

Human Development through Expenditure on Social Sector

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Introduction

Economic development explains some combination of social, economic and institutional processes to secure the means for obtaining a better life for the people in any society. The minimum objectives to achieve economic development rests on: increasing the availability and widening the distribution of basic life-sustaining goods such as food, shelter, health and protection, raising the standard of living of the people through the provision of more jobs, better education and improvement in cultural and humanistic values. It generates greater individual and social self esteem in addition to material well being, enabling individuals and states to make them free from servitude and dependence not only in relation to other people and nation states but also to forces of ignorance and human misery. It is based on the expansion of the range of economic and social choices available to individuals and states.

In the late 1970s basic human needs approach to development included food, clothing and shelter, health, covering access to safe drinking water and adequate sanitation facilities. Education was considered necessary to allow a person to earn adequate income. This approach is based on the logic that meeting these needs would eliminate poverty without sacrificing economic growth Very poor people who lack basic necessities such as health and education are not productive workers. Making an investment in these necessities will increase productivity and contribute to economic growth the strategy is to aim development programmes so that benefits would 'trickle down' to eventually fulfill those basic needs. As the economy stands at the cross roads of development, development will not be sustainable in the absence of good governance particularly with respect to accountability of public action, greater popular participation in decision making and the provision of a creditable and secure frame work for private sector economic activity.

Economic Rationale of the State

The objective of any Democratic Welfare State is to maximize the social welfare. Basically there are four roles of the state such as: (a) Allocation, (b) Distribution, (c) Stabilization, and (d) Regulation. The frame work of allocation role of the state is based on government intervention in consequent upon market failure. It leads towards the production or provision of public goods and services in the form of economic infrastructure, merit goods such as education and health to shape the social infrastructure. The responsibility of the state rests on the creation of Social Overhead Capital to facilitate economic development. In the

context of a mixed economy, the public sector attains the commanding height of the society and undertake in those areas where the private sector is unable or unwilling to investment. The public and private sectors both are not rival but complimentary to each other. The public sector should create a congenial environment for the private sector to invest and act as the facilitator. Through its allocation and regulatory role state should attempt to reap the maximum advantage in the process of globalization exploring its comparative advantage for international competitiveness.

Human Development

As per the United Nations Development Programme (UNDP) Human Development Report 2009 (HDR 2009), the Human Development Index (HDI) for India in 2007 was 0.612 on the basis of which India is ranked 134 out of 182 countries of the world placing it at the same rank as in 2006. The HDI is based on three indicators, namely GDP per capita (PPPUS\$), life expectancy at birth, and education as measured by adult literacy rate and gross enrolment ratio (combined for primary, secondary and tertiary education). The value of HDI for India gradually increased from 0.427 in 1980 to 0.556 in 2000 and went up to 0.612 in 2007. the movement of the index value in some of the comparable countries (Table 1) indicates that improvement in HDI in India in recent years has been better than in most of them.

This trend indicating improvement in the HDI powered by per capita income growth for India is heartening though there is no room for complacency as India is still in the Medium Human Development category with even countries like China, Sri Lanka and Indonesia having better ranking. India's HDI rank is also lower than its per capita GDP (PPPUS\$) rank by six notches, indicating that our human development effort still needs to catch up with the

Table 1 Human development index trends

Country	1980	1985	1990	1995	2000	2005	2006	2007	2000-07
Poland	....	....	0.806	0.823	0.853	0.871	0.876	0.880	0.45
Brazil	0.685	0.694	0.710	0.734	0.790	0.805	0.808	0.813	0.41
Russia	.....	.....	0.821	0.777	....	0.804	0.811	0.817	.....
Turkey	0.628	0.674	0.705	0.730	0.758	0.796	0.802	0.806	0.87
Thailand	0.658	0.684	0.706	0.727	0.753	0.777	0.780	0.783	0.57
China	0.533	0.556	0.608	0.657	0.719	0.756	0.763	0.772	1.00
SriLanka	0.649	0.670	0.683	0.696	0.729	0.152	0.755	0.759	0.57
Indonesia	0.522	0.562	0.624	0.658	0.723	0.723	0.729	0.734	1.25
Vietnam	....	0.561	0.599	0.647	0.690	0.715	0.720	0.725	0.71
Egypt	0.496	0.552	0.580	0.631	0.665	0.696	0.700	0.703	0.81
India	0.427	0.453	0.489	0.511	0.556	0.596	0.604	0.612	1.36

Source: HDR 2009

Table 2 India's global position in human development 2007

Country	HDI	GDP per capita (PPPUS\$)	Life Expectancy at birth (Yrs)	Adult Literacy Rate (% aged 15 yrs & above)	Combined Gross Enrol. Ratio in education (%)
	2007	2007	2007	1999-07	2007
Poland	0.880(41)	15,987	75.5	99.3	87.7
Brazil	0.813(75)	9,567	72.2	90.0	87.2
Russia	0.817(71)	14,690	66.2	99.5	81.9
Turkey	0.806(79)	12,955	71.7	88.7	71.1
Thailand	0.783(87)	8,135	68.7	94.1	78.0
China	0.772(92)	5,383	72.9	93.3	68.7
SriLanka	0.759(102)	4,243	74.0	90.8	68.7
Indonesia	0.734(111)	3,712	70.5	92.0	68.2
Vietnam	0.725(116)	2,600	74.3	90.3	62.3
Egypt	0.703(123)	5,349	69.9	66.4	76.4
India	0.612(134)	2,753	63.4	66.0	61.0
Source: HDR 2009					

Progress made in GDP per capita. The existing gap between the health and education indicators of India and those in the developed world and even many developing countries needs to be bridged at a faster pace. According to the Report, life expectancy at birth in India was 63.4 years in 2007 as against 80.5 years in Norway, 81.4 years in 2007 as against 80.5 years in Norway, 81.4 years in Australia, 74.0 years in Sri Lanka and 72.9 years in China. Adult literacy rate (aged 15 and above) in 1999-2007 was 66.0 per cent in India as against near 100 per cent in many of the developed nations, 93.3 per cent in China and 92.0 per cent in Indonesia. Combined gross enrolment ratio in education in 2007 was 61 percent in India as against 99.3 percent in Canada, 98.6 percent in Norway, 78.0 per cent in Thailand and 76.4 percent in Egypt (Table 2)

TREND IN SOCIAL SECTOR EXPENDITURE

Central Government expenditure on social services and rural development has gone up consistently over the years (Table 10.8). The share of Central Government expenditure on social services including rural development in total expenditure (plan and non-plan) has increased from 11.23 percent in 2002-03 to 19.44 percent in 2008-09 (RE). Central support for social programmes has continued to expand in various forms although most social sector subjects fall within the purview of the States. Major programme specific funding is available to the states through the Centrally-sponsored schemes.

Expenditure on social services including education sports, art and culture, medical and public health, family welfare, water supply and sanitation, housing, urban development; welfare of SCs, STs and OBCs, labour and labour welfare, social security and welfare, nutrition, relief for natural calamities etc. by the

general Government (Centre and States combined) has shown increase in recent years (Table 10.9) reflecting higher priority to social services. Expenditure on social services as a proportion of total expenditure increased from 19.3 percent in 2003-04 to 21.6 percent in 2006-07 and further to 22.4 percent in 2007-08 (RE) and 24.1 percent in 2008-09 (BE). Expenditure on education as a proportion of total expenditure has increased from 9.5 percent in 2003-04 to 10.8 percent in 2008-09 (BE). Share of health in total expenditure has also increased from 4.3 percent in 2003-04 to 5.1 percent in 2008-09 (BE).

The Government in recent years has increased its outlays in the social sector. However, the reach of public and quasi-public goods and services supplied by the state to people still leave a lot of scope for improvement. There are still leakages in the schemes and the benefits in full do not reach the intended target groups of people. At the same time, some innovative measures have been initiated time, some innovative measures have been initiated in NREGS to bring in more transparency in disbursements of funds and prevent leakages. However, it is necessary that for every programme, an Internet accessible public accountability information system (PAIS) should be available.

Table 3: Central Government expenditure (Plan and non-Plan) on social services and rural development

(as per cent of total expenditure)

ITEM	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08	2008-09RE
1. Social Service							
a. Education, Sports, Youth affairs	2.39	2.32	2.81	3.71	4.28	4.24	4.07
b. Health & Family welfare	1.58	1.53	1.64	1.89	1.87	2.08	1.86
c. Water Supply, Housing etc.	1.65	1.67	1.81	2.08	1.72	2.06	2.34
d. Information & Broadcasting	0.34	0.28	0.26	0.30	0.25	0.22	0.21
e. Welfare of Sc/St and OBC	0.28	0.24	0.27	0.33	0.34	0.38	0.35
f. Labour & Employment	0.19	0.18	0.20	0.25	0.32	0.27	0.27
g. Social Welfare & Nutrition	0.17	0.50	0.52	0.84	0.85	0.84	0.73
h. North-Eastern areas	0.00	0.00	0.00	0.00	0.00	0.00	1.58
i. Other Social Services	0.11	0.15	0.34	0.40	-0.17	1.29	1.79
Total	7.10	6.86	7.85	9.79	9.47	11.39	13.19
2. Rural Development	2.89	2.59	1.91	3.12	2.84	2.56	4.55
3. I) Pradhan Mantri gramodaya yojana (PMGY)	0.63	0.51	0.56	0.00	0.00	0.00	0.00
II) Pradhan Mantri Gram Sadak Yojana (PMGSY)	0.60	0.49	0.49	0.83	1.08	1.54	1.70
4. Social Services, Rural Dev., PMCY and PMGSY	11.23	10.46	10.81	13.75	13.38	15.48	19.44
5. Total Central Government Expenditure	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Budget documents and Ministry of Rural Development.

Table 4: Social services expenditure (Centre and State governments combined)

ITEM	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 REI	2008-09 BE
Total Expenditure	7,96,384	8,69,757	9,59,855	11,09,174	13,55,831	14,85,536
Expenditure on social Services	1,53,454	1,72,812	2,02,672	2,39,340	3,03,490	3,57,381
of Which:						
i) Education	75,607	84,111	96,365	1,14,744	1,35,679	1,60,642
ii) Health	34,066	37,535	45,428	52,126	66,423	75,055
iii) Others	43,781	51,166	60,879	72,470	1,01,388	1,21,684
As percentage of GDP						
Total Expenditure	28.91	27.62	26.76	26.86	28.70	27.91
Expenditure on social Services	5.57	5.49	5.65	5.80	6.43	6.72
of Which:						
i) Education	2.74	2.67	2.69	2.78	2.87	3.02
ii) Health	1.24	1.19	1.27	1.26	1.41	1.41

iii) Others	1.59	1.62	1.70	1.76	2.15	2.29
As percentage of total Expenditure						
Expenditure on social Services	19.3	19.9	21.1	21.6	22.4	24.1
of Which:						
i) Education	9.5	9.7	10.0	10.3	10.0	10.8
ii) Health	4.3	4.3	4.7	4.7	4.9	5.1
iii) Others	5.5	5.9	6.3	6.5	7.5	8.2
As percentage of social services expenditure						
i) Education	49.3	48.7	47.5	47.9	44.7	44.9
ii) Health	22.2	21.7	22.4	21.8	21.9	21.0
iii) Others	28.5	29.6	30.0	30.3	33.4	34.0
Source: Budget Documents of the Union and State Governments, RBI						

The Role Of State Governments

In federal country like India, the achievement of social development goals depends largely on the initiatives and commitment of the states. Many of the social policy areas are the responsibility of states or are under the concurrent list. States, in fact, contribute an average of 80% of overall social expenditure (Indian Public Finance Statistics. Ministry of Finance. Gol. 1995, 2001). Many of the states however are in deep financial trouble, battling interest burdens, pension liabilities and administrative expenses. The proportion of fiscal deficit of the states as a proportion of GDP has risen from 2.3 % in 1990-91 to 4.7% in 2002-03 Revenue deficits have also deteriorated sharply from 0.9% to 2.5% of GDP during the same period (States fiscal health worrisome. Economic Times. July 8, 2004). Expectations on social sector spending therefore have remained unmet. The ratio of revenue and capital spending on health, as a proportion of gross domestic state product was 2.5% in Himachal Pradesh and J&K in the year 1998-99; for the same year it was 1.6% in Andhra Pradesh, between 1 and 1.5% for Tamil Nadu. Orissa and Karnataka and less than 1% for the rest (K Seetha Prabhu. UNDP, 2003). There has been a decline in state spending on health over the last two decades. In terms of education, the situation is no better. The consensus is that public spending on education should be 6% of GDP. The levels of spending across Indian states, between 1990-91 and 1998-99, have been 2.5 to 3% with only some states in the North-East touching 8 to 10 %. It is estimated that the gap in expenditure on both, health and education, from the desired norms, would be about Rs 86,000 crore, given the GDP of Rs 1598077 crore; 1998-99 (UNDP)

Conclusion

An Important feature of Social Sector Expenditure in India is that the Central Governments' share is only about 20% of the total expenditure, the rest being undertaken by the states. In other words it is the ability of the states, rather than the center, to spend on Social Services that matters more for Human Development. In other words, the central Gout's allocation are not large enough to make any dramatic impact on the social sector as a whole un less they are accompanied by a rise in the states' expenditure, too.

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