
AN ECONOMIC ANALYSIS OF PUBLIC EXPENDITURE ON SOCIAL SECTORS IN INDIA FROM 2001-2002 TO 2017-2018

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ABSTRACT

This paper is to analysis of public expenditure on Social Sector in India from 2001-2002 to 2017-2018. The term 'public expenditure' is a compound of the two words 'public' and 'expenditure' of which the public represents government and expenditure signifies expenses of money. According to the two words, public expenditure embraces the pecuniary resources of a government-Central, State and local. The role of public policy is supported on the premise that expansion of health care, education and social security can directly improve the quality of life, increase productivity of workforce, lead to higher growth and reduce poverty. The objectives of the study is To Analyse the Growth and Trend of the various Components of the Social Sector Expenditure and To Identify the Determinants of the various Components of the Social Sector Expenditure. The study relies completely on Secondary data regarding the public expenditure on social service sectors in India. Data on public health expenditure have been collected from various budget documents of both India for 17 years from 2001-2002 to 2017-2018.

Key words: Education expenditure, Health Expenditure, Human Resources and Social Service

Cite this Article: P. Natarajan and K. Kamalabai, An Economic Analysis of Public Expenditure on Social Sectors in India from 2001-2002 to 2017-2018, *International Journal of Management (IJM)*, 11(11), 2020, pp. 3770-3777.
<https://iaeme.com/Home/issue/IJM?Volume=11&Issue=11>

1. INTRODUCTION

Government all over the world assumes certain vital responsibilities for the people whom they rule over. The obligations of the government arise from ideological or political reasons and from those dictated by the mandates of law. The fortunes or miseries of the people are largely correlated with the nature and purpose of the responsibilities that the government assumes. The responsibilities of the government are sought to be discharged through various governmental activities, the performance of which invariably entails public expenditure. The term 'public expenditure' is a compound of the two words 'public' and 'expenditure' of which the public represents government and expenditure signifies expenses of money. According to the two words, public expenditure embraces the pecuniary resources of a government-Central, State and local. And the science of public expenditure studies the principles underlying the acquisition and use of such resources by the government owning it. The principles of public expenditure are closely associated with the functions of the state and are correlated with the aims and ideals of the state which it attempts to achieve. The method of spending resources and the activities to be performed by the state are thus dependent upon the needs of the state. Which are the given objectives for the public expenditure. The scope of public expenditure, therefore, enfolds within itself the money spending activities of the government. Education and health services are the two crucial segments of the social sector that attract significant public expenditure with strong elements of subsidy. The role of public policy is supported on the premise that expansion of health care, education and social security can directly improve the quality of life, increase productivity of workforce, lead to higher growth and reduce poverty. In the literature, there is substantial talk of 'growth mediated' success vis-à-vis 'support led success' and the latter strategy is found effective and therefore recommended for the achievement of a better quality of life in terms of social indicators in developing countries. Public provision of social services, particularly education is also considered as an effective instrument to promote equity by way of providing equality of opportunity to the masses. Further, disparities prevailing in education levels and health indicators between rich and poor and between urban and rural populations in several developing countries including India necessitate the need for public sector financing of education and health to take care of such disparities.

2. IMPORTANCE OF SOCIAL SECTOR DEVELOPMENT

Social Sector development was a pre-requisite for human development and social sector development had contributed to a faster rate of economic growth. Investment in social sector by the Government was positively related to the overall human development and unless the Government took the responsibility for the development of the social sector, the economic growth of the country would be jobless, rootless and futureless.

3. IMPORTANCE OF HUMAN RESOURCES DEVELOPMENT

Human resources were by far the most important source of wealth for a Nation. There had been a growing realization of the fact that a rapid rate of human capital formation was the most important precondition for a rapid rate of economic growth. The experience of the advanced countries had revealed that the crucial factor responsible for their economic advancement had been their human capital, rather than their physical capital.

4. OBJECTIVES OF THE STUDY

- To Analyse the Growth and Trend of the various Components of the Social Sector Expenditure.
- To Identify the Determinants of the various Components of the Social Sector Expenditure

5. METHODOLOGY

The study relies completely on Secondary data regarding the public expenditure on social service sectors in India. Data on public health expenditure have been collected from various budget documents of both India for 17 years from 2001-2002 to 2017-2018. Considering the title and the objectives of the study secondary data are used in the study. The data has been obtained from the different sources, such as Human Development Reports, Indian public finance statistics Reports of Planning Commission,

6. STATISTICAL TOOLS FOR ANALYSIS

In order to analyze the objectives of the study related to the growth in the public health different sectors along with pattern and trends in public expenditure from 2011-2012 to 2017-2018 in both India. The following statistical tools have been employed in accordance with the objectives to derive the results have been employed. Among other techniques employed in the analysis, tabular analysis technique was used. Ratios, percentages and averages were worked out. Growth Rates Annual growth rates, compound growth rates and decadal growth rates were computed for respective states over the period of the study time. Growth rates are calculated by the following formula:

a) Percentage Change

$$\% \text{ change} = \frac{\text{new value} - \text{original value}}{\text{original value}} \times 100$$

b) Growth Rate

$$\text{Simple Growth Rate} = \frac{\text{Ending Value} - \text{Beginning Value}}{\text{Beginning Value}}$$

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c) Compound Annual Growth Rate

$$\text{CAGR} = \left[\left(\frac{\text{EV}}{\text{BV}} \right)^{1/n} - 1 \right] \times 100$$

Where

EV = End Value

BV = Begin Value

N = Number of years

7. LIMITATION OF THE STUDY

- The study had been restricted to a period of 17 years only; that is, from 2001-2001 to 2017-2018 and during this time there had been no major changes in the policy pursued by the Government.
- The study had aimed to analyse the social sector expenditure in India. No attempt had been made to make any comparative analysis of India's experience with the experiences of the other countries.

8. ANALYSIS OF THE STUDY

Table 1 explains the Social Service expenditure as components of Development Expenditure. There has been a striking increase in development expenditure from 2001-2002 to 2017-2018. The development expenditure had been increasing from Rs.253578 crores in 2001-2002, to Rs.418060 cores in 2005-2006, and again to Rs.621331 crores in 2007-2008 and once more increased significantly to Rs.1204921 crores 2011-2012 and finally to Rs.2496930 crores in 2017-2018. The social services are one of the main components of Development Expenditure. The composition of India's Social services expenditure are (1) Education, Art and culture (2) Scientific Services and Research (3) Medical and public health and water supply and Sanitation (4) Family Welfare (5) Housing (6) Urban Development (7) Broadcasting (8) Labour and employment (9) Relief on Account of Natural Calamities (10) Social Securities and (11) Others.

Table 1 Social Service Expenditure as components of Development Expenditure

(Rs. in Crores)					
Year	Development Expenditure	Simple Growth Rate	Social Services	% to Development Expenditure	Simple Growth Rate
2001-2002	253578		117382	46.29	
2002-2003	271957	6.76	127531	46.89	7.96
2003-2004	328666	17.25	141630	43.09	9.95
2004-2005	342791	4.12	162063	47.28	12.61
2005-2006	418060	18.00	189298	45.28	14.39
2006-2007	519109	19.47	227951	43.91	16.96
2007-2008	621331	16.45	259029	41.69	12.00
2008-2009	770609	19.37	333624	43.29	22.36
2009-2010	887630	13.18	413968	46.64	19.41
2010-2011	1064432	16.61	495105	46.51	16.39
2011-2012	1204921	11.66	561642	46.61	11.85
2012-2013	1375622	12.41	657768	47.82	14.61
2013-2014	1479739	7.04	712535	48.15	7.69
2014-2015	1550194	4.54	723357	46.66	1.50
2015-2016	1772605	12.55	755496	42.62	4.25
2016-2017	2246275	21.09	969976	43.18	22.11
2017-2018	2496930	10.04	1095986	43.89	11.50
AVERAGE	1035555.82	13.16	467314.18	45.28	12.85
CAGR	14.4		14.04		

Source: Indian public finance Statistics, Government of India (Various Issues).

Social Services expenditure as components of Development Expenditure had been increasing from Rs.117382 crores in 2001-2002, and then again increased to Rs.189298 crores in 2005-2006, which further increased to Rs.333624crores in 2008-2009. It again rapidly increased to Rs.755496crores in 2015-2016 and finally stood at Rs. 109586 crores in 2017-2018 and such type of escalation reveals a 14.04 per cent increase as per the result of annual compound growth rate. The average health expenditure between 2001-2002 to 2017-2018 was estimated to Rs.467314.18 crores. In the financial year 2001-2002 the share of total expenditure was 46.29 per cent while it went down to 43.89 per cent in the financial year 2017-2018. The share of development expenditure in total expenditure was maximum (48.15) in 2013-2014 and minimum (41.69) in 2007-2008. Similarly revenue expenditure growth rate in the beginning in the study period was 7.96 per cent; it increased to ever highest growth rate in the financial year 2008-2009i.e.22.36 per cent which was substantially higher than the periods average of 12.85 per cent over 17 years. The share of social services, which claim the second highest share of

development expenditure and shows some financial is fluctuating trend. The below figure 4.2 clearly indicates that trend of Development Expenditure components of Social services.

Table 2 Maximum, Minimum and Average trend of the components of Social service expenditure from 2001-2002 to 2017-2018

(Rs. in Crores)

COMPONENTS SOCIAL SERVICES	AVERAGE	CAGR	MAXIMUM	MINIMUM	Number of Times Increases
1. Education, Art and Culture	233537	12.76	523292	12.76	12.97
2. Scientific Services and Research	15449	11.7	32602	11.7	15.24
3. Medical and Public health and water supply and Sanitation	90754	14.1	237855	14.1	10.62
4. Family Welfare	12980	14.7	32817	14.7	9.70
5. Housing	18267	14.86	48047	14.86	9.48
6. Urban Development	33517	21.1	108901	21.1	3.91
7. Broadcasting	1463	-2	3404	-2	-97.53
8. Labour & employment	7292	14.37	19593	14.37	10.20
9. Relief on Account of Natural Calamities	281	23.18	1265	14	2.89
10. Social Securities	43740	13.93	104561	13.93	10.89
11. Others	10616	19.45	36021	19.45	4.87
TOTAL SOCIAL SERVICE	467314.2	14.04	1095986	14.04	10.71

Source: Computed by Researcher

Table 2 deals with the composition of social services for the period from 2001-2002 to 2017-2018. In the social services there are 11 components. The components are explained clearly in the previously table 4.2. The present table significantly analyses Medical, Public health and family welfare and also compare with other major sector of social services. The data taken for analysis were combined budgetary transactions of the Centre and the states also combined of Revenue and Capital Expenditure. The total social service expenditure was amounted to Rs.117382 crores in 2001-2002 and it increased significantly Rs. 1095986 crores in 2017-2018, showing an average increase of Rs.467314.2 crores and increased roughly 10 times during period under study. As for as Education and art and culture is concerned the maximum amount of social expenditure goes to education sector. The combined social services government expenditure on education increased in the whole study period about seven times that is from Rs.67881 crores in 2001-2002 to Rs.523292 crores in 2017-2018. The scientific services and research in social service expenditure increased from Rs.4969 crores in 2001-2002 to Rs.32602 crores in 2017-2018 which exhibits only There has been striking increase in medical and public health after education sector from 2001-2002 to 2017-2018. It increased by 9 fold that is, from Rs.25254 crores in 2001-2002 to Rs.237855 crores in 2017-2018 which is the highest growth as compare with education expenditure. The family welfare of social services declined from Rs.3184 crores in 2001-2002 to Rs.2924 crores in 2002-2003 and it turned increasing trend to Rs.3668 crores in 2003-2004 and finally stood at Rs.32817 crores in 2017-2018. The social service component of housing increased from Rs.3184 crores in 2001-2002 to Rs.48047 crores in 2017-2018. Urban development, labour and employment, Relief on

account of natural calamities, Social securities and other social services are escalation whole study period except broadcasting services which negative trend during 2001-2002 it is Rs.-3320 crores. It is clear that education and Public health are the dominant components of total social service expenditure which account for the Compound annual growth rate of 12.76 and 14.1 per cent respectively.

9. FINDINGS OF THE STUDY

- Social Services expenditure as components of Development Expenditure had been increasing from Rs.117382 crores in 2001-2002, and then again increased to Rs.189298 crores in 2005-2006, which further increased to Rs.333624crores in 2008-2009. It again rapidly increased to Rs.755496crores in 2015-2016 and finally stood at Rs. 109586 crores in 2017-2018 and such type of escalation reveals a 14.04 per cent increase as per the result of annual compound growth rate.
- The combined social services government expenditure on education increased in the whole study period about seven times that is from Rs.67881 crores in 2001-2002 to Rs.523292 crores in 2017-2018. The scientific services and research in social service expenditure increased form Rs.4969 crores in 2001-2002 to Rs.32602 crores in 2017-2018 which exhibits only There has been striking increase in medical and public health after education sector from 2001-2002 to 2017-2018. It increased by 9 fold that is, from Rs.25254 crores in 2001-2002 to Rs.237855 crores in 2017-2018 which is the highest growth as compare with education expenditure.

10. CONCLUSION AND POLICY IMPLICATION

Social Sector Development was a necessary requirement for human development and social sector development contributed to a faster rate of economic growth. Investment in social sector by the Government was positively related to the overall human resources and unless the Government took the responsibility for the development of the social sector, the Economic Growth of the country would become jobless, rootless and futureless. The commitment of the Government in spending on the various aspects of the social sector related to Education, Health and Housing had become absolutely essential. The attention of the Government of India during the Reforms era had been more on Economic issues which had resulted in the process of rapid economic development in India, but the social development had remained virtually stagnant during the same period. Public expenditure on the development of the social sector had remained virtually stagnant in real terms during the past twenty years and the actual expenditure on the entire social sector by the Government of India and of the State Governments had increased only marginally. The increase had been around five percent which had been negated by the inflation rate which had been at around ten percent level every year on an average. Even as a proportion of the total expenditure spent, the share of social sector spending by the Central and the State Governments had not increased much. A Strong and Healthy Population was a very important Asset to any Country. In addition to Natural Resources, the Human Resources of a country had to play a Great Part in the process of the speedy Economic Development of the country. The Health and the Educational status of the people of a country were important indicators of the Human Resources of that country. So it is inevitable to assign special priorities to this Sector. v In spite of more than sixty years of India's independence, India's status in the Human Development Index had been highly deplorable. So, there was the need to accelerate the process of Social Sector development in a more vigorous manner in India. v The population explosion in India had been growing at an astronomical speed and impairing the Quality of Life of the Indian citizens. The excessive growth in population had affected the overall quality of

life of the people, and so consistent efforts were the need of the hour to keep the population under control.

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