CHAPTER-3

FINANCING OF SOCIAL SECTOR IN INDIA
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'Social Sector' the backbone of development has assumed immense significance in India in the past decades. The development economist and policy makers are unanimous in their view that the development of social sector is most crucial for accelerated economic development. It has been observed from all development experience of various countries in the world that those who have ignored the development of social sector have done so at the risk of adversely affecting the economic progress and social justice. The core view is that social sector development provides enhanced capabilities for a nation's manpower, although government's outlay on it's various spheres e.g. education, health and medical care and nutrition is less than what is required. Protection and preservation of human capital need special attention – the focal stress point being a healthy and educated labour personnel.

In recent years the focus of development planning in India has shifted from mere material attainments in general, and growth of per capita income in particular, to planning for enhancement of human well being.
This has been primarily on account of the experience that there is often an inadequate correspondence between attainment of economic prosperity and enrichment in individual's quality of life, as reflected in the social indicators on health, longevity, literacy, environmental sustainability etc. The latter are valued not only as outcomes that are socially desirable and hence the objectives of the process of development but they are also seen as valued inputs for putting the development process on a sustainable path. It has made human development and improvement in quality of life as the ultimate objective of development in general and planning in particular. Much of the credit for this broadening in the conceptualization of well being, and hence in development, has been due to the popularization of the human development.

The general acceptance of this approach has reinforced the need to have a holistic perspective for formulating development plans and policy frameworks, especially for the social sectors. While it is true that human development has always been an important objective in each of our plans since the independence, it is only now that the need to explicitly develop an inter-sectoral development framework with policies that strengthen the virtuous cycles of development, cutting across various sectors and yielding outcomes that are socially
desirable has been recognized and is being, given shape. Thus, beginning with the Ninth Plan various homogeneous issues under the social sector were brought together in a consolidated write up.

This framework was adopted in the Annual Plans as well and the same format is being continued in this document. In this chapter we have brought together social sector issues including those related to education; health and family welfare.

**Social Sector Indicators**

As per the Human Development Reports (HDRs) published annually by the UNDP since 1991, India has consistently improved on the human development front and is grouped among the countries with 'medium human development'. But, some components of human development indicators for health and education continue to lag behind the improvement in income, and India’s rank in terms of Human Development Index (HDI) and Gender Development Index (GDI) continue to be low compared to even some countries of our region. India ranked 127 in HDI for 2002 (same rank as in 2001) out of 177 countries and 103 in GDI out of 144 countries in HDR 2004¹ (Table 3.1).
Table-3.1

India’s Rank in Human Development Index (HDI)

<table>
<thead>
<tr>
<th>Country</th>
<th>Human development index (HDI)</th>
<th>HDI Rank</th>
<th>Gender development index (GDI)</th>
<th>GDI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>0.927</td>
<td>0.956</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Australia</td>
<td>0.922</td>
<td>0.946</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.721</td>
<td>0.74</td>
<td>90</td>
<td>96</td>
</tr>
<tr>
<td>China</td>
<td>0.701</td>
<td>0.745</td>
<td>98</td>
<td>94</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.681</td>
<td>0.692</td>
<td>105</td>
<td>111</td>
</tr>
<tr>
<td>India</td>
<td>0.545</td>
<td>0.595</td>
<td>132</td>
<td>127</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.508</td>
<td>0.497</td>
<td>138</td>
<td>142</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.44</td>
<td>0.509</td>
<td>150</td>
<td>138</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.463</td>
<td>0.504</td>
<td>144</td>
<td>140</td>
</tr>
<tr>
<td>Mozambique</td>
<td>0.341</td>
<td>0.354</td>
<td>169</td>
<td>171</td>
</tr>
<tr>
<td>Niger</td>
<td>0.298</td>
<td>0.292</td>
<td>173</td>
<td>176</td>
</tr>
</tbody>
</table>


The perusal of the Table-3.1 reveals, high regional disparity in HDI across the States has also been a source of concern. An analysis of State-level HDIs by the Planning Commission, however, indicates a decline in such regional disparity during the last two decades.

As regards social sector indicators, notwithstanding some progress in regard to education and health, India is still far behind its East Asian
neighbours. Our social indicators are lower even in comparison with the levels achieved by these countries twenty five years ago, when they first began to grow rapidly. The social indicators also show disturbing gender gaps, large rural-urban differences and wide variation across states. Although the literacy rate has improved encouragingly from 52.2 per cent in 1991 to 64.8 per cent in 2001 and the overall number of illiterates in the country declined from 329 million in 1991 to 306 million in 2001, there are at least seven major States with more than 15 million illiterates each, accounting for nearly two-third of total illiterates in the country. Concomitantly, given India’s comparative advantage in services, it is important that the quality of secondary and higher education in the country is improved so that adequate skills are developed to realise the benefits of the knowledge economy. As regards health, the combined government (Centre plus States) expenditure on health as a percentage of GDP has stagnated at around one per cent of GDP over the last decade and a half.

**Public expenditure on Social Sector in India**

A glimpse of the Central Government expenditure on social sector in India (Details of financing of Health and Education, ‘Traditional Components’ of social sector and comparative study with States,
national and international has been made in chapter 4 and 5) may be
have from the Table 3.2.

(Table3.2)

**Expenditure on social services (Centre and States combined)
between 1986-87 and 2004-05 (BE)**

<table>
<thead>
<tr>
<th>Years</th>
<th>86-87</th>
<th>1990-91</th>
<th>1995-96</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>03-04</th>
<th>04-05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>100470</td>
<td>163673</td>
<td>303586</td>
<td>595595</td>
<td>652968</td>
<td>727151</td>
<td>887391</td>
<td>907363</td>
</tr>
<tr>
<td><strong>Social Services</strong></td>
<td>18967</td>
<td>33255</td>
<td>65531</td>
<td>131805</td>
<td>137843</td>
<td>145226</td>
<td>168190</td>
<td>175079</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>8651</td>
<td>17094</td>
<td>32370</td>
<td>67036</td>
<td>68071</td>
<td>72535</td>
<td>80779</td>
<td>85358</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>4566</td>
<td>7309</td>
<td>14135</td>
<td>27960</td>
<td>28578</td>
<td>31457</td>
<td>36850</td>
<td>40352</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>5750</td>
<td>8852</td>
<td>19026</td>
<td>36809</td>
<td>41194</td>
<td>41234</td>
<td>50561</td>
<td>49369</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As% To Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Services</strong></td>
</tr>
<tr>
<td><strong>Education</strong></td>
</tr>
<tr>
<td><strong>Health</strong></td>
</tr>
<tr>
<td><strong>Others</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total % Of Expenditure On Social Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
</tr>
<tr>
<td><strong>Health</strong></td>
</tr>
<tr>
<td><strong>Others</strong></td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India.

Trends of expenditure on social services and total expenditure by the
general government (Centre and States combined) between 1986-87
and 2004-05 (BE) (Table3.2) indicate that:

(a) Despite fluctuations, total expenditure of the general
government as a proportion of total expenditure increased
marginally from 18.9 per cent to 19.3 per cent, with peak of 22.3 per cent in 1999-2000.

(b) Share of education in social service expenditure increased from 45.6 per cent to 48.8 percent, while share of health declined from 24.1 to 23 percent over the same period.

(c) A part from education and health share of other social sector services have marginally increased.

A glimpse of the Central Government expenditure (Plan & Non-Plan) on social sector in India may be have from the Table 3.3

**Table 3.3**

**Central Government Expenditure (Plan & Non-Plan) On Social Sectors**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(RE)</td>
<td>(BE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Social Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Education, Sports, Youth Affairs</td>
<td>3630</td>
<td>7696</td>
<td>8642</td>
<td>9045</td>
<td>11063</td>
<td>12091</td>
</tr>
<tr>
<td>b. Health &amp; Family Welfare</td>
<td>2542</td>
<td>5291</td>
<td>5977</td>
<td>6075</td>
<td>6846</td>
<td>7680</td>
</tr>
<tr>
<td>c. Water Supply, Housing etc.</td>
<td>1756</td>
<td>4932</td>
<td>5989</td>
<td>6346</td>
<td>7235</td>
<td>7571</td>
</tr>
<tr>
<td>d. Information &amp; Broadcasting</td>
<td>596</td>
<td>1317</td>
<td>1284</td>
<td>1386</td>
<td>1302</td>
<td>1398</td>
</tr>
<tr>
<td>e. Welfare of SC/ST and OBC</td>
<td>800</td>
<td>968</td>
<td>1093</td>
<td>1117</td>
<td>1164</td>
<td>1410</td>
</tr>
<tr>
<td>f. Labours Employment</td>
<td>507</td>
<td>894</td>
<td>847</td>
<td>777</td>
<td>841</td>
<td>933</td>
</tr>
<tr>
<td>g. Social welfare &amp; Nutrition</td>
<td>1270</td>
<td>2409</td>
<td>2620</td>
<td>2089</td>
<td>2203</td>
<td>2483</td>
</tr>
<tr>
<td>h. North-Eastern areas</td>
<td></td>
<td></td>
<td></td>
<td>4179</td>
<td>4251</td>
<td>5658</td>
</tr>
<tr>
<td>i. Other Social Services</td>
<td>530</td>
<td>1715</td>
<td>2010</td>
<td>1330</td>
<td>571</td>
<td>631</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11631</td>
<td>25222</td>
<td>28462</td>
<td>32344</td>
<td>35476</td>
<td>39855</td>
</tr>
</tbody>
</table>

Source - Reserve Bank of India.
It is evident from the perusal of Table 3.3 that Central Government expenditure (Plan & Non-Plan) on social sectors in India has gone up from Rs 11631 crore in 1995-96 to Rs 39855 in 2004-2005, approximate 4 times increase even it remains lower than many neighboring and developing countries. Total public expenditure on health in India remains even lower than many other developing countries such as Brazil (3.4 per cent), Thailand (2.1 per cent), Sri Lanka (1.8 per cent), China (1.9 per cent) and Malaysia (1.5 per cent). Low public expenditure in India is to some extent compensated by private expenditure which at 4.0 per cent of GDP is comparatively higher than all of these countries except Brazil (4.9 per cent). However, low public expenditure is a cause for concern for the vast majority of the population and primary health care remains of poor quality, unavailable and inaccessible. The infant mortality rate in India is almost double that of China (63 in India versus 37 in China) while the maternal mortality rate at 407 is manifold as compared to China’s 56. Hospital beds (per 1000 population) at 0.7 for India are less than one-half of other developing economies such as China (2.4), Thailand (2.0) and Malaysia (2.0). A significant improvement in social indicators is necessary if we want to create the pre-condition
for a general improvement in welfare of our population and for genuine equality of opportunity.²

Balanced regional development has been an objective in all Five Year Plans. By and large, such regional development has been viewed both by the Central and the state governments themselves largely in the context of inter-state disparities in indices of Social Sector development, in terms of flows of public investment in Central funded social schemes and in terms of budgetary transfers of resources from the Centre to the states.

These issues as well have dominated both official thinking and the academic discourse. The best description of this was given by the late Sukhamoy Chakravarthy -it is no longer homogeneous, regionally undifferentiated poverty that we are dealing with, but areas of rising economic well-being accompanied by stagnating economic zones. It remains to be seen, however, whether the recognition of the regional differentiation results in tangible public policy action, because as things stand today, there is an inverse relationship between some of the key elements of an anti-poverty approach and the levels of poverty -for instance, the public distribution system is the weakest in the poorest states.
Indeed, the fact that poverty, low agricultural productivity, undeveloped physical infrastructure, particularly roads, and a low profile on social indicators tend to coincide in at least 100-odd districts, suggests that an integrated strategy, combining elements of both growth and social development should constitute a key element of the Ninth Plan and Tenth Plans. A view can very well be taken that social development is a derivative of overall economic growth. Nevertheless, successive Finance Commissions have noted that transfers earmarked for specific purposes have not always been utilised for those purposes. There has been no regular and systematic monitoring of actual use of earmarked funds. More importantly, there has been no penalty for the diversion of year-marked funds. The experience of the Planning Commission in annual plan reviews appears to be no different.

**Economic prosperity cannot guarantee Social Sector Development**

Nevertheless, economic prosperity cannot Guarantee Social Sector Development. Despite low economic development relative to other parts of India, Kerala has achieved remarkable progress on the education and health front in the last three decades. On the other hand, in spite of high food production and impressive economic
growth performance, Punjab and Gujarat have not been as successful as Kerala or even other states like Tamil Nadu, West Bengal and Karnataka in improving health and education indicators. For instance in the year 2002, infant mortality rate for the state of Bihar was 61, Punjab 51 and U.P. 80. Where as Kerala’s infant mortality rate in the corresponding year was 10, West Bengal 49 and Karnataka 55. On the other hand Literacy In the year 2002 for Bihar was 47%, Punjab 69.7% and U.P. 57%. Where as percentage of literacy in 2002 for Kerala was 90.9% West Bengal 68.6 and Karnataka 66.6%. This is not to suggest that economic development does not contribute to Social Sector Development. But what is probably borne out by the Kerala experience is that only economic development is not a prerequisite for social sector development but missionary zeal, economic use of resources, best management and the governance have placed the state of Kerala above all states of India. During the decade of the 1991 and the 2001, expenditure in social sectors has averaged over 40 per cent of total state-level expenditure (revenue + capital) in Kerala, as compared to about 36 per cent in West Bengal, 27 per cent in UP, 30 per cent in Bihar, 30 per cent in Rajasthan, 29 per cent in Orissa and 27 per cent in MP. In real per capita terms, expenditure on social sectors in Kerala is now about thrice that in Bihar and about twice that in UP. It is
evident that proportions of expenditure in social sector to total expenditure are higher in Kerala than elsewhere. It advocates for the enhancement of social sector expenditure in other states especially in the state of U.P. by curtailing unproductive expenditures.

Political awareness is an important factor in social development and need not necessarily be only a cultural inheritance. On the other hand, there are backward regions in the country where there is a high degree of political anarchy, corruption, nepotism, loot of development funds by politicians, mafias, officers and "non-development" issues like religion, caste are in prevalence. Uttar Pradesh and Bihar are prominent examples of these phenomena.

The Gadgil formula may need to be applied to the total plan outlay of each state and not merely to the component of Central assistance. In the level of social development, as borne out by Census and NSS data, the issue is why these variations persist across states. While it is true that the overall development "ethos" or the "culture of development" is positive in some states more than in others, it is clear that funding patterns for social sectors have exacerbated the problem. In the past decade, traditional sectors of education and health appear to have lost ground, at least in states like AP, Tamil Nadu and Gujarat, to various other welfare schemes in the allocation
of resources. The rice subsidy scheme has been an effective anti-poverty instrument in AP as has been detailed in K.R. Venugopal's study and the various nutrition projects; particularly the midday meal scheme in U.P. and other states does appear to have had an impact on school attendance and retention rates, as has been discussed in Alan Berg's study for the World Bank. But the real issue is the long-term sustainability of these schemes from a fiscal point of view is clear that neither the U.P. nor the other states budgets can afford to continue with these schemes without dramatic improvements in the fiscal position. Despite growth, funding for social sectors in the socially backward states of Bihar, Rajasthan, Orissa, MP and UP still lags far behind other states. In general, states with better financial health have fared better in terms of their expenditure on social sectors - and these are precisely the states which lead in all social indicators.

There is need to review the plan resource allocation process because even if the distribution of Central assistance is made highly progressive through further refinement of the Gadgil formula, the distribution of total plan outlay will remain regressive. This is so on account of the fact that between two-thirds and three-fourths of state plan outlays come from "own resources" of states which are much
larger in states with a higher per capita income. It is important to note the Central assistance to state plans witnessed a significant increase in Central assistance.

The pattern of state government funding in the social sectors during the decade 1990-2004 indicates that Centre plan grants have, over the past decade, contributed around 10 to 15 per cent of total state government expenditure in the social service sectors. What needs review is whether the slow growth in Central social sector grants, as compared to grants for economic services, has had an adverse impact on the socially backward states who may have had to fund increases from their own revenues or by cutting other types of funding, the scope of both of which may have been perceived to be limited. Central grants involve matching grants from states only in the case of centrally sponsored schemes. Over the past decade, expenditure of state governments in social sectors has increased from about 4 per cent of GDP to about 6 per cent of GDP. It is evident from the budgetary documents that only 10 per cent of the increase can be attributed to an increase in the share per se of social sectors in total expenditure.

About 90 per cent of the increase is on account of an overall increase in total expenditures of state governments. It is clear that
significant increases in the transfer of Central resources to the states have helped in raising the levels of spending in the social sectors. At the same time, the composition of social sector funding within the state budget needs scrutiny. In Uttar Pradesh education budget as far as sectoral allocation is concerned, there has been perceptible shift to primary education due to commitment to Universal Elementary Education (UEE). Where as in secondary education, there has been a rapid increase in non plan expenditure (salary of teachers and employees) 90 per cent is expended as grants to private "aided" schools. This is to underscore the need to look at the structure of public expenditure at the state level. It is not enough to look at aggregate figures of spending on social services. Further, there is no evidence to suggest that even where the central component of a programme is substantial, like in adult literacy, the pattern of allocation is proportionate to the magnitude of the need. The rate of growth in real per capita expenditure on education in the 1990-2001 has been 3.4 per cent in Bihar where the literacy rate is 47 per cent, while the corresponding rate of growth in U.P. with a literacy rate of 57.3 per cent has been 7 per cent per year. Indeed, sometimes central programmes may have little to do with the real problems of a state. For example, immunization as currently implemented will have a
marginal impact on the levels of infant mortality in Gujarat where
the major killer is anemia due to prevalence of malnutrition.

Further, in the present system, regional problems do not get
addressed effectively. For example, Japanese encephalitis and
meningitis have emerged as regional phenomena especially in
eastern and central Uttar Pradesh which cannot be handled by state
government alone. Central assistance and medical help is needed to
fight the disease. Where as backward region of Bundelkhand
(districts of UP and MP), any plan for combating social and
economic backwardness, must necessarily be inter-state in character.
In the different plans, such regions were recognised as demanding
attention and resources and special attention and allocations have
been made. Because of half-hearted efforts made in some states the
needed social sector development is yet to be obtained.

So far, the discussion has been only in terms of plan resources.
There is an important linkage between plan and non-plan outlays.
I.S. Gulati and S. Guhan have pointed out that Finance Commission
transfers have influenced the size of surpluses/deficits in the revenue
accounts of state government budgets, particularly in the poorer and
more socially backward states. These revenue surpluses/deficits, in
turn, determine the "own resources" of states available for plan
development and hence their total plan outlays. Therefore, it is more meaningful to consider equity in total transfers (statutory + plan + discretionary) and not just in the approximately 25 per cent segment to which the Gadgil formula is applicable.\textsuperscript{4} In social sectors, non-plan expenditure is equally important. It is well known that the present classification has led to the neglect of the maintenance of assets created in previous plan periods. The non-plan resources available in the socially backward states are in themselves not adequate to ensure efficiency in operation and maintenance. The non-plan revenue deficits are the highest in the socially backward states. In 2001 for example, Maharashtra had a non-plan revenue surplus of Rs. 1,300 crores, as compared to a non-plan revenue deficit of Rs. 1,200 crores in UP. More than in any other area, it would appear that an integrated view of development outlays in the social service sectors is a must. This would mean a fundamental change in planning and budgetary procedures both at the Centre and in states.

Economically, socially and so far politically neglected Districts/Areas with poor social sector indicators of India and U.P. should be located. These districts constitute the "hard core" domain of social backwardness. There is a core of around 100 districts in the
country which has witnessed very poor performance on the social front they need special funding as well as constant look after.

In addition, funding by international agencies has helped sustain increases in expenditure in social sectors. The Tamil Nadu nutrition project has been funded extensively by the World Bank, while UNICEF has supported the ICDS in many states. As well special projects like the Bihar Education Project. A major focus in 2002 Annual Plan in respect of human development initiative has been the revamping of the earlier basic minimum services programme. This programme has been given a new name, namely Prime Ministers Gramodoya Yojana to further expedite initiative on sustainable human development at the village level. In our development context, rural connectivity is being seen as a vital link in furthering multiple developmental objectives in the social sectors. Annual Plan 2000-01 has recognized this and has given a shape, to begin with, through the PMGY.

The development of India’s vast human resource potential is the essence of the social sector development strategy being followed in the country. Significant progress has been made over the years in human resource development which is reflected in improved demographic indicators, health care services, and progress in the
field of education and adult literacy levels. The Tenth Five Year Plan (2002-07) which outlines a strategy to achieve a GDP growth rate of 8 per cent has a specific focus on human development. 'Social Sector' the backbone of development has assumed immense significance in India in the past decades. The development economist and policy makers are unanimous in their view that the development of social sector is most crucial for accelerated economic development. This includes not only an adequate level of consumption of food and other consumer goods but also access to basic social services, especially education, health, drinking water and basic sanitation. It also includes the expansion of economic and social opportunities for all individuals and groups, reduction in disparities and a greater participation in the decision making process. The Monitorable Targets for Tenth Five Year Plan and beyond are as following:

Monitorable Targets for the Tenth Plan and Beyond:

- Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012;
- All children in school by 2003; all children to complete 5 years of schooling by 2007;
- Reduction of gender gaps in literacy and wage rates by at least
50 per cent by 2007;

➢ Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2 per cent;

➢ Increase in Literacy rate to 75 per cent within the plan period;

➢ Reduction of infant mortality rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012;

➢ Reduction of Maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to 2012;

➢ All villages to have sustained access to potable drinking water within the Plan period;

➢ Cleaning of major polluted rivers by 2007 and other notified stretches by 2012.

Ongoing economic reforms and the National Common Minimum Programme (NCMP) attach high priority to the development of social sectors to enable people to participate in and contribute fully to the development process, and at the same time benefit more from higher economic growth and development.

**Major programmes for social sector in 2004-05**

Launching of National Food for Work Programme on November 14, 2004 in 150 most backward districts to intensify generation of supplementary wage employment and provision of food security
through creation of need based economic, social and community assets in these districts. Introduction of National Rural Employment Guarantee Bill, 2004 in Parliament on December 21, 2004 to provide for enhancement of livelihood security of the poor in rural areas by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.

Additional Rs.10,000 crore of Gross Budgetary Support (GBS) for Plan programmes like Food for Work, Sarva Shiksha Abhiyan, mid-day cooked – meal scheme, basic healthcare, Accelerated Irrigation Benefit Programme, drinking water, and roads. Increase in coverage of Antyodaya Anna Yojana from 1.5 crore to 2 crore families. Continuous attempts are being made for Strengthening of public distribution system Provision in the Central Government budget (2003-2004) for the betterment of weaker section. Rs.1,180 crore for the Scheduled Castes and Rs.1,146 crore for Scheduled Tribes have been made. Additional allocation of Rs.50 crore was made for the National Minorities Development and Finance Corporation. Indicative target of credit linking 5.85 lakh self-help groups (SHGs) during the period up to March 2007 has been fixed.
Imposition of a Cess

In the Union Budget of 2005-06 a cess of 2 per cent on Union taxes and duties has been imposed to yield Rs.4000 Crore – Rs.5000 crore in the financial year, Raised funds would be expended on education including cooked mid-day meal.

A new universal Health Insurance Scheme for the poor. A special group insurance scheme of Rs.10,000 at a premium of only Rs.120 per person has been launched.

Social sector programmes and their implementation fall largely under the jurisdiction of the State Governments. The Central Government, however, supplements the States’ efforts by making additional resources available for specific programmes through Centrally Sponsored Schemes, Additional Central Assistance and Special Central Assistance. Total Central Government expenditure on social services including rural development increased from Rs. 18,240 crore in 1995-96 to Rs. 52,090 crore in 2004-05

The attainment of monitorable targets set out in this regard not only necessitates a substantial allocation of resources for the social sectors but also involves an enhanced role for the government in the provision of social services, rural infrastructure, road development
etc. In recognition of the enhanced role of government in human resource development, the Central Government has increased the resource allocations for individual components of the social sector. The effectiveness of Central allocations depends mainly on how best the State Governments implement the various Social Sector Schemes. Central Government expenditure (Plan and Non Plan) on education, health, family welfare, nutrition, sanitation, rural development has to be increased manifold.

India has significantly improved the well being of its people in recent years. With rapid growth over the past decade, the country has made steady progress in reducing poverty. Key social indicators, especially literacy and school enrollment, have also shown marked improvement. Today, 108 million children attend primary school in India, making the country’s education system the second largest in the world after China. Supported by wide ranging reforms over the past decade, India's economic growth has been robust. A vibrant middle class with spending power has emerged, and a new generation of industrialists and entrepreneurs has begun to compete globally. With Gross Domestic Product (GDP) in nominal terms of US$692 billion in 2004, India now has the world’s tenth largest economy. While India’s
economic and social performance has been impressive, over a quarter of its population remains below the poverty line. Critical health indicators such as maternal and under-five mortality rates have shown little improvement, and minimal progress has been made in addressing malnutrition.

Substantial disparities persist within the country. A growing gulf has emerged between the country’s richer and poorer states. Almost half of India's poor - approximately 133 million - are concentrated in the states of Uttar Pradesh, Bihar, and Madhya Pradesh, which also display some of the worst social indicators. Disparities between the rural and urban areas are particularly marked; poverty is concentrated in the rural areas which are home to three-quarters of India’s poor.

While remaining committed to reform, the present U.P.A. government’s policy agenda, known as the “Common Minimum Program”, seeks to ensure that reforms benefit the neediest segments of society, especially in the rural areas. This includes a focus on the Millennium Development Goals (MDGs) such as halving the proportion of people living below the poverty line, and achieving universal primary education. Basic services, such as improved health and education, need to reach all India's citizens. Major changes will need to be made to ensure the effective delivery of these services,
especially to the vulnerable segments of the population. The study of Financing of Social Sector Development, especially of its two components, viz Health and Education in India's most populous state of U.P. has great importance. The wave of privatization, liberalization and globalization should not be allowed to enter into the realm of human development. Competition in this area would mean a monstrous denial of the fundamental rights guaranteed to a citizen in the Indian Constitution. Government at all levels should be particular to realize the catastrophe of deprivation as both health and education services are going beyond the reach of a common man. There should be no compromise on the point of extending equal opportunity to one and all and obliterate the duality from health and education services. Public sector alone can not take up challenge of its own. The need of the hour is to have a participatory approach comprising public, private corporate sectors and N.G.Os. Several poverty alleviation measures and area development programmes focusing the poor and the disadvantaged are in operation for decades. These include welfare programmes for the weaker sections, women, children, and a number of special employment programmes for self and wage employment. Ongoing economic reforms since 1991 strengthened these programmes to generate more employment, create productive assets, impart technical skills and raise the income levels
Thus it is evident from the above analysis that 'Social Sector development' is the backbone of human welfare and economic development. In a developing country like India and in its most populous state of Uttar Pradesh with a vast majority of have-nots, that is to say 30% of the population being living below poverty line no Government can ignore the importance of social sector services especially adequate, free or subsidized health and education services to its people. For this adequate provision in Union and states budgets and five year plans should be made.
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