Chapter-1

INTRODUCTION
Introduction

Public expenditure is just like a barometer, which measures the course of economic development as well as the administrative skill of the government in a country. As a matter of fact, till almost the first quarter of the twentieth century, the study of public expenditure unfortunately, suffered from an alarming neglect, as the duties of the government were very narrow. The government was treated as an administrative institution concerned with protective and police functions and not with developmental services. Its functions, were, therefore few and public expenditure was accordingly small. Thus, the limited nature of the functions of the state was the cause which kept public expenditure in a water tight compartment.

Infact 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”, that is to say, the protection of the citizens from foreign aggression and internal disorder. It was only in the twentieth century that it came to be realized that public expenditure is far, more important in its implications and bearing on public welfare than public revenue.

The emergence of welfare states in the post world war period focused attention on government expenditure. More or less during the same period the importance of human resources as an important factor in economic development was realized by Denison and other economists. Both these
considerations focused attention on government expenditure on social sectors which has now become an integral part of government budgets, more so in developing countries.

Public expenditure on education, medical services, cheap housing facilities etc. can increase the efficiency of persons to work and there by increase population and national income. Public expenditure has positive effects on the willingness to work, save and invest. Public expenditure also has far reaching effects on the utilization of resources.

The best guarantors for human development are freedom from ignorance, disease and fear along with freedom from want. But education, health care, housing, water supply and sanitation services which can ensure these freedoms are not easily available to all. A large majority of the population in developing countries is too poor to meet its basic nutritional requirements, how can we talk of matters like minimum levels of health, literacy and other basic needs. To ensure easy accessibility of the basic requirement we need public action in such type of areas if human development has to gather momentum.

Uttar Pradesh is one of the most backward states in India despite the abundance of its natural resources, vast area and the largest population, one sixth of the world’s population is in India and one – sixth of the Indians live in Uttar Pradesh (U.P.). With 160 million people, it is not only the most populous Indian state but also one of the poorest. Despite its rich natural and human resources, 42 percent of U.P.’s rural population is below the poverty line. Basic
demographic indicators of U.P. compared with the national average for India are given in Table-1.1

Table 1.1: Some Basic Indicators of India and Uttar Pradesh.

<table>
<thead>
<tr>
<th>Items</th>
<th>Uttar Pradesh</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (Census 2001) in million</td>
<td>166.20</td>
<td>1028.61</td>
</tr>
<tr>
<td>Urban Population (in million)</td>
<td>34.54</td>
<td>286.12</td>
</tr>
<tr>
<td>Rural Population (in million)</td>
<td>131.66</td>
<td>742.50</td>
</tr>
<tr>
<td>Decadal Growth (Census 2001) (%)</td>
<td>12.70</td>
<td>15.00</td>
</tr>
<tr>
<td>Crude Birth Rate (S RS 2005)</td>
<td>25.91</td>
<td>21.52</td>
</tr>
<tr>
<td>Crude Death Rate (S RS 2005)</td>
<td>30.4</td>
<td>23.8</td>
</tr>
<tr>
<td>Total Fertility Rate (S RS 2004)</td>
<td>8.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Infant Mortality Rate (S RS 2005)</td>
<td>4.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Maternal Mortality Ratio (S RS 2001-2003)</td>
<td>517</td>
<td>301</td>
</tr>
<tr>
<td>Sex Ratio (Census 2001)</td>
<td>898</td>
<td>933</td>
</tr>
<tr>
<td>Population below poverty line (%)</td>
<td>31.15</td>
<td>26.10</td>
</tr>
<tr>
<td>Female Literacy Rate (Census 2001) (%)</td>
<td>42.98</td>
<td>54.28</td>
</tr>
<tr>
<td>Male Literacy Rate (Census 2001) (%)</td>
<td>70.23</td>
<td>75.96</td>
</tr>
<tr>
<td>Total Literacy Rate (Census 2001) (%)</td>
<td>57.4</td>
<td>65.4</td>
</tr>
</tbody>
</table>

Source: Census 2001

It illustrates the backwardness of U.P. in absolute as well as in relative terms. Demographically, U.P is one of the most backward states of India with a high birth rate of 30.4 percent (SRS 2005) and higher infant mortality rate of 73 (SRS 2005) than the national average of 58, literacy rate of 57 percent (Census 2001) is still far from satisfactory. U.P. also has a female literacy rate of 43 percent which is well below the national average of 54 percent (Census 2001). Its life expectancy is low because of high IMR and crude death rate.

With respect to another significant economic parameter, per capita income, (PCI) performance of U.P. is poor. For example, in 2001–02 it was 54 percent of the all – India average and only 38 percent of the highest per capita income among the states. The reason can be traced to both poor economic performance and high population growth in the state. Though, there
are other reasons also for the backwardness of the state of Uttar Pradesh, out of which lack of proper planning of public expenditure, its magnitude and lack of productive directions have been imperative. U.P. being a backward state needs greater government support.

The government has given much importance to the social sectors but the government has not taken any strong action in this respect. We see that after more than half a century of planned development, the position with respect to basic needs is far from satisfactory. So there is a large difference between what the government says and what the government does.

For improving the quality of life of the citizens, it is necessary for the government to increase public expenditure on social sectors for eradication of poverty, provision of basic minimum services including nutrition, education, health care etc.

Investment in education and public health, two major components of social sector should precede investment in the other areas of social sector, particularly during the transitional phase of an economy since they are the most crucial inputs for human development.

In the present study an attempt has been made to examine the recent trends in public expenditure on social sectors. Expenditure on education and health only have been studied as these two sub-sectors of the social sector are not only more important but also more amenable to measure and understand their impact.
Review of Literature

Social sectors comprises education, health and family welfare, water supply, sanitation, housing, rural development, social welfare, nutrition and minimum basic services. Public expenditure on social sectors make the people healthy and efficient. It is the state which can create the “critical skills” needed for rapid development by investing in human capital. The expenditures mentioned above all improve productivity of labour directly or indirectly. In social sectors, education is the most important and also the largest sector. The second most dominant sector within the social sectors is health. Expenditures on education and health have a more direct impact on productivity and are amenable to measurement and control.

To evaluate the objectives of the study we must have an idea of the findings of some research studies which have been done earlier and must also have knowledge about the methods that were adopted in the studies. The review of literature in connection with “Trends of Public Expenditure on Social Sector – A case study of Uttar Pradesh” will provide a basis for confirming the earlier findings. We have noted that most of the studies have been done on education and health and few studies are on the other social sectors. But due to the non-availability of the studies on social sectors other than education & health we have examined here mostly the studies done on the important social sectors i.e. education & health. It is also important to mention the fact that most of the studies on the topic refer to India as a whole and not on Uttar Pradesh in particular. However, these studies are useful as they throw light on the
situation that exists in India and help us in analysing the conditions prevailing in Uttar Pradesh.

There are several pioneer works carried out by eminent social scientists, which are examined here:

K. Seeta Prabhu (2005) has examined in his article the role of social sectors in economic development from the point of view of two distinct approaches viz. human resource development and human development. The author has advocated the adoption of the latter approach, as it ensures not only equity but also sustained growth in the long run. Links between these approaches have also been discussed with empirical evidences in this context. The Indian scene has also been analyzed in this perspective.¹

Santosh Mehrotra, Jan Vandemoortele and Enrique Delamonica (1998) noted in their study that not all the social sector expenditures play as important a role in supporting economic growth and reducing poverty as basic social services preventive and basic curative health services, water and sanitation, family planning and basic education. They are not only more efficient in terms of providing ‘human capital’ but they are also more equitable.

They also concluded that the public spending on basic social services—which are known to be pro – poor are very rarely monitored by developing country governments. The main reason behind this is that the functional classification of data which is presented in budgets does not allow such type of expenditure to be monitored.²
Abusaleh Shariff, Probir Ghosh & S.K. Mondal (2002) in their paper present trends in public expenditures on social sector and poverty alleviation programmes from 1990–91. A considerable proportion of these expenditures is undertaken by the states but the central share seems to be increasing over time. This paper analyses trends in state expenditure, expenditure by the central government and central and state adjusted combined expenditures. Overall expenditure on social schemes is increasing in real terms but mainly through increased expenditure of the central government. The state governments seen to be easing out of their constitutional commitment to sustain programmes in the social sectors, which is a matter of concern. Secondly, there are large inter–sectoral reallocations of funds in the poverty alleviation sectors. One major development has been that large funds that were allocated to employment generation have now been diverted to the rural road construction programme. This reallocation may have serious implications for employment generation.3

S. Mahendra Dev and Jos Mooij (2002) in their paper focus on social sector expenditure in the 1990’s, and look at several aspects, including overall levels of allocation, expenditure on health and education and interstate disparities. India’s social sector expenditure in the 1990’s was lower than that in the 1980’s and also less than that of most other developing countries. They point out the need for stepping up social sector expenditure.4

T.C. Pathak (2005) in his article attempts to trace the impact of the expansion of the social sector on economic development, where the benefits could not reach the masses in general and were largely confined to certain
classes only. The author has analyzed this aspect of the problem with reference to India. For analysing this problem the author has considered the conflicting patterns and disintegration of the existing social order and the impact of expansion of the social sector on human resource development. The current state of affairs of the social order in terms of services provided is also highlighted for India. The author has concluded that the expansion of the social sector in India has brought about significant changes in the nature and pattern of human resources through its impact on the size and quality of population. The pattern of benefit incidence of public social spending should change so that the poorest can benefit the most. Consequently though social sector grows, any substantial improvement in life of masses will not take place till the adverse effects of social sector expansion are not overcome.\textsuperscript{5}

K. Seeta Prabhu (2001), in his study undertaken in 1994-95 relates to two Indian States – Maharashtra and Tamil Nadu – doing well in the social sector. Maharashtra is a relatively high income state and Tamil Nadu is a middle income state.\textsuperscript{6}

• P.R. Ranchnukhi (2001), in his paper focuses on the impact of economic reforms on the social sector in India by comparing the data of the pre – reform period and the reform period and concludes that there is a declining trend in the budgetary allocations of both the central and state governments for various sub-sector of the social sector, especially health and education.\textsuperscript{7}

• S. Sudhakar and A.G. Moss (2005) have analysed in their paper the allocation pattern of government budgetary expenditure on the social sector as
well as its various individual components during the pre - reform and post
reform periods covering plan, non - plan, revenue and capital accounts. The
analysis has been done separately for the center and the states combined, the
center, all the states combined and the states grouped into six geographical
regions ( intra and inter - regional analysis ). Though, a mixed result was
obtained, yet in many cases a decline in the expenditure proportion of the social
sector has been observed. To develop the social sector, it is also necessary to
ensure that the allocated budgetary resources are effectively used. And for the
final conclusion, it is also necessary to examine the trends in the real per capita
public expenditure on the social sector and its components.  

Pratima Trivedi (2005) in her article emphasized the importance of
education, health and empowerment of women in the context of the role of
social sector in economic development in India. The author has shown that
social sector has grown in India since independence but at the same time with
inadequate emphasis. This can be clearly understood by the declining
percentage expenditure on health during the Five Year Plans. She has also
examined several weaknesses in the scenario of social sector development in
India and has concluded that only the making of programmes and policies is
not the solution but there should be proper implementation of the programmes
and policies for the overall development of the country.  

• Sandeep Kumar (2006) in his article has focussed upon the study of
public expenditure on education and public health in Uttar Pradesh from the
beginning of the reform period i.e. 1991 as in a backward state like Uttar
Pradesh it is essential that there should be proper investment in these two areas for human development which is essential for overall development of the backward economy of Uttar Pradesh. He has concluded that poor scenario of different types of public expenditure and plan-wise expenditure on different types of educational and public health services clearly reveals that human development in Uttar Pradesh is fast losing its significance in the priority list of the state government. It is a serious cause of concern.

The dismal scenario of public expenditure for educational and medical facilities has clear cut impact on availability of these services in the state. Literature regarding this clearly reveals that since 1996–97 such facilities increased at a very slow ratio or remained stagnant and whatever slow progress has been achieved regarding these services, it was neutralized due to heavy population growth.  

Dalip Kumar (2007) in his article has discussed the trends, status and issues related to the education and health sector in India especially in the state of Uttar Pradesh. He has concluded that in the last 60 years there have been improvements in the health facilities and as a consequence of these there has been decline in birth rate, death rate and infant mortality rates but the improvements are not heartening. The governmental measures are quite disheartening both in terms of infrastructure as well as health expenditure. The author has suggested that poverty should be reduced and government should increase investments in both the education and health sector.  

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Santosh Mehrotra and Richard Jolly (1997) have analysed the experiences in social–achievement based on cross country studies. Many countries of the developing world have shown that broad human development is possible, with or without economic growth. The focus is on health and education. Governments in these countries have chosen to empower the weaker sections so that, with some support, they could enjoy longevity, knowledge and well–being. The role of government is central in social sector development.\textsuperscript{12}

Allen Roy, B. Kamaiah & M. Govinda Roy (2000) utilized the pooled data for 15 large Indian states over the period 1992–93 to 1997–98. Their study employs panel data models to estimate the normative (average) levels of expenditure on primary, secondary and higher education. The study found that the actual spending in low income states on educational services is lower than their ‘needs’. This finding implies that the existing fiscal equalisation mechanism has not been effective in offsetting the revenue and cost disabilities of the poorer states in India.\textsuperscript{13}

K.C Nautiyal (1995) in his paper reported that our performance after independence for providing universal basic education in terms of quantity, quality and equality has been shameful. This tantamounts to complete violation and disregard of the much cherished and time bound stipulation in the Constitution envisaging free and compulsory education to all the children by 1960. This paper provides some crude facts in respect of four basic parameters of universal primary education (UPE) i.e. (a) universal access, (b) universal enrolment (c) universal retention, and (d) universal achievement vis-à-vis
public expenditure on primary education based on the recent surveys and the official statistics of the MHRD, NCERT, NIEPA, NSSO and other organizations.  

Abusaleh Sheriff & P.K. Ghosh (2000) in their paper said that despite expert advocacy of an increase in the share of public expenditure on education in India's GNP, the share declined from 4.1 to 3.8 percent between 1990-91 and 1991-96. Of this expenditure elementary education accounts for less than half against the two thirds plus deemed necessary. At least, in respect of elementary education it should be possible, given the political will, to bridge the resources gap.

P. Radhakrishnan & R.Akila (1993) noted in their paper that despite 40 years of planning and the rhetoric in successive plans regarding the importance of education for all sections of society, the government has failed to draw the scheduled castes, scheduled tribes and women into the main stream of educational development. This is due to the continuing dominance of the traditionally well entrenched upper castes for whom one way of ensuring their hegemony is to keep the under privileged in perpetual ignorance.

Nighat Ahmad (2007) in her article has analysed the growth of social sector expenditures in India with reference to education. The author has concluded that the public expenditure on the social sector in general and on education in particular has increased but as percentage of plan expenditure has shown a significant decline and have therefore not yielded expected results. But even then also it is not good for the government to withdraw itself from the
economic scene at this juncture as that will reverse the little progress that has been made.\textsuperscript{17}

Ajit Kumar Singh and Ashutosh Joshi (2006) in their article have examined that during the last three decades considerable improvements have taken place both at the state as well as the national level in health indicators. However, despite these improvements, the achievement of the state is still not only below the national average in terms of health indicators but far below that of state like Kerala. The present low status of health in Uttar Pradesh is due to the failure of the public policy which did not pay adequate attention to health sector. The authors have also examined the trends in per capita expenditure on health and medical services in Uttar Pradesh. Per capita public expenditure on health in the state is extremely low and it shows fluctuating trend overtime. There is therefore a clear case for increasing health expenditure in the state.

One reason for the poor quality of services in public health care system is that the various user charges and fees have been kept very low. Thus the services are highly subsidized. The hospitals are unable to raise their own resources to provide proper medical services to the people, while the government is unable to provide sufficient funds from its budgetary sources due to the financial constraints.\textsuperscript{18}

Girish Kumar (2003) examined in his paper that the concept of public private partnerships (PPP) in health services has been increasingly adopted as an alternative option by state governments. In his study he noticed the progressive reduction in the budgetary allocation in health sector. This included
budgetary cuts in public spending on health services, introduction of ‘user fee’ and privatisation of medical care. Although, the low budgetary allocations have affected the health care facilities at all - levels, including the super specialty care in government hospitals, based in metropolitan cities and the state capitals, the worst sufferers are the hospitals in muffasil towns and health centres located in remote areas.

Because of the shrinking budget on the one hand and growing demands for catering to the health needs of ever-increasing numbers of people on the other hand, most of the state governments have accepted alternative options. These options are based on the concept of public-private partnership (PPP). He also concluded that instead of allowing the huge infrastructure created in 1960s and 1970s to go waste because of the ever shrinking budgetary allocations, the rigid official rules and regulations could be modified for better health care. Creating space for the community-centered actions, encouraging experiments and engaging people in meaningful participation, only then will varying patterns of health governance emerge.19

Thomas George (1993) analysed in his paper that investing in health care for the poor in the manner in which the World Bank has proposed in the World Development Report 1993, will fail because it does not attack the source of ill health which is poverty, in third world countries.20

V.B. Tulasidhar (1993), in his paper estimated that the compression of public expenditure which is an important facet of the structural adjustment programme, will result in cuts in the center’s transfers to the states. He said that
recent changes in the allocation of resources to health care by the center and the states should be reviewed and an attempt should be made to recognize the threats to the sustainability of present levels of spending on health care.21

Valerie Kozel & Barbara Parker (2003) in their paper analysed that despite recent signs of progress, U.P. still faces important challenges in reducing poverty in its various economic and non-economic dimensions and improving security and well being for all citizens. The poor are deprived not only in material terms but they also have a low level of human development. They live a life of uncertainty. Lower caste individuals and women face a large number of difficulties. They noticed that poverty is caused by low levels of assets (private, public goods and services and social capital) coupled with low & uncertain returns. The state faces three major challenges in redressing poverty – first, to expand economic opportunities, second, to make sure the poor people are empowered to take advantage of new opportunities in a rapidly changing world, and third to ensure an effective safety net is in place to reduce vulnerability and protect the very poor and destitute.22

Meera Mehta and Dinesh Mehta (1991) in their paper noticed that with the establishment of the National Housing Bank and the emergence of many private and joint sector housing finance companies, the housing finance system has grown during the last decade and has become market oriented. In this paper they examined the extent of financial deepening and role of institutional housing finance in urban India and the distribution of funds across various income group demonstrates that the middle and upper income families are the
main beneficiaries of such housing finance efforts. The authors suggest a range of policies and programmes that can both increase investments in housing as well as serve the needs of the urban poor.  

Angus Deaton & Jean Dreze (2002) present in their study a new set of integrated poverty and inequality estimates for India and Indian states for 1987–88, 1993–94 & 1999–2000. The poverty estimates are broadly consistent with independent evidence on per capita expenditure, state domestic product and real agricultural wages. They show that poverty decline in the 1990's proceeded more or less in line with earlier trends. Regional disparities increased in the 1990’s, with the southern and western regions doing much better than the northern and eastern regions. Economic inequality also increased within the states, especially within urban areas and between urban and rural areas.  

They also briefly examined other development indicators, relating for instance to health and education. Most indicators have continued to improve in the nineties, but social progress has followed very diverse patterns, ranging from accelerated progress in some fields to slow down and even regression in others. They find no support for sweeping claims that the nineties have been a period of ‘unprecedented improvement’ or ‘widespread impoverishment’.  

- Santosh Mehrotra (2004), has discussed in his article that the problems with the structure of public spending on elementary education are threefold: high share of teacher salaries in recurring expenses, higher fiscal priority accorded to secondary education at the state level, and sustainability, as
external funding for District Primary Education Programme (DPEP) runs out. This paper examines the scope for reform in the pattern of education spending and consider ways to mobilize additional resources for elementary education, including earmarking funds for the same.25

Deepa Shankar, Vinesh Kathuria (2004), in their study attempt to analyse the performance of rural public health systems of 16 major states in India using the techniques from stochastic production frontier and panel data literature. The results show that not all states with better health indicators have efficient health systems. The study concludes that investment in the health sector alone would not result in better health indicators. Efficient management of the investment is required.26

K. Jamaluddin, M.Muzammil and Hem Chandra (2006) in their study investigate economics of health in the national perspective with a special reference to the state of Uttar Pradesh in all its detail and it also does not lose sight of the national and comparative state perspective. While the main focus is on the period, 1975 to 1995 but it also incorporates the analysis of important data and event during the entire plan period. The period from Fourth to Eighth Five Year Plan however received the main attention, because during this period, public health programs came to receive greater attention by the government.

Viewed in terms of life expectancy at birth and infant mortality rates some improvement is observed in Uttar Pradesh where both these indicators have slightly improved but they are still much less than the national average.
This calls for more effective public health program and efficient spending packages so that medical facilities may be strengthened and health of the people in the state of Uttar Pradesh could be improved.\(^{27}\)

M. Muzammil (1989) in his study seeks to probe into different aspects of educational finance in Uttar Pradesh with particular reference to the aggregative and sectoral finance. He concluded that the aggregative and sectoral analysis of the sources of finance for education in Uttar Pradesh for the period 1950–51 to 1979–80 have revealed that the contribution of the Central Government in total educational finance in Uttar Pradesh is very limited. In the total finance for education in the state, the contribution of state Government is the largest followed (in descending order) by contribution from fees, local bodies, other sources, endowments and the Central Government. Like in the aggregate, at all levels of education, the contribution from the State Government plays the predominant role in financing of education and the private sources have been of lesser importance. On the whole, he concluded, that the entire system of educational finance in Uttar Pradesh has become more public finance oriented.\(^{28}\)

**Scope and Objectives**

Public expenditure on social sectors is undertaken to ensure a basic minimum to those who are not in a position to fend for themselves. It is meant for improving the quality of life of the people. With the Parliament passing in December 1954 a resolution adopting the socialist pattern of society as the objective of economic and social policy, the government was required to play a
crucial role and assume greater responsibility in financing the social sector. The main responsibility for social sector expenditure lies with the states.

Social sector comprises of education, health, water supply and sanitation, housing and urban development, nutrition and other welfare measures designed to improve the quality of life. Data on expenditure on education and health is available separately and is relatively more amenable to measurement and control. Therefore, the present study is based primarily on these two sectors.

Our approach of the study is a positive one. It encompasses the analysis of the growth and trends in public expenditure on social sectors in Uttar Pradesh. It explains the factors underlying that growth and also discusses the composition of educational expenditure and health expenditure in Uttar Pradesh, as well as examines the financial aspect of the government expenditure.

Useful results have also been drawn from foreign experiences, which are given in the study. Budgetary analysis and that of plan allocation for social sectors especially for education and health sectors at National and State level lie at the core of this investigation. In the present study, an attempt has been made to focus attention to the trends of public expenditure on social sectors in the context of Uttar Pradesh. As this field of study contains so many components, the two important sectors, education and health will receive focus in this discussion.
The following are the objectives of the study:-

(1). To examine the state government expenditure and analyse the trends of the public expenditure on social sectors in Uttar Pradesh particularly on education and health.

(2). To analyse the placement of social sectors in the scheme of plan priorities in India.

(3). To compare the position of social sectors in Uttar Pradesh with other less and more developed states and also the same in the developed and developing countries particularly the neighbouring Asian Nations.

(4). To analyse the significance of the public expenditure on social sectors.

(5). To assess the impact of such expenditure on the levels of health and education prevailing in Uttar Pradesh.

(6). To take into account a comparative analysis of expenditure on health and education in different states of India.

This study has been organised into eight chapters including the current one. Chapter I- is the introduction of the study. It highlights the importance, objectives of the study, methodology and the data base and the period concerned by the study. A review of literature though scant it is, has been attempted in this chapter, which takes up the discussion of trends of public expenditure in social sectors particularly in the area of education and health.

Chapter-II deals with the concept related to Public Expenditure and Economic Development, which demonstrates the fact that government intervention is necessary for economic development. It also presents the
approaches to public expenditure, growth of public expenditure and importance of public expenditure for an underdeveloped economy. This chapter also gives the effects of public expenditure and the need for public expenditure on social sectors.

Chapter-III presents the trends of public expenditure on social sectors in India. This chapter analyses the placement of social sectors, particularly health and education in the scheme of plan priorities in India, without going into the details of overall plan making process. Plan wise discussion on this chapter brings out the plan policy parameters with regard to the development of social sectors. The main aim of this chapter is to see what the Plan documents say on social services. This chapter also examines the public expenditure on sub-sectors of education and health in the Five Year plans.

Chapter-IV analyses the trends of public expenditure on social sectors in Uttar Pradesh. It discusses 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. It also discusses the plan and non-plan expenditure in Uttar Pradesh by different constituents of social sector, especially education and health.

Chapter-V examines the Public Expenditure on education in Uttar Pradesh. It examines at length the ‘capacity’ and ‘Effort’ of the State Government to spend on education. The aggregative analysis aims at funding out the State’s ability to invest in education which is the most important social sectors. Itemisation of educational expenditure into major economic and
accounting heads and the analysis of the components of educational expenditure have also been taken up in this chapter.

Chapter-VI analyses the public expenditure on health, the second most important social sector, in Uttar Pradesh. This chapter has tried to highlight the trend of prioritisation of health in terms of the proportion of the Government budgetary expenditure during the period of 1987-88. A discussion on the indicators of health status is also given in this chapter.

Certain inter-state and international comparisons of the social sectors are given in Chapter-VII comparison is done to obtain the position of the social sectors in Uttar Pradesh with what is obtained in less developed and more developed states of India. Such comparisons are also extended to certain developed and developing countries particularly the neighboring Asian nations. This has helped in reaching at certain important conclusions, which has proved to be very useful in policy recommendations.

Chapter-VIII of the thesis summarises the major findings of the study and brings out some broad generalizations and policy implications there of which flow from this research work. The conclusions of the study also come across a number of limitations, which we have discussed at the appropriate places. In each chapter, the conceptual and statistical problems related to that particular chapter have been discussed which are to be considered fundamental to this type of study.
Methodology and the Data Base

To make an empirical analysis the statistical data is collected from two main sources. These sources are (1) primary sources and (2) secondary sources. The present study is based on secondary sources. The annual budgets of the Government of Uttar Pradesh constituted the main source of information. For inter-state comparisons, the publications of the Ministry of Human Resource Development, Government of India have been used. Plan documents including Five Years Plans and Annual Plans of India and of Uttar Pradesh, Plan reviews and evaluation, Reports of the central and particularly state governments embodying policy pronouncements, Reports and other publications of the Ministry of Health and Family Welfare, Government of India, New Delhi, Reports of the Ministry of Health and Family Welfare, Government of Uttar Pradesh, Lucknow, Report of the National Health and Family Survey of Uttar Pradesh. Publications of research organisations and of individual authors in the related area, publications of Central Bureau of Health Intelligence, New Delhi and unpublished records were consulted in this study. RBI Bulletins and Finance Accounts were also consulted for the purpose of data. Material for international comparisons have been drawn from World Development Reports and other publications of World Bank, Economic Survey, Human Development Reports and other reports of the United Nations Development Programme.

The methodology applied is simple, analytical and involves calculation of percentages, simple growth rate and compound annual growth rate.
Compound Annual Growth Rates in the case of education and health sectors have been calculated for the expenditure on their different constituents during the period of study.

**Period Covered by the Study**

The study mainly covers the plan period in India beginning with 1950-51 until date (for which the latest data are available). Plan period is the base in chapter III and in chapter IV, chapter V and chapter VI the period covered is from 1987-88 to 2004-2005. Data from 1987 is taken in order to study the situation existing just before the reforms to be able to analyse better the developments in the post reform period. However in chapter VIII due to non-availability of the required data full plan period is not covered. Results have been obtained from data analysis for a shorter period. There cannot be any firm terminal for this type of study, therefore the analysis extends upto the period for which the recent data is available.

**Hypothesis of the Study**

The role of the state in making available basic social services is essential. Without certain minimum expenditures on education and health, the two cornerstones of human resource development, sustained development of any state is not possible.

**Limitations of the Study**

The present study pertains to the period just before economic reforms, ie 1987-88 upto 2004-05. Some of the limitations of the study are:
1. Relevant data on social sectors other than education and health was not available in a satisfactory form, so time series pertaining to it could not be examined.

2. There were discrepancies in data, therefore the data which appeared to be more likely was taken into consideration.

3. The break-up of the social sector is different in later plans than in earlier ones which posed difficulties in making comparisons and predicting trends.

4. An empirical study involving statistical calculations could not be undertaken due to non-familiarity with statistical methods.
References


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