

TREND ANALYSIS OF EXPENDITURE ON SELECT MINISTRIES RELATED TO HDI, BY THE GOVERNMENT OF INDIA BETWEEN 2016-2021.

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ABSTRACT

HDI is a crucial indicator of social progress that is based on rising Life expectancy and better educational opportunities, together with increasing per capita income. Government can play important role in improving it, specifically in developing economy. For this, government needs to spend on the departments related to Women, Child, Healthcare, Education, Research, Sanitation and Water. In Indian Context, expenditure on MSME may contribute significantly to the improvement of per capita income. However, the expenditure of government in these areas may not exactly be showing promising picture. FY 2017-18 might have worked as a great year. However, 2018-19 onwards, the government expenditure is rising at slower pace and the developmental areas are the ones which are suffering. Going further, even if we assume that the estimates shall actually materialize, the trends do not show the needed rise in the expenditures in these areas. This leaves scope for extensive analysis of these sectors and government's role in it. Further, this creates an acute need for a social start-up environment that would focus on these areas and use technology in cost-effective manner.

Keywords: HDI, Government spending, Healthcare, Gender inequalities, education, MSME, innovations

1. Introduction

It is a well established fact now that the concept of Growth Rate in Gross Domestic Product (GDP), is not sufficient.¹ The progress of the country is captured better, only by considering due importance of quality of life, as depicted by Human Development Index, HDI. HDI primarily focuses on whether more and more individuals have environment that would let them discover their choices, pursue them irrespective of gender, wealth or other such biases and continue to do so for the longest possible time². Thus, HDI believes in higher Life Expectancy, better education levels and more equitable distribution of the wealth to achieve maximum Human Development.

In developing countries like India, the role of government is prominent in achieving these social goals. As such, it is incumbent to analyze what expenditure the Government of India is shelling out in bettering the HDI. It is not doubted that the study of Government's Role in bolstering HDI is the topic of extensive research. However, the researchers have confined themselves to study the trend in expenditure, made by the government, in specific ministries, associated with HDI. Thus, the research tracks the trends in selected industries from the beginning of 2016 to the end of the 2021, using Actual and Budgeted figures in Indian Union Budget.

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2. Conceptual Framework

Human Development Index, as defined by Dr. Amartya Sen^{(10) & (11)}, considers three crucial indicators. One is Life Expectancy. Another is Education Levels and the third one is per capita income. The researchers have tried to analyze the trends in Government spending of those departments, which are directly linked to these indicators. As such, Healthcare, Water and Sanitation are directly linked to Life Expectancy and various departments related to research and education are considered to be directly linked to Education Levels of the Society. Interestingly, it is well established fact that the expenditure of women and child development is connected to both these areas of Healthcare and Education³.

2.1 Women and Child Development – The Ministry of Women and Child Development aims for holistic development of women and children, with specific emphasis on creating gender equitable and child friendly policies and programs and addressing gender discrimination and promoting equality.

2.2 Education – This falls primarily under the Ministry of Human Resource Development, with departments such as the Department of School Education and Literacy as also the Department of Higher Education. Additionally, the Department of Agricultural Research and Education, the Department of Health Research, the Department of Scientific and Industrial Research under the Ministries of Agriculture and Farmers' Welfare, Health & Family Welfare and Science & Technology, respectively, have also been included.

2.3 Healthcare – This comes primarily under the Ministry of Health & Family Welfare, with the Department of Health & Family Welfare included here. Also, the Ministry of AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) which focuses on the development of indigenous forms of medicine has been considered under this head.

2.4 MSMEs – Micro, Small and Medium Enterprises (MSMEs) play a crucial role in industrialization of rural and backward areas as also provide employment opportunities to the people there. Also, they require a relatively low capital investment. MSMEs support large industries as ancillary units and due to their growth over the years, has contributed significantly to socio-economic development in the country.

2.5 Water and Sanitation – this is under the aegis of the Ministry of Jalshakti, which has the Department of Water Resources, River Development & Ganga Rejuvenation and the Department of Drinking Water & Sanitation.

3. Literature Review

3.1 **D.G.M. Victoria (2013)**⁵ This study focuses on the impact of the Union Budget on social sector development, with emphasis on (i) Education, (ii) Public Health, Family Welfare and Nutrition, (iii) Rural and Urban Development. The researcher points out that India is still largely an agrarian economy with most people living in villages. This has made agricultural development, irrigation, power, rural infrastructure, etc. priority sectors, as far as Government programmes go. Social sector development is essential for human growth, with emphasis on Healthcare, Education, Water and Sanitation, Employment, etc. To this end, Government expenditure on these sectors shows an increasing trend year-on-year. The researcher's findings show that of the above, Education showed the highest budget allocation, whereas, Nutrition showed the lowest. The researcher recommends increasing funds allocated to Education, fast track rural development, improve infrastructure and healthcare, formulate a comprehensive food and nutrition security programme and continuously monitor Human Development in the country.

3.2 **Veluchamy (2012)**⁶ The study analyses the social sector expenditure in the country for two decades since 1991. The researcher has analysed the

expenditure on Education, Sports and Culture, Health and Welfare, as a percentage of the GDP and also compared expenditure on Education in various countries. Social sector development is necessary for Human Development, which in turn leads to faster economic growth.

3.3 Dixit (2008)⁷ The focus of this study is on the Expenditure Reforms in the finances of the Government, both Developmental as well as Non-developmental, factors influencing growth of expenditure and analysis of the composition of Expenditure.

The study indicates that the lion's share of Social Developmental expenditure went to Education, whereas Urban Development got the lowest share during the period under study. The research identifies six factors that affect Government expenditure, namely, per capita income, index of trade openness, socio-cultural and political philosophy of the country, technological change, relative price index of public sector goods and the lag value of government expenditure.

3.4 S. Meenakshi (2006)⁸ The researcher has studied the Development and Non-development expenditure of the Central Government. A major portion of the expenditure is non-development expenditure, whereas, development expenditure is crucial to nation building. Also, Defence was found to be a significant item of expenditure in almost all but some low-income economies, with its share being significantly higher than spending on crucial sectors like Education, Healthcare, Water and Sanitation, Housing and Family Planning, etc.

4. Objectives

The researchers have following objectives in the course of this project...

4.1 To identify the ministries, directly related to the enhancement of HDI

4.2 To study the trends of the past expenditure made on these ministries

4.3 To study the Revised Estimate and budgeted allocations on these ministries

4.4 To identify the challenges in improving India's HDI

5. Research methodology

5.1 Primary Data

Since this is a macro-economic project studying the variables of Indian economy, there is no primary data collected.

5.2 Secondary Data

The Researchers have essentially culled their secondary data from the Online information, provided by the Government of India on its websites, related to the budget. They have also referred various books, research papers and other resources of information in course of their analysis.

5.3 Framework of Data Collection

The Expenditure by the Central Government is primarily on two components. One is the expenditure to boost the Resources of Public Enterprises. This is essentially a layout for various public sector undertakings, primarily Railways, Air India, Food Corporation of India, Housing Corporation, etc. The researchers have not considered this component, since this expenditure is largely spent on maintenance and operation of various existing governmental enterprises. Though this expenditure is crucial for social development in general, it is not specifically focused on any particular component of the HDI. **5.4 Tools of Analysis**

Comparative Analysis has been undertaken using percentages and trend analysis is underlined with Graphs.

6. Data Analysis

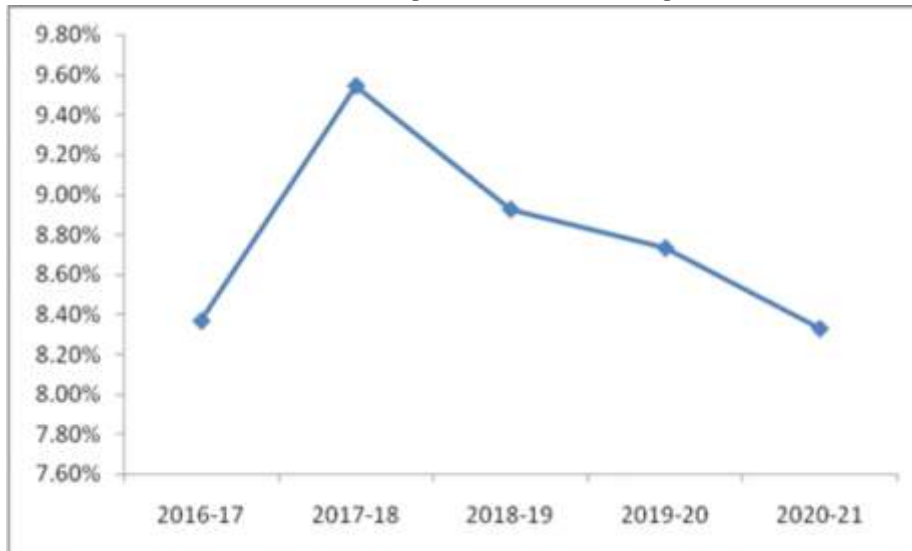
6.1 The first important point to be noted is there is Data Mismatch in the sense that the data for first three years, in the period under consideration, is Actual Expenditure; for the Fourth year, it is Revised Estimated Expenditure and in the final year, it is

entirely budgeted Expenditure. It is interesting to note here that there is extremely negligible difference (Below 1%) in budgeted vis-à-vis actual expenditure figures, during the Financial Years 2016-17 and 2017-18. In the Financial Year 2018-19, the actual expenditure fell short by over 5% of the

budgeted and the revised estimate of FY 2019-20 is already over 3% lower than originally planned (which is usually higher).

6.2 Further, it is also important to observe that the share of these Ministries in the total expenditure is constantly falling over these five years.

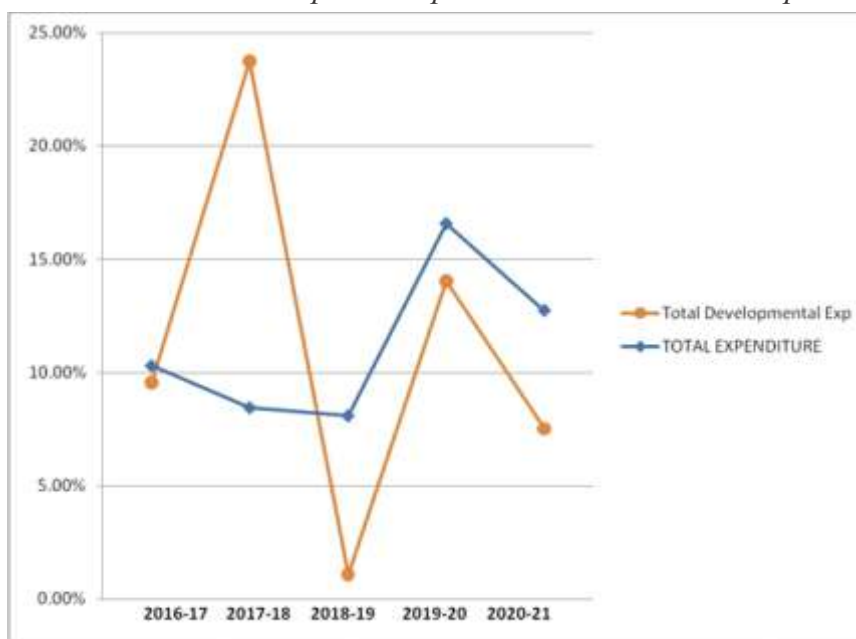
Chart 1: HDI-linked Expenditure in Overall Expenditure



6.3 It was observed that there is a constant increase in the total expenditure on all the ministries combined, which spiked in the Financial Year 2017-18. The growth percentage of Total expenditure in the select industries is usually lesser than that in the overall

total expenditure. Though the Financial year 2017-18 was an exception, in which the former was higher than later, in the subsequent financial year, total expenditure in the select industries seems to be growing slower than the overall total expenditure. This is evident from the following chart...

Chart 2: Growth in Development Expenditure vis-à-vis Total Expenditure



6.4 An Annualized Growth rate Comparison of Expenditures in these ministries, vis-à-vis Total Expenditure provides interesting picture...

Table 1: Annualized Growth Rate in the Expenditures allocated to various ministries

Women and Child Devpt.	8.70%
Education	7.13%
Healthcare	13.53%
MSMEs	20.00%
Water and Sanitation	7.60%
TOTAL EXPENDITURE	8.55%

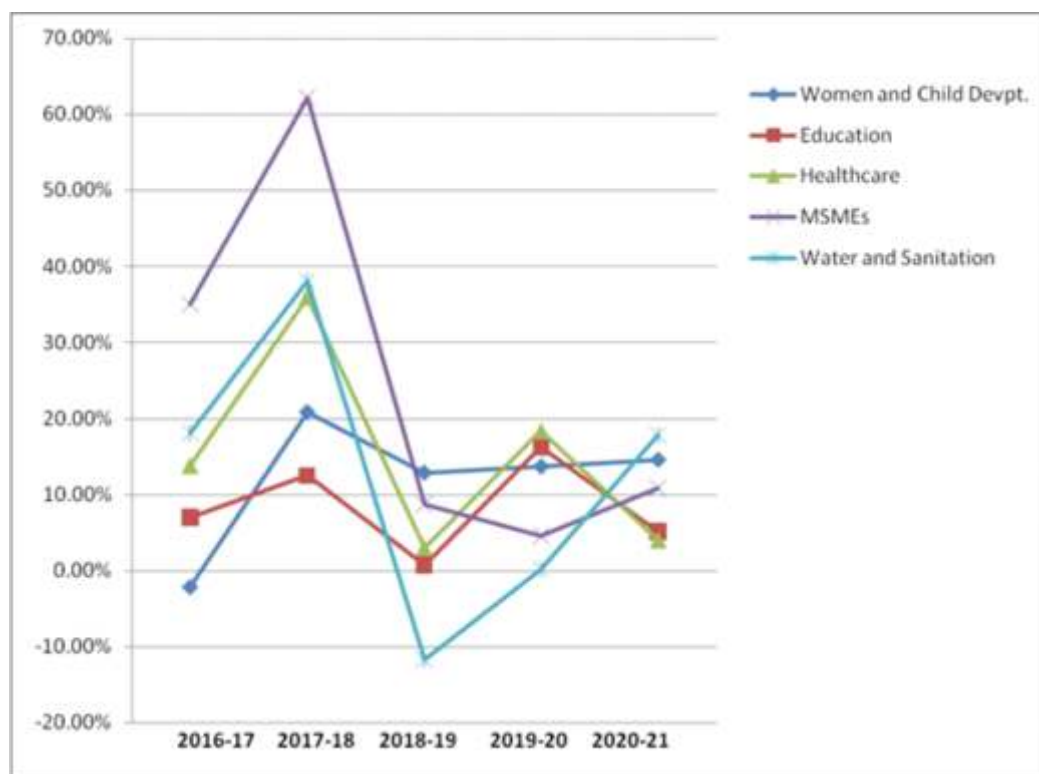
***This data is from FY 2015-16 to FY 2019-20**

It is clear that only MSME and Healthcare growth

rate exceed overall growth in Total Expenditure. Here, it must be remembered that the MSME budget is negligible, i.e. below half a percent of the total expenditure and a large part of Healthcare Budget is expended on Insurance to the poorer strata, which, though an admirable scheme, may not lead to the necessary creation of healthcare network.

6.5 Finally, we can observe that with respect to various ministries, the growth rates have gone considerably high in the FY 2017-18, only to plummet at the lowest by 2018-19. In FY 2018-19, the growth rate of expenditure is below 10%, in nearly all the cases. In both the subsequent years, the percentage growth is slightly higher than the FY 2018-19 and it should be remembered that the figures in these last years are only estimated and not actual. Thus, these trends follow the earlier trend in overall expenditure, as shown in Chart 2.

Chart 3: Growth Rate in Expenditures of various ministries



7. Limitations

Researchers believe that this research has following limitations, which also leave scope for further research...

1. Expenditure related to per capita income is not considered, due to lack of direct linkage

2. Piecemeal analysis of the expenditure for Capital purpose vis-à-vis revenue purpose is not undertaken
3. Scheme Specific Expenditure not considered
4. Contribution by the expenditure of States in these areas is not factored in, in this analysis
5. There is sufficient scope for detailed analysis of this expenditure.

8. Conclusion and Takeaways

Thus, we can reasonably conclude here that the expenditure of Government of India, on various Ministries directly related to the improvement of HDI, is not really satisfactory. In the first place, it is well below 9% and falling over number of years. Secondly, in the event of economic slowdown, the proportionate expenditure on these ministries is seen to be growing at falling rate. Finally, given the downward revision of 2019-20 estimates and general opinion about the unlikelyhood of meeting 2020-21 budgets⁹, there is a considerable worry that this expenditure shall fall further, in proportion and growth rate.

This tells us that the government's contribution in monetary terms, for improving HDI is not likely to keep up with changing times. This necessitates two pronged strategy. On one hand, it would require optimum utilization of available resources. This is where technology can play bigger role. Also, it is important for the Private Sector to contribute this process. CSR Funds of the Corporates is one way and the start-up initiatives by the tech-savy entrepreneurs, based on productive innovations and supported by Venture Funds, is another. Only a rightful blend of the Government spending, private sector initiatives and innovative entrepreneurship can help the nation sail through these turbulent waters.

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