



## Social Sector and Economic Reforms (With Special Reference to Public Health)

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### Abstract

*Social Sector performs an effective function in human resource development and hence it is very important to study how the economic reforms are influencing social sector expenditures. Any economic reform that relates to compression in public expenditures will lead to reduction in social sector spending. A large proportion of the population of many states are not able to access health services in spite of the fact that social sector services are under the care of the states. In the post reform period there has been fluctuations in the public health expenditures but with the growing health awareness the state governments have started taking steps to increase the amount on public health expenditures. Our paper attempts to analyze the social sector expenditures with special reference to Public health in the pre and post-reform period. The paper has been divided into four sections, the I section is based on introduction about economic reforms and social sector along with the objectives and methodology of the study. In the II section an attempt is made to present a frame work of analysis of the effects of the economic reforms in the social sector. In section III we examine the effects of economic reforms on public health expenditures which is an important component of social sector and the section IV briefly summarizes the conclusion of the study.*

**Keywords:** Economic Reforms, Social Sector, Public health expenditure, Pre and Post-reform period.

### Introduction

Social Sector is an important sector of the Indian economy and includes those components which play an important role in the contribution of human resource development. Thus education, health and medical care, water supply and sanitation, housing conditions etc. are the components which contribute to human development. Social Sector may also refer to the value system of the economy such as values of freedom, gender, nationalism, habit of saving and investment. The elements of Liberalisation, Privatisation, Globalisation are the important aspects of economic reforms which greatly govern the economic sphere. In the process of economic liberalization the state may not participate in all the economic activities but it has to play a key role in the arena of physical and social infrastructure. Any improvement in the social sector may bring about little growth but it's a vital component of development<sup>1</sup>. Statistics bear testimony to the fact that the economic crisis in India in 1991 were due to the large fiscal deficits caused because of the government expenditures, high level of borrowings from RBI, rising money supply leading to inflation, deficits in balance of payments and external indebtedness and hence this crises brought about reforms in the economy<sup>2</sup>. The main goals of economic reforms are to bring about efficiency and growth through free competitions in an open market economy. The objectives of our paper are to study about how the social sector expenditures as a percentage of total expenditures have been affected during the post and pre reform period and to also

analyze the public health expenditures during the post reform era. The study has been under taken with the help of the secondary data which has been collected from various government reports and documents.

### Social Sector Expenditures during the Reform Period

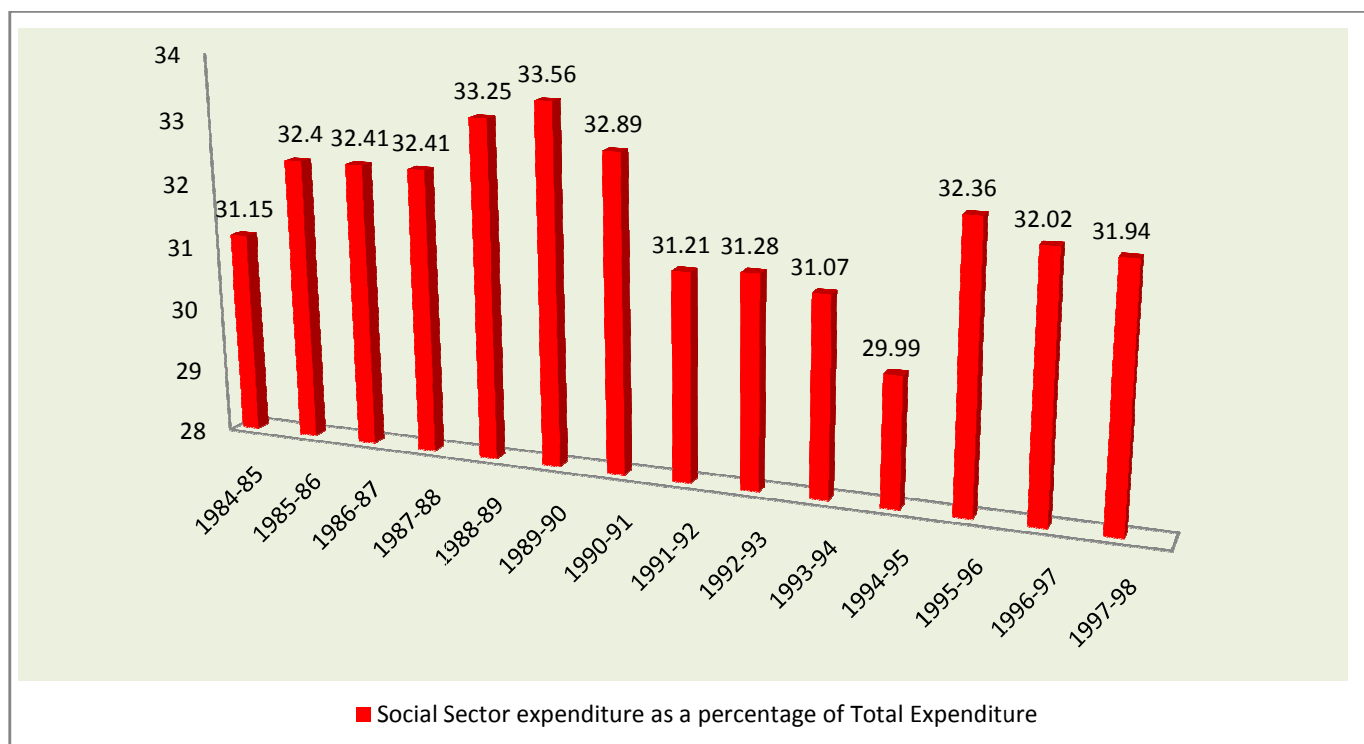
Data relating to the private and public sector allocation to different components of the social sector in India are not very satisfactory and the amounts invested by the private sector in different components of social sector is difficult to access. Studies have highlighted that there had been a systematic reduction of expenditure on social sector in the post liberalization period<sup>3</sup>. As reduction in this sector can be easily done and is usually not opposed by pressure groups.

The social sector expenditures as a percentage of total expenditure has been continuously increasing till 1990-91 from 1984-85 onwards but since 1991-92 there has been a dip in the percentage and the percentage change in social sector expenditure during the reform period is not too high and through the above table no. 1 we can state that social sector has not been given much importance during the reform period. The components of social sector are not independent of each other. There is a symbiotic synergy amongst the various components of the social sector<sup>4</sup>. The Economic services too were affected in the economic reform period but it was not a neglected sector during the reform era.

**Table-1**  
**Expenditure Pattern of State Governments on social services as a Percent of Total Expenditure**

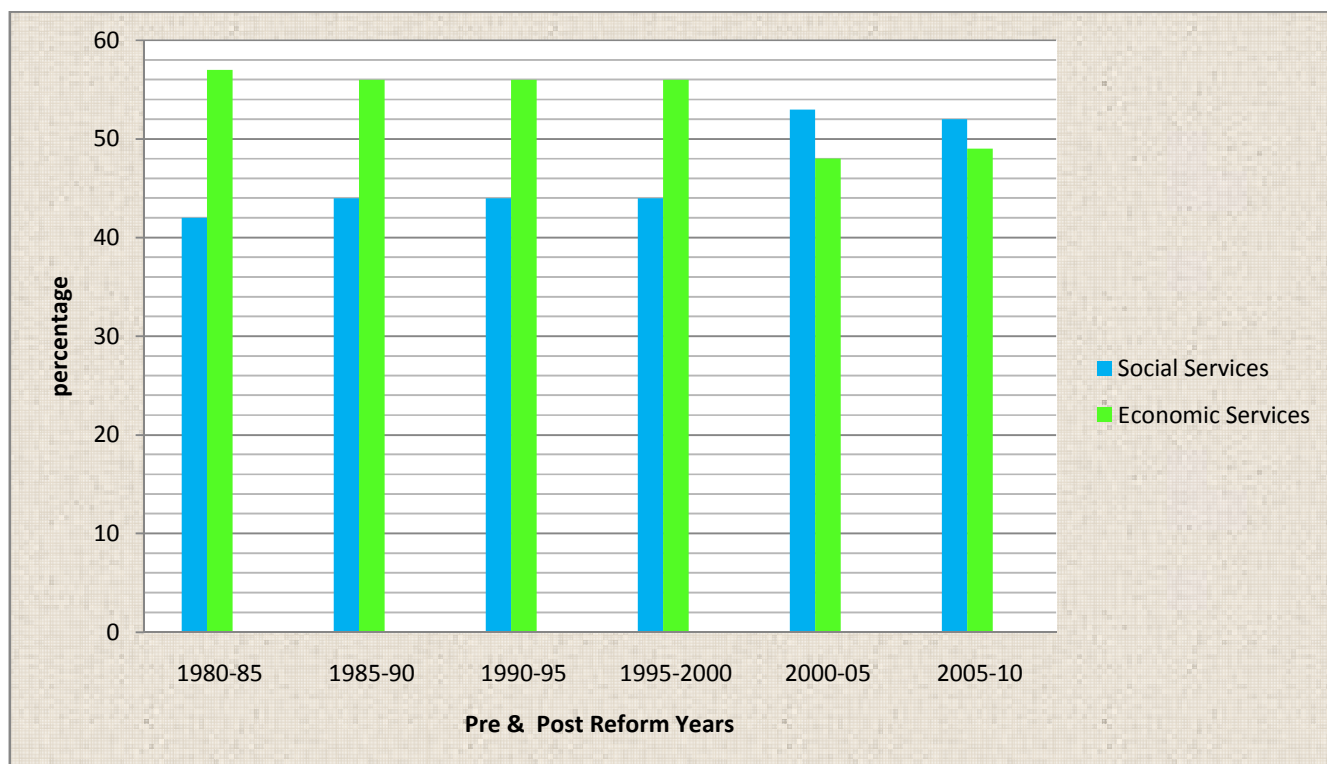
Year	Total Expenditure	Social Sector expenditure	Social Sector exp. as a % of total exp.
1984-85	398.57	124.18	31.15
1985-86	448.67 (12.56)	145.40 (17.08)	32.40
1986-87	517.86 (15.42)	167.86 (15.44)	32.41
1987-88	598.71 (15.61)	194.09 (15.62)	32.41
1988-89	670.78 (12.03)	223.10 (14.94)	33.25
1989-90	767.82 (14.46)	257.74 (15.52)	33.56
1990-91	910.88 (18.63)	299.60 (16.24)	32.89
1991-92	1079.29 (18.48)	336.88 (12.44)	31.21
1992-93	1193.35 (10.56)	373.32 (10.81)	31.28
1993-94	1338.49 (12.16)	415.97 (11.42)	31.07
1994-95	1591.47 (18.90)	477.41 (14.77)	29.99
1995-96	1746.32 (9.72)	565.12 (18.37)	32.36
1996-97	1992.54 (14.09)	638.04 (12.90)	32.02
1997-98	2239.24 (12.38)	715.36 (12.11)	31.94

Source: Budget documents of the state governments.



Source: Budget documents of the state governments.

**Figure-1**  
**Social Sector Expenditure as a % of Total Expenditure**



Source: State Finances: A Study of Budgets 2009-10

**Figure-2**  
**Share of Social and Economic Services in Development Expenditure**

The share of economic services in aggregate development expenditure of the states were high in the pre and post reform period and only during the years 2000-05 and 2005-10 onwards the share of social services have increased. The above chart shows that in the early reform years emphasis was given to the economic services and only in the latter years the importance of social services were realized.

**Pattern of Expenditure on Public health**

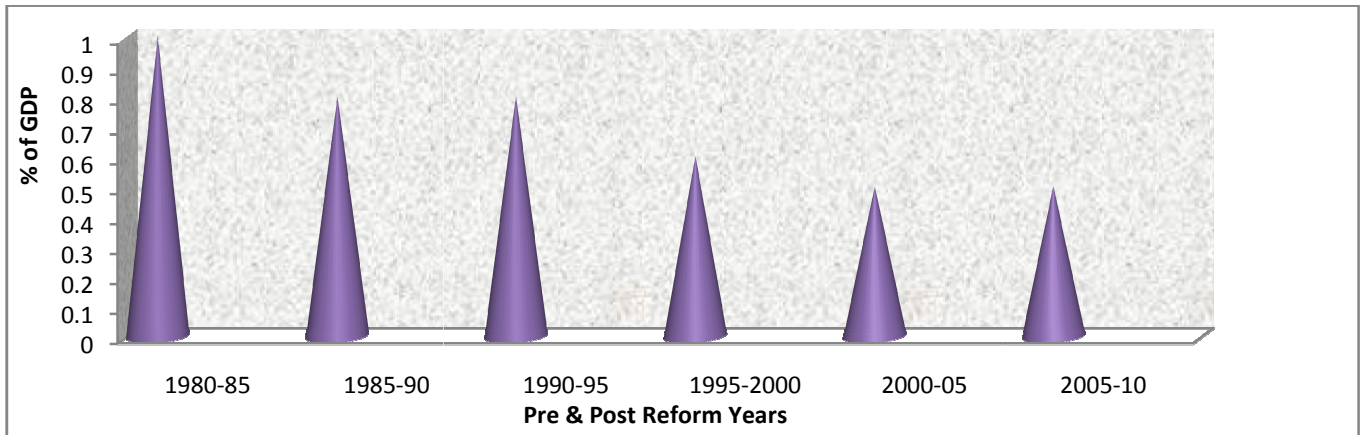
Health and Socio-Economic developments are interrelated with each other<sup>5</sup>,but in India government’s role in the health sector has not been that vibrant in the past years .The public health investments in the country over the years have been low as well as in terms of GDP contribution also its very bleak. The proportion of public expenditure on health is only .8 percent of GDP while the average public expenditure of less developed countries is 2.3 percent of GDP<sup>6</sup>.

From the above figure we can state that the Medical and Public health expenditure as a percentage of GDP was higher in the pre-reform era whereas it started blunting in the post reform era and this happened because in the post liberalization period governments have emphasized more on economic sector. In the first five year plan(1951-52 to 55-56) the total outlay was 1960crores out of which 65.20 crores were put in the health

sector and by the sixth plan(1980-81 to 1984-85) the total outlay rose to 97500 crores and out of which 1821 .10 crores were allocated to the health sector and by eighth plan (1992-97) the total outlay was about 434100 crores out of which 7575.90 were transferred to the health sector ,hence there has been increase in the central government outlays but the investment on health as a percentage of total outlay has been diminishing over the years of the reform period. Large inequities in health and access to health services continue to persist and have widened across states<sup>7</sup>.

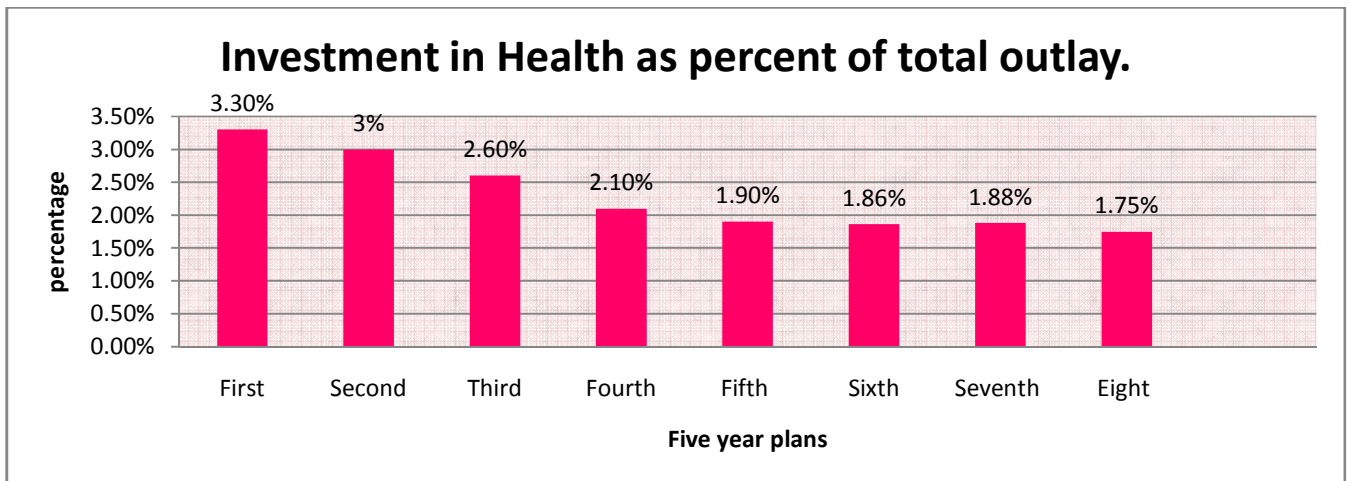
The above figure high lights that the investment in health as a percent of the total outlay has been decreasing in the five year plans. In the eighth five year plan which is in the post –reform year the investments have gone down to 1.75 % from 3.30% there has been a sharp fall by 1.55 percent whereas the percentage of investments in the pre-reform period were high.

Public health spendings play an active role in the betterment of human resource and hence the amount allocated in the public health greatly affect the social sector development.Over the past few years many studies have concluded that India’s public health expenditure is not up to the mark as per the international standards.



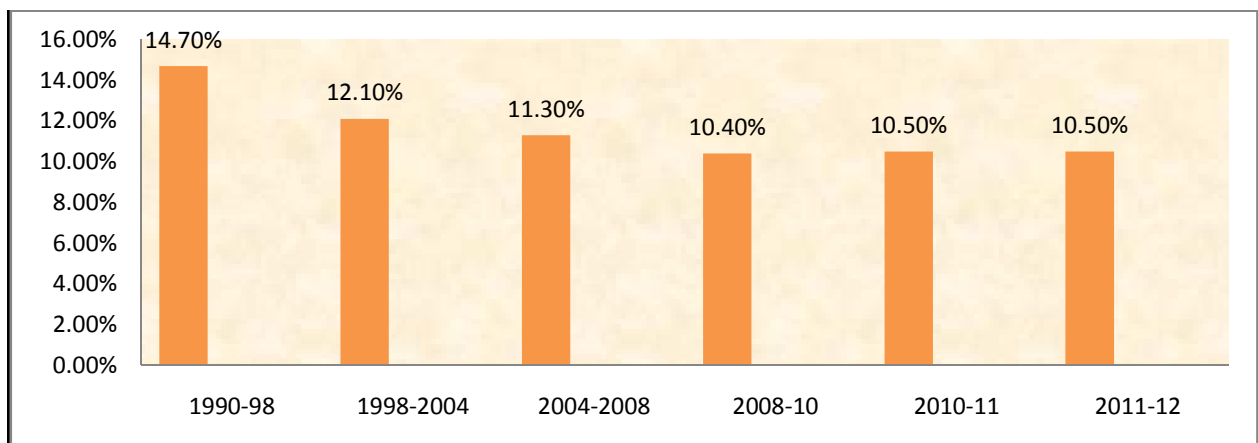
Source: Budget document of the state government.

**Figure-3**  
**Development Expenditure on Medical and Public Health as a % of GDP in the Pre and Post reform Period**



Source: Various budget documents and economic survey 1995-96 GOI.

**Figure-4**  
**Central Plan Allocation on Medical Care and Public Health**



Source Source: State Finances: A study of budget report 2013-14

**Figure-5**  
**Public health Expenditure as a % of Social Sector Expenditure in the Post -Reform Period**

The public health expenditure as a percentage of social sector expenditure in the post reform slot has been very feeble. In the year 1990-98 the public health expenditure was 14.7 percent but by the year 2008-10 it decreased to 10.4 percent and since then there has been consistent decrease in it. In the post reform era the major emphasis was given to economic sector only by the state governments and hence the public health status of many of the states were in a deteriorating condition.

### **Conclusion**

The economic reforms are concerned largely with economic sectors, the components of social sector have not been given much importance. The data relating to public sector allocation to the different components of the social sector in India are not satisfactory. Social sector should receive more importance as it directly affects the human development. There should be integration of social sector planning with economic planning. Usually social sector is considered as a residual sector in policy making. The health condition of a vast majority of the population remains worse even after a decade of reforms. More over government has to take immediate necessary steps to tackle the rising challenge of life taking diseases which rose during the reform period. It is not enough that higher allocations are made for the social sectors. The allocated amount need to be spent properly. Nutrition is a determinant of health<sup>8</sup> so government should allocate amount to the social sector for nutrition so that the malnutrition problems can be tackled. It is therefore imperative that the schemes meant to address such problems are designed and implemented in consultation with the local community. The economic reforms have performed well but they could not bring about effective changes in the health sector of India.

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