



RECENT TRENDS IN SOCIAL SECTOR EXPENDITURE IN INDIA

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ABSTRACT

The human resource of a country is its most precious asset. It should be mould and tuned as per the changing needs of the economy and society to enhance overall standard of living and enable sustained economy growth. This requires constant encouragement from the part of the government through allocation of funds to social sector and its development. The study explores the pattern of expenditure of the Government of India towards social sector and its development. The need for human resource development is stressed in a country like India where more than sixty percent of the population like in rural area and depend primarily on agriculture for employment.

KEYWORDS: *Subsidy, Social sector, Human development, expenditure, education*

INTRODUCTION

Social sector development is an imperative component for the growth of a country. A strong human resource would take forward the nation in achieving higher strides. The government of a developing country like India need to stress for the expansion of the human development index to eradicate various evils of the society such as poverty, malnutrition, unemployment and illiteracy. Effective social sector spending would lay the foundation for the long run development and economic growth. A developing country like India by deploying more funds in social sector would have far reaching impact on the its development agenda rather than getting concerned on short term ill effects such as inflation or mounting fiscal deficit. The ultimate aim of economic growth is developing the overall standard of living of the people of the country. The social sector expenditure includes education, health, housing, employment, social security schemes, subsidies toward food security, fertilisers to name a few. Expenditure in the social sector would lay the foundation for India in building a strong capacity in terms of talents, skills, health, living standard and environment protection and thus transforming our country to a developed nation.

STATEMENT OF THE PROBLEM

The expenditure of the government towards social sector needs special care. The present study intends to analyse the trend of expenditure of the government of India towards social sector developments and its implication. This would enable us to understand the direction of our progress, where we stand now and what needs to be done in the future in achieving the end of high human development index.

OBJECTIVES

1. To analyse the trend and pattern of social sector expenditure in India.
2. To provide suggestion for improving the human resource development in India.

METHODOLOGY

The study uses mainly secondary data. Secondary data is collected from publication of Central statistics organisation (CSO), economic survey of various years and union budget of various years. The data used for the study is from the period of 2010 to 2015. Simple statistical tools such as percentage, average, graphs are used to analyse and interpret the data.

RESULT AND DISCUSSION

Social sector expenditure involves spending by the government towards education, health, housing, labour welfare, social security schemes and other major subsidies. The social sector spending are essential in a country like India where more than sixty percent of the population live in the rural area and majority of the population unable to

enjoy the fruit of high economic growth achieved by the country. Social services spending come under the head of non plan expenditure. Table 1 shows the trends of the expenditure of Government of India under various heads of non plan expenditure.

In Rupees Crore

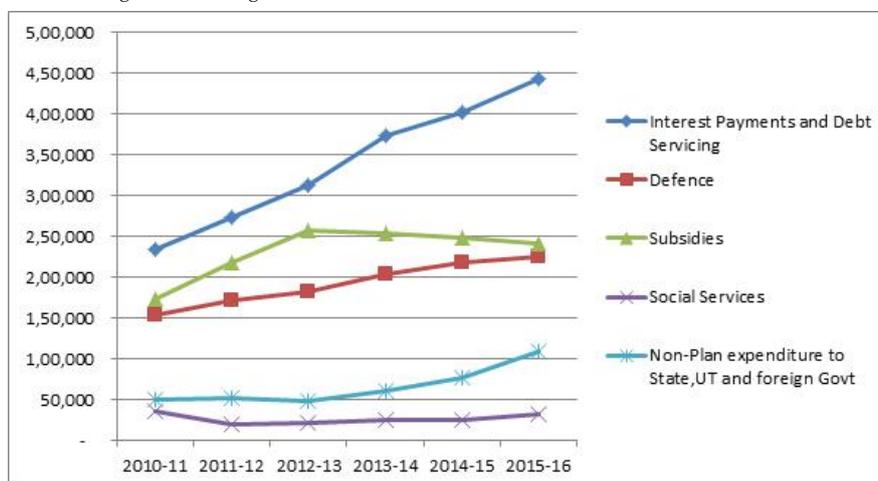
NON-PLAN EXPENDITURE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Payments and Debt Servicing	2,34,022	2,73,150	3,13,170	3,74,254	4,02,444	4,42,620
Defence	1,54,117	1,70,913	1,81,776	2,03,499	2,18,694	2,24,636
Subsidies	1,73,420	2,17,941	2,57,079	2,54,632	2,49,016	2,41,857
General Services	16,916	16,916	21,759	23,761	1,67,155	1,77,201
Social Services	35,293	19,444	21,168	25,572	25,829	32,149
Economic Services	28,052	21,751	22,211	24,976	26,632	33,721
Non-Plan expenditure to State, UT and foreign Govt	49,790	51,523	47,995	60,551	77,125	1,08,233
Total Expenditure	6,91,610	7,71,638	8,65,158	9,67,245	11,66,894	12,60,417

Table 1, Source: Economic survey various years

From table 1 it can be seen that the total non plan expenditure has gradually increased over the years which is popular among modern governments, but what needs attention is the growth of expenditure towards social service and subsidies which has remained stagnant in recent years. The non plan expenditure under the heads of interest payment, defence, general services and share of expenditure towards state government and Union territory (UT) has gradually increased over the years which have mainly contributed to the increase in the overall expenditure. The expenditure towards social service have drastically come down in the financial year 2011-12 from there on it has remained practically stagnant except in 2015-16 where there is a small rise. In the case of expenditure towards subsidies which is another means to support the socially and economically backward classes also seems to be stagnation. The government seems

put the blame on high fiscal deficit for cutting down and curtailing many subsidies. The policy makers have also expressed concern over mounting inflation in reducing the level of subsidies. This has resulted in reduced spending in subsidies and the expenditure has remained stagnant from the financial year 2012-13.

This is rather a short slightness on the part of the policy makers by way of reducing the spending on social services and subsidies. The development of human capital needs sufficient investment in social sector, which is lacking in the present scenario. The majority of the population are in poor state of affairs and unable to relish the high economic growth attained by the country. Thus the policy makers may reconsider the expenditure towards social sector which is stagnant at the same time the overall expenditure spiralling up due to increase in expenditure under other heads.

**Figure 1: Growth of the components of Non-Plan Expenditure**

EXPENDITURE ON SUBSIDIES

An analysis on the components of the subsidy expenditure would lead us in understanding the pattern of spending in subsidies. This would enable us to know

the essential and non essential components of it and make necessary changes in the subsidy pattern. Table 2 depicts the components of the subsidy expenditure.

In Rupees Crore

Major Subsidies	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Food	63,844	72,822	85,000	92,000	1,17,671	1,39,419
Fertilisers	62,301	70,013	65,613	67,339	71,076	72,438
Petroleum	38,371	68,484	96,880	85,378	60,269	30,000
Interest	4,680	5,049	7,270	8,137	7,632	13,808
Others	4,224	1,573	2,316	1,778	1,610	2,136
Total	1,73,420	2,17,941	2,57,079	2,54,632	2,58,258	2,57,801

Table 2, Source: Economic survey various years

The major subsidies include food subsidies through the public distribution system, subsidy provided to farmers to buy fertilisers for agriculture, subsidy in purchasing petroleum products mainly petrol and diesel, interest subvention given to exporters while availing credit from banks and others subsidies from the government. It can be seen from table 2 that more than seventy percent of the subsidies are allotted to food and fertilisers. The importance of it lies in the fact that more than sixty percent of the population depend on agriculture for livelihood. Thus reducing the level of subsidy to these segments would have serious implication the rural population who heavily depend on agriculture sector which is already receding in its growth and its contribution towards the gross domestic product has come down from more than sixty percent in

1960's to less than thirty percent now. The subsidy on petroleum products have also come down over the years and a drastic fall in 2015-16. This would serious affect the middle class as the transportation cost would increase resulting in price rise especially food articles and thus inflation would be a curse for the common man.

Thus the existing subsidies are indeed an essential foundation to uplift the socially and economically downthrown who have no other means of support as the present growth story have no impact on the majority of the population who are living in rural India. The policy makers may have a vision in the long run in supporting the people in the lower strata of the society and develop the human capital in India thereby achieving long run sustained growth.

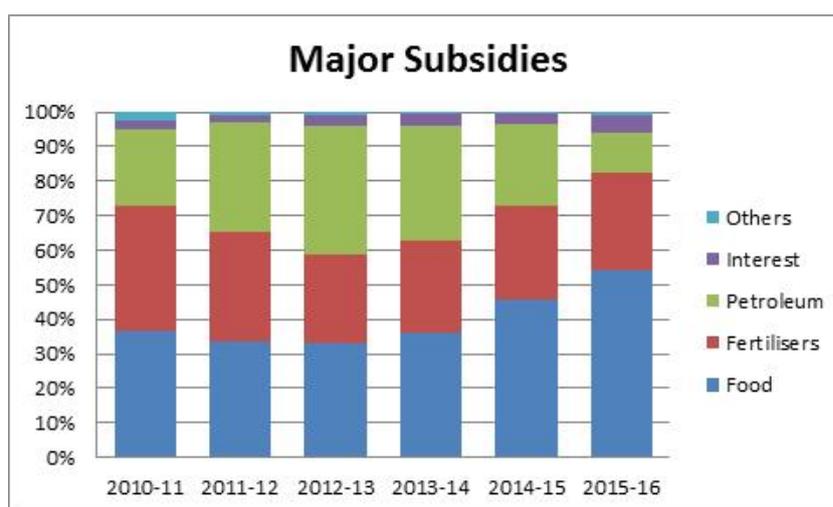


Figure 2: Share of major subsidies and its growth

SOCIAL SERVICE EXPENDITURE

Expenditure towards social service involves spending towards education including funds allotted to University Grants Commission, Indian Institute of Technology, Indian Institute of Management, Health and

Family welfare, Housing schemes, Labour and Employment program, Information and broadcasting and other social services of the government. Table 3 depicts the pattern of social service expenditure over the years.

In Rupees Crore

Social Services	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Education	8,327	9,433	11,028	14,494	11,954	12,811
Health& Family Welfare	3,031	3,144	3,690	4,006	5,101	4,814
Housing	651	691	756	764	777	885
Labour& Employment	1,746	1,855	1,929	2,620	2,837	4,157
Information& Broadcasting	1,718	1,771	1,966	2,064	2,364	2,783
Other Social Service	19,797	2,525	1,772	1,590	2,757	6,123
Total	35,270	19,419	21,141	25,538	25,790	31,573

Table 3, Source: Economic survey various years

From table 3 it can be seen that contribution towards education has decreased after 2014-15 even as its share remains the highest among social service. But the disturbing fact is that the overall expenditure for social service under non plan expenditure is only about 2% as can be seen from figure 3. Education is the best available tool to bring about a social change and improve the human development index. Unfortunately these ideas are remaining only in black and white and there is no indication of the application of funds towards educational development. Thus it requires some serious reengineering on the part of the policy makers as for a country to progress education is the ultimate weapon available for the human race to fight poverty and other social evils. The funds

allotted for housing schemes is also pathetic as mere amounts are allotted for this purpose. With large scale unemployment prevailing in India the expenditure towards Labour and employment also does not seem adequate. The health care expenditure also need improvement as the number of hospitals and doctors are completely inadequate to cater the need of our rural population. Overall the share of expenditure towards social sector is very limited. This needs serious rethinking by the top brass in the government machinery as the social sector spending is not at all sufficient enough to cater the basis requirement of our society. A strong intend towards human resource development should be backed up with adequate allocation of funds for its development.

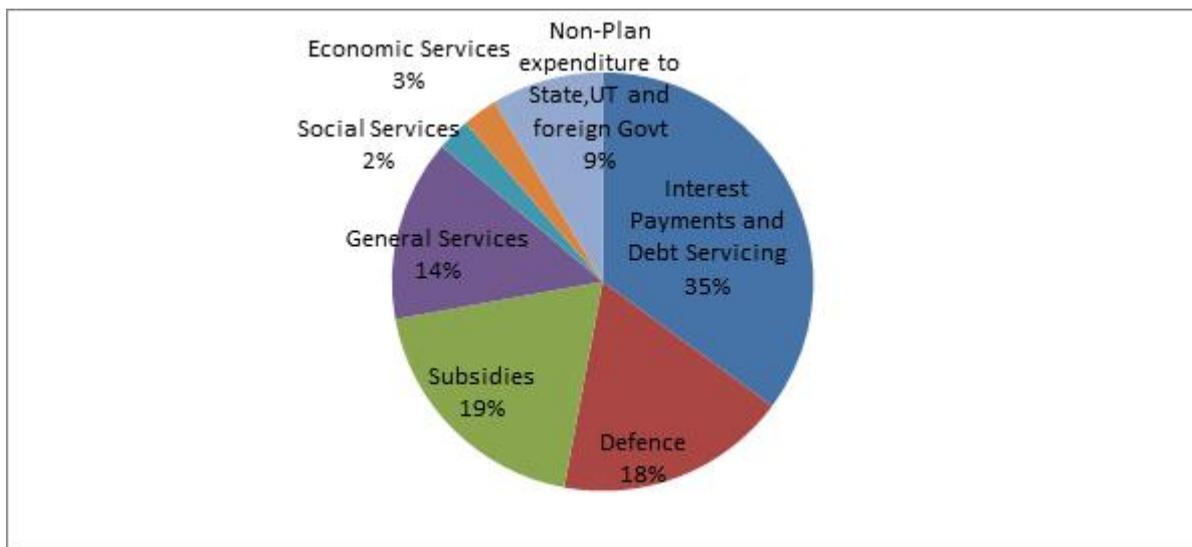


Figure 3: Share of Non-Plan Expenditure

CONCLUSION

Human resource is the best capital available with any country to enable growth and development. The ultimate goal of economic growth is to enhance the standard of living of the people of the country. Thus priority should be given in allotment of fund to develop and support the human resource of the country. In India with majority of the population living in backwardness and the growth story not making any major impact among the rural population enough expenditure should be pipelined towards the social sector and its development. There is of course growth in the expenditure of the central government over the years but expenditure towards the social sector and subsidies are rather stagnant. Even as many reasons are propounded for this state of affairs, the point to be noted is that more than seventy percent of the existing subsidy is streamlined towards the agriculture sector in the form of fertiliser subsidy and food security through public distribution system and thus neglecting subsidy would have dire consequences on the primary sector of the economy. The social sector spending may be enhanced from the percent share of a mere two percent. Educational expenditure should be highlighted as it is the foundation for a strong human capital. The expenditure towards other social sector segments such as housing, health, employment is also minimal which too

need attention and thus the overall share of social sector expenditure may be enhanced to develop a strong economy through human resource development in the long run.

SUGGESTIONS

The central government may give more trust on expenditure towards social sector spending which would enhance the quality of human resource available in the country and thus transform India into a developed nation in the long run. The government may give more importance to education and sharpen the skill of the labour force to increase the productivity of the nation. The health status and housing facility of the socially and economically backward population may be prioritised to develop a strong human resource for the nation. Such small steps in this direction would lead India to a sustained economic growth coupled with high human development index in the long run.

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