

A Post-reform Empirical Analysis of Public Social Expenditure of Centre and States in India

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ABSTRACT

The need to increase public social expenditure was felt and prescribed by many policy experts even during the decades preceding the reforms. Given the historical opportunity to build a robust national pool of productive human capital, the advocacy for increasing public social expenditure was both inevitable and strategic. This paper attempts to enquire the trends and patterns of public social expenditure in India during the post reform period, the phase characterized with greater potential of realizing demographic dividend in the country's history. The empirical analysis concerning budgetary allocations towards the social sector incurred by both, the central and state governments under the broad head of expenditure termed as 'Social Services' covers within it various sub-components. The analysis of data includes annual budgetary allocations of public financial resources against various components of social services as a percentage of total central expenditure, all state's total expenditure and GDP. CAGR for all components of social services is calculated for the thirty-year period separately for the centre and states. The evidence suggests that public social expenditure has almost been stagnant during the period as a proportion of GDP which is reflected through qualitative deficiency and quantitative inadequacy particularly in the case of key components of social services such as health and education. Such stagnation of public social expenditure contradicts the policy stance very often advocated and extended by the academia, civil society, bureaucracy and the political class.

Keywords: Gross Domestic Product, Budget, Public Social Expenditure, Central Expenditure, State's Expenditure, Post-reform Period, JEL Classification; H5, H50, H51, H52, H53

INTRODUCTION

The paper focuses on the fact that public social expenditure which includes essential social services such as health and educational services has not received due attention of the public exchequer after 1991 reforms, given the developmental phase of Indian Economy during the period. The three-decade period after economic reforms are characterized by a period of high rate of output growth, expansion of physical infrastructure, improved human capital and

substantial decline in abject poverty. Despite these improvements during the same period the issue of public social spending occupied a central position in policy discussions and debates.

We see that public social expenditure has remained almost stagnant during the concerned period for the economy as a whole; however, there has been some marginal shift in the structural composition between centre and states of such expenditure when we observe it from a federal standpoint. It is argued that in addition to public social expenditure, private expenditure towards social services particularly in health and education sectors continued to flow, however it is also observed that private spending towards these sectors is both inadequate and skewed towards the sections of society and geographical areas within the country endowed with the possibility of higher returns on investment. Given the situation that private spending in key social sectors is skewed towards catering to the needs of the economically affluent sections of society, the government's commitment for inclusive social development is compromised and the only hope for provisioning of these services for the lower income groups and other deprived sections of society rests on the efforts made through public spending.

The development process across the world has shown that the government expenditure on essential public goods increases over time. Such expenditure on various services collectively called the expenditure on social services or the social sector that receives an increasing share of total public expenditure as well as of GDP for the reason that an economy moving towards a mature stage is often done away with building critical physical infrastructure and gradually shifts to creating and maintaining human resources. The study uses conventional statistical tools for analysing the empirical flows of budgetary expenditure incurred by the central and the state governments towards the social sector in India during the post reform period¹ beginning from fiscal year 1990-91 to 2019-20.

The Approach paper for the 8th Five Year Plan (1991-92 to 1996-97) envisaged human development as the ultimate goal of the Plan. Keeping this broad goal in view, the planners in 8th Plan identified employment, population control, literacy & education, health, provision for safe drinking water, food and basic infrastructure as the focus areas. It was targeted that health facilities should reach the entire population by the end of the 8th Plan. The Plan also provisioned for greater emphasis on high-risk vulnerable groups such as mother and child along with special provisions for the underprivileged sections within the vulnerable groups (pp-10-11).

Indian economy experienced relatively high rate of growth of Gross Domestic Product with an average annual growth rate of 6.1% at 2011-12 prices during the post reform period. Experts have identified the period 1950-80 in India as the period of population explosion which even extended during much of the 1980s, this explosion in population for many experts had an inherent potential termed as 'Demographic Dividend' if utilized strategically. The well-known strategy to tap this dividend is to transform the seemingly burdensome population into human capital. To cater to the growing needs of developing this vast potential, large investments were required towards human resources specifically in the form of expenditure on health and educational services. Given the inadequacy of willingness due to a long gestation period and uncertain return on investments, private investment could barely be

mobilized particularly during the 1990s; thus, the only way to provide for such need was to increase public expenditure.

Such argumentative advocacy is not peculiar to Indian economy rather a large number of economies show empirical evidences over the long run for an increasing trend of public expenditure along an increase in the size of the economy. Such trends are characterized by a growing economy, rising per capita income and increased tax revenue of the governments, both federal and local. For instance, average government expenditure for 22 advanced economies during the 1950s was 19.4 % of GDP which rose to 36.5 % during 1970s and 44 % during 1980s and thereafter maintained its share at around 45 % mark. Similarly, for major 12 developing economies including India, the average public expenditure during the 1950s stood at 12.6 %, in 1970s at 17.7 %, in 1980s 19.1 % and finally during 2010s it averaged 27.5 % of GDP. General global experience suggests that such rise in public expenditure across the economies was primarily directed towards social sector mainly for health, education (generally in all economies) and transfer payments (mostly in Advanced Industrial Economies where the average age of the workforce is much higher and the proportion of elderly population in total is high). For instance, public health spending in OECD countries stood at 5.5 % of GDP in the year 2000, 7.22 % in 2010 and finally rose to 7.73 % in 2019. Global average public expenditure on health stood at 4.96 % of GDP in year 2000, 5.71 % in 2010 and 5.89 % in 2019. World Bank estimates of public health spending for India stood at 0.83 % in the year 2000, 0.86 % in 2010 and slightly increased to 0.99 % in 2019. It is appropriate to mention here that the levels of public health expenditure of the countries that are most comparable in terms of the historical phase of the economy and society are much higher in comparison to India. The experience of Emerging Market Economies (EME) is most relatable in this case. Among the Emerging Market Economies, public health spending in China was reported to be 2.2 % of GDP in 2010 which increased to 3.0 in 2019 whereas for Brazil it was 3.6 % of GDP in 2010 and 3.9 % in 2019 and for South Africa in 2010 the figures were estimated to be 4.0 % of GDP in 2010 and 4.4 % in 2019. As a prominent economy among the emerging markets, India shows a dismal record of public health spending.

Another aspect of health spending that can be mentioned here is the proportion of general government health spending to the total health spending wherein India fares much below the global average. Public health spending as a fraction of total health spending in India was estimated to be 20.7 % in the year 2000 which increased to 33.4 in 2019 (a normal year) and 36.6 % in 2020 (an exceptional year due to Covid-19 Pandemic). Although there appears increase in the proportion of public health spending in the total for India in recent decades however it remains significantly below when observed against the global average which was recorded at 57.4 % of total health spending in 2000, 60.1 in 2019 and 63.4 in 2020 (World Bank, 2023).

It would also be appropriate to mention here, for the rationality of the context to the present study to briefly observe as to how certain key health indicators fared during the post reform period vis-a-vis public expenditure on health during the corresponding period. There has been considerable increase in life-expectancy at birth in India from 59 years in 1991 to 70 years in 2020. The Infant Mortality Rate (IMR) stood at 89.8 (out of every 1000 live births) in 1990 which decreased to 26.6 in 2020. Similarly, Maternal Mortality Rate was reported to be 556 (out of every 100 thousand live births) in 1990 and declined to 97 in —2018-20. Such

improvements with regards to these fundamental health indicators along almost stagnant public health expenditure as a proportion of GDP and a considerably low share of public health spending in total health spending suggest that these improvements may be attributed to increased public health spending in absolute terms which is primarily directed towards flagship health programmes such as the National Health Mission (NHM) covering reproductive, maternal, neonatal, child and adolescent health issue.

As in the case of health outcomes we shall discuss in brief as to how the increase in the literacy rate during three decades following the reforms corresponded with the government's policy priorities with regards to public expenditure on education. According to Census of India, 1991 literacy rate stood at 52.21 % which improved to 65.38 % in 2001, 74.04 in 2011 and finally reached 77.7 % in 2017-18 as per estimates of NSSO Survey (75th Round) conducted during July 2017 to June 2018. The rise of literacy rate qualifies to be a major structural change in any economy as the labour force in the services sector goes through a compositional shift and in turn affect the structure of the whole economy. The voluminous increase in literacy rate during the period corresponds to an almost stagnant public expenditure on education when we look at the budgetary expenditure of the centre and states and this suggests that either the quality of public education is compromised or there may have been alternate investments taking place in educational services from the private sector. Studies reveal that it is the quality of education that has taken the blow to which lower spending on education is a key reason for such a deficiency. Annual Survey of Education Report (ASER), 2022 reveals that the quality of primary education across the private sector schools has continuously declined. The report found that children studying in standard V capable of being able to read standard II level text have declined from 41.7 %, in 2012 (as a % of all children enrolled in standard V) to 38.5 % in 2022 for government run schools. In case of private schools, the proportion declined from 61.1 % in 2012 to 56.8 % in 2022 and for the government and private schools combined the proportion declined from 46.9 % in 2012 to 42.8 % in 2022. Similar situation is recorded with regard to another such indicator wherein children studying in class VIII who could read standard II level text declined from 73.4 % (as a % of total enrolment standard VIII) to 66.2 % in 2022 for government schools, and from 84.2 % in 2012 to 80.0 % in 2022 for private schools, whereas in case of government and private schools combined the same proportion decreased from 76.5 % in 2012 to 69.6 % in 2022. This clearly shows that private schools in primary education are doing marginally better in comparison to government schools at an all-India level (the performance may be positively skewed in the case of large metropolitan cities and urban centres where private school have better outcomes). Similarly, in case of other indicators examining quality of education such as doing simple arithmetic remains a concern and shows deterioration in most of the comparative sets. In some cases, there is decline in the levels while in some indicators there is a marginal improvement.

Though private investment has taken place in the education sector however such investment remained confined mostly to urban areas and the rural areas have largely been deprived of this trend particularly during the initial two decades of reforms, however in the third decade (2010-11 to 2019-20) there has been some private investment in the rural and semi-urban areas. This must be kept in view that whether it is the urban, semi-urban or rural areas, private schools as well as private institutions of higher learning have not been accessible to a vast majority of population particularly belonging to poor and lower income groups. It is

worth noting that the rise in literacy rate and educational levels of majority of population during the thirty-year period is mostly on account of the government efforts through various policies and legislative deliberations however the improvement in the quality of education in the public education system has gone through serious deterioration owing to a key reason among many is low public expenditure which has been a key issue to India's development experience. In this regard it is appropriate to mention that Kothari Commission formed way back in 1964 had recommended that expenditure on education as % of GNP should be increased from 2.9 % in 1965-66 to 6 % by 1985-86. The experience however shows that expenditure on education as a percent of GNP (GDP more conventionally) has not grown as recommended in the Commission's report.

Health and education services being the most prominent components of social expenditure it is thus critical to examine in the later parts of the paper as to how public expenditure on health and educational services in particular along with other components of social services have fared during the thirty-year post reform period.

REVIEW OF LITERATURE

Panchmukhi (2000) analysed social expenditure during pre-reform and post-reform period and cautioned that reforms may bring about changes in social expenditure policy that can have significant effects on the basic values of the country; as in the last 8-9 years public social spending has gone into disturbing mode and even shows decline in some years. Shariff et al. (2002) advocates that budget are intended to play catalytic role by injecting annual dozes of financial expenditure in priority sectors such as social services to promote growth, sustainability and equity in development. They added that budgets should be rigid enough to provide adequate allocations to policies and programmes that are essential and have delivered performance in the past and at the same time the budgets should also be dynamic in such a way that it can address emerging issues and challenges. Dev & Mooij (2002) found that social sector expenditure in India in the 1990s is low in general and low in comparison to the expenditure done in 1980s and also in comparison to East-Asian countries and UNDP recommended ratios. Though there has been an increase in social sector expenditure from the mid 1990s however the magnitude remained considerably low.

Sarma (2005) claimed that applauding some moderate increase in social sectors budgetary expenditure cannot be an escape from the comprehensive response desired on part of the governments which includes formulation of schemes and programmes in consultation with local community and implementing the same with an effective involvement of local people and community resources. He emphasized that top-down approach in formulation and implantation of community-based services has proved to be ineffective or partly effective. Thus, social sector expenditure through centre and state budgets must come up with an implementation plan in coordination with key stakeholders; the beneficiaries, the community and the bureaucracy. He observed that such an approach has largely been missing and an abrupt and inconsistent top-down approach has been more prevalent.

Joshi (2006) noted that despite some increase in social sector expenditure during the reform period, the conditions of social sector development in India are appalling in comparison to China, Sri Lanka and many South-East Asian countries. Ramkumar (2008) enquired into the levels and composition of budgetary allocation towards social and economic services during

the period 1950-51 to 2005-06 with an emphasis on observing the trends and pattern of such public expenditure due to economic reforms introduced through economic policy changes during the 1990s and 2000s. The study concludes that apprehensions regarding the fiscal adjustments of the early 1990s to be resulting in an adverse effect on the social sector allocations came out to be largely true. Unlike the 1980s the government resorted to a conservative fiscal stance in post 1991 period, this resulted in reduction in the social sector allocation as a proportion to GDP particularly in the state budgets. Sethi (2009) analysed the impact of the strict compliance of the Fiscal Responsibility Legislation on the expenditure towards social sector by six states which rank lowest in terms of per capita GSDP namely; Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh, Jharkhand and Odisha (formerly known as Orissa). The study found that such legislative compulsion has though been successful in contracting the targeted deficits e.g., revenue deficit and gross fiscal deficit as a proportion to GSDP, this has led to neglecting of these state's expenditure on key components of social services which are primarily aimed at catering the needs of the poorer sections. Das & Mishra (2010) noted that planned expenditure on social sector by centre has a welfarist approach with low-cost ad-hoc intervention however an approach based on citizen's entitlement for social services requires a sustained strengthening of government intervention in social sector by allocating resources with higher priority. Berman et al. (2010) acknowledged that there is a strong political commitment from the government to increase the public health spending from about 1% of GDP to 2-3 % by 2012. This goal in itself was considered ambitious given the time and resource constraints however the new health related programme particularly NRHM under which centre was to take the lead in strategy and funding and the states were expected to implement the programmes efficiently and supplement the funding over and above the centre's funding under 60 : 40 ratio which later proved to be correct in not so right way in any manner when we also acknowledge the fact that public social spending on health could barely reach 1.3 % (the estimates are inclusive of budgetary allocations of centre and states and exclusive of expenditure done by medical & health establishments under the Ministry of Defence and Ministry of Railways, see Chowdhary & Nath, 2012) of GDP in 2019-20.

Choudhury & Nath (2012) presented estimates of public health spending in India and concluded that it was 1.1 % of GDP in 2010-11 however if water supply & sanitation is included as part of the public health spending it came up to 1.5 % of GDP while adding up the public expenditure on nutrition takes overall public expenditure on health to be at 1.7 % of GDP. The authors clarify that reports and policy approach papers of various agencies entrusted with the responsibility of improving health services in the country have time and again suggested for improving public health spending alone (exclusive of expenditure done on water supply, sanitation, and nutrition) to be in the range of 2-3 % of GDP. Thus, even if mid value of the prescribed target range at 2.5 % of GDP is taken for public expenditure on health services alone the estimates at 1.1 % of GDP shows a dismal position. They noted that Approach Paper for 12th Five Year Plan, report of the High-Level Expert Group for Universal Health Coverage (2011), the Programme Implementation Framework of the National Rural Health Mission (2005) and the Report of the National Commission on Macroeconomics and Health (2005) stand by the widely accepted academic recommendation of increasing public health spending to about 3% of GDP. Kaur et al. (2013) concluded that overall social spending in India is acyclical across the states while expenditure on education has been pro-cyclical specifically in the bigger states during the phases of positive output gaps. The paper also

concluded that improved fiscal health of the states leads to higher allocation towards social sectors however such expenditure needs to be sustainable and inclusive in nature.

Rao & Choudhury (2012) noted that public health spending in India is too low and distributed very unevenly across states. In order to ensure universal access to preventive health care; the government in particular the central government needs to expand public health infrastructure in both the rural and the urban areas. They showed that additional resources of about 1 % of GDP would need to invest in the medium run to provide health services to all as per standard norms there is need to increase public spending. This requirement of resources would be in contest due to similar demands posed by education sector and food security; thus, efforts to create additional fiscal space will prove to be challenging for the government.

Kapur & Nangia (2015) observed that Indian state has largely been running social protection programmes rather than effective provision for public goods. They stressed that such attitude has even increased in the recent years which will further increase the cost and effectiveness of the protection programmes in future. Das (2017) found significant positive correlation between public health spending and increased access and health outcomes for reproductive health. He found that doubling per capita public expenditure on health has positive impact on prenatal and delivery care. He concludes that raising public expenditure on health shows positive outcomes in health services. Betz (2019) mentioned the official rationale for social spending in India; he noticed social expenditure policy to be centred around a term called 'Inclusiveness' which aims at equitably delivering social services to all sections of society. He outlined that 11th Five Year Plan comes with numerous proposals for better inclusion of disadvantaged groups such as Schedule Tribes, Schedule Castes, Other Backward Castes and Muslims and noted that these proposals were reiterated in the 12th Five Year Plan with clarifications that its emphasis on output growth priorities is essential to raise resources for financing social development programmes. He also pointed out that though there is an increase in the social spending in both the central and state budgets however it remained low for health and educational services.

RESEARCH GAP AND OBJECTIVES

The research gap which emerges from the literature mentioned above is that there has not been any extensive enquiry with regard to public social expenditure during the post reform period, in particular, covering a period as long as three decades for both centre and states. Almost all the studies unanimously conclude that public social expenditure in India has remained considerably low and below the recommended target levels; the policy makers and the government have very often appeared either neutral or sluggish in this regard. In this study an empirical enquiry is attempted to understand how public social spending in form of direct budgetary allocations have fared during the post reform period for both centre and state governments in India and how far it approaches the already recommended levels through various expert committees and study panels.

DATA AND METHODOLOGY

The annualized budgetary data for centre's expenditure is taken from *Annexure 3, 3.1* (for the period 1990-91 to 2016-17), referred as 'Trends in Expenditure', *Statement 16* (for the period 2017-18 to 2019-20). *Annexure 3* depicting trends in expenditure for various years was discontinued in 2017-18, it provides budget estimates for current financial year, revised

estimates for the last financial year and actual figures for the previous years, the figures for revenue and capital expenditure are given separately in the original document are aggregated, thus the budgetary allocation figures utilized in the study are total expenditure inclusive of revenue and capital expenditure. These annexure(s) are extracted from expenditure budget, budget documents, Budget Division, Ministry of Finance. In this paper public social expenditure is defined as per expenditure heads listed in Annexure-3 (or annexure 3.1 for some years) and statement 16 (representative document for annexure 3 in Post-plan period, since 2017, end of 12th Five Year Plan) wherein these heads of expenditure are created by clubbing the budgetary allocations for various ministries and departments designated with duties concerning various aspects of planning and implementation of schemes and programmes that can be dedicated for the issues concerning social sector. For instance, first head of expenditure under the broad head called 'Expenditure on Social services' is 'Education, Sports & Youth Affairs' which combines the allocations for Ministry of Human Resource Development and Ministry of Sports and Youth Affairs. Likewise, other expenditure heads represent aggregate budgetary allocation concerning the respective Ministries and Departments. Within Ministries there are several departments entrusted with discharging separate functions within the broad domain of the ministry, such as in case of Ministry of Human Resource Development, Department of School and Elementary Education and Department of Higher Education are two of the broad departments that are mentioned along their respective share of budget allocation in the statement-3 (covering ministry and department wise allocation and used in this study for the financial years post 2014-15). The data for State budgets is taken from *RBI (India's Central Bank) Statistics on State Finances* which compiles time series data originally taken from state budgets. In lines with the compositions of centre's budget, budgets of state governments are also organised in the similar fashion uniformly across India.

Classification of social and non-social public expenditure is mostly been done on the basis of departmental or administrative division based on functional allocation. This however may not necessarily reflect the true scenario as the better classification is functional in nature than administrative or departmental (Wang, 1955). Our approach however, is based on administrative classification with declaration that it may differ from functional classification but insignificantly. As mentioned in the literature survey, some departments or organs of governments in India which primarily may not be concerned with social sector activities per se (such as the Ministries of Defence and Railways run their own hospitals and schools; mainly for their serving and retired personals and their families and occasionally in very low proportion for the general public) however discharge some social sector functions. This study covers government expenditure allocated to ministries and departments specifically dedicated for social sector functions and are designated in budget documents as 'Social Services'.

As budget documents carry nominal rupee values (the value of rupee at the current prices), these are converted into real values at 2011-12 prices corresponding to the new series of GDP figures. The analytical methodology is comparative in both the empirical flow of each expenditure head and also a comparative view is adopted between centre and state's expenditure patterns which focuses on the fact whether any significant structural change took place in public social spending during the period. The empirical comparison is presented to seek evidence regarding the actual improvements committed by the government itself from

time to time. Annual trends of expenditure on social services for centre and states are presented in separate sections. Expenditure on social services is calculated as % of total expenditure of centre and as % of all state's total expenditure and as a % of GDP. We have also calculated real budgetary expenditure on all components of social services as a percent of total expenditure and GDP for centre and all states. CAGR is calculated and analysed against the CAGR for total government expenditure separately for centre & all states combined, and GDP. CAGR is also calculated for the aggregate values of the combined public social expenditure of centre and states. Annual trends in allocations towards social services are analysed to have a long run view. We have also calculated decadal averages of total expenditure on social services along with all its components for brief but relevant inter-temporal analysis. It is clarified here that although about 34 budgets (inclusive of the 1990-91 budget) are presented during the post reform period however we are studying only 30 budgets from 1990-91 to 2019-20. This is due to the fact that we are doing the enquiry on actual expenditure thus two of the budgets e.g., FY 2022-23 and FY 2022-24 for which actual data is to be made available later and other two the budgets for FY 2020-21 and 2021-22 relates to abnormal years due Covid-19 Pandemic, thus restricting the study till 2019-20 provides better understanding about the stated expenditure policy stance with its medium to long run implications.

Abbreviations

The abbreviations mentioned below represent all the sub-components of expenditure under the main expenditure head 'Expenditure on Social Services' in centre and state budget documents, the abbreviations are used in the tables for convenience.

ESYA	- Education, Sports and Youth Affairs
HFW	- Health & Family Welfare
WH	- Water Supply & Housing
IB	- Information & Broadcasting
LE	- Labour & Employment
WSSO	- Welfare of SC/ST/OBC ²
SWN	- Social Welfare & Nutrition
ESAC	- Education, Sports, Arts & Culture
MPHFW	- Medical, Public Health & Family Welfare
WSSHUD	- Water Supply, Sanitation, Housing & Urban Development
LLW	- Labour & Labour Welfare
SSWN	- Social Security, Welfare & Nutrition
ENC	- Expenditure on Natural Calamities
OSS	- Other Social Services
TSS	- Total Social Services
TCESS	- Total Central Expenditure on Social Services
ASTEES	- All State's Total Expenditure on Social Services

FINDINGS AND DISCUSSION

The discussion is done in congruence with the analytical method as presented in the section concerning the methodology of the study. We shall first discuss as to how centre's budgetary allocation with respect to social services have fared during the three-decade period since 1991 reforms, we then proceed with state's allocation and finally all India trends, taking centre and state's budgetary allocations combined:

Trends in Centre's Expenditure on Social Services

Figure-1 shows that centre's total expenditure on social services has increased from 5.1 % of total central expenditure in 1990-91 to 7.9 % in 2019-20. The allocation peaked at 12.6 % of total central expenditure in the year 2010-11 however since then it has shown a declining trend with fluctuations of varying degree. We observe four distinct phases reflecting the magnitude of the budgetary allocation of centre towards social services as proportion of centre's total expenditure. The average allocation for social services in the first phase (1990-91 to 1994-95) remains below 6 % of total central expenditure, in the next phase (1995-96 to 2004-05) it averages between 6-8 % of total central expenditure, the subsequent phase (2005-06 to 2013-14) shows an average allocation between 11-12 % and during the last phase (2014-15 to 2019-20) the it averages around 8 % mark. This shows that there has been consistent rise in centre's public social expenditure till 2010-11 in a phased manner however it suddenly shows a decline afterwards.

When we examine centre's allocation towards social services as a % of GDP we observe almost similar kind of trend as in the case of the allocation as % of centre's total expenditure with slight difference in the year wise composition of the distinct phases reflecting average allocations. We find that between years 1990-91 to 1996-97, centre's average allocation remains slightly below 1 % of GDP, in the next phase from 1997-98 to 2006-07 it rises above 1 % of GDP however remains below 1.5 % mark. It is in the subsequent phase between the years 2007-08 to 2013-14 when centre's social sector expenditure crosses 1.5 % of GDP before declining to about 1 % mark again in the last phase between the years 2014-15 to 2019-20.

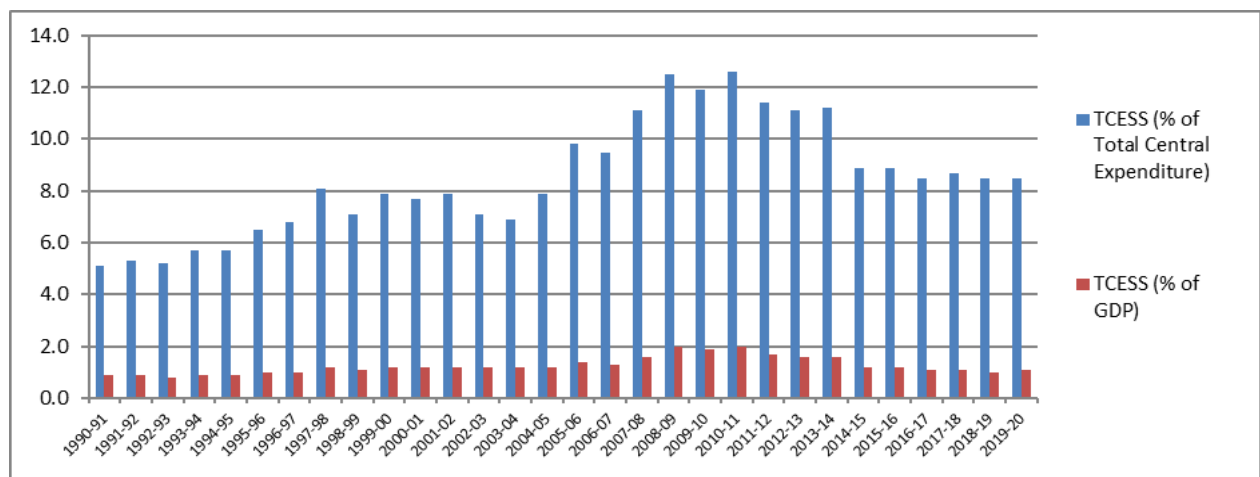


Figure-1: Total Central Expenditure on Social Services during 1990-91 to 2019-20 (% of Total Central Expenditure and GDP)

Sources: Author's Construction based on data from Budget Documents, Annexure-3 (Trends in Expenditure), Expenditure Budget, Volume-I (Various Years), Budget Division, Department of Economic Affairs, Ministry of Finance, National Accounts Statistics, Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India. (All figures are at constant prices of 2011-12)

The trends of centre's expenditure on various components of social services are shown in table-1; where we can observe that expenditure towards allocation head 'Education Sports and Youth Affairs' has increased from 1.6 % of total central expenditure in 1990-91 to 3.3 % in 2019-20; it shows highest allocation in the year 2011-12 and 2012-13 at 4.8 % and the lowest allocation was recorded in the year 1992-93 at 1.5 % of total central expenditure. Expenditure on 'Health and Family Welfare' increased from 1.2 % in 1990-91 to 2.4 % in 2019-20 with highest allocation in 2017-18 at 2.6 % whereas the lowest level was observed in the years 1990-91 and 1991-92. Expenditure on 'Water supply and Housing' declined from 0.8 % in 1990-91 to 0.3 % in 2019-20; however, before this substantial decline it reached the peak allocation of 2.5 % in 2008-09 and was over 1 5 % mark for the majority of the years during the three-decade period. Expenditure towards 'Information & Broadcasting' and 'Labour and Employment' remained around 0.2-03 % mark with slight fluctuations. Allocation to 'Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes' remained more or less at about 0.4 % level with decline in the recent years at 0.2 % from 2016-17; however, significant increase in allocation is noticeable towards the head 'Social Welfare and Nutrition'; whereas 'Other Social Services' declined with significant allocations during late 2000s.

Table- 1: Component wise Centre's Annual Expenditure on Social Services from 1990-91 to 2019-20 (% of Total Central Expenditure and % of GDP)

Year	% of Total Central Expenditure									% of GDP								
	ESYA	HFW	WH	IB	LE	WSSO	SWN	OSS	TSS	ESYA	HFW	WH	IB	LE	WSSO	SWN	OSS	TSS
1990-91	1.6	1.2	0.8	0.4	0.3	0.3	0.3	0.2	5.1	0.29	0.22	0.14	0.08	0.05	0.06	0.06	0.03	0.93
1991-92	1.6	1.2	0.8	0.4	0.3	0.4	0.4	0.2	5.3	0.27	0.21	0.14	0.06	0.05	0.06	0.06	0.03	0.89
1992-93	1.5	1.4	0.6	0.3	0.3	0.4	0.4	0.2	5.2	0.25	0.23	0.10	0.05	0.05	0.06	0.07	0.03	0.84
1993-94	1.7	1.5	0.9	0.3	0.4	0.4	0.4	0.2	5.7	0.27	0.25	0.14	0.04	0.06	0.06	0.07	0.03	0.93
1994-95	1.7	1.5	0.8	0.3	0.3	0.4	0.5	0.2	5.7	0.27	0.23	0.13	0.05	0.04	0.07	0.07	0.03	0.90
1995-96	2.0	1.4	1.0	0.3	0.3	0.5	0.7	0.3	6.5	0.30	0.21	0.15	0.05	0.04	0.07	0.11	0.04	0.96
1996-97	2.0	1.4	1.5	0.3	0.3	0.4	0.7	0.2	6.8	0.29	0.20	0.21	0.04	0.04	0.06	0.11	0.03	0.98
1997-98	2.5	1.6	1.7	0.4	0.3	0.4	0.9	0.3	8.1	0.37	0.25	0.26	0.06	0.04	0.06	0.13	0.04	1.21
1998-99	2.3	1.4	1.5	0.4	0.3	0.3	0.7	0.1	7.1	0.37	0.22	0.24	0.06	0.04	0.05	0.11	0.02	1.11
1999-00	2.4	1.7	1.5	0.4	0.3	0.3	0.8	0.5	7.9	0.36	0.25	0.22	0.06	0.04	0.05	0.11	0.08	1.18
2000-01	2.4	1.6	1.5	0.4	0.3	0.3	0.7	0.5	7.7	0.36	0.25	0.23	0.06	0.04	0.05	0.11	0.08	1.18
2001-02	2.4	1.6	1.7	0.4	0.2	0.3	0.7	0.6	7.9	0.37	0.26	0.26	0.06	0.04	0.05	0.11	0.09	1.23
2002-03	2.4	1.6	1.6	0.3	0.2	0.3	0.6	0.1	7.1	0.40	0.26	0.27	0.06	0.03	0.05	0.10	0.02	1.18
2003-04	2.3	1.5	1.7	0.3	0.2	0.2	0.5	0.2	6.9	0.39	0.26	0.28	0.05	0.03	0.04	0.08	0.03	1.16
2004-05	2.8	1.6	1.8	0.3	0.2	0.3	0.5	0.3	7.9	0.44	0.26	0.28	0.04	0.03	0.04	0.08	0.05	1.23
2005-06	3.7	1.9	2.1	0.3	0.2	0.4	0.8	0.4	9.8	0.52	0.26	0.29	0.04	0.03	0.05	0.12	0.06	1.36
2006-07	4.3	1.9	1.7	0.2	0.3	0.4	0.9	-0.2	9.5	0.59	0.26	0.24	0.03	0.04	0.05	0.12	-0.02	1.30
2007-08	4.0	2.1	2.0	0.2	0.3	0.3	0.8	1.3	11.1	0.58	0.30	0.29	0.03	0.04	0.05	0.12	0.19	1.61
2008-09	4.3	2.1	2.5	0.2	0.3	0.4	1.1	1.6	12.5	0.68	0.34	0.41	0.04	0.04	0.07	0.18	0.25	2.01
2009-10	4.2	2.0	2.4	0.2	0.2	0.4	0.9	1.7	11.9	0.67	0.32	0.38	0.03	0.04	0.07	0.14	0.27	1.92
2010-11	4.6	2.0	2.4	0.2	0.2	0.6	1.0	1.7	12.6	0.72	0.31	0.37	0.03	0.04	0.09	0.16	0.26	1.97
2011-12	4.7	2.0	2.1	0.2	0.3	0.7	1.3	0.2	11.4	0.71	0.30	0.31	0.03	0.04	0.10	0.19	0.03	1.70
2012-13	4.8	1.9	2.0	0.2	0.3	0.6	1.2	0.1	11.1	0.69	0.27	0.28	0.03	0.04	0.08	0.18	0.02	1.58
2013-14	4.8	1.9	2.1	0.2	0.3	0.6	1.3	0.1	11.2	0.66	0.26	0.29	0.02	0.04	0.09	0.18	0.02	1.56
2014-15	4.1	1.9	0.5	0.2	0.2	0.3	1.1	0.2	8.5	0.55	0.26	0.07	0.02	0.03	0.04	0.14	0.02	1.14
2015-16	3.8	2.0	0.8	0.2	0.3	0.3	1.0	0.3	8.7	0.49	0.26	0.11	0.03	0.04	0.04	0.13	0.05	1.13
2016-17	3.6	2.0	0.8	0.2	0.4	0.2	0.9	0.2	8.3	0.47	0.26	0.10	0.03	0.05	0.03	0.11	0.02	1.08
2017-18	3.7	2.6	0.5	0.2	0.3	0.2	1.0	0.0	8.4	0.47	0.32	0.06	0.02	0.04	0.02	0.12	0.00	1.05
2018-19	3.5	2.4	0.4	0.2	0.4	0.2	1.1	0.0	8.1	0.42	0.3	0.05	0.02	0.05	0.02	0.13	0.00	0.99
2019-20	3.3	2.4	0.3	0.2	0.4	0.2	1.1	0.0	7.9	0.44	0.32	0.04	0.02	0.05	0.02	0.14	0.00	1.05

Sources: Author's Calculations based on data from Budget Documents, Annexure-3 (Trends in Expenditure), Expenditure Budget, Volume-I (Various Years), Budget Division, Department of Economic Affairs, Ministry of Finance, National Accounts Statistics, Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India. (All figures are at constant prices of 2011-12)

Apart from annual trends discussed in figure-1 and its components in table-1, we shall now analyse the decadal average allocation of the centre towards social services in order to have an inter-temporal view during the same thirty-year post reform period. Table-1 shows decadal average of real budgetary allocation as a percentage of total central expenditure for various components of social services wherein it can be observed that expenditure on Education (Education, Sports and Youth Affairs) stood at 1.93 % of total central expenditure during the 1990s which increased to 3.28 % during 2000s and 4.1 % in 2010s. Similarly, health services (Health & Family Welfare) received second highest decadal allocation in 1990s and 2010s however, it was Water Supply & Housing that received second highest allocation among the social services with average decadal value of 1.90 % of total central expenditure in the 2000s which was 1.11 % during 1990s and declined to 1.19 % during 2010s. Central allocation on health remained low throughout the 30-year period averaging at about 1.8 % of total central expenditure. Allocation to Social Welfare & Nutrition received sustained increase during the period with 0.58 % during 1990s, 0.75 % during 2000s and 1.1 % during 2010s.

Table-2: Centre's Expenditure on Social Services (Decadal Average as % of Total Central Expenditure, % of GDP and CAGR)

Period	Various Components of Social Services								
	ESYA	HFW	WH	IB	LE	WSSO	SWN	OSS	TSS
	% of Centre's Total Expenditure								
1990-91 to 1999-00	1.93	1.44	1.11	0.35	0.31	0.38	0.58	0.24	6.34
2000-01 to 2009-10	3.28	1.79	1.90	0.28	0.24	0.32	0.75	0.65	9.23
2010-11 to 2019-20	4.10	2.11	1.19	0.18	0.31	0.38	1.10	0.28	9.70
Average for the period 1990-91 to 2019-20	3.10	1.78	1.40	0.27	0.29	0.36	0.81	0.39	8.42
Period	% of GDP								
	ESYA	HFW	WH	IB	LE	WSSO	SWN	OSS	TSS
	% of Centre's Total Expenditure								
1990-91 to 1999-00	0.32	0.21	0.15	0.03	0.03	0.09	0.10	0.01	0.99
2000-01 to 2009-10	0.51	0.29	0.30	0.03	0.01	0.03	0.11	0.11	1.42
2010-11 to 2019-20	0.56	0.29	0.17	0.02	0.04	0.05	0.15	0.04	1.32
Average for the period 1990-91 to 2019-20	0.46	0.26	0.21	0.03	0.02	0.06	0.12	0.05	1.24
Period	CAGR								
	ESYA	HFW	WH	IB	LE	WSSO	SWN	OSS	TSS
	% of Centre's Total Expenditure								
During the 30-year period (1990-91 to 2019-20)	7.5	7.4	2.0	1.4	6.3	2.1	9.0	-3.4	6.4

Sources: Author's Calculations based on data from Budget Documents, Annexure-3 (Trends in Expenditure), Expenditure Budget, Volume-I (Various Years), Budget Division, Department of Economic Affairs, Ministry of Finance, National Accounts Statistics, Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India. (All figures are at constant prices of 2011-12)

While centre's expenditure on social services as a % of centre's total expenditure has shown sustained rise over the three decades the same has not happened when we analyse it as a % of GDP. From table-1 we can observe that total expenditure on social services as a % of GDP by centre during the 1990s averaged 0.99 % which increased to 1.42 % on average during 2000s before declining to 1.32 % during the 2010s. The decline in centre's expenditure on social services as a % of GDP vis-a-vis as a % of centre's total expenditure is due to internal consistency of increase in volume of expenditure on social services as well as centre's total

expenditure whereas centre's total expenditure as a % of GDP declined during the same period.

State's Expenditure on Social Services

Figure-2 shows all state's total expenditure on social services as percentage of all state's total budgetary expenditure and GDP for the thirty-year period since the reforms. We observe that ASTESS as a % of all state's total budgetary expenditure was 32.9 % in 1990-91 and 34.6 % in 2019-20. We also observe that it reached the highest level in 2013-14 at 35.6 % of All State's Total Expenditure and remained much lower between the years 2001-02 to 2007-08 in comparison to average expenditure in the 1990s and 2010s which we shall discuss in the subsequent section. It shows a declining trend in the first half of 1990s then a phase of stagnancy around 32 % level till 2000-01 and then continuous decline for three subsequent years and reaches the lowest level at 25.2 % in 2003-04. In the next phase from 2004-05 it shows a steady rise to about 35 % till the year 2010-11 and thereafter it maintains a marginally fluctuating trend around 35 % mark towards the end of the decade.

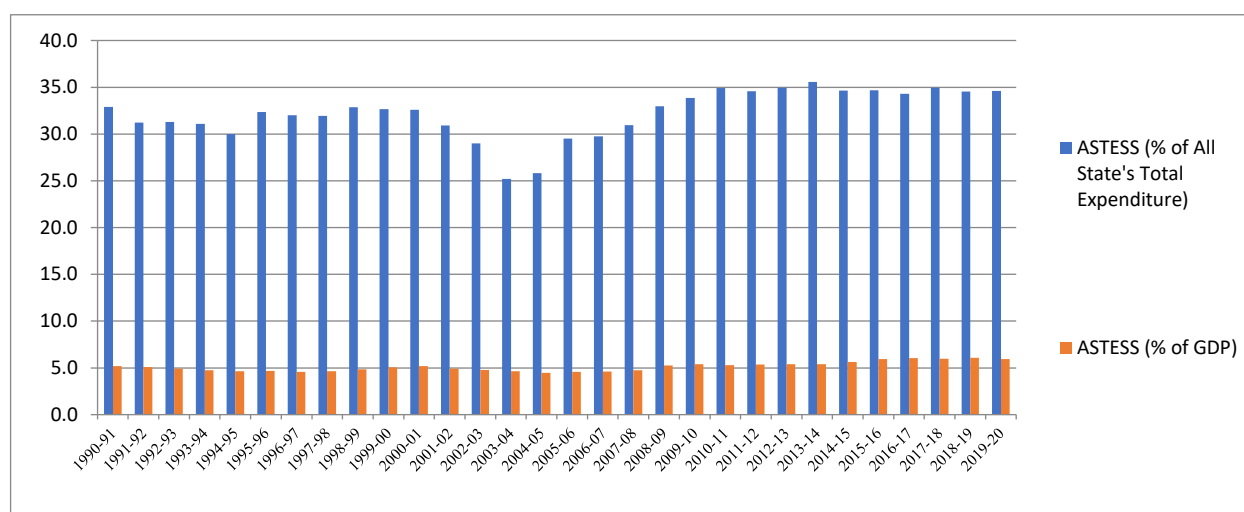


Figure-2: All State's Total Expenditure on Social Services during 1990-91 to 2019-20 (% of All State's Total Expenditure on Social Services and GDP)

Sources: Author's construction based on data from Appendix (Table-15)-Composition of Social Sector Expenditure, State Finances: A Study of Budgets, Reserve Bank of India, 2020, National Accounts Statistics prepared by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India. (All figures are at constant prices of 2011-12)

All state's total expenditure on social services as % of GDP remained around 5 % mark for most of the years and ranged between 4.5 to 6 % of GDP during the thirty year period. We observe from figure-2 that ASTESS has shown more fluctuating trend as a % of all state's total expenditure than % of GDP. A general view which appears from the trends in figure-2 is that as % of GDP, ASTESS has remained more or less stagnant during the period while some signs of improvement in the second half of 2010s with allocation approaching towards 6 % level of GDP and even crossing it in 2018-19.

Table- 3: Component wise All State's Annual Expenditure on Social Services 1990-91 to 2019-20 (% of All State's Total Expenditure and % of GDP)

Year	% of All State's Total Expenditure									% of GDP								
	ESAC	MPH FW	WSSH UD	WScS tOBC	LLW	SSWN	ENC	OSS	ASTE SS	ESAC	MPHF W	WSSH UD	WScS tOBC	LLW	SSWN	ENC	OSS	ASTE SS
1990-91	17.4	5.3	3.9	2.1	0.5	2.1	1.0	0.7	32.9	2.7	0.8	0.6	0.3	0.1	0.3	0.2	0.1	5.2
1991-92	16.1	4.9	3.9	2.1	0.5	2.0	1.0	0.8	31.2	2.6	0.8	0.6	0.3	0.1	0.3	0.2	0.1	5.1
1992-93	16.4	5.0	3.8	2.1	0.5	2.0	0.8	0.8	31.3	2.6	0.8	0.6	0.3	0.1	0.3	0.1	0.1	4.9
1993-94	16.3	5.1	3.9	2.0	0.4	1.9	0.7	0.7	31.1	2.5	0.8	0.6	0.3	0.1	0.3	0.1	0.1	4.7
1994-95	15.7	4.8	3.9	2.0	0.4	1.9	0.6	0.8	30.0	2.4	0.7	0.6	0.3	0.1	0.3	0.1	0.1	4.6
1995-96	16.5	4.9	3.9	2.1	0.4	2.6	1.1	0.8	32.4	2.4	0.7	0.6	0.3	0.1	0.4	0.2	0.1	4.7
1996-97	16.5	4.8	4.2	2.1	0.4	2.3	1.0	0.7	32.0	2.4	0.7	0.6	0.3	0.1	0.3	0.1	0.1	4.6
1997-98	16.5	4.9	4.3	2.2	0.5	2.2	0.9	0.6	31.9	2.4	0.7	0.6	0.3	0.1	0.3	0.1	0.1	4.6
1998-99	17.3	4.9	4.5	2.2	0.4	2.2	0.8	0.5	32.9	2.6	0.7	0.7	0.3	0.1	0.3	0.1	0.1	4.8
1999-00	17.9	4.7	4.2	1.9	0.4	2.1	0.8	0.5	32.6	2.8	0.7	0.7	0.3	0.1	0.3	0.1	0.1	5.1
2000-01	17.4	4.6	4.4	1.9	0.4	2.2	1.1	0.6	32.6	2.8	0.7	0.7	0.3	0.1	0.3	0.2	0.1	5.2
2001-02	16.2	4.4	4.1	2.0	0.3	2.0	1.4	0.7	30.9	2.6	0.7	0.6	0.3	0.0	0.3	0.2	0.1	4.9
2002-03	15.1	4.0	4.0	1.9	0.3	2.1	1.0	0.7	29.0	2.5	0.7	0.7	0.3	0.0	0.3	0.2	0.1	4.8
2003-04	12.6	3.4	3.8	1.6	0.3	2.0	0.9	0.6	25.2	2.3	0.6	0.7	0.3	0.0	0.4	0.2	0.1	4.6
2004-05	12.7	3.4	4.1	1.8	0.3	2.1	1.0	0.4	25.8	2.2	0.6	0.7	0.3	0.0	0.4	0.2	0.1	4.5
2005-06	14.2	3.9	4.4	2.1	0.3	2.4	1.5	0.7	29.5	2.2	0.6	0.7	0.3	0.0	0.4	0.2	0.1	4.6
2006-07	14.0	3.9	4.8	2.1	0.4	2.7	1.2	0.7	29.8	2.2	0.6	0.7	0.3	0.1	0.4	0.2	0.1	4.6
2007-08	13.8	3.8	5.9	2.2	0.3	3.2	0.9	0.7	31.0	2.1	0.6	0.9	0.3	0.0	0.5	0.1	0.1	4.8
2008-09	14.3	3.9	6.6	2.3	0.3	3.9	0.9	0.7	33.0	2.3	0.6	1.1	0.4	0.1	0.6	0.2	0.1	5.3
2009-10	15.3	4.2	5.7	2.3	0.3	4.4	0.8	0.8	33.9	2.4	0.7	0.9	0.4	0.1	0.7	0.1	0.1	5.4
2010-11	16.6	4.2	5.1	2.4	0.3	4.6	0.8	0.8	34.9	2.5	0.6	0.8	0.4	0.1	0.7	0.1	0.1	5.3
2011-12	16.3	4.2	4.8	2.5	0.3	4.8	1.0	0.6	34.6	2.5	0.6	0.7	0.4	0.1	0.7	0.2	0.1	5.3
2012-13	16.4	4.3	5.0	2.7	0.4	4.8	0.7	0.6	34.9	2.5	0.7	0.8	0.4	0.1	0.7	0.1	0.1	5.4
2013-14	16.5	4.4	4.9	2.7	0.4	5.1	1.0	0.5	35.6	2.5	0.7	0.7	0.4	0.1	0.8	0.2	0.1	5.4
2014-15	16.0	4.8	5.1	2.4	0.4	4.7	0.9	0.5	34.7	2.6	0.8	0.8	0.4	0.1	0.8	0.1	0.1	5.6
2015-16	15.3	4.7	5.2	2.5	0.3	4.9	1.4	0.5	34.7	2.6	0.8	0.9	0.4	0.1	0.8	0.2	0.1	5.9
2016-17	14.7	4.6	6.0	2.4	0.3	4.6	1.0	0.6	34.3	2.6	0.8	1.1	0.4	0.0	0.8	0.2	0.1	6.0
2017-18	15.0	5.0	6.4	2.6	0.3	4.4	0.5	0.7	35.0	2.6	0.9	1.1	0.4	0.1	0.8	0.1	0.1	6.0
2018-19	14.5	5.0	6.0	2.4	0.3	4.8	0.9	0.7	34.6	2.5	0.9	1.1	0.4	0.1	0.9	0.2	0.1	6.1
2019-20	15.2	5.1	5.1	2.7	0.3	4.5	1.1	0.6	34.6	2.6	0.9	0.9	0.5	0.1	0.8	0.2	0.1	5.9

Sources: Author's calculations based on data from Appendix (Table-15)-Composition of Social Sector Expenditure, State Finances: A Study of Budgets, Reserve bank of India, 2020. National Accounts Statistics prepared by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India.

Note: Abbreviations are used for convenience; see Data and Methodology sections for details.

(All figures are at constant prices of 2011-12)

We shall now see how various components of social services as a percentage of state's total budgetary expenditure have fared from table-3. We observe that allocation towards 'Education, Sports, Art & Culture' was 17.4 % of ASTESS in 1990-91 to 15.2 % in 2019-20; it reached the peak level in 1999-00 at 17.9 as % ASTE corresponding 2.8 % of GDP. It can noted that expenditure towards ESAC is about half of the total social sector expenditure by states. It is clarified that expenditure towards 'Sports and Art & Culture' are a very small proportion within the allocation for ESAC; thus, this expenditure head is in general terms be understood

as public expenditure on education by provincial governments in India. It is interesting to note that the average allocation as % ASTE towards education came out to be 15.2 % during the thirty year period which suggest that the allocation has remained below the 1990-91 level during most of the years. Similarly expenditure towards 'Medical, Public Health and Family Welfare' was 5.3 % of ASTESS in 1990-91 and declined to 5.1 % in 2019-20; with as average allocation of 4.5 % , while in terms of % of GDP the allocation shows a slight increase from 0.8 % 1990-91 to 0.9 % in 2019-20, this is due to ASTE growing at a greater rate than the GDP. However the notable aspect of the expenditure allocated towards health services is its stagnancy during the entire period despite widespread policy prescriptions and advocacy in this regard from all corners of society. The expenditure towards 'Water Supply, Sanitation, Housing and Urban Development increased from 3.9 % of ASTE in 1990-91 to 5.1 % in 2019-20, with a peak allocation of 6.6 % in 2008-09. The allocation towards the welfare of the SCs, STs and OBCs increased from 2.1 % in 1990-91 to 2.7 % in 2019-20 and averaged 2.2 % for the whole period. The expenditure under heads 'Labour & Labour Welfare' declined from 0.5 % of ASTE in 1990-91 to 0.3 % 2019-20 with an average of 0.4 % during the period. Expenditure towards 'Social Security, Welfare & Nutrition' more than doubled from 2.1 % in 1990-91 to 4.5 % in 2019-20 with an average value of 3.2 % . We observe a fluctuating pattern of allocation towards 'Expenditure on Natural Calamities' with an average value of 1 % of ASTE, while the expenditure towards 'Other Social Services' averaged around 0.7 % consistently fluctuated around this mark during the thirty year period.

Table-4: Expenditure on Social Services (Decadal Average as % of All State's Total Expenditure, % of GDP and CAGR)

Period	Various Components of State' Social Services								
	ESAC	MPHFW	WSSHUD	WSSO	LLW	SSWN	ENC	OSS	TSS
	% of All State's Total Expenditure								
1990-91 to 1999-00	16.7	4.9	4.0	2.1	0.4	2.1	0.9	0.7	31.8
2000-01 to 2009-10	14.6	3.9	4.4	2.0	0.3	2.7	1.1	0.7	30.1
2010-11 to 2019-20	15.6	4.6	5.4	2.5	0.3	4.7	0.9	0.6	34.8
Average for the period 1990-91 to 219-20	15.6	4.5	4.7	2.2	0.4	3.2	1.0	0.7	32.2
	% of GDP								
1990-91 to 1999-00	2.50	0.80	0.60	0.30	0.10	0.32	0.13	0.11	4.84
2000-01 to 2009-10	2.36	0.64	0.77	0.33	0.05	0.43	0.17	0.11	4.86
2010-11 to 2019-20	2.56	0.76	0.88	0.41	0.06	0.78	0.15	0.10	5.71
Average for the period 1990-91 to 219-20	2.5	0.7	0.8	0.4	0.1	0.5	0.2	0.1	5.1
	CAGR								
During the 30 year period (1990-91 to 2019-20)	5.8	6.2	7.3	7.2	4.7	9.1	6.9	5.7	6.5

Sources: Author's calculations based on data from Appendix (Table-15)-Composition of Social Sector Expenditure, State Finances: A Study of Budgets, Reserve bank of India, 2020, National Accounts Statistics prepared by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India.

(All figures are at constant prices of 2011-12)

Decadal average expenditure on various components of state's social services is given in table-4, we can observe that average values for all the components show a mixed trend during the

2000s over the 1990s as in case of some components there is a decline e.g. 'Education, Sports, Art & Culture' and 'Medical, Public Health and Family Welfare', whereas there is rise in 'Water Supply, Sanitation, Housing and Urban Development' and 'Social Security, Welfare and Nutrition'. It can be observed that ASTESS has averaged 32.2 % during the post-reform period with highest allocation in 2010s at an average of 34.8 % and lowest being in the 2000s at 30.1 % of all state's total expenditure (refer table-4). Compound annual growth rate (CAGR) of total social services by all states combined stands at about 6.5 % which is slightly higher in comparison to CAGR for GDP at 2011-12 prices at 6.0 %. Among various components of state's social services, 'Social Security, Welfare and Nutrition' grew at the highest CAGR of 9.1 % and expenditure towards 'Labour & Labour Welfare' grew at the lowest CAGR of 4.7 %. State's total social services averaged 5.1 percent of GDP during the thirty-year post reform period.

General Government Public Social Expenditure (Centre & States combined)

Combined expenditure of centre and states towards social services as a percentage of GDP stood at 5.83 % on average during the 1990s which increased to 6.28 % during 2000s and 7.03 % during the 2010s. Net rise in public social spending was largely contributed by the centre during the 2000s and by states during the 2010s. Public social expenditure by centre has declined to a decadal average of 1.32 % of GDP during the last decade in comparison to the preceding decade at 1.42 % of GDP; however, all state's social expenditure showed a sustained increase over the thirty-year period; though with almost negligible increase of 0.02 % of GDP during 2000s and 0.85 % of GDP during the 2010s on average, over and above the decadal average in 1990s and 2000s respectively (refer table-5).

Table-5: Expenditure on Social Services: Centre, States and General Government (% of GDP)

Period	Decadal Average of Public Social Expenditure (% of GDP at Constant Prices of 2011-12)		
	Total Central Expenditure on Social Services (TCESS)	All State's Total Expenditure on Social Services (ASTEES)	General-Government Expenditure on Social Services (GGEES)
1990-91 to 1999-00	0.99	4.84	5.83
2000-01 to 2009-10	1.42	4.86	6.28
2010-11 to 2019-20	1.32	5.71	7.03
Average for the period 1990-91 to 2019-20	1.24	5.13	6.38
CAGR for the 30 year period (1990- 91 to 2019-20)	6.4	6.5	6.5

Sources: Author's Calculation based on data from Budget Documents, Annexure-3 (Trends in Expenditure), Expenditure Budget, Volume-I (Various Years), Budget Division, Department of Economic Affairs, Ministry of Finance, Appendix (Table-15)-Composition of Social Sector Expenditure, State Finances: A Study of Budgets, Reserve bank of India, 2020, National Accounts Statistics prepared by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India.

(All figures are at constant prices of 2011-12)

Public social expenditure by centre grew at a CAGR of 6.4 % and for all states combined it grew at a CAGR of 6.5 % and for the General Government (centre-states combined) it grew at a

CAGR of 6.5 % during the 30 year period. The CAGR for Gross Domestic Product at constant prices of 2011-12 is about 6 % during the corresponding period which indicates that public social expenditure has grown marginally higher than that of the GDP during the post reform period.

CONCLUDING REMARKS

The analysis and discussion above clearly shows that public social expenditure have remained more or less at the same level during the thirty-year post reform period particularly from the point of view of the structural composition of public social spending within the community output of the nation. The policy stance right from the early 1990s have been advocating for increase in public social spending particularly in key social services such as health and education however empirical evidence suggests a blatant neglect of such advocacy and policy stance when it comes to implementation; and thus, confirm a serious policy failure on part of the government. India remains much below the global average in case of public spending on key social services; and the performance in this regard among the comparable economies such as the BRICS economies also suggests that India has fared worst within this group when it comes to public social spending.

We conclude that though there is only marginal increase in public social spending that amounts to about an increase of 1.2 % of GDP over a long period of thirty years, and this increase is neither sufficient nor conform to any policy prescription in this regard and could not bring any notable increase towards health and education services. The expenditure towards these two services combined is about 4 % of GDP which is far below prescribed levels for a very long period and stagnating during the post reform period. The decade in which the central government raised public social spending; the state's lagged behind and contrary to the situation the decade when states increased public social spending, the centre retreated. This clearly shows a lack of coordination among the centre and states with regard to public social spending policy. Our findings clearly suggest for greater coordination of social spending policy between centre and the states. Both, the central as well as the state governments must increase their public social spending in congruence to an already advocated and accepted policy position and that is, to spend adequately towards social sector and in particular the merit goods.

There appears no significant structural (compositional) shift within the broad gamut of public expenditure on social services expected in lines with the structural shift in the society reflected through the socio-economic development outcomes. Empirical evidences suggest strongly for both increasing public social expenditure as percentage of the GDP and its compositional restructuring consistent along the fundamental shifts taking place within the social economy.

Notes:

1. Reform period is characterized by a policy framework advocating for a freer business environment, low regulation, utilization of global finance capital, greater global integration of the domestic economy or in other words shifting towards a more open economy and reducing government's presence in many economic sectors by either privatizing or disinvesting Public Sector Enterprises. In a theoretical context an economic system broadly based on the *Laissez Faire* propounded by the Physiocrats

keenly acknowledged and advocated by Adam Smith however with caution to *Moral & Ethical Caveats*.

2. As per constitutional provisions in India certain social sections such as Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs) are entitled for some government benefits such as reservations in public sector employment, representation in *legislative bodies (for SCs and STs only)* and *local government councils* (SCs, STs and OBCs) and other budgetary support (scholarships and special welfare programmes for these communities) on account of their historical deprivation and marginalization.

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