

SOCIAL SERVICE EXPENDITURE OF INDIA – A POST REFORM APPROACH

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Abstract

This study 'Social Service Expenditure of India – A Post Reform Approach' examines the growth trend of social service expenditure of India. It is not only time series but also positive analysis. This study is based on secondary data. The main focus of this study is to find out the growth trend of social service expenditure of India during post-reform period. The conclusion of this study is that the social service expenditure is increasing in absolute term but its share in the National Income is not remarkable.

Introduction

Social service expenditure is an essential part of expenditure of modern state. Public expenditure on social services, like education, public health, welfare schemes for workers, relief and rehabilitation of displaced persons, and similar services are not essential in the same sense as security services. India as a developing country has to give more important to the economic development which can be attained through its expenditure. Since it has federal structure of government, Indian constitution as divided the powers into three viz (a) Central List (b) State List (c) Concurrent List. Concurrent List includes education, welfare and employment which come under social services. State list includes health and housing. Central list includes food security, broadcasting, information and publicity. The expenditure on education and health are the major components of social service expenditure both in Central and State Governments of India. The growth trend of social service expenditure of India during the post-reform period has been analysed in this study.

Statement of the problem:

In 1991, in order to reduce the fiscal deficit at the level of 3.5% in GDP, the Indian government announced fiscal reforms. The fiscal deficit can be reduced through two ways viz to raise revenue through direct and indirect taxes and to reduce expenditure. Indian government cannot follow the first way which brings more burdens to the public and it affects the saving and investment of the public. The second way is also not preferable because of its committed nature. The important aspects of this paper are to find whether the Indian government has reduced the expenditure on social services or not during the reform period. This study answers the following questions.

1. Did the growth trend of social service expenditure has decreased during the post reform period?
2. What is the impact of social service expenditure on economic development?
3. Is there any relationship between social service expenditure and national income?
4. Have the budgetary allocations of the expenditures incurred on the social sector as a whole been affected during the post-reform period?
5. Is there any increase in expenditure incurred on education and health which are the sub-sectors of social sector during the post-reform period or not?

Objectives:

This study is having the main objective as to find out the growth trend of social service expenditure of India. The following are the specific objectives of the study.

1. To analyse the growth trend of social service expenditure in India.
2. To study the growth trend of education expenditure of India.
3. To examine the growth trend of health and medical expenditure of India.
4. To find out the relationship between economic growth and social service expenditure of India.

Hypotheses:

The following are the important hypotheses of this study.

1. Health and medical expenditure grows faster than education expenditure.
2. The elasticity of social service expenditure is greater than unity.

Methodology:

This study is based on secondary data. The data for this analysis is collected from RBI websites. The data of net national income was collected from the Handbook of statistics on Indian Economic Survey. Through census report the population figures were collected. The researcher calculated the individual year's population figures.

Semi-log used to estimate the compound annual growth of expenditure on various heads of central government during the post-reform period. The functional form used to estimate the yearly compound growth rate is $Y = ab^t$

Y = Dependent variable (Expenditure)

t = Independent variable (Time)

'a' and 'b' = Parameters to be estimated

Analytical Discussion:**Trends of Social Service Expenditure of India:**

Developing countries are having the most important objectives as better the standard of living of their people in their country (or) known explicitly as social sector development. In India the social sector development is very broad, providing basic amenities such as education, health, housing, nutrition, rural infrastructure, transportation facilities, etc.,

TABLE – 1 GROWTH TREND OF SOCIAL SERVICE EXPENDITURE IN INDIA DURING THE POST – REFORM PERIOD

Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
1991 – 92	3569	42.17	4.34
1992 – 93	4009	46.37	4.32
1993 – 94	4830	54.71	4.47
1994 – 95	5873	65.18	4.81
1995 – 96	7655	83.27	5.47
1996 – 97	9672	103.17	6.09
1997 – 98	11845	123.93	6.57
1998 – 99	14656	150.47	6.77
1999 – 00	17221	173.56	6.91
2000 – 01	17679	174.95	6.36
2001 – 02	15130	147.08	5.02
2002 – 03	22007	210.23	6.50
2003 – 04	23859	224.03	6.59
2004 – 05	29906	276.11	7.78
2005 – 06	38264	347.44	8.71
2006 – 07	43762	390.94	8.50
2007 – 08	61648	541.91	10.37
2008 – 09	89797	776.99	11.31
2009 – 10	102628	874.25	11.26
2010 – 11	124990	1048.57	12.01
2011 – 12	113612	938.86	9.92
2012 – 13	119346	967.54	9.60
2013 – 14	134840	1078.89	9.83
2014 – 15	62038	489.95	4.23
2015 – 16	91462	712.93	5.95
2016 – 17	105303	810.15	6.23
2017 – 18	113382	872.24	6.03
2018 – 19	122949	945.69	6.12
2019 – 20	153058	1177.10	6.51
CAGR	14.34	12.64	

Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
CAGR - Compound Annual Growth Rate			
Source: i) Absolute Expenditure – indiabudget.			
ii) Per – Capita Expenditure } Computed by the researcher			
iii) Percentage } Computed by the researcher			
iv) CAGR } Computed by the researcher			

The table 1 shows the social service expenditure growth of India from 1991-92 to 2019-20. The social service expenditure has shown a steady increase over years. From the initial figure Rs.3569 crores in 1991-92 to the current value of Rs.153058 crores in 2019-20, with the annual growth rate of 14.34 per cent. Per capita social expenditure has also seen the growth of Rs.42.17 in 1991-92 and Rs.1177.10 in 2019-20 with the annual growth rate of 12.64. The share is increasing from 4.34 in 1991-92 to 12.01 in 2010-11. After that it is decreased to 6.51 in 2019-20. There are ups and downs in the absolute, per capita and percentage to the revenue expenditure over the period of study.

Health and Medical Expenditure of India

Health is a critical component of human development and economic progress, and public expenditure on health reflects a government's commitment to improving the well-being of the people. The Central Government plays a vital role in financing and regulating the healthcare sector alongside the States. Health and Medical expenditure by the Central Government covers preventive, promotive and curative healthcare services, disease control programme, public health campaigns, medical research, education and training of healthcare professionals, as well as financial support for infrastructure development such as hospitals, health centers and insurance schemes.

TABLE 2 GROWTH TREND OF HEALTH AND MEDICAL EXPENDITURE OF INDIA DURING THE POST-REFORM PERIOD

Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
1991 – 92	925	10.93	1.12
1992 – 93	1214	14.04	1.31
1993 – 94	1300	14.73	1.20
1994 – 95	1419	15.75	1.16
1995 – 96	1454	15.82	1.04
1996 – 97	1480	15.79	0.93
1997 – 98	1510	15.80	0.84
1998 – 99	1518	15.59	0.70
1999 – 00	1607	16.20	0.65
2000 – 01	1826	18.07	0.66
2001 – 02	1933	18.79	0.64
2002 – 03	2047	19.55	0.60
2003 – 04	2227	20.91	0.62
2004 – 05	2708	25.00	0.70
2005 – 06	3239	29.41	0.74
2006 – 07	4061	36.28	0.79
2007 – 08	4694	41.26	0.79
2008 – 09	6122	52.97	0.77
2009 – 10	7710	65.68	0.85
2010 – 11	8895	74.62	0.85
2011 – 12	9409	77.75	0.82
2012 – 13	9180	74.42	0.74
2013 – 14	10785	86.29	0.79

Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
2014 – 15	9684	76.48	0.66
2015 – 16	11629	90.65	0.76
2016 – 17	14964	115.13	0.89
2017 – 18	17429	134.08	0.93
2018 – 19	20844	160.33	1.04
2019 – 20	27297	209.93	1.16
CAGR	12.64	10.85	

CAGR - Compound Annual Growth Rate

Source: i) Absolute Expenditure – indiabudget.
ii) Per – Capita Expenditure
iii) Percentage
iv) CAGR } Computed by the researcher

The table 2 shows the health and medical expenditure growth of India from 1991-92 to 2019-20. The health and medical expenditure has shown a steady increase over the years. In 1991-92 it was Rs. 925 crores and it increased to Rs. 27297 crores in 2019-20 with the annual growth rate of 12.64 per cent. Per capita health and medical expenditure has also seen consistent growth which is Rs.10.93 in 1991-92 and Rs. 209.93 and the compound growth rate was 10.85 per cent. The share of health and medical expenditure in Revenue Expenditure is 1.12 per cent in 1991-92 and it is 1.16 per cent in 2019-20.

Education Expenditure in India

Education is one of the most powerful instruments for social and economic transformation, and public expenditure on education reflects the Government's commitment to human capital development. The Central government plays a crucial role by framing policies, setting standards, and allocating resources for school education, higher education, skill development, research and digital learning initiatives.

TABLE 3. GROWTH TREND OF EDUCATION EXPENDITURE OF INDIA DURING THE POST-REFORM PERIOD

POST – REFORM PERIOD			
Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
1991 – 92	2599	30.71	3.16
1992 – 93	2884	33.36	3.11
1993 – 94	3504	39.69	3.24
1994 – 95	3940	43.72	3.23
1995 – 96	5356	58.26	3.83
1996 – 97	7025	74.93	4.42
1997 – 98	7657	80.11	4.25
1998 – 99	9684	99.43	4.47
1999 – 00	10000	100.79	4.01
2000 – 01	11691	115.70	4.21
2001 – 02	11556	112.34	3.83
2002 – 03	12585	120.22	3.72
2003 – 04	14198	133.31	3.92
2004 – 05	19958	184.27	5.19
2005 – 06	25586	232.33	5.82

POST – REFORM PERIOD			
Year	Absolute Expenditure (Rupees. in Crores)	Per-Capita Expenditure (In Rupees)	Percentage to Revenue Expenditure
2006 – 07	18840	168.30	3.66
2007 – 08	23073	202.82	3.88
2008 – 09	31420	271.87	3.96
2009 – 10	31219	265.94	3.42
2010 – 11	42100	353.19	4.05
2011 – 12	47398	391.69	4.14
2012 – 13	51807	420.00	4.17
2013 – 14	55842	432.73	9.25
2014 – 15	17376	137.23	1.18
2015 – 16	68611	534.81	4.46
2016 – 17	20821	160.19	1.23
2017 – 18	24982	192.18	1.33
2018 – 19	21636	181.43	1.08
2019 – 20	27750	213.41	1.18
CAGR	7.90	6.29	
CAGR - Compound Annual Growth Rate			
Source: i) Absolute Expenditure – indiabudget.			
ii) Per – Capita Expenditure			
iii) Percentage			
iv) CAGR			
} Computed by the researcher			

The table 3 shows the Education Expenditure growth of India from 1991-92 to 2019-20. The education expenditure has shown a slight increasing trend over the years. From the initial figure Rs.2599 crores in 1991-92 to the current value of Rs.27750 crores in 2019-20, with the annual growth rate of 7.90 per cent. Per-capita expenditure also having increasing growth trend which is Rs.30.71 in 1991-92 and Rs.213.41 in 2019-20 and the compound growth rate was 6.29 per cent. The share of education expenditure in revenue expenditure is 3.16 per cent in 1991-92 and it is reduced to 1.18 per cent in 2019-20.

From the above discussion it is known that during the post-reform period, the annual growth rate of health and medical expenditure is 12.64 and education expenditure is 7.90. It means that the health and medical expenditure grows faster than the education expenditure. Hence, the first hypothesis of this study “Health and medical expenditure grows faster than education expenditure” is proved.

ELASTICITY OF SOCIAL SERVICE EXPENDITURE OF INDIA BETWEEN 1991-92 AND 2019-20

S.No	Expenditure	Elasticity
1.	Social Service Expenditure	1.66
2.	Education Expenditure	0.37
3	Health and Medical Expenditure	1.13

Source: Computed by the Researcher

The elasticity of education expenditure is 0.37 which means that the education expenditure is inelastic. This implies that even if the government's overall expenditure increased, spending on education did not rise proportionally. The elasticity of health and medical expenditure is 1.13 which is above 1, which means that health and medical expenditure grew at a slightly higher pace than the overall government expenditure.

The elasticity of social service expenditure is 1.66 means that social service expenditure has been highly responsive to growth in expenditure of the government. Thus, the second hypothesis "The elasticity of social service expenditure is greater than unity." is also proved.

Conclusion

The study Social Service Expenditure of India from 1991-92 to 2019-20 found out that the social service expenditure in absolute and per capita term is increasing in the post-reform period. And the share of social service expenditure in National Income is remarkable. When compared to the share of education expenditure, the share of health and medical expenditure is more during the post-reform period.

Reference

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