Chapter-8
SUMMARY
AND
CONCLUSIONS
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In this chapter, an attempt has been made to give the summary of the important findings of the study and to outline suggestions and recommendations for providing guidelines for administrative operations in the attainment of some social ends.

The present summary proceeds chapter wise and being a summary does not trace out the full extent of argument of the chain of reasoning. Only the gist of finding, the conclusion or the suggestion, as the case may be, is laid down. The basic theme, during the entire work is the trends of public expenditure on social sectors and inadequacy of budgetary allotment of funds for social sector. The thesis demonstrates the role of public expenditure in social sectors and suggests measures to meet the requirement of the increase of public expenditure for social sector with due emphasis on education sector and health sector.

Chapter II highlights the ‘Approaches to Public Expenditure’. Economic activities in the country are conducted by the private and the public sector. The economy of a country is largely influenced by the level of the public expenditure but public expenditure was neglected because of the mistaken belief that all public expenditure was a waste. This belief took its inspiration from the writings of the classical economists and especially that of Adam Smith who advocated that the government should restrict its activities to “justice, police and arms,” which meant protection of the citizens from foreign aggression and internal disorder.
Adam Smith further held that as government expenditure was normally a waste and that the money transferred from the public to the government could be of far greater utility for the public than for the government, it would be better for the latter to restrict its economic activities to the performance of only those services in which the public might not be interested. The other classical economist, David Ricardo supported the golden maxim of J.B. Say. Mill’s opinion was that the public expenditure should be at the narrowest possible range. According to him the general practice should be of laissez - faire. Hence, classical economists were of the view that public expenditure should be limited. In the Keynesian approach, Keynes’ main concern was on the achievement of full employment and economic stability.

It is only in the twentieth century that it came to be realized that public expenditure is more important in its implications and bearing on public welfare than public revenue. This chapter has also given a brief note on growth of public expenditure. The government directly intervenes in the economy to accelerate the process of growth and hence, public expenditure theory is converted into the theory of public investment. Infact public expenditure determines both the scale and pattern of investment. The more the public investment, the greater is the magnitude of saving and investment in the country and so also the change in the rate of growth of income. Also, in some cases it becomes inevitable to push the rate of investment by curtailing aggregate consumption to overcome indivisibilities in the productive process. However, the magnitude of investment is limited by the far availability of
resources. Because of the increasing responsibilities which the state has undertaken, there has been an enormous growth in social and development expenditure of the state government. The growth of public expenditure has not been of a uniform nature and has been quite unevenly distributed not only over time but over the various functions also. It is concluded that the proportion of total expenditure devoted to social expenditures tends to rise in the course of economic development.

We have also analyzed the importance of public expenditure in underdeveloped countries. To sustain economic development it is necessary to increase the level of public expenditure in such a way that the whole economy is benefited. No economy can go ahead in the race of economic development, without accepting the importance of public expenditure in the economy.

When the state spends its revenue, the citizens of the state enjoy the benefits individually or jointly as some public expenditure confers individual benefits and some confers social benefits. The fact is that public expenditure becomes beneficial for the citizens one way or the other.

Chapter III deals with the trends of public expenditure on social sectors in India. This chapter has been particularly devoted to the proper distribution of public expenditure in different sectors of the economy. Without going into the detail of overall plan making process, this chapter attempts to analyze the placement of social sector especially health and education in the scheme of Plan priorities in India. Plan wise discussion in this chapter brings out the plan policy parameters with regard to the development of social sectors in India.
The Indian constitution imposes upon the state that basic necessities are made available to all citizens across India. It is binding that governments allocate funds, formulate programmes and alleviate poverty. There are a plethora of schemes in India for universalizing primary and middle level education, providing public and primary health care, ensuring employment for those seeking work, subsidized food distribution and a number of social welfare programmes. Multiplicity of programmes have proved to be counterproductive and many of them are deeply criticized for being unsuccessful in generating intended outputs due to poor implementation and short fall in achieving targets in a transparent manner. While over the years public expenditure on the social sectors and poverty alleviation has increased substantially.

The task in this chapter is mainly to see to what extent Indian plan documents spend for the development of social sector. In order to understand the distribution of expenditure the percentage share of all the heads has been calculated in terms of total expenditure.

While analysing the growth in public expenditure over the plan period in totality and also on different sectors of the economy we find that public expenditure has increased enormously during the plan period. So far as resource allocation is concerned the social sector remained in relatively disadvantageous position. Total expenditure on social sector has increased from Rs. 472 crores in the First Plan to Rs. 1914379 crores in the Ninth Plan. The social sector which accounted for 24 percent of the Plan outlay in the First
Plan, lost priority in the subsequent plans and percentage allocation to thus sector was generally 20 percent or less of total plan outlay / expenditure. In a poor country steeped in mass poverty, government support to the social sector is of overriding importance.

While analysing the plan outlay on different social sectors we find that educational expenditure has shown a marked rise but as percentage of total plan expenditure has shown a significant decline. It was as low as 2.6 percent of the plan outlay during the Sixth Plan while in the First Plan, it was at 7.6 percent, the figure which has never been reached ever since. For this reason the government even after half a century of planned development in India government has not been able to eradicate poverty or to achieve 100 percent literacy. Although the government has introduced a number of literacy programmes like Operation Black Board, “Sarva Shiksha Abhiyan” and incentive measures like mid – day meal to attract poor children to the schools, opportunities are not sufficient. However, analysing the whole situation of the plan period we can say that India has made significant achievement in the development of education, which has contributed to economic growth and development. While the achievements are impressive, the failures are numerous and shocking for example dropout rates after a few years of schooling are as high as 40% especially of girls.

The other social sector which comes next in importance is health and family welfare. In percentage terms we find a very small allocation to health,
the maximum being 5 percent of social sector expenditure in the First Plan. This is the one of the reasons for low life expectancy at 62.4 years only.

It is also concluded that water supply, housing and urban development has been given more importance in the later plans than in the earlier ones. It is clear from the Eighth Plan, that this head has achieved 6.2 percent of Plan outlay while in the First Plan this was only 1.7 percent.

Since the commencement of the planning process in 1950, in India, all the previous Five Year Plans as also the ongoing Tenth Five Year Plan did not bestow that much attention to social sector development as it deserved. The financial outlays by the government were generally on the lower side. Mid term appraisal of the Tenth Five Year Plan by the Planning Commission admits that social sector like education and health have in the past not received the desired level of financial support both from the center and the states due to financial constraints. Increased public spending on health and education and successful public private partnerships, for creating social infrastructure and successful delivery of services is the ‘need of the hour.’

Chapter IV analyses the trends of social sector expenditure in Uttar Pradesh. On examination of financial allocations during the Plan period, we find that the increase in absolute size of the plan has led to an absolute increase in the social sector expenditure from Rs. 44 crores in the First Plan to Rs. 5333.20 crores in the Eighth Plan. But in the percentage terms allocation to social sector fell from 29 percent in the First Plan to 19.5 percent in the Eighth Plan. The slow action of government in respect of improvements in social
sectors is to be seen in the entire plan period. Whenever the government experiences a resource crunch the axe falls on the social sector.

We have also analyzed the allocation pattern of government budgetary expenditure on the social sector as well as its various individual components during the period of 1987–88 to 2004–05. A break up of expenditure into plan and non-plan reveals that since 1987-88 up to 2004–05, the relative ratio of plan expenditure on social sector has fallen from 32.0 percent to 29.1 percent while share of non-plan expenditure has increased from 68.0 percent to 70.9 percent. Plan expenditure on social sectors grew at a compound annual growth rate of 11.7 percent, while non-plan expenditure went up by 12.6 percent and total social sector expenditure rose by 12.3 percent per year. In absolute terms in 2004–05 plan expenditure on social sector was only Rs. 3954.00 crores while non-plan expenditure on social sector was of the order of Rs. 9631.92 crores.

It is also concluded that the growth rate of education and health expenditure in Uttar Pradesh is slow because the ratio of total social sector expenditure in the total budgetary expenditure has hovered around 30 percent. However, in the education sector, the educational expenditure as percentage of total state budgetary expenditure was around 18 percent for most of the years. Inspite of the governmental efforts, the expenditure on education sector has not increased if it is compared with the increase in state’s population. On the other hand, expenditure on health sector, as a proportion of total state budgetary expenditure instead of increasing has declined during the period of 1987–88
to 2004–05 as it was 6.8 percent in 1987–88 and 4.4 percent in 2004–05. The Uttar Pradesh government has to increase the share of education and health sector in the state budget. No doubt urgent allocation of funds are required in these sectors but it is also an important fact that even if the state makes appreciably higher allocations on social sector, such outlay per se, are unlikely to lead to ‘outcomes’ unless the fundamental strategically assumptions about development are altered. The government must check population growth. Due to the increase in population the efforts of the government are not satisfactory to meet the growing demand of the state. The expenditure on water supply and sanitation and housing and urban development as percentage of total state budgetary expenditure has also decreased during the given period from 2.6 percent in 1987-88 to 1.3 percent in 2004-05.

On examining the different components of the social sector as percentage of the total social sector expenditure in Uttar Pradesh during the period of 1987–88 to 2004-05, we find that of all the components of social sector, education invariably consumed the largest part of the state budget. But the health sector, consistently declined in terms of its percentage share during the given period. The expenditure on water supply and sanitation and housing and urban development also showed a sharp decline in terms of its percentage share. Without proper expenditure on social sectors like education and health, no country can be considered properly developed but in the case of Uttar Pradesh we see that the state government has been continuously ignoring education and health aspects. The state government must try to make up the
deficiency by incurring a larger expenditure on social sectors. There is also an obvious need for better utilization of the allocated money.

Social sector expenditure as a ratio of State Domestic Product was around 6 percent for most of the years during the period 1990–91 to 2002–03. Similarly, expenditure on education was less than 4 percent of SDP except in 1998–99, when it was 4.3 percent. Health expenditure as percentage of SDP showed a declining trend from 1.3 percent in 1993–94 to 0.9 percent in 2002–03. The share of education and health as a percentage of SDP has been falling which is not a favourable (to development) and healthy sign; moreover the standard norm of expenditure fixed for education was 6 percent and for health 4 percent of GDP respectively. There is a strong need for the government to substantially increase their spending on education and health because it has a direct impact on our literacy and life expectancy of the people, it is necessary to increase the expenditure on education to about 6 to 7 percent of SDP and on health to about 4 percent of SDP.

In Chapter IV we have examined in detail the expenditure on education, the most important component of social sector. Uttar Pradesh is still an educationally backward state and has the largest number of children to educate but the plan expenditure on education as percentage of total plan / outlay showed a declining trend. Resources allocated for education were usually cut down at various decision-making stages in the planning process. Actual plan expenditure was much less than what was recommended by the expert
‘working group’ on education and what was usually less than the proposed outlay.

While examining the funds allocated to education, during the plan period, we find that a major part of almost fifty percent or more went to elementary education. Secondary education occupied the second place and 10 percent or less had been devoted to higher education.

Regarding the composition of educational expenditure, we found that of the three levels of education (viz. elementary, secondary and higher), elementary education claimed the largest share of the state education budget (56.79 percent), followed by secondary education (30.57 percent). Higher education accounted for a share of 7.87 percent in the total education budget. From 1987–88 to 2004–05, the share of elementary education had increased substantially (from 46.90 percent to 56.79 percent). The share of secondary education had decreased from 36.48 percent to 30.57 percent and that of higher education was almost constant at around 8 percent.

The absolute amount of educational expenditure on the revenue account of the state budget went up from Rs. 957.14 crores in 1987–88 to Rs. 7272.45 crores in 2004–05. It is also concluded that more than one-fifth of the state’s revenue expenditure was devoted to education which also constituted about 3.5 percent of NSDP. Capital expenditure on education was in the form of loans and was therefore, of almost negligible amount in the total education budget.

Regarding the composition of three main sectors of educational expenditure, the dominant head of expenditure was grants to non-government
educational institutions. As percent of education budget for each sector, this head accounted for 97%, 78% and 79% respectively for elementary, secondary and higher education. The annual compound rate of growth of grants to non-government educational institutions from 1987-88 to 2004-05 was the highest (24.7 percent) in case of non-government secondary schools and 12.9 percent in respect of grants to non-government degree colleges. Expenditure on Governmental educational institutions at all levels of education showed a declining trend.

In chapter VI, we have discussed the expenditure on health, the second most important component of social sector. In Uttar Pradesh, the state government with its limited resources has tried to provide medical and health facilities to every person and has also tried to eradicate some of the dreaded communicable diseases like malaria, tuberculosis, filaria, small pox etc. Still, Uttar Pradesh has the largest-number of medically uncured people. If we examine the state government expenditure on health sector it instead of increasing has declined. The high infant mortality rate reflects the poor state of public health, inadequate medical attention during pregnancy and at birth, and poor post-natal care. To reduce infant and child mortality, which are much higher than they should be, we need nearly 100 percent immunization, supply of clean drinking water and provision of sanitation facilities to prevent infections and professional attention during child birth.

Regarding the composition of health expenditure, we found that the largest share of the state health budget went to medical and public health i.e
81.98 percent, while family welfare received only 18 percent of the state health budget. The expenditure on family welfare should be increased as nutritional supplements for pregnant women and deliveries assisted by health professionals need rapid expansion of coverage.

We have also examined the expenditure pattern on water supply and sanitation, housing and urban development in Uttar Pradesh. We found that expenditure on water supply and sanitation decreased from 66.91 percent to 63.41 percent and the expenditure on housing declined from 26.83 percent to 6.84 percent during the period 1987-88 to 2004-05. The high infant mortality rate in the state is not just due to inadequate public health measures alone, poor quality of water is also a major cause. A large fraction of deaths are due to infectious and waters related diseases. Therefore, social action is needed for sanitation, water supply, clean air, waste disposal and an environment which does not breed diseases or result in epidemics.

The absolute amount of health expenditure on the revenue account of the state budget went up from Rs.387.26 crores in 1987-88 to Rs.2037.24 crores in 2004-05. The revenue expenditure on health and family welfare as percentage of total Government revenue expenditure declined. It was also noticed that expenditure on salaries dominated revenue expenditure by the government in both medical and public health and family welfare.

A very small proportion of the expenditure was devoted to items such as drugs and maintenance. Urban health services and the tertiary sector absorb close to 40 percent of the budgetary resources devoted to health. Capital
expenditure in health budgets were very small amounts in comparison with revenue expenditure and were mostly attributed to construction and building works.

Uttar Pradesh has remained relatively backward in providing medical and public health services to its citizens. It is extremely desirable not only in the interest of this state but for the country also that expenditure on medical and public health services in Uttar Pradesh should be increased.

Regarding the Composition of the Rural Health Services (RHS) and Urban Health Services (UHS) of health expenditure, the dominant head of expenditure was Allopathy. As percent of health budget for each sector, this head accounted 76 and 93.8 percent respectively for RHS and UHS. The annual compound rate of growth of Allopathy from 1987-88 to 2004-05 was the highest (12.9 percent) in case of RHS and 11.9 percent in UHS. In the case of medical education, training and research also, the dominant item was Allopathy and it accounted for 92.2 percent of the health budget. The average compound rate of growth of Allopathy was 10.5 percent during the period 1987-88 to 2004-05.

Chapter VII gives a comparative study of public expenditure on social sectors at national level and also at the international level. It proves helpful in laying down policy prescriptions with regard to the same in Uttar Pradesh.

Despite substantial improvements, India’s performance with respect to human development is considered to be low (124th position) by international year standards. With regard to both education as well as health, India’s
achievements pale into insignificance when compared with those of other Asian countries.

In this chapter, we have also compared social sector expenditures in India with South Asian countries, East Asian countries and with all developing countries. Total public expenditure as percent of GDP was much higher in India as compared to other countries. However, the share of public expenditure allocated to social sector was very low in India than in East Asian countries and all developing countries. The share for education in public expenditure was also lower in East Asian countries but it was higher in comparison with South Asian countries. In the sphere of health, India’s public expenditure allocation was low compared to other South Asian countries.

We have also concluded that as a proportion of GDP, the share of social sector expenditures has not increased during the reform period except in 1999–00. The shares in the 1990s were lower than those of the 1980s. As a proportion of total public expenditure, the share for the social sector definitely increased since the mid 1990s. The proportion was higher in the second half of the 1990s than it was in the late 1980s.

The per capita expenditure on the social sector also increased since mid 1990s. From the middle of the 1900’s onwards, the per capita expenditure was higher than that in the 1980s.

In this chapter, we have also analysed the international data on public expenditure allocation to education and health in India and a number of other countries. A comparison of different parameters reveal that public expenditure
on education was much higher (5 to 8 percent of GDP) in developed than in developing countries (e.g. India 4.1 percent). The figure for India (4.1 percent) was very low and because of the low public expenditure on education in India, there is high illiteracy. Educational expenditure as a ratio of total government expenditure was also lower in developing than in developed countries. Among the developing countries, many countries for example Mexico, Malaysia spend more than one fifth of their government expenditure on education.

In the health sector also the expenditure on health as a percentage of GDP was much higher in developed as compared with developing countries. The public expenditure on health in India accounted for only 0.9 percent of GDP in 2004. On comparison with other countries the figure for India (0.9 percent) is miserably very low.

Regarding the trends in educational expenditure as percentage of GDP, data for the last 10-15 years showed that for most developed countries – U.S.A., U.K., France, Finland, and others it had gone up. Most developing countries too showed increases. In India, the percentage was quite low i.e. 3.8 percent in 2005. The trends in health expenditure as percentage of GDP, over the period of 1990 to 2004 showed that this ratio had gone up in most of the developed countries, for example U.S.A., Japan, United Kingdom, France, Germany, Uruguay. In the case of developing countries, the same ratio had gone up in eleven countries but in four countries for example, China, Pakistan, Bangladesh and India, it had declined. In India, the said ratio declined from 1.3 percent to 0.9 percent, which is very low as compared to other developing
countries. The 6% of GDP much lower than recommended by various committees set up from time to time.

The other relevant parameter of comparison is educational expenditure as a ratio of SDP, which in the state of Uttar Pradesh was 3.92 percent in 1999-00, much lower than the 6 percent recommended by various committees set up from time to time compared to Kerala 4.58 percent, Assam 6.53 percent and Himachal Pradesh 7.54 percent. We have also examined the health expenditure as a ratio of SDP, which was 0.87 percent in 1999–00 compared to Kerala 1.20 percent, Assam 1.16 percent and Himachal Pradesh 2.27 percent. Budgetary expenditure on education as percentage of total budget for Uttar Pradesh had been around 20 percent during the last fifteen years and the budgetary expenditure on health as percentage of total budget for the state had been around 6 percent during the same period.

Per capita educational expenditure and per capita health expenditure in a state is a better indicator for comparison than total expenditure. We have concluded that Uttar Pradesh ranks very low in terms of both the per capita educational expenditure and per capita health expenditure. This is one of the main reason behind the backwardness of the state of Uttar Pradesh.

Expenditure on education as a ratio of total social sector expenditure was 60.7 percent in 1996–97 and the expenditure on health as a ratio of total social sector expenditure was 13.5 percent in Uttar Pradesh. A large part of the expenditure is of non–plan type and plan expenditure was very small. From the foregoing discussion it is clear that social sector expenditures in Uttar
Pradesh are lower than that of other states of India, both in terms of SDP as well as in terms of total public expenditure (Refer Tables 7.9 and 7.12). This low public provision on social sector is reflected in important indicators of health and literacy in the state (Refer Table 7.22).

It can be concluded that in a poor state like Uttar Pradesh, public provisioning of basic social sector expenditure are essential for sustained growth and development. The comparison of the states show the backwardness and low ranking of Uttar Pradesh in terms of social sector expenditure. So in order to improve the educational and health status of the masses of the state, the state government has to increase the share of social expenditure in the state budget.