, @ Budgetary Estimation, Rev Expe: Revenue Expenditure, Cap Expe: Capital Expenditure, Ln & Adv Expe: Loan and Advances. 2) Expenditure on 'Education' includes expenditure on 'Education, Sports, Arts and Culture'. 3) Expenditure on 'Health' includes expenditure on 'Medical and Public Health', 'Family Welfare' and 'Water Supply and Sanitation

Source: Author's calculations from State Finances: A Study of Budgets, Reserve Bank of India, 2020.

expenditure is increase from 6.75% in 2002-03 to 11.86 2019-20, on an average capital expenditure is stuck at below 10% during in the same period.

From the above table 2 it clear that the Indian states are incurring highest spending on revenue account and the capital expenditure constitutes very small portion of total expenditure on education, health and social sectors. The revenue expenditure is considered for short term expenses includes mainly salaries, subsidies, pensions, etc which are not creating any assets in the long run. While capital expenditure is considered as long term development expenses includes mainly purchase of land, machinery, constructing new buildings etc, which creates assets in the long run. The lower proportion of capital expenditure of total social sector expenditure is not good indication for social sector development and hence for human development of the country. As with the lower percentage capital expenditure is an obstacle on the way of creation of productive assets and naturally it will affect economic and human development negatively. Therefore the state governments are needs to increase expenditure on all these three sectors and change the composition in favour of capital expenditure.

CONCLUSION

The expenditures are inadequate as compare to its requirements for maintaining the global standards in both education and health sectors. India's public expenditure on education declined from 4.14% of GDP in 2000-01 to around 3.1% in 2019-20, but well known Kothari Commission wanted to be 6% of GDP. Hence the spending on education is around half of the Commission's recommendation, in addition most serious thing is that recent trends in public expenditure on education is downward instead of upward. The condition of health sector is almost same like education, because although public spending on health is increased from mere 0.9% of GDP in 2000-01 to 1.6% in 2019-20 but this increase is just marginal. India is far behind than several developing countries because the average for OECD countries spending on health was 8.8% of GDP in 2018. The BRICS countries Brazil (9.2%), South Africa (8.1%), Russia (5.3%), and China (5%) also have higher percentage of GDP spending on their health sector than India. Therefore there is need to increase the social sector expenditure in general and health and education in particular. The Indian states are incurring highest spending on revenue account and the capital expenditure constitutes very small portion of total expenditure on education, health and social sectors. Therefore the state governments are needs to increase expenditure on all these three sectors and change the composition in favour of capital expenditure.

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