CHAPTER - II

REVIEW OF LITERATURE
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2.1 Introduction

In the previous chapter we have pointed out that there has been an explosive growth of public expenditures in the state of Meghalaya. With the explosive growth of public expenditure, there has been an increase in the total public outlay for the social sector of the state economy. If, public expenditure on social sector can be taken as an indicator of human development, then it is believed that the greater amount of public expenditure must have been translated to a higher level of human development in the state. In order to ascertain the relationship between Public expenditure and human development, it is imperative to examine the relationship between public expenditure and human development as reported by various studies that have been carried out in recent years, in India and abroad. We believe that a review of the existing literature pertaining to the problem will not only help us in understanding the intricacies of the problem but also in identifying the ways in which the public expenditures gets translated in to a higher level of human development. With this in mind, an attempt is made in the following paragraph to review some the important and relevant studies that have been carried out by several researchers pertaining to the public expenditure stance on human development.
2.2. **Studies on the Growth of Public Expenditure and Human Development**

An attempt is made in the following paragraph to review some of the important works done in India and abroad on the intricate relationship between public expenditure and human development.

A number of studies have been carried out in recent years to study the effects of public expenditure and human development and to identify the variables of public expenditure and human development.

In exploring the health impact of economic growth, poverty reduction and public health expenditure, Carrin and Politi (1995)\(^1\), observe that a tremendous amount of public expenditure in developing countries have improved their health status over the past decades. Further, they maintain that the currently achieved health status in developing countries, especially that of the poorest, cannot be denoted as satisfactory. Often the immediate response to this caveat is that developing countries should continue to grow and that, eventually, economic growth will trigger sufficient human development. They have tried to find out to what extent variables other than sheer economic development play a role in health status improvement. In particular, they study the impact of poverty reduction and public health expenditure in developing economies on health. The latter variables are often quoted as necessary for the improvement of developing countries' health status. It is obvious that quite a number of societal factors impact upon the population health levels. For instance, the population dynamics, the economy, the educational system, social infrastructure and the environment have main effects on health. They tried to analyze these interactions by the construction of a multi-sectoral model, developed by Anand and Ravaillon (1993)\(^2\). The study concludes that, in addition to economic growth, the *allocation of resources* is also vital for the determination of health status.
In order to substantiate their result, they tried to bring into their analysis in a later stage, two types of allocation mechanisms, i.e., the inter-sectoral allocation, or the allocation of economic resources between the private and public sector, and more specifically, the degree of provision of social services and Secondly, the inter-household allocation of economic resources, or the income distribution. They argued that it is the distribution of GDP or GNP in favour of *public resources* for basic health services, including family planning and nutrition, as well as elementary education, which matters significantly for health improvement of all socio-economic population categories. On this basis, the study recommends that the governments can make a good case for public expenditure for health and education for improving the scale of human development. The study tried to capture the resultant causal -effect relation among the various inter dependent variables in the following manner.

where \[ HS = HS (\text{GNPC}, \text{PESS}, \text{POV}) \] (1) 

\begin{align*}
\text{HS} &= \text{health status indicator} \\
\text{GNPC} &= \text{gross national product per capita (PPP)} \\
\text{PESS} &= \text{public expenditure on social services} \\
\text{POV} &= \text{poverty indicator}
\end{align*}

By using data pertaining to the years 1985-1990 and covering 22 selected developing countries, the study tried to run a regression analysis to the above mentioned functional relationship. Their analysis shows that lower rates of total or rural absolute poverty are associated with better health status. Furthermore, they assert that in their analysis, GDP per capita keeps its role in determining health status.

No doubt, the findings of the above study substantiates the positive role that public expenditure on public health plays in enhancing the scale of human development, it does not spell out whether their result can be extrapolated to a larger set of countries. We believe that some times, the government effort to finance basic health services is not captured well by the PHE percentage variable. Moreover, the PHE percentage does not take account of the extent to which public health service systems are efficient. Indeed, a
significant level of public health expenditure may hide large inefficiencies, whereas a modest level of public health expenditure may result in a quite performing system. It is precisely this difference in efficiency that is of capital importance for health status. In addition, PHE percentage does not capture efforts to finance the complementary determinants of health such as sanitation and water infrastructure and basic education.

In an attempt to study the impact of public expenditure on human development, Griffin and Mckinly (1992)\(^3\), argued that the composition of public expenditure is more important than its volume. Human development is partly about changing spending priorities not between the private and public sectors but within the public sector itself. They believe that in most developing countries much can be done to promote human development by reallocating government expenditure without the need to raise additional revenue through taxation. Therefore, if government does more in some areas without raising taxes, it will have to do less in other areas. This in turn means that the distribution of the benefits and burdens of public sector activities will alter, i.e., some groups will gain and others will lose and hence it will be necessary to build political support for human development by creating effective coalitions of potential beneficiaries. It was further argued that human development is not politically neutral; it is not a technocratic solution to development problems; it requires broadly based popular support. Thus governments which pursue a human development strategy will have to abandon old ways of thinking (which divide expenditure into public investment and public consumption) and adopt new ways based on new categories. They noted that a human development strategy frequently would entail a change in the sectoral composition of government expenditure and in particular a reallocation away from ministries concerned with production (industry, agriculture, commerce) and law and order (interior, defense) in favour of ministries concerned with the social services (education, health, labour) Finally, it was argued that in many countries the process of human development would be accelerated by a reallocation of spending within the ministries concerned with human capital formation. The evidence of the study indicates that when all costs and benefits are taken into account, the return on investment particularly in countries at a lower level of
human development is higher at the base of a pyramid of expenditure than at the summit. Thus the return on primary education is higher than the return on secondary education, which in turn is higher than the return on university education. Similarly, the return on expenditure on primary health care and preventive medicine is higher than the return on investments in hospitals and curative medicine. Again, the return on basic vocational training and apprenticeship programmes is higher than the return on expenditures intended to produce lawyers, highly qualified business managers and certified public accountants. There is thus a predisposition within a human development strategy to spread government spending evenly at the base of a pyramid of expenditure, to favour small projects rather than large, to disperse expenditure widely over a geographical area and to encourage local participation in programme implementation. The study therefore concludes that if such public expenditure policies are followed by countries then they would ensure a higher level of human development for their people.

Amoako (1996) on a discussion of public expenditure and the poor in South Africa, argues that Governments can contribute most to economic and social progress by focusing on the things that they do best. Sustained improvement in living standard through growth, human capital development, and safety nets requires a strong partnership between governments and the private sector. Governments need to provide goods and services — law and order, national security, and an environment conducive to business and the smooth functioning of civil society — which only the state can provide. And even where activities fall in the domain of private economic agents, governments sometimes must correct market failures, but without creating vast and costly administrative and bureaucratic structures. Public expenditures accounted for more than 30 per cent of GNP for Africa as a whole in 1993: ranging between 19 per cent for Cameroon and 47 per cent for Egypt. The efficient management of these resources is critical to growth, to human capital formation, and to the welfare of the poor. That management in turn requires a cadre of professionals who can formulate and implement government policies, but they are in short supply in many developing countries, especially in most countries of Sub-Saharan Africa. This is part of the reason why public administration is often weak, as
manifested in ineffective tax collection, poorly managed public expenditure, abandoned public health measures, poor law enforcement, and haphazard justice. Because poorly functioning bureaucracies give conflicting signals to the private sector, they also damage long-term investment. Building institutional capacity thus needs to figure prominently in any strategy to reduce poverty. Public expenditures are, therefore, essential for human and physical capital formation and for providing income support for the poor. In recognition of this, the signatories to the Social Summit in Copenhagen committed themselves to "increase significantly and/or utilize more efficiently the resources allocated for social development. But governments are not channelling enough resources to these areas. A major part of the reason is excessive military spending in all but a handful of countries. Consider Sub-Saharan Africa. Its spending rose from less than 1 per cent of GNP in 1960 to more than 3 per cent in 1990 -- this, in countries that could not provide adequate immunization coverage for children or universal primary education. Indeed, military expenditure as a percentage of the combined education and health expenditures increased from 27 to 43 during 1980 and the early 1990s, respectively, for Africa as a whole. In contrast, it declined for both the developing and the industrial countries during the same comparable period. The broad reviews of government expenditure are needed to help governments restructure and make tough choices about the allocation and reallocation of their public expenditures. In the long term, the reform of public spending promises greater benefits for human development, that is to redirect the increased social spending toward services that benefit the poor, especially basic education and essential health services.

In their study on child mortality and public spending on health, Deon and Pritchett (1997) used cross-national data to examine the impact on child (under 5) and infant mortality of both non-health (economic, cultural, and educational) factors and public spending on health. They come up with two striking findings: (i) Roughly 95 percent of cross-national variation in mortality can be explained by a country’s per capita income, the distribution of income, the extent of women’s education, the level of ethnic fragmentation, and the predominant religion and (ii) Public spending on health has
relatively little impact, with a coefficient that is numerically small and statistically insignificant at conventional levels. Independent variations in public spending explain less than one-tenth of 1 percent of the observed differences in mortality across countries.

The above estimates imply that for a developing country at average income levels, actual public spending per child death averted is $50,000 to $100,000. This contrasts markedly with a typical range of estimates for the cost-effectiveness of medical interventions to avert the main causes of child mortality of $10 to $4,000.

Further, the study outlines three possible explanations for this divergence between the actual and apparent potential of public spending: the allocation of public spending, the net impact of additional public supply, and public sector efficacy.

Demery and Walton (1998)⁶, in their analysis of poverty reduction and other social goals, mentions that the core social targets relate to mortality, education, and gender gaps in school enrolments, which they believe has a positive impact on human development. They believe that achieving these targets is an important end in itself. The capacity to live a healthy life and to read and write enhances human capabilities; at the same time, eliminating differences in education between men and women improves social justice. There are also two-way relationships between human capabilities and social and economic change. Economic advance can cause social progress, notably through increased public and private spending out of rising income on factors that improve social conditions. Better health and education can also raise productivity. Most important, there are critical interrelationships between social conditions: better education for women has a powerful influence on improving child health and reducing fertility, independent of income. Further, they mention that governments and donors could do something to help reach the social targets. How does this relate to direct public action and, in particular, to public spending? Part of the answer to this question may be that both public and private action is hidden behind the projection. Public spending is central to the “20–20” initiative, for example, that proposes that at least 20 percent of government spending and
donor support should go to spending on basic services such as primary health, primary education, and clean water. Rising incomes underpin increased public and private spending on education and health. Increased education for women increases household investments in children. But surely a case exists for increased discretionary spending by governments and donors. While most practitioners believe this, the evidence is more ambiguous: public and societal actions can make a major difference to social outcomes, but the answer does not lie in increased spending alone. Improving the policy and institutional framework for social service delivery and use is often of equal or greater importance. One of the important findings was that Incomes and other socioeconomic factors—notably women’s education—are generally much more important than public spending in explaining differences in mortality; in both education and health, variations in outcomes are explained more by differences in the efficacy of public action than by levels of public spending. In addition to ensuring that sufficient budgetary provision is made for good-quality, basic services, we must pay more attention to other critical factors that govern outcomes. It will often be as important (if not more so) to focus on the policy and institutional reforms necessary to achieve well-functioning social sectors.

Mingat and Tan (1998)\(^7\) explore differences in education in rich and poor countries by first systematically documenting the relationship between per capita GNP and various indicators of educational development. The main purpose of their study is to ascertain whether the above functional relationship can be translated to a better human development scale. The study was an attempt to exploit a simple accounting identity relating the availability of resources to their expenditure, to clarify the sources of rich countries’ advantage in education. Data for a sample of 125 countries in 1993 confirm the expected favourable relationship between per capita GNP and each of the following dimensions of educational development:

- The sector context (as reflected by the demographic burden on the education system, the government’s fiscal capacity, and so on).
The production of education services, including such factors as public spending on education and the composition of spending.

Education outcomes, in terms of coverage and student learning.

Efficiency of sector operations.

Equity in access and distribution of public spending on education.

Given the government's predominant role in education, the study made an attempt to examine in more detail the allocation of spending by levels and pedagogical and non-pedagogical inputs. Shares of spending were based on regression of estimates of relations between shares and country wealth. The study concludes that in general the share of primary education decline as countries grow rich while those of secondary and higher education rise.

One appealing explanation for why richer countries achieve better results is that they have more resources for their education systems. But bigger budget allocations to education contribute relatively little to differences in resources aside from the systematic differences in education across rich and poor countries; the study also finds evidence of substantial diversity among countries at comparable levels of per capita GNP. Countries set different priorities in the allocation of public spending, pursue different policies that affect how education services are organized and delivered, and make different tradeoffs as to how resources are used to support expansion of coverage and reduction in the pupil-teacher ratio. In countries where education is poorly developed, policy choices that affect the market for teachers (and therefore their cost), as well as the balance between expansion of coverage and reduction in the pupil-teacher ratio have especially strong effects on the prospects for progress in education. Further they argue that higher level of public expenditure is positively correlated with the scale of human development.

Mundel (1998), in his study financing for human development, has analyzed public expenditure policies pursued by today's advanced Asian economies (AAE) and their policies for financing the provision of education and health services during the high-growth phase. The study further reveals that the AAEs combined prudent low-deficit
fiscal policies with large allocations for social services. This was further combined with efficient public resource allocation within the social sectors for basic education and health services, and reliance on the private sector for higher levels of education and expensive curative health-care. By doing so, the AAEs are able to ensure higher level of human development in their countries.

Filmer, Hammer and Pritchett (2000) in an attempt to examine the impact of public spending on health and non-health factors (economic, educational, cultural) in determining human development, focused on the evidence showing two weak links in the chain between government spending for services to improve health and actual improvements in health status. First, they observed that the institutional capacity is a vital ingredient in providing effective services. When this capacity is inadequate, health spending, even on the right services, may lead to little actual provision of services. Second, they argue that the net effect of government health services depends on the severity of market failures—the more severe the market failures, the greater the potential for government services to have an impact. Evidence from their study suggests that market failures are the least severe for relatively inexpensive curative services, which often absorb the bulk of primary health care budgets. In general, public spending influences health status by lowering the effective price of health-enhancing inputs (whether information on food cleanliness or a heart transplant). They further noted that the influence of public expenditure on health status and thereby human development depends on the following four distinct mechanisms:

1. Composition of public spending
2. Output of the public sector
3. Net impact of public sector supply on overall consumption
4. The health production function

Within the above framework, the consensus argument is that increases in public spending on primary health care are effective in improving aggregate measures of health status and thereby increasing the pace of human development.
In an attempt to study the relationship between public expenditure and human development, Chakraborty (2004), examines the impact of public expenditure on human development across selected developed and developing countries. Using fixed effects model of pooled least squares for the early 1990s, the analysis of the link between per capita public expenditure on health and education and Human Development Index (HDI) revealed that there is a positive functional relationship between the variables. Further the result of the analysis reveals that the per capita income, though it was found significant in determining human development, is not a sole factor, which leads to human development. The study also reveals that the per capita spending on education and health has relatively stronger impact on human development than growth in per capita income per se. The same results were obtained in the study when HDI is replaced for GDI in model specifications. This result confirms that trend of public expenditure on human capital formation gets transformed to the end results of better human development indicators and gender-sensitive indicators in particular. In other words, the public policy stance plays a crucial role in human development.

Husain (2005), in one of his well known articulated paper on financing human development in Pakistan, mentioned that Pakistan is committed to achieve its Millennium Development Goals (MDGs) and that this achievement is possible only when Pakistan increases its public expenditure on social services such as expansion of schooling particularly for the female population, increasing pupil-teacher ratio, improving sanitation access, increased immunization coverage, and improving nutritional status of the children. By doing so, the country will experience higher level of human development. Further the empirical results of the study indicated that growth of per capita expenditure and large targeted intervention in child survival, malnutrition and schooling over and above the more general intervention could take Pakistan closer to achieving higher level of human development. Further he asserted that by increasing public expenditure on their children’s human capital the country can bring about the desired results in improving child schooling, health and
nutritional outcomes. He also made an attempt in his study to argue that most economists would think in terms of production function i.e., according to the study, a set of inputs are deployed to produce one unit of output. However, he noted that in case of MDGs increasing public expenditure on the inputs such as teachers, doctors and Para medical staff, generation transmission and distribution of water and collection of waste and garbage, supply of immunization shots etc., would produce expansion of school, improved access to health, nutrition, water supply and sanitation, immunization coverage etc. It was further observed in the study that some of these inputs are additive while others interacted with each other in a positive way and thus the result is that the output is greater than the sum of all the inputs. For instance the study reveals that the provision of inputs for potable water supply and sanitation interact with inputs for health in a way that the outcomes of improved access to health, water and sanitation are positively correlated and thus ensuring faster growth of human development in the country. Therefore, it was noted that instead of thinking independently of financing for education, financing for health, financing for water supply and sanitation the government should think in terms of financing MDGs and include all expenditures on inputs that are deployed for achieving the outputs or outcomes such as higher level of human development.

Further an attempt was also made in the study to explain that federal government ministries, provincial departments, district government departments are all organized vertically and that they do not conform to the conceptual issue that have been outlined above. Thus, it was felt that there is a disconnection between optimally efficient utilization of financing and the actual delivery of these programs. Further, the study has designed the correct measure to capture expenditures on human development. The study reveals that there are three types of expenditures that are incurred. First is the public expenditure, second is the expenditures by private and non-governmental sectors who provide schooling or health services and finally is the expenditures incurred by the households themselves in form of tuition fees, text books, purchase of medicines, vaccines etc. Furthermore, when all three types of expenditures are taken together they
give us a complete picture of the expenditures on inputs used for achieving MDGs. The study concluded that Pakistan’s public expenditures on human development are low by international standards and are approximately 4 percent of GDP. But total public and private expenditures amount to more than 8 percent of GDP which is twice what the public sector spends. Households themselves spend at least 4 percent on health, education, water supply and sanitation. Thus it was felt that donors have to agree on an integrated plan of human resource development that will meet the MDGs. They should then channel their resources on the basis of certain criteria i.e. cost effectiveness, efficiency in the resource use, targeting the poor households, quality of service etc. In this manner human resource development will be ensured.

Oriakhi (2006)\textsuperscript{12}, in his study on fiscal decentralization, public expenditure, efficient service delivery and sustainable human development observes that satisfactory service delivery in Nigeria remained a mirage although huge funds were allocated and seemingly expended by the Federal, State and Local Governments towards the provision of educational, health and other infrastructural facilities. The dearth of these basic and essential services has therefore initiated formidable challenges to sustainable human development in Nigeria. Further, the study reveals those education indicators such as primary enrolment ratio, pupil-teacher ratio, and secondary and tertiary enrolment ratios are not improving. Also, health indicators such as life expectancy, infant and maternal mortality rates, and the ratio of population per physician are all worsening. The study has identified the probable factors as constraints to adequate service delivery at sub-national levels of government such as; the mismatch between expenditure assignments and sources of revenues, lopsided vertical allocation formula which favoured the Federal Government, rent-seeking and outright theft, inadequate institutional guidelines (constitutional and budgetary) and ineffective monitoring of the public expenditure process. Following the identifications of the above problems, suggestions were made in the study towards the improvement of service delivery at sub-national levels of government. Foremost was the need to reform and modernise institutions and processes for budget and financial management in order to enhance the capacity for tracking public
expenditure. Further, it was noted that the Federal Government should devolve a greater share of both revenue/tax sources and funds allocated from the federation account to sub-national levels of government; check high expenditure on electioneering campaigns at both individual and party levels as it constitute a major inducement for the diversion of public funds to offset initial campaign expenditure; and the need to tie budget items to community based projects and empower the communities to track such expenditures, etc. It was also asserted that decentralization when properly conceptualized, structured and implemented could initiate prudent use of resources and facilitate growth and as well as human development. It was concluded that in order to boost the efficiency, effectiveness and poverty focus of public expenditure towards achieving the human development, appropriate decentralization according to the true dictates of federalism should be adopted and that there should be budgetary and financial management reforms to increase public expenditure on social services, such as education and health, for a sustainable human development.

In an attempt to study the impact of health financing on human development, Gottret and Schieber (2006), observes that it is the international community who must live up to its promise to scale up human development assistance and make it predictable and sustainable. They also discussed that ultimately it is the developing countries that must face the challenges of organizing their institutions and health financing systems in order to provide to provide sufficient financial resources, ensure equitable access to effective health interventions, and protect their people against health and income shocks which, according to the study, are necessary for scaling up human development. Their study provides an overview of health financing policy in developing countries which aims at raising human development. They discussed the health sector as an extremely complex one, and that reformers must be prepared to deal with its complexities when designing and implementing health policy reforms. They assessed health financing policies from the perspectives of the basic financing functions of collecting revenues, pooling resources, and purchasing services. They have also evaluated these functions for their capacity to improve health outcomes, provide financial protection, and ensure consumer
satisfaction—in an equitable, efficient, and financially sustainable manner. These health policy reforms would eventually result in sustainable human development.

Further, the study shows that are three basic principles of public finance:

- **Principle 1.** Raise enough revenues to provide individuals with a basic package of essential services and financial protection against catastrophic medical expenses caused by illness and injury in an equitable, efficient, and sustainable manner.
- **Principle 2.** Manage these revenues to pool health risks equitably and efficiently.
- **Principle 3.** Ensure the purchase of health services in ways that are allocatively and technically efficient.

The study reveals that all health financing systems of the developing countries have tried to follow the above principles in order to ensure better human development. Further it was found out that globally there exists an enormous mismatch between countries’ health financing needs and their current health spending. Thus, it was felt that programmes to improve public expenditure management are an important priority and may even constitute a necessary precondition for scaling up programs in health or other social sectors to assist human development. Further the evidence suggests that well-designed conditional public expenditure have the potential to improve human development and health outcomes in developing countries.

Gupta, Clements and Tiongson (1998)\textsuperscript{14}, in their study on public spending and human development observes that social indicators are improving in many developing countries as public spending on education and health increases. However they believe that a greater share of investment in human capital should be channelled towards primary education and preventive health care. They also believe that public spending on education and health, because of its positive effects on the formation of human capital, can boost economic growth. However the argued that the productivity and the benefit of public expenditure on education and health would depend on depends on how funds are allocated within these sectors. The study has made use of data from a sample of 118
developing and transition countries. These data suggest that, since the mid-1980s, real per capita expenditures for education and health have been increasing in developing countries, on average, but declining in transition economies. Further the study reveals that the increases in public spending on education and health in countries with IMF-supported programs have been comparable and sometimes larger than in other countries, despite the fiscal consolidation often required by adjustment programs. These increases have been accompanied by tangible improvements in social indicators. But a sizable portion of public spending on education and health is devoted to higher education and curative health services. Thus, it was observed that in a number of countries, increase in public spending for primary education and preventive health can ensure that the benefits of social spending are distributed more equitably while accelerating human development.

Nayak and Thomas (2007)\(^\text{15}\), in their study on human development and deprivation in Meghalaya have made an attempt to construct human development indices of the state of Meghalaya at the district level. They have constructed individual indices of education, health and income and expenditure. For an over all educational status in the state of Meghalaya two indices were constructed, one for literacy rate and the other for intensity of education. It was found out that the education index was as high as 0.767 in Meghalaya. Again for health status, two indicators were considered such as infant mortality and life expectancy and as such the health index of Meghalaya is 0.139. Further it is apparent from the study that the income index of Meghalaya was as low as 0.480 which shows that the income level of Meghalaya is very poor. The study also finds evidence that not only that the income of the people was low but there was also widespread inequality of income among the seven districts in Meghalaya. The expenditure indices reveal that the average consumption expenditure was not only low in the state but also varied significantly across the districts which are the reason for low human development in the state. The expenditure indices of Meghalaya were 0.313. Finally the study reveals that the Human Development Index of Meghalaya was very low, which is 0.406 and that there was a disparity of human development across the districts and also in all the districts in the states. Further an analysis has also been made in the
study on the status and trend of human development and deprivation in Meghalaya and comparing it with other leading States of the country. The analysis reveals that there has been an improvement of HDI both in rural and urban areas in Meghalaya and India as a whole. Finally the study concluded with some policy prescriptions such as; the need for enhancement of fund allocation of poverty alleviation programmes in the state, to raise the literacy rate of the state, that health facilities should not only be expanded but also to ensure that rural centre are made to function with adequate medicines and medical staff and that there should be convergence of governmental development activities which would result in gender equality, better education and improved health and these which will be transformed into higher level of human development.

Sen and Karmakar (2005) on a discussion of the reprioritization of public expenditure for human development argues that in India, in the urgent and substantial task of raising the level of human development of their citizens, the basic challenge faced by most of the states is to break the 'vicious circle' of poverty, low human development and low income. They further argued that low levels of income across the population also limit the ability of the state governments to finance human development through their own resources. This is clearly indicated by the strong association between public expenditures both across states and over time. Furthermore, they also discussed that within the framework of fiscal responsibility legislation which has been enacted by the centre as also several States, it is not feasible to vigorously push for public expenditures financed by deficits, and consequent borrowings. Over and above this constraint, for most of the states a large part of budgetary expenditure consists of committed expenditure of some sort or the other (salaries, interest payments, loan repayments and other contractual payments). They elucidate that in the short and even in the medium term most of these expenditures cannot be reduced drastically and that the macroeconomic performance cannot be suddenly improved through action at the state level alone, and therefore, an important method of managing resources to finance consistent and balanced human development lies in the reprioritization of current expenditure in accordance with the urgent needs and shortfalls in particular areas.
They further asserted that the use of rights-based and needs-based approaches in the public provision of education and health care is to be considered. The public provision (free or subsidized) of other education and health services should respond to the needs of marginalized and disadvantaged groups. They believe that shifting resources from low-productivity sectors, such as defense and general administration, to education and health can go some way towards meeting higher level of human development.

Qureshi (2009)^17, in an attempt to analyze the relationship between human development, public expenditure and economic growth, recognized that human development and economic growth are strongly related and that it is the level of public expenditure that determines human development. With endogenous GDP formulation, the study examines the impact of public expenditure on human development and economic growth in Pakistan. Further, the study used the system dynamics approach to model, identify and help manage the development path of human development and economic growth in Pakistan given alternative policies for public expenditure on human development. For this purpose the model endogenously determines path of population cohorts, education, health and economic indicators. The simulation results suggest that the current level of public expenditure on human development is extremely low and any further decrease will have irreversible negative impact on human development and economic indicators, even if the resources so saved are effectively invested in economic growth. Further, the study reveals that higher public expenditure on economic growth may neither result into better human development indicators nor economic indicators. On the contrary, it was observed that higher public expenditure on human development not only improves human development indicators but also supplements economic growth. Thus, the study suggests reorientation of fiscal policy in Pakistan and to anchor it to human development by allocating more public funds.

Choudhry (2009)^18, in an article on public expenditure and human development in Tripura, have recognised the importance of public expenditure in the process of human development. This paper examines the trends and pattern of public expenditure on human
development in Tripura and attempts to explain these trends in view of overall changes in
the fiscal situation of the State. The paper also presents a comparative analysis of the
level of public spending on human development in Tripura and other Indian States. The
paper further examines in detail the composition of public expenditure in sectors that are
important for human development. It was found that per capita spending on human
development in Tripura is substantially higher than most States in India. It is, however,
low in relation to a number of northeastern States. An overview of the findings of the
paper reveals that although the per capita expenditure on human development has also
been increasing in absolute terms, it has not kept pace with the growth of GSDP in the
State and as a result, despite a rise in per capita expenditure on human development, the
human expenditure ratio (HER) has fallen over the 1990s. The paper reveals that the slow
growth of expenditure on human development relative to GSDP is closely related to the
fiscal deterioration in the State in particular because of rise in debt stock and rising
expenditure on salaries, wages and pensions from 1998-99 onwards. Further it was found
out that the major constraint on public spending on human development is the
dependence of the State on Centre for its revenues. Fluctuations in Central transfers are
an important determinant of the fiscal situation in the State which in turn affects the
capability of the State to invest in human development. It was also observed that within
the social sector, education accounts for a large share of expenditure and despite
deterioration in fiscal conditions, the State has managed to keep spending on education at
more than 7 per cent of GSDP. In contrast, it was found that spending on other human
development areas, including health, as a share of GSDP has tended to decline. Finally
the study reveals that public expenditure on social sector is important for determining the
level of human development in the state.

In trying to find out a correlation between education expenditure and human
development in Nigeria, Aigbokhan, Imahe and Ailemen (2009)\(^{19}\), aims at examining the
impact of education expenditure on human capital development in Nigeria. The study
presents an overview of the trend of education expenditure vis-à-vis the national
shortfalls in human capital development. Further, they argued that there is no doubt that
education is a growing sector in Nigeria, and that there is a correlation between education and human development. Insufficient and uncertain budgetary allocations to education have resulted in the deterioration of its impact on human capital development. They also explained that there has been a severe financial and economic constraint which has affected all levels of education and their capacities to provide services and also the capacity of the students and their families to finance formal education studies. Furthermore, it was noted that the shortfalls in manpower supply in the targeted sectors; technology teachers, university academic staff, and the inadequate existing avenues for training technology teachers in Nigeria, point to the fact that education sub-sector has failed in its role in human capital development in the country. The study revealed that the investment expenditure on education did not demonstrate a positive effect on the overall human capital development in Nigeria and that the overwhelming nature of human capital development vis-à-vis the technological implications and the socio-economic threats of globalization trends should constitute enough reasons for any nation especially the developing one to feel concerned about the future survival of education. It was also noted that in the case of Nigeria, it should be determined in taking the necessary and bold remedial steps which are clearly focused on adequate investment on human capital development via education investment. They finally concluded that higher and fixed percentages of annual budgetary allocations should be devoted to education, monitoring the allocations, disbursements and timely utilization of Education Tax Fund in the education sub-sector, and the sourcing of internal and external education funds. Thus, higher expenditure on education would result in better human capital development in Nigeria.

2.3. **Concluding Remarks**

The studies review above has made a substantial contribution in identifying some important variables affecting human development. A large number of explanatory variables have been experimented by many authors in determining the level of human
development with different sets of models. For instance the most usual variables being used and found statistically significant are per capita public expenditure, health care expenditure, public spending on education, per capita GNP, per capita GDP and public expenditure on social services. The studies therefore reveals that the level of public expenditure on health and education particularly, have a significant impact on human development.
References


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