CHAPTER - I

Chapter – I

INTRODUCTION, REVIEW OF LITERATURE AND RESEARCH METHODOLOGY

INTRODUCTION

Advent of the New Economic Policy was initiated in India after 1991. The Structural Adjustment Programme (SAP) envisages a stabilisation programme component in addition to the Growth Component. Stabilisation Programme consists mainly of Fiscal Stabilisation Policy, the main aim of which is to reduce the fiscal deficit in the budgets of both the Central and State governments Expenditure control, tax reforms, public enterprise reforms, capital on public debt, implementation of fiscal responsibility Act are the other fiscal reforms, which have taken place.

Necessity of fiscal consolidation made it imperative that the government both Centre and States undertake a policy of fiscal deficit control and reduction and stop recourse to deficit financing. The government's attempt to reduce fiscal deficits always did not succeed as in the late 1990s growth in revenue expenditure led to rising revenue deficit and this trend had a severe impact on capital expenditure and social sector expenditure growth at both central and state level.

In addition, expenditure reforms led to cut in capital as well as revenue expenditure. Against such a background, any reduction in social sector expenditure will have adverse impact on the poorer section in the society, BPL population and the SC/ST and other backward class population in India.

This is because a basic essential social safety net is needed in the Indian conditions and the reduction in the incidence of poverty and deprivation cannot take place without its existence. Economists always realise the importance of safety nets to ensure that structural adjustment programmes minimise any adverse effects on the poor. It is the poor who often suffer during period of intention and disorderly adjustment. Sound macro economic policies that have a plan for social safety net ensure that decline in living standards of the poor does not take place. Economic reforms do affect the poor and vulnerable groups in the economy and in this situation along with a stabilisation policy, social protection goals also are important.

On the contrary, this social sector expenditure has to increase in Indian situation. In the light of the above background analysis of the social sector expenditure of the Government of India from 1991-2001 is attempted in this study. Non Plan expenditure of Govt. of India on social sector was Rs. 2103 crores in 1992-93, which increased to Rs. 6956 crores in 1999-2000, but declined to Rs. 6474 crores in 2001-2002 (BE) plan expenditure on this account has however increased from Rs. 4294 crores in 1992-93 to Rs. 1532 crores in 1999-2000 and further to Rs. 23587 crores in 2001-2002 (BE). As a percentage of aggregate expenditure non-plan expenditure and plan expenditure of social services was 7% in 1991-92, which has come upto 10.8% in 1995-96 and further to 11.4% in 1999-2000.

REVIEW OF LITERATURE

In the Indian context, a large number of studies have been undertaken with reference to budgetary operations of the centre and State governments. Expenditure analysis is incorporated along with the overall discussion of the government finances. Post 1991 studies on the public expenditure pattern and composition assume more relevance in the context of this study and hence the review of literature undertaken refers to research work after 1991 only.

Praksh S. Kamble in his Ph. D. thesis "Finances of Kolhapur Municipal Corporation" has undertaken an in-depth study of the expenditure pattern of an urban local body. The Corporation's expenditure of education, health services, urban basic infrastructure are studied and there impact analyses also made.

M. Govinda Rao (edited) book 'Development, Poverty and Policy' is a collection of essays by eminent public finances experts. The main focus of the articles in this book is to review various public policies to eradicate poverty and emphasise an optional mix of strategies involving acceleration of growth along with direct anti poverty interventions. The essays also focus on the multi-dimensional facets of poverty, trends in India and the need to raise resources for human development and creation of basic physical infrastructure for social sector development.

In the book, 'Post Economic Reforms Scenario of Indian Economy" edited by Mukta Jhagirdar and Sushama Deshmukh, the articles also focus on the problem of social sector government expenditure and poverty at state level and district level. The papers also make a strong recommendation for the need for state governments in India to increase social sector expenditure.

S. K. Pradhan, P. K. Roy and M. R. Saluja in their article "Income Distribution Expenditure Pattern and Social Sector" discussed rural poverty. This paper is based on the most recent primary household level data obtained from a survey on income expenditure, poverty measures for 1994-95 and human development indicators for 1996 in rural and urban. India as a part of the project Micro Impact of Macro and Adjustment Policies (MIMAP). Empirical results show wide disparities in level of living in terms of economic and social indictors in rural and urban India. The comparison of the distribution with a similar survey conducted in 1975-76 shows the changes in the pattern of income distribution and the gap between the shares of income in rural and urban areas during the last two decades.

Govinda Rao in his article, "State Finances in India – Issues and Challenges" analyses the social sector expenditure of state.

Sharp deterioration in state finance during the last decade as evidenced by sharp increases in revenue fiscal and primary deficits, increases in their indebtedness and contingent liabilities and decline in capital and maintenance expenditures has been a matter of serious concern to policy makers. Low buoyancy of central transfers and spillover of central pay revisions have had the most adverse impact on state finances. However, the states own fiscal performance has also seen sharp deterioration. On the transfer system the scheme proposed by the ministry of finance attempts to link a portion of transfers to fiscal reforms. There are serious design issues in the scheme. It is not certain whether the scheme will be effective either. The paper details the areas of reform the states should focus on to impact efficiency and improve revenue productivity and prioritization and compression of unproductive expenditure.

A. Sharif and P. K. Ghosh in their study "Indian Education Scene and the Public Gap" are of the view that despite expert advocacy of an increase in the share of public expenditure on education in India's GNP, the share declined from 4.1 to 3.8 percent between 1990-91 and 1991-96. Of this expenditure, elementary education accounts for less than half against the two thirds plus deemed necessary. At least in respect of elementary education, it should be possible given political will to bridge the resources gap.

Abysalesh Shariff, Poabir Ghosh, S. K. Mandal in their article "State Adjusted Public Expenditure on Social sector and Poverty Alleviation programmes" presented trends in public expenditure on social sector and poverty alleviation programmes from 1990-91. A considerable proportion of these expenditures is undertaken by the states but the central share seems to be increasing over time. This paper analyses trends in state expenditure by the central government and central and state adjusted combined expenditures. Overall expenditure on social sector schemes is increasing in real terms but mainly through increased expenditure of the central government. The state government seems to be easing out of their constitutional commitment to sustain programmes in the social sectors. On major development has been that large funds that were allocated to employment generation have now been diverted to the rural road construction programme. This reallocation may have serious implications for employment generation.

Renu Kohli, in their study, "Financial Sector and the Budget 2002-03", are discussed that Strengthening the financial sector and the capital markets is among the major objectives of the financial ministers declared budget strategy. However, the evaluating the proposals for the financial sector against the yardstick of this claim. It is disappointing that much neglected aspects of financial sector reforms do not even figures in the budget.

P. R. Panchmukhi in his "Critical Appraisal, Social Impact of Economic Reforms in India" focusing on the impact of economic reforms on the social sector in India by comparing the data of the pre-reform period and the reform period, the paper notices a declining trend in the budgetary allocations of both the central and state governments for various sub-sectors of the social sector, especially health and education.

Shenggenfan, Peter Hazell, S. K. Thorat in their article, "Impact on Public Expenditure on Poverty in Rural India" discussed rural poverty using state level data for 1970-93 a simultaneous equations model was developed to estimate the direct and indirect effects of different types of government expenditure on rural poverty and productivity growth in India. The result shows that in order to reduce rural poverty, the Indian government should give highest priority to additional investments in rural roads agricultural research and education. These types of investment but also generate highest productivity growth other investments (including irrigation, soil, water conservation, health and rural and community development) have only modest impacts on growth and poverty per additional rupee spent.

S. Mahendra Dev in his study, "Agriculture Employment and Social Sector" neglected are discussed the 2003-04 budget fails to address the major problems of agriculture, employment generation and the social sectors.

TITLE OF THE DISSERTATION

The study is entitled "Social Sector Expenditure of the Government of India – 1991-2001"

SCOPE OF THE STUDY

The study reviews the social sector spending of the Government of India only and not the State Governments expenditure. The study covers the period 1991 to 2001. The NEP and fiscal reforms have started in India since 1991. Hence, the study starts from 1991. Public expenditure of the Government of India on social and Poverty Alleviation Programme is mainly analysed.

OBJECTIVES OF THE STUDY

The following are the main objectives of the study.

1) Study the growth of Total Public Expenditure of the Government of India 1991-2001

2) Study the pattern of Plan and Non-Plan Expenditure and the relative share of social services expenditure of the Government of India

3) Analyse the composition of the social service expenditure with forms on

    i) Rural Development

    ii) Rural Employment and Poverty Alleviation Programme

iii) Welfare Scheme for SC/ST and Women population

iv) Make necessary suggestions and recommendations

RESEARCH METHODOLOGY

The study is essential a library study based on secondary data analysis. Necessary secondary data is collected from the following sources :

1) Annual Budget Documents of the Government of India, 1991-2001

2) Indian Economic Survey published by the Government of India, Ministry of Finance, New Delhi

3) Special Statistics – finance of Government of India, published by Economic and Political Weekly, Mumbai

4) CMIE Reports (Centre for Monitoring the Indian Economy), Mumbai

The data collected is tabulated and analysed with necessary statistical tools like CGR and Ratio analysis.