



# Social Sector expenditure of Union and States since 1990s: Trends and Patterns in Absolute values

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Analysis of trends, patterns and composition of social sector expenditure of Union government and state governments has utmost importance as it helps us to assess the importance of the sector in the overall budgetary framework of an economy. This study deals with trends and patterns of Social sector expenditure since 1990s. Timeline of the study is three decades of post liberalisation. The study has used single variable of Absolute expenditure to examine the trends in Social sector expenditure. Simple tools like percentages, Average annual growth rate and Compound annual growth rate is used for analysis.

**Key Words:** Social sector, Absolute expenditure, Per capita expenditure, Population size

## I. Social Sectors: Meaning and Importance

Social sector is traditionally defined as a sector consisting of Education, Health and Nutrition. Lack of clear cutting edge definition leads to emergence of different approaches related to the idea of social sector. Two slightly different but related approaches of human development and human resource perspectives are popular in Development studies literature, although latter is much popular. Human development perspective focuses on the upliftment of society and increase in the standard of life through the various utilities provided by this sector. Whereas Human resource perspective focuses on the increase in the productive capacity of labour force through education, health, nutrition and sanitation.

The importance of the two social sectors comprising health and education has been emphasized by Prof. Amartya Sen in his book, "India: Social Development and Social Opportunity." Education and Health can be seen to be valuable to the freedom of a person in at least five distinct ways.

1. Intrinsic Importance: Being educated and healthy are valuable achievements in themselves and the opportunity to have them can be of direct importance to a person's effective freedom.
2. Instrumental Personal Roles: Education and health can be important in other ways, for instance, getting a job and more generally for making use of economic opportunities.

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3. Instrumental Social Roles: Greater literacy and basic education can facilitate public discussion of social needs and encourage informed collective demands for e.g., for health care and social security.

4. Instrumental Process Roles: The process of schooling apart from imparting formal education is helpful for e.g. in reducing phenomenon of child labour so prevalent in India. Schooling also helps in broadcasting the horizons of children, which is specially important for young girls.

5. Empowerment and Distribution Roles: Greater literacy and education can increase their ability to resist oppression and get a fairer deal. Even within the family it is helpful as it contributes to reduction of gender based inequalities.<sup>3</sup>

## II. Social sector expenditure from the perspective of budgetary expenditure

This section deals with theoretical and methodological classification related to the computation of expenditure related to Social sector of both Union and State Governments. The Present study considers both traditional expenditure items related to this sector but exclusive of some expenditure items which are more oriented towards Agriculture sector.

### Union Government Social sector expenditure (UGSSE)

As mentioned earlier Revenue expenditure and capital outlay of Union government is classified in to three expenditure major heads

- (a) General Service
- (b) Economic Service
- (c) Social Service

Social service expenditure consists of the following major heads

- 1) Education, Art and Culture
- 2) Scientific services and Research
- 3) Medical, Public Health, water supply and sanitation
- 4) Family Welfare
- 5) Housing
- 6) Urban development
- 7) Labour and Employment
- 8) Social security and Welfare
- 9) Broadcasting, Information and Publicity
- 10) Others

Previous studies like Guhan(), Prabhu (), Joshi(), Dev Mooji () , chattopadhyay () have considered expenditure related to Rural development in the calculation of Union Government Social Sector expenditure. Simple rationale is major part of expenditure related to the head of Rural Development is in the form of

<sup>3</sup> See Dreze and Sen (1995): India: Economic Development and Social Opportunity, Oxford University Press, New york, 1995, p.14

Poverty alleviation Programmes. This trend has changed since 2000 as MGNREGS is the major subhead of expenditure. Since this present study is also dealing with expenditure related to Agriculture sector study is of the opinion that as these services are more oriented towards Agriculture economy they can be considered as part of Agriculture expenditure of Union Government

### **State Government Social sector expenditure (SGSSE)**

State Finance- A study of Budgets consists of the following major heads of expenditure in the overall expenditure outlay on social sector.

#### **Revenue expenditure**

Revenue expenditure is again divided in to Social Services and Economic Services

Social Service head consists of the following expenditure subheads

- 1) Education, Sports, Art and Culture
- 2) Medical and Public Health
- 3) Family Welfare
- 4) Water supply and sanitation
- 5) Housing
- 6) Urban development
- 7) Welfare of SCs, STs and OBCs
- 8) Labour and Labour Welfare
- 9) Social security and Welfare
- 10) Nutrition
- 11) Expenditure on Natural calamities
- 12) Others

Economic Service head consists of the following expenditure subheads

- 1) Rural Development
- 2) Food Storage and warehousing

#### **Capital Outlay**

Capital outlay is again divided in to Social Services and Economic Services

Social Service head consists of the following expenditure subheads

- 1) Education, Sports, Art and Culture
- 2) Medical and Public Health
- 3) Family Welfare
- 4) Water supply and sanitation
- 5) Housing
- 6) Urban development

- 7) Welfare of SCs, STs and OBCs
- 8) Social security and Welfare
- 9) Others

Economic Service head consists of the following expenditure subheads

- 1) Rural Development
- 2) Food Storage and warehousing

### **Loans and Advances**

Loans and advances heads is again divided in to Social Services and Economic Services

Social Service head consists of the following expenditure subheads

- 1) Education
- 2) Housing
- 3) Housing (Government servants)
- 4) Others

Economic Service head consists of the following expenditure subheads

- 1) Rural Development
- 2) Food Storage and warehousing

This study doesn't includes the above economic service subheads of Rural development and Food storage and warehousing expenditure in the calculation of Social sector expenditure of State Governments. The rationale is as follows: These services are more oriented towards Agriculture economy and can be considered as part of Agriculture expenditure of State governments

Considering the above aspects Social sector expenditure of state governments is inclusive of reorganised aspects of Revenue expenditure, Capital outlay and loans and Advances

Aggregate Social sector expenditure (ASSE) is simple summation of Union Government Social sector expenditure (UGSSE) and State Government Social sector expenditure (SGSSE)

### **III. Objective of the study**

- To examine the trends and Patterns in Social sector expenditure of Union and State governments from absolute perspective

### **IV. Analysis of expenditures**

#### **Trends and Patterns in Absolute level of expenditure**

Economists differs regarding the significance and implications of analysing time series absolute values in the study of economic variables. Absolute values do have the normal tendency to have increasing pattern as they are not deflated with Price rise and may provide misplaced results and conclusions. Irrespective of

this, absolute nominal values still provides the direction and magnitude of movement of variables in the long run.

Table 1 Growth of Social Sector expenditure in absolute terms: Union and States (1991-92 to 2021-22)

Sl.No	Year	UGSSE (In Crores)	AGR (In %)	SGSSE (In Crores)	AGR (In %)	ASSE (In Crores)	AGR (In %)
01	1991-92	6595.71		33690		40285.71	
02	1992-93	7753.74	17.56%	37340	10.83%	45093.74	11.93%
03	1993-94	9012.6	16.24%	41590	11.38%	50602.6	12.22%
04	1994-95	10251.72	13.75%	47730	14.76%	57981.72	14.58%
05	1995-96	11835.44	15.45%	56520	18.42%	68355.44	17.89%
06	1996-97	14225.23	20.19%	63810	12.90%	78035.23	14.16%
07	1997-98	16957.48	19.21%	71540	12.11%	88497.48	13.41%
08	1998-99	21146.08	24.70%	85900	20.07%	107046.1	20.96%
09	1999-00	22887.26	8.23%	100550	17.05%	123437.3	15.31%
10	2000-01	25142.73	9.85%	110710	10.10%	135852.7	10.06%
11	2001-02	22479.35	-10.59%	113990	2.96%	136469.4	0.45%
12	2002-03	27671.89	23.10%	119020	4.41%	146691.9	7.49%
13	2003-04	30481.48	10.15%	129590	8.88%	160071.5	9.12%
14	2004-05	37719.81	23.75%	142820	10.21%	180539.8	12.79%
15	2005-06	46705.92	23.82%	165730.5	16.04%	212436.4	17.67%
16	2006-07	54907.44	17.56%	195246.7	17.81%	250154.1	17.75%
17	2007-08	67757.34	23.40%	232935.3	19.30%	300692.6	20.20%
18	2008-09	90386.24	33.40%	290830.9	24.85%	381217.1	26.78%
19	2009-10	105314.26	16.52%	343752.8	18.20%	449067.1	17.80%
20	2010-11	128906	22.40%	404407.7	17.64%	533313.7	18.76%
21	2011-12	139404	8.14%	467255.9	15.54%	606659.9	13.75%
22	2012-13	146815	5.32%	536163.8	14.75%	682978.8	12.58%
23	2013-14	165526	12.74%	606900.4	13.19%	772426.4	13.10%
24	2014-15	147143	-11.11%	702127.4	15.69%	849270.4	9.95%
25	2015-16	159992	8.73%	818347.9	16.55%	978339.9	15.20%
26	2016-17	227077.23	41.93%	928867.5	13.51%	1155945	18.15%
27	2017-18	271189.99	19.43%	1022628	10.09%	1293818	11.93%
28	2018-19	280425.41	3.41%	1153374	12.79%	1433800	10.82%
29	2019-20	304973.67	8.75%	1209367	4.85%	1514341	5.62%
30	2020-21	308259.26	1.08%	1294845	7.07%	1603105	5.86%
31	2021-22	439177.39	42.47%	1682005	29.90%	2121182	32.32%

Source: 1. Indian Public Finance Statistics, Department of Economic affairs, Ministry of Finance, Various issues

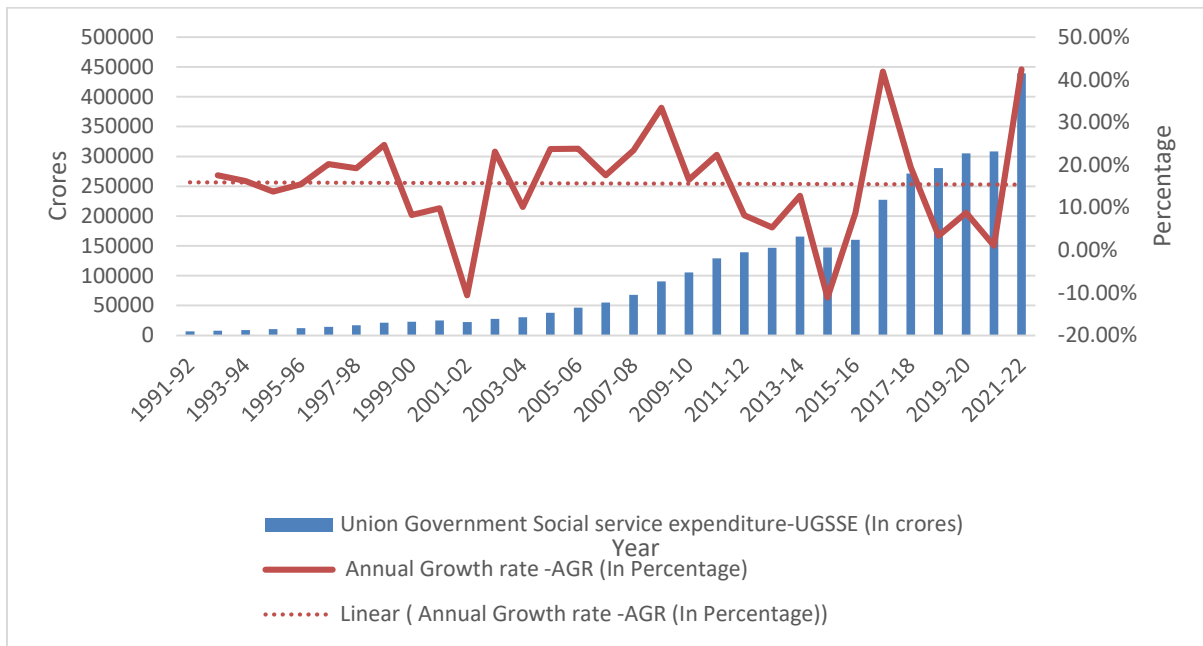
2. State Finances: A Study of Budgets, Reserve Bank of India, Various issues

3. Expenditure Profile, Volume 1, Union Budget Documents, Various issues

4. Percentages are calculated by author

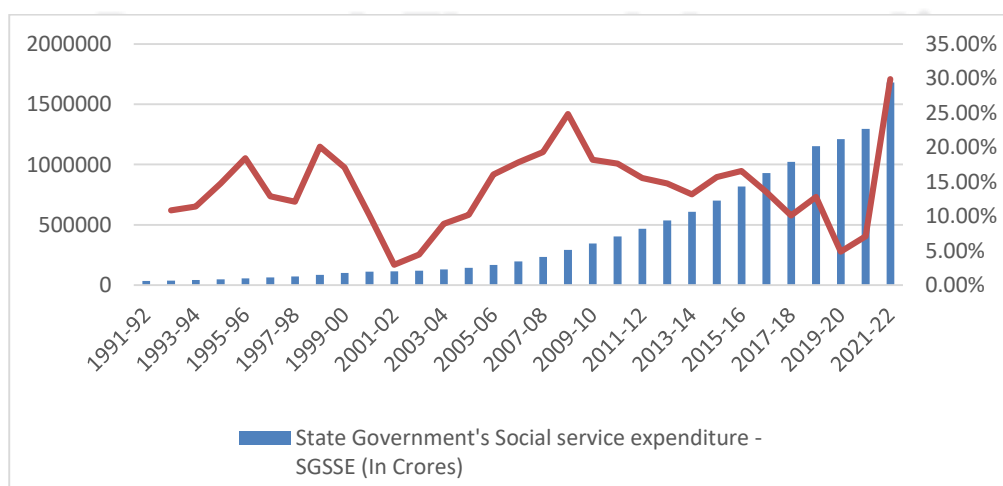
Table-1 deals with Absolute growth of Social sector expenditure of Union and State Governments from individualistic and combined perspective. Annual Growth rates and Average growth rates of Five years corresponding simultaneously with Five year Plan Period is used to measure the change and Decade wise change has been used to assess the change in the long run.

Figure 1: Growth of Social Sector expenditure in absolute terms: Union Government (1991-92 to 2021-22)



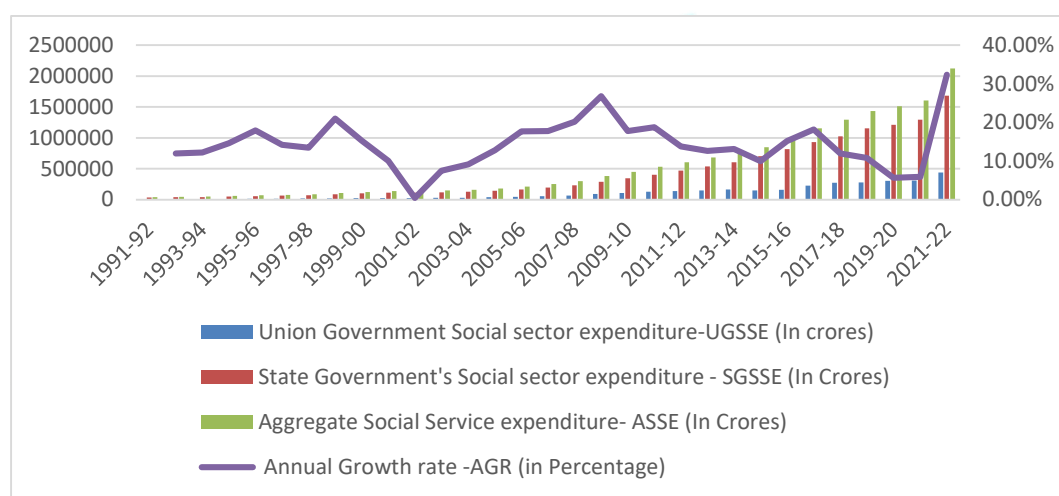
Union Government expenditure on Social and community service was nearly 6595.71 crore rupees in the fiscal year of 1991-92. It reaches the 54907.44 and 105314.26 crore rupees in the year of 2004-05 and 2009-10 respectively. But the rise is steep since 2015-16 as can be observed from **Figure 1** Year 2016-17 and 2021-22 Shows increase of more than forty percent and reaches the phenomenal absolute level of 439177.39 crore rupees in the post pandemic year of 2021-22. Average annual Growth rate of three decades is 15.65 % which can be considered as modest considering inflation rate. Only two fiscal years 2001-02 and 2014-15 shows negative annual growth rate and fiscal years of 2012-13, 2018-19 and 2020-21 shows significantly less growth rate of less than 5 Percent. As can be observed from **Figure 1** COVID pandemic drives the increase in the level of expenditure in this sector.

Figure 2: Growth of Social Sector expenditure in absolute terms: State Governments (1991-92 to 2021-22)



In the same period State Governments absolute expenditure on Social and community service was significantly higher than Union government. SGSSE was nearly 33690 crore rupees in the year of 1991-92. It breaches the important milestone of one lakh crore, Five Lakh crore and ten lakh crore in the years of 1999-00, 2012-13 and 2017-18 respectively. Millenium years of 2001-02 and 2002-03 saw significantly lower allocation of less than 5% and the fiscal year of 2008-09 saw the maximum growth rate of nearly 24%. Figure 2 shows Covid Pandemic year of 2020-21 and 2021-22 leads to nearly 29% Annual growth rate which leads to the increase of SGSSE to 1682005 Crores. Irrespective of this huge optical increase if we consider the average annual growth rate it is just 14.06 percent and it is less than Average annual Growth rate of Union Government.

Figure 3: Growth of Social Sector expenditure in absolute terms: Union and States (1991-92 to 2021-22)



From the combined perspective Public expenditure termed as ASSE in India increased from 40285.71 crore rupees to 2121182 Crore rupees in the three decades of Post liberalisation period with average growth rate of 14.29% almost similar to the growth rate of SGSSE. Figure 3 signifies this point.

Table 2: Growth of Social Sector expenditure in absolute terms: Union and States (Five Year Period)

Year	UGSSE (In crores)	AvGR (In %)	CAGR (In %)	SGSSE (In Crores)	AvGR (In %)	CAGR (In %)	ASSE (In Crores)	AvGR (In %)	CAGR (In %)
1992-97	10615.75		16.38%	49398		14.33%	60013.75		14.69%
1997-02	21722.58	104.63%	7.30%	96538	95.43%	12.35%	118260.6	97.06%	11.44%
2002-07	39497.31	81.83%	25.09%	150481.4	55.88%	18.28%	189978.7	60.64%	14.27%
2007-12	106353.6	169.27%	19.76%	347836.5	131.15%	19.01%	454190.1	139.07%	19.18%
2012-17	169310.6	59.20%	11.52%	718481.4	106.56%	14.73%	887792	95.47%	14.06%
2017-22	320805.1	89.48%	12.81%	1272444	77.10%	13.25%	1593249	79.46%	13.16%

Considering Five year period, average growth rate is 104.63%, 81.83%, 169.27%, 59.20% and 89.48% for the last 25 Years. But the compound annual growth rate provides different Picture as it shows only the modest increase of 16.38%, 7.30%, 25.09%, 19.76%, 11.52%, and 12.81% for the same period. Considering the massive rise in the population and emergence of youth in the same period we can safely say the increase in the absolute size of social sector expenditure is not significant but only modest.

## V. Conclusion

From the above analysis one can easily infer that absolute expenditure of both union and State Governments increase in the post reforms. But considering the size of the population and price rise this increase can be considered relatively modest than satisfactory. Time Series deflated with wholesale price index may provide the true direction of these values. Irrespective of these variations nearly fifteen percent of growth rate may provide the new critical benchmark for future governments in both Union and State level

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