CHAPTER 1

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The economists and development strategists are of the unanimous view that adequate and balanced social sector development is vitally important for just an equitable economic development of the country. The material resources and capital accumulation is helpful for accelerating economic development but more important is to attain maximized human welfare through Social Sector Development. Improvement in health and education would make a positive impact on human welfare and rapid economic development.

Social sector may be defined as all those sectors which contribute to an enhancement of human capital. Human capital refers to the fact that human beings invest in themselves through health, education in service training and nutrition so as to raise their life expectancy through lifetime learning. As a logical sequel to the pursuit of this approach, a case for investment in these sectors is made using rates of return estimates. Samuelson has added a new dimension to national income analysis by coining a new concept of net economic welfare (NEW) which stresses on the considerations of health and education.

Prof. Amartya Sen - The Nobel Laureate- For Economics-won
commendations for his intensive interactive study of economy going
global sans social welfare. Prof. Sen observes 'The persisting poverty
and ill health is quite devouring for the social sector enabling the
country to lose its standing Significance in the context of global
market policies. Therefore a social safety net has to be first laid for an
economy to establish its infrastructural stronghold- as a preceding
factor to competition, or else the entire economic development would
be a farce, without creation of social opportunities in an ample
measure'.

Human capital can be taken as the function of the promotion of health
and education, which increases workers productivity and therefore
helps in economic development. This is the reason that the
interconnection between health education and human welfare through
development has become important.

The present study is confined to Uttar Pradesh as it lags behind in
terms of a number of important aspects of well being and social sector
development in comparison to other parts of the country. The features
of U.P. in it are logical enough to embark upon a study of Social
Sector Development especially the economics of education and health
services in such a significant State of India. Since the education,
health and development of a person is significantly affected by the
physical and demographic characteristics and natural environment of
the area, a brief account of these related to U.P. is given below:
According to 2001 census, Uttar Pradesh is the most populous state in
India with a population of 166.1 million. Almost every sixth Indian
lives in Uttar Pradesh. With 16.2% of India's population U.P.,
offers the country's largest market. It is the fourth largest state in
geographical area, encompassing 2,40,928 square kilometres covering
9.0 per cent of the country's land area. Ganga, Yamuna, Ramganga,
Gomti, Ghaghra and Sai are the main rivers of the state. In sheer
magnitude, it is half of the area of France, three times of Portugal,
four times of Ireland, seven times of Switzerland, ten times of
Belgium and a little bigger than England. The State is blessed with
a variety of geographical land and much cultural diversity. Its
perennial rivers, dense forests and fertile soil comprise the backbone
of the primarily agrarian economy. Dotted with various holy shrines
and pilgrim places, full of numerous festivals, the State plays an
important role in the politics, education, culture, industry, agriculture
and tourism of India. Uttar Pradesh is endowed with natural wealth
in abundance, mainly in mountain ranges of the Himalayas in the
North and Vindhyan ranges in the South. The minerals found in
Uttar Pradesh include limestone, dolomite, glass-sand, marble,
bauxite, non-plastic fireclay; and Uranium. Besides, Barytes,
Edalusite, sand-stone, pebbles, reh, salt punter, morang, sand, other minor minerals are also found in the State. Uttar Pradesh can be divided into three regions by different geographical conditions: Himalayan region - North, the Gangetic plains - Middle, and the Vindhyan hills and plateau - South. It has 17 administrative devisions, viz: 70 districts, 303 tahsheels, 813 development blocks and 97,134 inhabited villages. The density of population in the state is 689 per sq. km. as against 325 for the country.

Almost all social sector indicators like medical facilities, birth rate, death rate, infant mortality rate, literacy, per capita income, electrification of villages, per capita power consumption etc, of the state show that the state stands on 13th position among the sixteen major States. Bihar and in some cases Orissa, are the only two states which lag behind U.P. Uttar Pradesh is one of the least developed states in India with the lowest per capita income of Rs.9895 as compared to Rs 18912 (All India) in 2004. Economic growth has decelerated in Uttar Pradesh since 1991, while growth accelerated in other states of India. “The gap between Uttar Pradesh and the rest of India widened substantially in the 1990s as annual growth in per-capita income slowed down to 1.2 percent in Uttar Pradesh” (Ahluwalia, 2000). Poverty and unemployment are the two chronic problems of the state. Though the percent of population living below
the poverty line in terms of head count ratios has come down, from 45 per cent in 1987-88 to 31 per cent in 2001-02, yet the labour force participation in secondary and tertiary sectors is limited due to low literacy levels of the population. In the primary sector, the inherent problems of low levels of productivity and high levels of under employment persist. Severe fiscal crises hinder the state to invest enough to provide economic growth and improve social conditions. The overall fiscal deficit increased to a high level of 7.7 percent of gross State Domestic Product (SDP) in 1998-99, among the highest across India. Fiscal deficit increased from 5.6% of GSDP in 2000-01 to 6.8% in 2002-03 and is expected to touch 9.4% in 2003-04. Proliferation of non-developmental expenditure has resulted in larger revenue deficits and consequently larger borrowings. Salaries, pensions, and interest payments absorbed more than three-quarters of the total revenues in 2001-2002. The State borrowing as a ratio of GSDP increased from 40% in 2000-01 to 48% in 2002-03 and is expected to be around 51% at the end of the current financial year. The burden of borrowings on the State, especially through market loans, is expected to touch Rs 1,07,922.49 crores by the end of the year 2003-04. With the State's population touching around 170 million, the debt on each individual works out to be over Rs 6,000. The borrowings during the past one-year have increased by
Rs 14,340.59 crores. Poor governance has resulted in a narrowing down of the tax base (a 25 percent decline in the number of taxpayers between 1993 and 2001), and due to implementation of Fifth Commission Recommendations, high growth in the government's wage bill has been witnessed. High and growing deficits for more than a decade, together with the slow pace of economic growth, have resulted in an unsustainable level of indebtedness in the state (World Bank, 2002).

Social indicators for the state are pitiable. Life expectancy at birth (1993-2001) is 57.6 years and remains second from the bottom compared to all other states; IMR in 2001 was 80 and stood third from the bottom; maternal mortality rate per 100,000 live births in 2001 was 707. Worst among all states the death rate in 2001 was second highest; it was the highest at 32.8 in 2001. Uttar Pradesh is one of the most populous states in the country, and there are no signs of reducing the rate of growth of population in the state. For three decades from 1971 to 2001, the rate of growth of population was persistently 2.5 per cent per annum, indicating that the state is still in its primitive stages of demographic transition. This could be mainly on account of low levels of education and restricted role of women in society besides the poor functioning of public services. (Dreze and Gazder, 1996, Kurian) The sex ratio of the population in U.P as per 2001 census is 898:1000 as
compared to 933:1000 for India as a whole. The percentage of child population (0-14 years) to the total population is higher in the state than those of others in India reflecting a higher birth-rate in the State. However, 4 percent of the population in the State as in other parts of the country is above 60 years.
Table 1.1

**Basic Social Sector Indicators of U.P. and India (2001)**

<table>
<thead>
<tr>
<th>Items</th>
<th>U.P.</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions) 2001</td>
<td>166.052</td>
<td>1027.015</td>
</tr>
<tr>
<td>Density of population (p sq. km)2001</td>
<td>689</td>
<td>324</td>
</tr>
<tr>
<td>Urban population (%) 2001</td>
<td>20.8</td>
<td>27.8</td>
</tr>
<tr>
<td>Sex Ratio (females per 1000 males) 2001</td>
<td>898</td>
<td>933</td>
</tr>
<tr>
<td>Scheduled Caste population (%) 2001</td>
<td>21.16</td>
<td>24.4</td>
</tr>
<tr>
<td>Literacy Rate(%) 2001</td>
<td>57.36</td>
<td>65.38</td>
</tr>
<tr>
<td>Literacy Rate (% ) Male 2001</td>
<td>70.23</td>
<td>75.85</td>
</tr>
<tr>
<td>Literacy Rate ( %) Female 2001</td>
<td>42.98</td>
<td>54.16</td>
</tr>
<tr>
<td>Rural Literacy Rate (%) Male 2001</td>
<td>68</td>
<td>71</td>
</tr>
<tr>
<td>Rural Literacy Rate (%) Female 2001</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>Gross Enrolment Ratio Class I-V (6-11years) ( 2001-2002)</td>
<td>65</td>
<td>95</td>
</tr>
<tr>
<td>Birth rate 1991-2001</td>
<td>32.6</td>
<td>25.0</td>
</tr>
<tr>
<td>Total Fertility Rate (TFR) 2001</td>
<td>5.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Infant Mortality Rate (IFR) 2001</td>
<td>80</td>
<td>64</td>
</tr>
<tr>
<td>Life Expectancy at Birth (2001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in years) Male</td>
<td>54.1</td>
<td>64.10</td>
</tr>
<tr>
<td>Female</td>
<td>49.06</td>
<td>65.60</td>
</tr>
</tbody>
</table>


It is true that awareness and Education have positive impact on social development but Uttar Pradesh is one of the most educationally backward states of India. The literacy rate according to 2001 census
is 57.36 percent in U.P. compared to 65 percent in the country. The literacy rates were 70.23 percent for males and 42.97 percent for females in U.P. as compared to 76 percent and 54 percent for males and females respectively in the country as a whole.

Basic demographic indicators of U.P. and India are given in Table 1.1 which shows that the position of U.P. is more backward, than the national average. Education and health conditions in U.P. are relatively poor and literacy, morbidity and mortality rates remain high. The high population growth rate continues to have an adverse effect on the health of the people and the quality of life. Delivery of health services is mainly governed by the National Health Policy (NHP) which was approved by Parliament in 1983. Although NHP places a major emphasis on ensuring primary health-care to all by the year 2000, it nevertheless, identifies certain areas which need more attention in the days to come. The scheme of Sarva Shiksha Abhiyan was launched by the Government of India in 2001. This is the reason why this research assumes more significance as it investigates the various aspects of financing of education and health in all its details in the state of Uttar Pradesh.

With this background in mind, an attempt has been made in this thesis to investigate Financing of Social Sector Development, especially the economic aspects of education, health and medical care in Uttar
Pradesh. In fact social sector economics has emerged as a very important area of research as the subject deals with the interaction between health, education and other economic variables. Several economic variables like income, employment, purchasing-power and poverty, affect the health and education status of the people, therefore, the study of financing of social sector services has great significance.

**Scope of the Thesis**

This thesis investigates economics of social sector financing especially health and education in U.P. in all its details, but it does not lose sight of the national comparative state perspective. While the main focus is on the period 1991 to 2004, it does incorporate the analysis of important data and event during the entire plan period. A review of literature has been attempted in the first chapter which takes up the discussion of economics of education and health in the framework of human capital and its role in economic development. Useful results have also been drawn from foreign experiences, which are given towards the end of the thesis. Budgetary analysis and that of plan-allocation for education, health and medical care in U.P. lie at the core of this investigation.
Objectives

The present study entitled 'FINACING OF SOCIAL SECTOR IN INDIA : UTTAR PRADESH A CASE STUDY' was undertaken with a view to study the economics of social sector financing especially its two components education, health and medical care in Uttar Pradesh. The present study had the following specific objectives:

- To analyze the concept of Social Sector Development especially its two traditional components viz., Health and Education in India and Uttar Pradesh.
- To analyze the placement of Health and medical care services in the scheme of Uttar Pradesh Plan priorities.
- To analyze the placement of Education services in the scheme of Uttar Pradesh's Plan priorities.
- To study in detail, the Financing of Social sector Development especially economics of Health and Education sectors in U.P.
- To study the relative roles of public and private financing of education, health and medical care.
- To study the State's funding of education and health services examine the Center's contribution.
- To study the demand and the supply of education and health services, their pricing and efficiency.
To suggest alternative schemes of resource-mobilization for financing education and health services in the State.

To evaluate the economic implication of education and public health policies and examine its prospects.

To suggest measures for financing education, health and medical-care in an affordable manner.

**Research Design and Methodology**

This is basically a study of the financing of two major components of social sector viz., education and health in the State of Uttar Pradesh. Some of the important theoretical concepts, like investment in health and education, the relationship between health, literacy and economic development, the identification and evaluation of the determinants of health and education have been also discussed. It presents an inter-state comparison on the major aspects of health and education facilities and services in the state. National and International comparisons have also been made wherever required.

The financing of health and education is the main thrust of the thesis. It will include both the public funding and private expenditure on health and education. Published data (Secondary data) from Central and State budgets, Drafts of Ninth and Tenth Five Year Plans, Human Development Reports of various years, Annual Health Reports,

As regards the time frame of the study, it, being an extensive study, analysis and investigation of Financing of Social Sector Development especially, Economics of Health and Education since 1991-2004 in the state of Uttar Pradesh, it dwells at length on the economics of health and education as explained by financial and economic variables of this period; wherever required, long time span is also taken into account.

Appropriate statistical techniques have been employed for the analysis of data. Computer-analyzing of data has also been attempted wherever needed.

It is perhaps the first attempt to study Financing of Social Sector-health and education together (1991-2004) in Uttar Pradesh and as such assumes pioneering significance. In order to make it more relevant and have a comparative perspective, the health and education related economic indicators have also been analyzed in comparison to those of other states of India.
**Data Base of the Thesis**

This thesis is mainly based on secondary data. The Statistical data are gathered mainly from the following:


(v) Five year plans of India and of U.P.

(vi) Budget documents of the State Government of U.P. and other states and Govt. of India.

(vii) Report of the World Bank, UNDP and UNFPA


(ix) Publications of research organizations and of individual authors in the related area.

The findings of this Research will be helpful in providing policy alternatives in this sphere in initiating not only appropriate public action but would also serve to remind all concerned that economics of
health education and medical care lies at the heart ensuring high levels of human welfare. It is therefore needed that since the State of U.P. is comparatively backward from welfare angle, the structural policy changes are required to achieve the goals as discussed above. Education, health and nutrition has been poor due to mass poverty and neglected in national and state level policy agenda as well. Uttar Pradesh is particularly far behind in respect of literacy and health status.

This is the reason that economics of health and education becomes more important and its connections with developments and welfare gains more significance. At the State level in U.P. we would therefore recommend that health educational programmes be devised and implemented in such a way that these ensure improvement in health and literacy status of the people. Because if health and education improves the earnings will go up and the people will add to economic growth of the state and that in turn will result in higher economic and human welfare not only for the earners but the society at large in the State of Uttar Pradesh.