



AN ANALYSIS OF SOCIAL SECTOR EXPENDITURES AND PRIORITIES OF THE GOVERNMENT OF INDIAN IN THE POST REFORM PERIOD

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ABSTRACT

In this paper author has analyzed the social sector priorities of the Indian government over the period 1990-2010. The main focus in this paper is on the central government expenditures on social services. We have observed that the central government expenditure on the social sector is only one-fifth of total social sector expenditure in India, and 80% of the social services expenditure is incurred by the States over the period under study. The division of responsibilities between the centre and the states is laid down by the constitution. Health and most rural development issues are the responsibility of the states; education, welfare and employment issues come under the concurrent list-meaning that both the centre and the states are responsible. In practice, there is involvement of the centre in all social sectors. Activities that come under 'state' are sometimes directly or indirectly funded by the centre (as the States receive central assistance for their five-year plans as well as other financial support) and the centre has a considerable influence on policy directions in the states. This reflect the severe fiscal crisis many states are experiencing at present

KEYWORDS: *Social Sector, Economic Reform, social sector expenditures, education and health expenditure*

INTRODUCTION

The post reform period of Indian economy is special in economic as well as political terms. In 1991 there was an acute balance-of-payments crisis. The rupee was devalued, various international loans were taken to overcome the immediate problems, and a stabilization programme was introduced. This was followed by an adjustment programme. The result has been that the economic development model at the end of the 1990s was distinctly different from the development model pursued before 1991.

Indian economy has been passed through various phases of development. Just after the independence, we first focus on the development of industrial sector and give our little bit attention to agriculture sector in the form of land reforms. The dominant idea was that rural poverty and underdevelopment would decrease and disappear as a result of industrialization and, from the mid-1960s onwards, also as a result of agricultural growth.

By the end of the 1960s, a series of poverty studies was showing that rural poverty was still a very serious problem and that, so far, not much had been achieved. An increasing number of economists

became convinced that, though growth was important, it was not enough and that a 'direct attack' on poverty was also necessary (Vaidyanathan, 2001). This, together with political compulsions, made the then prime Minister Indira Gandhi introduces a number of specific anti-poverty schemes. The main focus of these schemes was on employment creation, through either wage employment or self-employment schemes. However, a shift occurred in the conceptualization of poverty and the prioritization of social policies. The focus shifted away from income and employment towards human development, a much broader concept, which also includes education, health, housing, rural roads, etc.

The government of India has proclaimed the new decade as a decade of development, during which India will meet bold targets for economic growth and social development. The starting point for the Decade of Development is the setting of development targets for India. One key target is the rise in national income, but targets should also include improvements in health and education, as well as political participation.

**OBJECTIVE**

- To study whether social sector expenditure declined/increased in the post reform period?
- To study What are the changes in the composition of social sector expenditures?
- To study Are there any improvement in education and health expenditure?
- To study What are the inter-state disparities in social sector expenditures?
- To study Has there been under utilization of expenditure in the social sector?
- Are the social sector expenditures in India low/high compared with other countries and international norms?

METHODOLOGY

The study is based exclusively on secondary data made available through different sources like: - RBI Hand Book on Statistics of Indian Economy, published by RBI, Special volume on public finance published by Centre for Monitoring Indian Economy (CMIE), Statistical information from INDIASTAT.com, Indian Public Finance Statistics 2004-05 & 2011-12 published by Ministry of Finance Department of Economic Affairs, Economic Division, Government of India.

The present study covers a period of 20 years i.e. from 1990-91 to 2010 -11. In the entire period of study we analysed the structural change and pattern of expenditure on social sector by the central and state governments. The fourteen major states have been taken in the study.

The simple statistical techniques and graphic methods like bar & pie diagrams are used where ever, it found necessary in the presentation of findings.

PATTERN OF EXPENDITURE

For knowing the priorities of Indian government for the targets set in last two decade of development we have analysed the expenditure pattern of the central government. The reason for analysing expenditure rather than allocation figures is that they give a better impression of the priorities. They are not so much based on good intentions, but are the concrete result of decisions and other social processes and compulsions. There are three ways of examining the social sector expenditures. The first is to look at social sector expenditure as a proportion of GDP, the second is to calculate it as a percentage of overall government expenditure, and the third option is to look as a percentage of developmental expenditures. We have used all the three method to analyse the patterns of social sector expenditure.

Table 1, gives an overview of social sector expenditure of the central government for the period 1990-91 to 2011-12. The picture that emerges from this table for social sector expenditure is slightly different. As a percentage of GDP, central government spends around 3% on the social sector. In 1990-91, the share of social sector expenditure of central government as percentage of GDP was 0.24 percent and reached to 2.071 percent in 2011-12. Throughout the 1990s, social sector expenditure, in terms of a percentage of GDP, was lower than that in the late 1980s. Social services expenditure of central government has increased tremendously in absolute terms from ₹ 32.74 billion in 1990-91 to ₹ 1249.90 billion in 2010-11. That was a 38 times increase in social services expenditure of central government.

**Table-1: Centre Governments Social Sector Expenditure as % of GDP
Base year 2004-05 (Rupees in billions)**

Year	GDP at Factor Cost	Social Services	Social Sector Expenditure as % of GDP
1990-91	13478.89	32.74	0.24289834
1991-92	13671.71	35.69	0.261050008
1992-93	14405.03	40.09	0.278305564
1993-94	15223.43	48.30	0.317274097
1994-95	16196.94	58.73	0.362599355
1995-96	17377.40	76.55	0.440514691
1996-97	18763.19	96.72	0.515477379
1997-98	19570.31	118.45	0.60525357
1998-99	20878.27	146.56	0.70197387
1999-00	22462.76	172.21	0.766646663
2000-01	23427.74	176.79	0.754618243
2001-02	24720.52	151.30	0.612042142
2002-03	25706.90	220.07	0.856073661
2003-04	27778.13	238.59	0.858913109



2004-05	29714.64	299.06	1.006439923
2005-06	32530.73	382.64	1.176241664
2006-07	35643.64	437.62	1.227764617
2007-08	38966.36	616.48	1.582082596
2008-09	41586.76	897.97	2.15926896
2009-10	45076.37	1026.28	2.27675831
2010-11	48859.54	1249.90	2.55814934
2011-12	52025.14	1077.56	2.071229409

Source: Computed on the basis of data taken from RBI, Handbook of Statistics on Indian Economy, 2011-12.

On the basis of Table 2, different arguments can be made. Advocates of the reforms can claim that they are proved right when they say that the reforms are meant to reduce state intervention in certain sectors in order to increase expenditure on the social sector. After all, after the mid-1990s, there has been an increase in social sector expenditure taken as a percentage of overall government expenditure. Opponents of the reforms, on the other hand, can claim that the social sector has suffered because, as a percentage of GDP, social sector expenditure in the 1990s was less than it was in the late 1980s.

In 1990-91 the total expenditure (Revenue expenditure + capital expenditure) of the central government was ₹ 1052.98 billion and reached to ₹ 13187.20 billion in 2011-12. It shows a 13 times increase in the total expenditure of central government. Social services expenditure of central government as percentage of total expenditure was 3.109 percent in 1990-91 and witnessed a remarkable increase up to 10.5 percent in 2010-11. This increase in social services expenditure of central government is noticeable after 2002-03.

Table-2: Central Governments Social Sector Expenditure as % of Total Expenditure (Rev. + Cap.)

Year	Total expenditure(Rev + Cap)	Social services	Social Services As % of Total Exp(Rev + Cap)
1990-91	1052.98	32.74	3.109270831
1991-92	1114.14	35.69	3.20336762
1992-93	1226.18	40.09	3.269503662
1993-94	1418.53	48.30	3.404933276
1994-95	1607.39	58.73	3.653749246
1995-96	1782.75	76.55	4.29392792
1996-97	2010.07	96.72	4.811772724
1997-98	2320.53	118.45	5.104437348
1998-99	2793.40	146.56	5.246652825
1999-00	2980.53	172.21	5.77783146
2000-01	3255.92	176.79	5.429801715
2001-02	3623.10	151.30	4.175981894
2002-03	4132.48	220.07	5.325373626
2003-04	4712.03	238.59	5.063422771
2004-05	4982.52	299.06	6.002183634
2005-06	5057.38	382.64	7.565972895
2006-07	5833.87	437.62	7.501367017
2007-08	7126.71	616.48	8.650274811
2008-09	8839.56	897.97	10.1585373
2009-10	10244.87	1026.28	10.01750144
2010-11	11973.28	1249.90	10.43907768
2011-12	13187.20	1077.56	8.171256976

Source: Computed on the basis of data taken from RBI, Handbook of Statistics on Indian Economy, 2011-12.

Table 3, gives an overview of social services expenditures of central government as percentage of developmental expenditure for the post reform period i.e. from 1990-91 to 2010-11. The share of social services as percentage of developmental expenditure in 1990-91 was 18.61 percent and reached to its highest 29.31 percent in 1998-99. But after that it

started to decline and reached to its minimum level 22.27 percent in 2006-07. We can see from the Table 3 and bar diagram, that this was full of fluctuations. The social services expenditure of central government reached to ₹ 141932.59 crores in 2010-11 from ₹ 6431.62 crores in 1990-91. The



expenditure on social services witnessed only 22 times increase in the post reform period.

Table-3: Central Government Social Sector Expenditure as % of Developmental Expenditure

Year	Developmental Expenditure	Social & Community services	Social & Community services As % of developmental Exp.
1990-91	34565.79	6431.62	18.61
1995-96	47761.08	11835.44	24.78
1996-97	52925.02	14225.23	26.88
1997-98	62409.92	16957.48	27.17
1998-99	72141.76	21146.08	29.31
1999-2000	84543.85	22887.26	27.07
2000-01	91884.1	25142.73	27.36
2001-02	101531.07	22479.35	22.14
2002-03	117971.51	27671.89	23.46
2003-04	134483.76	30481.48	22.67
2004-05	143010.08	37719.81	26.38
2005-06	174951.89	46705.92	26.70
2006-05	219086.51	54907.44	25.06
2006-07	304293.37	67757.34	22.27
2007-08	383107.08	90386.24	23.59
2008-09	413851.75	105314.26	25.45
2009-10	543399.83	124829.79	22.97
2010-11(RE)	548496.28	141932.59	25.88

Source: Computed on the basis of data taken from RBI, Handbook of Statistics on Indian Economy, 2011-12.

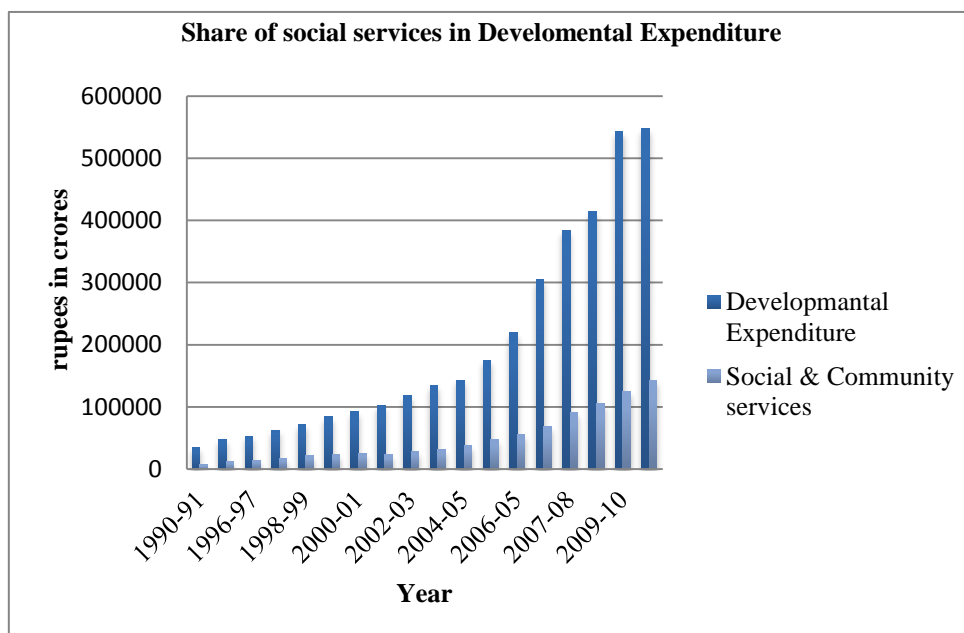
Figure-1

Table 4, gives an overview of the expenditure of central government on major heads of social services as percentage of total social sector expenditure. We can see that central government used to spend 31.53 percent of total social sector

expenditure on education in 190-91 and reached 31.67 percent in 2010-11. This increase for education sector is negligible. Social service expenditure on health sector is almost constant and having no change throughout the study period. The



most striking change can be witnessed in rural development expenditure.

The expenditure on rural development as percentage of total social services expenditure of central government was 7.4 percent in 1990-91. It increased for the first five years of the reform period, and then started to decline significantly from 1995-96, though in 1995-96 rural development expenditure reached to its maximum at 33.45 percent of total social sector expenditure. In 1996-97 the Basic Minimum Services (BMS) programme was introduced. One might hypothesise that the funds for BMS came partly from the rural

development outlay, although this was denied by the government at the time.

It is important to note, however, that the two (rural development and BMS) are not the same. Rural development expenditure goes mainly to employment schemes. BMS includes other minimum services, which may, or may not, take place in rural areas. The expenditure on scientific services and research has experienced a decline from 18.98 percent in 1990-91 to 10.93 percent in 2010-11. All other also have mixed fluctuation during the reform period.

**TableNo.4: Expenditure on Social and Community Services as Percentage total Social Sector Expenditure**

	Education, art & culture	Scientific services & research	Medical, public health, sanitation & water supply	Family welfare	Housing	Urban development	Broadcasting	Labour & employment	Social security & welfare(P)	Information & publicity	Rural development	Others
1990-91	31.53	18.98	10.57	11.31	3.82	1.64	8.76	4.32	1.31	0.13	7.4	0.21
1995-96	21.29	12.35	8.39	8.63	4.37	0.26	4.87	2.87	2.32	0.13	33.45	1.06
1996-97	21.67	13.22	8.52	8.21	8.54	0.57	5.42	3.08	3.73	0.15	25.87	1.01
1997-98	23.50	13.27	8.98	8.20	8.78	0.56	5.44	2.69	4.30	0.14	23.62	0.53
1998-99	26.52	12.60	9.29	8.80	9.15	0.72	4.81	2.84	3.75	0.12	20.20	1.19
1999-2000	28.67	13.20	9.83	10.97	9.23	0.69	5.13	3.02	-0.46	0.09	18.88	0.73
2000-01	29.33	13.84	10.57	10.43	8.66	0.90	3.28	2.98	4.07	0.09	15.54	0.31
2001-02	31.18	16.89	11.86	12.32	10.43	1.00	-11.50	2.96	2.21	0.07	22.15	0.43
2002-03	25.72	13.56	9.39	10.07	7.53	0.79	2.46	1.97	-1.98	0.04	30.05	0.40
2003-04	26.25	13.77	9.93	10.34	7.70	1.15	2.36	1.96	-2.63	0.04	28.88	0.27
2004-05	30.30	15.51	11.03	10.22	9.31	0.65	2.15	2.13	-2.24	0.04	20.45	0.44
2005-06	30.57	12.81	9.97	9.20	6.28	0.63	1.76	2.02	0.92	0.05	25.59	0.22
2005-06	34.43	12.09	9.75	8.53	5.57	0.62	1.56	2.59	-0.80	0.04	25.40	0.22
2006-07	31.75	10.99	9.60	9.93	6.05	1.12	1.21	2.12	0.94	0.04	26.00	0.25
2007-08	28.11	9.27	8.13	7.61	8.22	1.19	0.90	1.68	0.83	0.07	33.78	0.19
2008-09	29.04	10.37	11.25	8.07	7.35	1.64	1.00	1.52	0.78	0.07	28.64	0.26
2009-10	30.61	9.86	11.38	6.91	6.48	1.27	0.94	1.66	1.42	0.08	29.11	0.29
2010-11(RE)	31.67	10.83	11.70	7.72	5.99	1.16	0.84	1.54	1.54	0.08	26.61	0.31

Source : Computed on the basis of data taken from Indian Public Finance 2010-11, Published by Ministry of Finance.



Table 5, provides central government allocations for education in the post-reform period. It shows that the nineties have witnessed significant shifts. Education sector has largest share in social sector expenditures. This share increased to about 34.43 per cent in 2005-06 from 31.54 percent in 1990-01. Since 1995-96, however, the share had declined and it was 23.50

percent in 1997-98. Some eminent study show that the shift in favour of education was due to the introduction of nutrition programmes and District Primary Education Programme (DPEP).

Table 5: Expenditure on Education as % of Developmental and Social & Community Services
Rs. in crore

Year	Developmental Expenditure	Social & Community services	Expenditure on Education, art & culture	Education, art & culture as % of developmental expenditure	Education, art & culture as % of Social & Community services
1990-91	34565.79	6431.62	2190.57	6.34	34.06
1995-96	47761.08	11835.44	3786.36	7.93	31.99
1996-97	52925.02	14225.23	4158.98	7.86	29.24
1997-98	62409.92	16957.48	5216.58	8.36	30.76
1998-99	72141.76	21146.08	7027.33	9.74	33.23
1999-2000	84543.85	22887.26	8090.8	9.57	35.35
2000-01	91884.1	25142.73	8730.15	9.50	34.72
2001-02	101531.07	22479.35	9002.95	8.87	40.05
2002-03	117971.51	27671.89	10177.01	8.63	36.78
2003-04	134483.76	30481.48	11248.66	8.36	36.90
2004-05	143010.08	37719.81	14368.87	10.05	38.09
2005-06	174951.89	46705.92	19185.86	10.97	41.08
2006-05	219086.51	54907.44	25340.31	11.57	46.15
2006-07	304293.37	67757.34	29072.37	9.55	42.91
2007-08	383107.08	90386.24	38375.18	10.02	42.46
2008-09	413851.75	105314.26	42861.89	10.36	40.70
2009-10	543399.83	124829.79	53899.88	9.92	43.18
2010-11(RE)	548496.28	141932.59	61241.1	11.17	43.15

Source : Computed on the basis of data taken from Indian Public Finance 2010-11, Published by Ministry of Finance.

The intra-allocation for health and family welfare (Table 6) show that there was no increase in the share of health sector till the end of 1990s. It was from 2000 when health sector witness any kind of growth in expenditure that from 11 percent to 15 percent in 1990-1991 & 2000-01 respectively.

**Table 6: Expenditure on Medical, Public Health, Sanitation & Water Supply % of Developmental and Social & Community Services.**

Rs. in crore

Year	Developmental Expenditure	Social & Community Services	Medical, public health, sanitation & water supply	Medical, public health, sanitation & water supply as % of developmental Exp	Medical, public health, sanitation & water supply as % of Social & Community Exp
1990-91	34565.79	6431.62	734.04	2.12	11.41
1995-96	47761.08	11835.44	1492.69	3.13	12.61
1996-97	52925.02	14225.23	1634.94	3.09	11.49
1997-98	62409.92	16957.48	1992.98	3.19	11.75
1998-99	72141.76	21146.08	2462.52	3.41	11.65
1999-2000	84543.85	22887.26	2774.35	3.28	12.12
2000-01	91884.1	25142.73	3146.83	3.42	12.52
2001-02	101531.07	22479.35	3423.78	3.37	15.23
2002-03	117971.51	27671.89	3715.66	3.15	13.43
2003-04	134483.76	30481.48	4254.33	3.16	13.96
2004-05	143010.08	37719.81	5229.84	3.66	13.86
2005-06	174951.89	46705.92	6257.1	3.58	13.40
2006-05	219086.51	54907.44	7176.81	3.28	13.07
2006-07	304293.37	67757.34	8790.45	2.89	12.97
2007-08	383107.08	90386.24	11103.1	2.90	12.28
2008-09	413851.75	105314.26	16596.59	4.01	15.76
2009-10	543399.83	124829.79	20029.99	3.69	16.05
2010-11(RE)	548496.28	141932.59	22624.9	4.12	15.94

Source : Computed on the basis of data taken from Indian Public Finance 2010-11, Published by Ministry of Finance.

In the case of rural development (Table 7), the share of rural wage employment programmes declined drastically since mid-1990s. In 2002-03, however, the share has increased again. The share for rural housing and

other programmes increased in the 1990s as a result of the introduction of the rural roads scheme, known as the Prime Minister's Gram Samrudhi Yojana (PMGSY).

**Table 7: Expenditure on Rural Development as % of Developmental and Social & Community Services**

Rs. in crore

Year	Developmental Expenditure	Social & Community services	Rural development expenditure	Rural development expenditure As % of Developmental Expenditure	Rural development expenditure As % of Social & community services
1990-91	34565.79	6431.62	515.63	1.49	8.02
1995-96	47761.08	11835.44	5947.7	12.45	50.25
1996-97	52925.02	14225.23	4965.34	9.38	34.91
1997-98	62409.92	16957.48	5244.41	8.40	30.93
1998-99	72141.76	21146.08	5354.13	7.42	25.32
1999-2000	84543.85	22887.26	5328.49	6.30	23.28
2000-01	91884.1	25142.73	4626.84	5.04	18.40
2001-02	101531.07	22479.35	6395.2	6.30	28.45
2002-03	117971.51	27671.89	11889.46	10.08	42.97
2003-04	134483.76	30481.48	12377.78	9.20	40.61
2004-05	143010.08	37719.81	9698.99	6.78	25.71
2005-06	174951.89	46705.92	16063.77	9.18	34.39
2006-05	219086.51	54907.44	18691.79	8.53	34.04
2006-07	304293.37	67757.34	23811.64	7.83	35.14
2007-08	383107.08	90386.24	46114.36	12.04	51.02
2008-09	413851.75	105314.26	42258.72	10.21	40.13
2009-10	543399.83	124829.79	51255.43	9.43	41.06
2010-11(RE)	548496.28	141932.59	51462.24	9.38	36.26

Source : Computed on the basis of data taken from Indian Public Finance 2010-11, Published by Ministry of Finance.

CONCLUSION

Observations made are all, as percentages of GDP and aggregate government expenditure, the picture is mixed. The question that immediately arises is whether the expenditure levels should be considered high or low. The answer to this question depends on the yardstick. Author used different kinds of yardsticks and concluded that the expenditure on the social sector is low. Second, there has been a significant shift, starting from 1996-97 and visible at the centre, away from rural development. This does not necessarily mean a shift away from rural to urban, but a shift from (mainly) wage employment schemes to the basic minimum needs kind of programmes. Within the rural development outlay at the centre, there is a shift away from rural employment schemes to rural housing, water, rural roads, etc. In other words, there is a shift from the traditional ways of addressing rural poverty to what we can call

human development or basic needs interventions. A relevant question is, of course, whether this shift is the result of relabeling and reclassification of schemes or whether it reflects a real change. To some extent, indeed, relabeling is a reason behind the shift, but this does not explain the shift completely, and this renaming and reclassification itself illustrates a shift in thinking in what is considered to be the most important characteristic of a particular scheme

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