

Chapter IV :

GROWTH OF EXPENDITURE ON SOCIAL AND COMMUNITY SERVICES

In this chapter we examine the growth of the expenditure on Social and Community Services and we follow it up by analysing the distributional pattern of Social ^{and} Community Services.

Social and Community Services comprise Education, Art and Culture, Scientific Services and Research, Medical, Family Planning, Public Health and Water Supply, Housing, Urban Development, Labour and Employment, Information and Publicity, Social Security and Welfare, Relief on Natural Calamities and Other Social and Community Services.

An enumeration of the general causes for the rapid increase in Social and Community Services expenditure will help us to understand the intensity and magnitude of this expenditure category. Richard M. Bird maintained that 'the virtually worldwide nature of the upward surge of social expenditures in recent years is essentially a reflection of some of the basic political, social and ideological changes which have occurred over twentieth century'. The specific reasons narrated by him are as follows :

- a. Redistribution Policy of the Governments.
- b. Increase in population and urbanization.
- c. Rise in percapita income. As per capita income levels rise people will demand more of "luxuries" such as health, care and education.
- d. Expenditure on Public Health and Education are considered as investment in human capital.
- e. Another factor, which may influence the course of social expenditure is the way in which they are financed. It has, for example, been argued that programmes financed by earmarked taxes may tend to increase more rapidly than those financed by general revenues.
- f. Political reasons. The welfare expenditures are subject to political manipulation. Political forces, to some extent, account for the initiation and expansion of various social programmes. Indeed it has been even suggested that changes in social expenditure programmes have been sometimes 'so timed to win elections for the party in power'. Further it has been felt that, "all these factors may have helped to create a climate in which increased public financing of health, education and social welfare was seen as economically beneficial, socially desirable and politically necessary."¹

1 Richard M. Bird: Growth of Government Spending in Canada (Canadian Tax Foundation, Toronto) 1970, pp.160-162.
 Also see B.U. Ratchford: Public Expenditure in Australia (Duke University Press, Durham) 1959, p.262 and 269. A.R. Prest: Public Finance in Developing Countries (ELBS Edition) 1975, pp.117 and 127.

Yet another reason is that Government may feel the provision of social services as its moral obligation." Furthermore, even where concern for equality is of overriding importance, it is not always clear that governments see improvements only in terms of changes in the distribution of income. It is possible that governments are concerned more to reduce inequalities of access to some forms of basic services than to other forms of consumption believed to be less necessary. Governments may well consider that there is a moral obligation to ensure a reasonable degree of equality of access to a minimum level of food consumption, shelter, education and health care rather than being overly concerned about income distribution as such. Such concerns probably also reflect an appreciation of the 'externalities' deriving from a healthy population and in that case income distribution objectives are difficult to distinguish from another identified objective of government health policies discussed below - an improvement in the level of health standards for its own-sake."²

The emphasis on social services became greater since the Second Five Year Plan. One of the aims of the Second Five Year Plan was to reduce inequalities of income and establish more even distribution of economic power. The Planning

2 The Organisation for Economic Cooperation and Development: Public Expenditure on Health: Studies in Resource Allocation No.4 (OECD, Paris), 1977, p.43.

Commission stipulated that, "The pattern of investment in the plan, the direction of economic activity given by State action, the impact of fiscal devices used for mobilising the resources needed for the plan, the expansion of social services and the institutional changes in the sphere of land ownership and management, the functioning of joint stock companies, the managing agency system and the growth of cooperative sector under state sponsorship, all these determine the points at which new incomes will be generated and the manner of their distribution".³ It is thus obvious that the emphasis, so far as public expenditures were concerned, was on the increasing provision of social services.

A. Growth of Expenditure on Social and Community Services.

Table IV.1 shows the growth of expenditure on social and Community Services. On the lines of analysis followed in the previous chapter we trace the growth of social and community services expenditure period-wise, (1) 1957-58, (2) 1962-63, (3) 1967-68, (4) 1972-73 and (5) 1977-78.

A.1 Levels of Percapita Expenditure.

The percapita expenditure on Social and Community Services was at the maximum level at Rs.8.78 and Rs.16.55 in

3 Government of India, Planning Commission, Second Five Year Plan, p.33.

Table IV.1

Expenditure on Social and Community Services - At Current Prices
(Total Expenditure in Lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	1957-58	1957-58
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	1811 (32.86)	5.30	3582 (33.06)	9.71	6281 (53.09)	15.56	14744 (41.79)	33.08	32881 (44.29)	67.16	1715.62	1175.66
Assam	753 (26.48)	6.81	1478 (33.25)	11.56	3046 (30.87)	21.18	4502 (35.58)	28.98	10154 (40.45)	57.01	1248.47	737.15
Bihar	1668 (27.94)	3.82	2781 (33.30)	5.83	6783 (39.52)	12.90	12077 (36.15)	20.94	19991 (41.20)	31.88	1098.50	734.55
Gujarat	1520 (29.67)	7.47	1937 (27.30)	9.07	4963 (33.80)	20.45	13089 (44.72)	47.52	21238 (43.12)	68.66	1297.30	819.14
Haryana					1618 (29.13)	17.66	3857 (32.95)	37.37	75847 (32.82)	66.40	368.72	275.99
Jammu & Kashmir	196 (26.30)	4.98	486 (19.37)	13.35	1342 (29.83)	32.81	2865 (29.95)	60.57	4319 (29.79)	82.73	2103.57	1561.24
Karnataka	1332 (25.07)	6.03	2732 (29.09)	11.25	4710 (29.90)	17.45	12947 (39.64)	43.09	20159 (37.96)	61.05	1413.43	912.43
Kerala	1373 (46.05)	8.78	2894 (43.61)	16.55	5968 (48.16)	30.46	10177 (49.80)	46.32	21447 (55.56)	87.96	1462.05	901.82
Madhya Pradesh	1725 (34.21)	5.76	3485 (40.68)	10.41	8346 (47.16)	21.99	12808 (44.20)	29.81	23568 (40.28)	48.86	1266.26	748.26
Maharashtra	3509 (30.49)	6.29	3862 (26.38)	9.45	9559 (30.71)	20.78	29516 (45.36)	56.96	39195 (34.78)	68.24	1016.98	984.89

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Table IV.1 (contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
Orissa	595 (25.34)	3.61	1659 (25.14)	9.18	3435 (30.34)	17.02	7350 (38.12)	32.63	13435 (39.39)	54.02	2157.98	1396.39
Punjab	1017 (27.98)	5.88	2248 (27.46)	11.55	3030 (31.65)	23.99	7388 (39.05)	53.26	13653 (39.82)	89.64	1242.47	1424.48
Rajasthan	950 (30.30)	5.11	1996 (35.14)	9.56	5555 (40.75)	23.55	10740 (44.37)	40.48	18556 (40.28)	62.71	1853.26	1127.20
Tamil Nadu	1897 (32.07)	5.84	4024 (33.03)	11.68	8072 (34.59)	21.38	15490 (36.68)	36.68	29975 (42.45)	65.04	1430.12	1013.69
Uttar Pradesh	2211 (22.23)	3.16	3984 (21.11)	5.28	8683 (26.36)	10.53	19472 (33.98)	21.58	37789 (35.54)	38.80	1609.13	1127.84
West Bengal	2455 (34.98)	7.78	4317 (38.02)	11.96	8631 (42.29)	21.18	20396 (49.29)	44.76	30718 (43.81)	60.34	1151.24	675.57

Source: Appendix Table A.7.

- Notes : 1. Figures for Gujarat under the column for the year 1957-58 belongs to 1960-61.
 2. Figures in brackets indicate percentage to total Revenue expenditure.
 3. TE = Total Expenditure on Social and Community Services.
 PE = Per capita Expenditure.

Kerala in 1957-58 and 1962-63 respectively. But Kerala was replaced by Jammu & Kashmir in the next two periods. The Social and Community services expenditure per capita was at the peak level in 1967-68 and 1972-73 in Jammu & Kashmir at Rs.32.8 and Rs.60.57 respectively. In 1977-78 Punjab emerged to the first place with its per capita figure at Rs.89.64.

The per capita expenditure was at the bottom level in Uttar Pradesh at Rs.3.16 in 1957-58, at Rs.5.28 in 1962-63, at Rs.10.53 in 1967-68 and in Bihar at Rs.20.94 in 1972-73 and at Rs.31.88 in 1977-78.

Table IV.2

Measures of Inter-State Variation in Per capita Expenditure
on Social and Community Services

I. Ratio between the lowest and highest per capita expenditure levels.

1957-58	1:3
1962-63	1:3
1967-68	1:3
1972-73	1:3
1977-78	1:3

II.

Year	Mean (in Rs.)	Standard deviation	Coefficient of variation(In %)
1957-58	5.65	1.54	27.25
1962-63	10.42	2.75	26.39
1967-68	20.55	5.69	27.68
1972-73	39.62	11.72	29.58
1977-78	63.18	15.7	24.85

Source: Derived from Table IV.1.

A.3 Rate of Growth of Expenditure on Social and
Community Services.

The percapita expenditure on this function increased tremendously both at current and constant prices over the period of twenty-one years in all the states.

With the exception of Haryana, Jammu & Kashmir, Maharashtra and Rajasthan the rate of growth of Social and Community Services expenditure was greater than that of Economic Services in all the states. Moreover the expenditure on Social and Community Services grew faster than the expenditure on Administrative Services in all the states over the twenty-one years period under our review.

The share of total expenditure devoted to Social and Community Services had an upward trend in all the states except Jammu & Kashmir where it almost remained unchanged. The claim of Economic Services had a downward movement in all the states except Haryana, Jammu & Kashmir, Maharashtra, Punjab and Rajasthan. The administrative services as a proportion of total expenditure was higher than Social and Community Services in Jammu & Kashmir, Punjab and Uttar Pradesh in 1957-58. In 1962-63 also it was higher in Jammu & Kashmir. The share of these two services were almost equal in Rajasthan in 1957-58, and in Uttar Pradesh in 1962-63.

Except these variations, the share of Social and Community Services in total expenditure was higher in all the other states in these years and too high in all the sixteen states during the subsequent years. In all the states the claim of Social and Community Services in total revenue expenditure had an ascending order while that of administrative services showed descending order throughout the twenty-one years from 1957-58 to 1977-78. It is, therefore, not inappropriate to refer here, that, "The proportion of total expenditure devoted to social expenditures tends to rise in the course of economic development which means it grows at a faster rate than the average of other government expenditures."⁴

B. Distribution of the Expenditure on Social and Community Services.

A discussion on the distribution of the expenditure on Social and Community Service is warranted to know the items that contributed most to the increase in social and community services expenditure.

Table IV.3 presents the constituents of social and community Services expenditure.

Amidst the components of Social and Community Services Education dominates others. Medical and Public Health stands next to it. On the average education accounted for 60.61% and

4 Richard S. Thorn: "The Evolution of Public Finances During Economic Development," The Manchester School of Economic and Social Studies, Vol.I, XXXV, No.1, January 1967, p.23.

Table IV.3

Expenditure on the components of Social and Community Services (Figures in lakhs)

States	Education		Medical & Public Health		Housing		Labour and Employment		Social security and welfare		Relief on Nationalities		Others	
	1957-58	1977-78	1957-58	1977-78	1957-58	1977-78	1957-58	1977-78	1957-58	1977-78	1957-58	1977-78	1957-58	1977-78
Andhra Pradesh	1041 (18.88)	15070 (20.50)	1348 (7.69)	6683 (9.00)	1476 (0.79)	138 (0.18)	214 (0.27)	397 (0.53)	202 (3.66)	4237 (5.70)	1998 (1.54)	5506 (7.14)	1050 (1.41)	
Assam	450 (15.29)	7244 (28.86)	1510 (6.50)	1931 (7.59)	944 (1.61)	196 (0.78)	326 (0.21)	148 (0.58)	236 (6.07)	321 (1.27)	15950 (2.25)	163 (0.67)	15 (0.57)	
Bihar	825 (15.82)	1534 (27.17)	1498 (7.70)	4048 (8.34)	780 (2.12)	72 (0.14)	-43 (0.18)	336 (0.69)	65 (1.08)	1379 (2.84)	2022 (3.01)	571 (1.17)	401 (0.82)	
Gujarat	1054* (20.57)	13123 (26.64)	1145 (6.20)	4973 (10.09)	1464 (1.82)	291 (0.59)	213 (0.14)	254 (0.51)	283 (0.55)	1700 (3.45)	597 (18*)	451 (24.06)	2* (0.04)	446 (0.90)
Haryana	1049** (18.89)	4364 (18.83)	316 (5.86)	2252 (9.74)	589 (5.93)	42 (0.18)	-19 (1.30)	221 (0.55)	51** (0.11)	313 (1.35)	514 (44**)	227 (416)	18** (52)	165 (0.71)
Jammu & Kashmir	121 (16.24)	2411 (17.04)	1942 (7.30)	1181 (8.14)	2047 (1.74)	108 (0.74)	731 (0.34)	50 (0.34)	3 (4.01)	169 (1.16)	5533 (4.1)	41 (0.28)	4 (0.53)	299 (2.06)
Karnataka	896 (16.90)	11962 (22.40)	1232 (5.77)	4777 (8.94)	1456 (1.18)	187 (0.35)	197 (0.13)	241 (0.45)	7 (0.13)	2204 (4.12)	3136 (0.71)	259 (0.48)	12 (0.22)	530 (0.99)
Kerala	1012 (37.34)	14679 (35.29)	1350 (8.58)	4166 (10.01)	1527 (1.07)	215 (0.51)	572 (0.36)	275 (0.66)	58 (1.94)	1450 (3.48)	2400 (3.0)	452 (14.967)	210 (0.50)	
Madhya Pradesh	1036 (20.54)	12210 (20.87)	1079 (6.70)	5739 (9.89)	1613 (1.90)	340 (0.58)	254 (0.35)	306 (0.52)	1600 (3.53)	3447 (5.89)	1837 (1.03)	52 (1126)	7 (0.13)	350 (0.59)
Maharashtra	2328 (20.22)	22216 (19.71)	854 (7.68)	9162 (8.13)	936 (1.18)	2793 (2.47)	1954 (0.38)	670 (0.59)	97 (0.84)	2468 (2.19)	2444 (4.03)	403 (0.35)	19 (0.16)	1483 (1.31)
Orissa	315 (13.41)	7236 (21.21)	2197 (5.91)	3006 (8.81)	2063 (3.19)	317 (0.92)	323 (0.06)	152 (0.44)	10 (4.2)	1870 (5.48)	18600 (2.29)	54 (409)	445 (1.30)	
Punjab	659 (18.13)	7823 (22.81)	1087 (6.46)	3212 (9.36)	1267 (1.40)	48 (0.14)	-6 (0.16)	369 (1.07)	57 (1.56)	1483 (4.32)	2502 (0.24)	9 (311)	407 (1.18)	
Rajasthan	609 (19.42)	10140 (22.01)	1565 (8.26)	5358 (11.63)	1969 (0.95)	121 (0.26)	303 (0.19)	162 (0.35)	2 (0.06)	1180 (2.56)	58980 (1.30)	41 (1019)	3 (0.09)	576 (1.25)
Tamil Nadu	1119 (10.91)	16407 (23.23)	1366 (7.7)	7105 (10.06)	1445 (0.98)	921 (1.30)	1480 (3.73)	419 (0.59)	1 (0.01)	3572 (5.05)	37 (1025)	2670 (1.45)	1 (0.01)	526 (0.74)
Uttar Pradesh	1447 (14.54)	23383 (22.86)	1551 (5.47)	9186 (8.64)	1586 (0.24)	206 (0.19)	758 (0.30)	772 (0.72)	2473 (2.6)	2462 (2.31)	9369 (1.25)	998 (698)	14 (0.14)	282 (0.26)
West Bengal	1138 (16.21)	13175 (21.64)	1233 (8.70)	8212 (11.71)	1244 (1.61)	403 (0.59)	257 (0.11)	582 (0.83)	7175 (4.11)	2656 (3.78)	819 (4.13)	1135 (1.61)	5 (0.07)	2555 (3.64)

Sources: 1. For 1957-58 combined Finance and Revenue Accounts of Union and State Governments in India, Vol. 1957-58.

2. For 1977-78 Reserve Bank of India, Bulletin, for September-October, 1979.

Notes: 1. Figures in brackets indicate percentage to total revenue expenditure.

2. * belongs to 1960-61

** pertains to 1967-68.

and 58.03% of the Social and Community Services expenditure in 1957-58 and 1977-78 respectively.

The share of Medical and Public Health varied from 18.65% in Kerala to 28.06% in Jammu & Kashmir in 1957-58. By 1977-78 the enhanced share of this service ranged from 20.66% in Kerala to 30.28% in Jammu & Kashmir.

The other functional heads Housing, Labour and Employment, Relief on natural calamities and 'others' had individually taken smaller shares. So we are not interested in all of them. We make a reference to Housing, Social Security and Welfare and Relief on Natural Calamities.

B.2 Housing :

"The expenditures on Community Development and Housing reflect a combination of consumption and production externalities. To the extent that the housing levels of the poor affect the welfare of the other members of society, governmental intervention is needed to provide an adequate housing services."⁵ This signifies the importance of housing.

Housing includes expenditure on Direction and Administration and residential housing schemes such as village housing schemes, Slum Clearance, beautification of rural and urban areas, Police housing schemes, Industrial Housing Schemes, Rental Housing scheme, Housing for weaker Sections of the Community etc.

5 John F. Due and Ann F. Friedlander: Government Finances, Economics of the Public Sector. (Richard D. Irwin, Illinois), 1977, p.167.

In the first plan two urban housing schemes were formulated and they were subsidised Industrial Housing Scheme and Low Income Group Housing Scheme. During the Second Plan six more social housing schemes, namely, (i) Subsidised Housing Scheme for Plantation Workers, (ii) Slum clearance Scheme, (iii) Village Housing Project Scheme, (iv) Middle Income Group Housing Schemes (v) Rental Housing Scheme for State Government Employees and (vi) Land Acquisition and Development Scheme were taken up.

The Fifth Plan sought to achieve the following objectives and they are (i) preservation and improvement of the existing housing-stock; (ii) provision of house-sites to landless labourers as part of the Minimum Needs Programme, (iii) continuance of existing schemes to provide subsidised house to certain weaker sections of the community; (iv) expansion of support to institutional agencies such as Housing and Urban Development Corporations and Housing Boards under the State Governments to enable them to provide assistance for the benefit of low income and middle income groups and (v) intensification of research in and development of cheap building materials.

We can observe from Table IV.3 that the proportion of total expenditure spent on housing is meagre and the pro-

portion has declined by 1977-78 in all states except Maharashtra and Tamil Nadu. The percentage of total expenditure spared for housing in 1977-78 was highest in Maharashtra by 2.47% followed by Tamil Nadu 1.30% and Orissa 0.92%.

Even now there is acute shortage of housing in urban and rural areas and much of the available accommodation is qualitatively sub-standard. Upto the end of September 1977 about 7,61,550 housing units were constructed under the various social housing schemes.⁶

It has been argued that, "The poorest classes have suffered most since the public housing construction has been implemented with the middle classes in view, there has been practically no effort to house working classes. Even though some of the dwellings built for working classes are let for subsidized rents, they still cost the workers too much. Very little progress has been made in slum clearance."⁷

B.3 Expenditure on Social Security and Welfare.

The next item that showed an increasing tendency by 1977-78 over 1957-58 is Social Security and Welfare. The

6 Government of India, Ministry of Information & Broadcasting: India, a Reference Annual, 1978, p.382.

7 Mohammad Zahir: Public Expenditure and Income Distribution in India. (Associated Publishing House, New Delhi), 1972, p.94.

importance of Social security had been stressed as early as 1953-54 by the Taxation Enquiry Committee. It pointed out that, "In advanced nations social security and Social Services are implemented on a large scale and these measures include unemployment insurance, old age pension etc. The social service expenditures in these countries have a larger 'transfer payment' content in them. It is infact the 'transfer payment' of this nature that carry a more 'redistributive' element in expenditures. The need for such expenditures in the Indian Context hardly requires any emphasis".⁸

Social Security and Welfare includes expenditure on Civil Supplies, Relief and Rehabilitation of Displaced persons, welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Social Welfare Programmes like Education and Welfare of handicapped, Women's Welfare, Family and Child Welfare, Welfare of Poor and Destitute, Minimum needs Programme and Other Social Security and Welfare Programmes such as Insurance Schemes, Pensions under Social Security Schemes, Pensions to freedom fighters and their dependents and protected saving schemes.

John F. Due and Ann F. Friedlander point out that, "New

8 Government of India: Taxation Enquiry Commission Report, 1953-54, vol.I, p.142.

York and Massachusetts pay two to three times as much to recipients¹ as, say, Mississippi or Alabama. Finally, the welfare programme does not reach most of the poor."⁹ Same is the case among the states in India.*

B.4 Expenditure on Relief on Natural Calamities.

Provision of relief to victims of natural calamities is one of the basic responsibilities of state governments. This comprises the spending on relief operations necessitated by the occurrence of natural calamities like famine, floods, droughts and cyclone etc. This expenditure category though took a smaller share in the total revenue expenditure in most of the states occasionally it snatched away a sizeable portion in some states. For instance in 1957-58 Bihar and West Bengal spent Rs.180 lakhs and Rs.290 lakhs respectively. In 1977-78 the Government spending on relief on natural calamities amounted to the tune of Rs.5306 lakhs in Andhra Pradesh, Rs.1126 lakhs in Madhya Pradesh, Rs.1019 lakhs in Rajasthan, Rs.1025 lakhs in Tamil Nadu and Rs.1135 lakhs in West Bengal. As a proportion to total expenditure, the spending in Andhra Pradesh for relief from the devastation caused by the Cyclone came upto 7.14% in 1977-78. The severity of this expenditure

9 John F. Due and Ann. F. Friedlander: op.cit., p.121.

* Government of India, Report of the Finance Commission, 1978, p.14.

on the state budget will be clear when we compare it with the expenditure on some other functional categories. In 1977-78 Andhra Pradesh had spent 9.00% of its total on Medical and Public Health whereas it happened to spend 7.14% on relief on natural calamities. In almost all the states this expenditure function absorbed more than what had been spared for individual items like Housing, Labour and Employment and 'Others' which have larger 'transfer payment' content in them. Hence A. Premchand remarked that "The resources of the States meagre as they were, were hardly adequate to finance the developmental activities and what little they had they spent in off setting the periodic liabilities inflicted by floods, famines and droughts".¹⁰ Owing to the burden caused by the relief operations the state governments opposed¹¹ the Sixth Finance Commission's recommendation that, "the States, which are constitutionally responsible for provision of relief may often be called upon to deal with situations caused by localised failures of crops or distress caused by floods, cyclones and the like and other calamities. In our view, states should be enabled to tackle on their own way such situations without having to invoke central assistance".¹²

10 A. Premchand. Control of Public Expenditure in India. (Allied Publishers, Bombay), 1963, p.78.

11 See the Memorandums submitted by the State Governments to the VII Finance Commission.

12 Government of India, Report of the Finance Commission, 1973, p.66.

However, considering the financial burden of the states the Seventh Finance Commission asserted that, "the non-plan expenditure on relief account has been substantial in many states and this could have been met only by economies in maintenance expenditure and in Plan expenditure as well as through budgetary deficits, which we consider undesirable. We note here that on such occasions the State economy often suffers a set back and the State budget some loss of revenue".¹³ As such, it recommended two measures in favour of the states. Regarding drought relief, if the relief expenditure in any-year exceeds the margin provided by the commission as grant and the state's plan contribution, then the extra expenditure should be given by the Centre to the full extent half as grant and half as loans. With regard to expenditure on relief and restoration of public works following floods, cyclones and other calamities of this nature, it suggested, that the Central assistance should be made available as a non-plan grant, not adjustable against the Plan of a State or against the Central assistance for the Plan, to the extent of 75 per cent of the total expenditure in excess of the margin. The remaining 25% should be borne by the State which would discourage wasteful expenditure.¹⁴

13 Government of India, Report of the Finance Commission, 1978, p.52.

14 Ibid., p.53.

This approach of the Seventh Finance Commission clearly exposes the severity of the expenditure burden borne by the states.

Now we take up the analysis of the expenditures on the functions Education and Medical and Public Health, the major constituents on Social and Community Services.

B.5 Expenditure on Education*.

Education is a state subject. It claims the major chunk of the expenditure charged to revenue.

The reasons for the growth of this expenditure are many and varied. In tracing the growth of expenditure on education in developing countries A.R. Prest purported that, "It is not difficult to see the reasons for these developments in a qualitative way. It is partly a matter of population growth and especially urban population growth, partly that there is an element of keeping up with the Jones in such matters, but most important of all, a belief in the idea that there are real advantages to be won from the accumulation of human capital: greater physical and mental dexterity, better knowledge of job opportunities, greater willingness to take risks and launch out into new enterprises and new jobs, the

* The expenditure items (i) Amount transferred to Fund for promotion of Education amongst educationally Backward Classes and (ii) Expenditure for promotion of Education among educationally backward classes were booked under the major head Education before 1974-75. As per the new classification we have shifted them to Social Security and Welfare.

hope that more education contributes to the breaking down of antiquated class structures and possibly also to the potential effects of slowing down the growth rate of population." He, further, has added, that, "It has not proved easy to disentangle purely economic determinants of education expenditure in developing countries by econometric cross-section methods; it may well be that political and social influences are the over riding ones."¹⁵

Should education be publicly financed? It has been argued that, "one social factor is a concern with 'standards' in education. Via public provision of education as well as public financing the state can exert greater control over standards. Presumed under this is the notion that the state, rather than the students and their parents, know the best what the standards ought to be. Also involved might be a feeling that public education is a form of income distribution and that as such the whole process should only be in the hands of the government."¹⁶

Expenditure on education is a form of investment.

Investment in education leads to increased production and

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- 15 A.R.Prest: Public Finance in Developing Countries. (E.L.B.S. Edition), 1975, pp.121-122.
 - 16 Bernard H. Blooms and TEH-WELHU: "Towards a Positive Theory of State and Local Public Expenditure: An Empirical Example". Public Finance No.3, 1971, p.423.

social transformation.¹⁷ As an example, here, we make reference to some studies done on these lines. Theodore W. Schultz concluded from an examination of the relationship between expenditures on education and physical capital formation in the United States for the period of 1900 to 1956 that expenditure on education contributed 5.5 times more than the investment in physical capital. Edward F. Danison showed that in the United States education was the source^{of} 23% of the growth of total real national income per person employed during 1929-1957. Hector Correa attributes 31% of the increase in private non-farm GNP of United States between 1909 and 1949 to labour capital inputs, 5.3% to increments in education of the labour force, 4.4% to proved working capacity due to health improvements and 59.3% to other technological progress."¹⁸

Having enumerated the general causes for the growth of expenditure on education and its economic and social benefits,

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- 17 See William G. Shepherd: Alternatives for Public Expenditure, ed. Richard Cave: Britains Economic Prospects. (George Allen & Unwin, London), 1963, p.416.
 G.H. Peters. Cost-Benefit Analysis and Public Expenditure. (Institute of Economic Affairs-Westminister), 1973, pp.10-11.
 Ronald A. Wykstra: Human Capital Formation and Manpower Development (The Free Press, New York), 1971, p.26.
 T.Mathew: Economics of Public Expenditure (Vora & Co., Bombay) 1972, pp.90-91).
 Otto Eckstein: Public Finance (Printice-Hall, New Jersey), 1964, p.16.
 R.N.Bhargava: The Theory and Working of Union Finance in India. (Chaitanya Publishing House, Allahabad), 1977, p.489.
- 18 Quoted by D.M.Mangundappa: Studies in Public Finance. (Asia Publishing House, Bombay), 1976, p.16.

we proceed to the analysis of the education expenditure of the states in India.

We make use of the percapita expenditure for inter-state comparison. We are not using per pupil educational expenditures for obvious reasons. It may not be incorrect to refer here that, "Three possible measures of public expenditure for education exist: total educational expenditure, per pupil educational expenditure, per capita educational expenditure. Since there is a variation among communities in the percentage of population of school age, per capita measures will provide more information about community expenditure effort than will per pupil measures. It is on this basis that the percapita public expenditure measure was picked up as most suitable for the purpose at hand."¹⁹

B.5.1 Levels of Percapita Expenditure on Education.

Tables IV.4 and IV.5 present the expenditure on Education at current and constant prices respectively.

As seen from Table IV.4 the education expenditure per head of population was at the height in Kerala and at the bottom in Bihar in all the years. The percapita expenditure on education in Kerala was three times higher than that of Bihar. Historically Kerala spends much on education.

19 Bernard H. Blooms and TEH-WEIHU, op.cit., p.425.

Table IV.4

Expenditure on Education at Current Prices

(Total Expenditure in lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	1957-58	1957-58	1957-58	1957-58
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	1041 (18.88)	3.04	2205 (20.35)	5.97	3775 (19.88)	9.35	6841 (19.39)	15.34	15070 (20.30)	30.98	1347.64	919.07		
Assam	450 (15.82)	4.07	881 (19.82)	6.89	1780 (18.03)	12.37	2693 (21.28)	17.34	7244 (28.86)	40.67	1509.77	899.26		
Bihar	825 (13.82)	1.89	1535 (18.38)	3.21	2658 (15.48)	5.05	6135 (18.36)	10.64	13184 (27.17)	21.02	1498.06	1012.16		
Gujarat	1054* (20.57)	5.18	1366 (19.25)	6.39	2643 (18.00)	10.89	5521 (18.86)	20.04	13123 (26.64)	42.42	1145.06	718.91		
Haryana					1049 (18.89)	11.45	2111 (18.03)	20.45	4364 (18.88)	38.21	316.01	233.71		
Jammu & Kashmir	121 (16.24)	3.07	277 (11.04)	7.60	662 (14.71)	16.18	1138 (11.72)	24.05	2471 (17.04)	47.33	1942.14	1441.69		
Karnataka	898 (16.90)	4.06	1663 (17.71)	6.84	3165 (20.09)	11.72	6360 (19.47)	21.17	11962 (22.40)	36.22	1232.07	792.11		
Kerala	1012 (33.94)	6.47	1920 (28.93)	10.98	4153 (33.51)	21.19	7110 (34.79)	32.36	14679 (35.29)	60.20	1350.49	830.44		
Madhya Pradesh	1036 (20.54)	3.46	2057 (24.01)	6.14	3971 (22.44)	10.46	6696 (23.10)	15.58	12210 (20.87)	25.31	1078.57	631.50		
Maharashtra	2328 (20.22)	4.17	2254 (15.39)	5.51	5708 (18.34)	12.41	11433 (17.57)	22.06	22216 (19.71)	38.68	854.29	827.57		
											cont...			

Table IV.4 (contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
Orissa	315 (13.41)	1.91	770 (11.60)	4.26	1602 (14.15)	7.93	2997 (15.54)	13.30	7236 (21.21)	2909	2197.14	1423.03
Punjab	659 (18.31)	3.81	1358 (16.59)	6.98	2037 (21.27)	16.12	3976 (21.01)	28.66	7823 (22.81)	51.36	1087.10	1248.03
Rajasthan	609 (19.42)	3.27	1293 (22.76)	6.19	2717 (19.93)	11.52	5322 (21.98)	20.06	10140 (22.01)	34.26	1565.02	947.70
Tamil Nadu	1119 (18.91)	3.44	2581 (21.18)	7.49	5365 (22.99)	14.21	9331 (22.01)	22.10	16407 (23.23)	35.60	1366.21	934.88
Uttar Pradesh	1447 (14.54)	2.06	2567 (13.60)	3.40	5382 (16.33)	6.52	10923 (19.06)	12.10	23883 (22.46)	24.52	1550.51	1090.29
West Bengal	1138 (16.21)	3.60	2313 (20.36)	6.41	4566 (22.36)	11.20	7959 (19.21)	17.46	15175 (21.64)	29.81	1233.47	728.05

Source: Appendix Table A.15

Notes : 1. Figures in brackets indicate percentage to total revenue expenditure.

2. TE = Total Expenditure on Education

PE = Per capita Expenditure.

3. * belongs to 1960-61.

Table IV.5

Expenditure on Education at 1960-61 Constant Prices

(Total Expenditure in lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58	PE % increase over 1957-58
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE		
Andhra P.	1119	3.27	2100	5.69	2221	5.50	3289	7.37	4974	10.22	344.50	212.53
Assam	484	4.38	839	6.56	1047	7.28	1295	8.33	2391	13.42	394.00	206.39
Bihar	887	2.03	1462	3.06	1564	2.97	2950	5.11	4351	6.93	390.52	241.37
Gujarat	1054	5.18	1301	6.09	1555	6.40	2654	9.63	4331	14.00	310.91	170.27
Haryana					617	6.73	1015	9.83	1440	12.60	133.38	87.22
Jammu & Kashmir	130	3.30	264	7.25	389	9.51	547	11.56	816	15.63	527.69	373.62
Karnataka	966	4.37	1584	6.52	1862	6.89	3058	10.17	3948	11.95	308.69	173.45
Kerala	1088	6.96	1829	10.46	2443	12.47	3418	15.55	4845	19.87	345.31	185.48
Madhya Pradesh	1114	3.72	1959	5.85	2336	6.15	3219	7.49	4030	8.35	261.75	124.46
Maharashtra	2503	4.49	2147	5.25	3358	7.30	5497	10.60	7332	12.76	192.92	184.18
Orissa	339	2.05	733	4.05	942	4.66	1441	6.39	2397	9.63	607.07	369.75
Punjab	709	4.10	1293	6.64	1198	9.48	1912	13.78	2582	16.95	264.17	314.41
Rajasthan	655	3.52	1231	5.89	1598	6.77	2559	9.64	3347	11.31	410.99	221.30
Tamil Nadu	1203	2.70	2458	7.13	3156	8.36	4486	10.62	5415	11.75	350.12	217.56
Uttar Pradesh	1556	2.22	2445	3.24	3166	3.84	5251	5.82	7882	8.09	406.55	264.41
West Bengal	1224	3.87	2203	6.10	2686	6.59	3826	8.39	5008	9.83	309.15	154.01

Source: Appendix Table A.16

Notes: 1. TE - Total Expenditure ; PE - Per capita Expenditure

2. * belongs to 1960-61.

In 1957-58 Kerala had the percapita expenditure at Rs.6.47 followed by Maharashtra with Rs.4.19. The percapita expenditure in Bihar was Rs.1.89 in that year. By 1977-78 the education expenditure per head of population was Rs.60.20 in Kerala followed by Rs.51.36 in Punjab. The lowest level was Rs.21.03 in Bihar. Though a weaker state, Assam possessed relatively higher percapita expenditure.

Share of the Expenditure on Education :

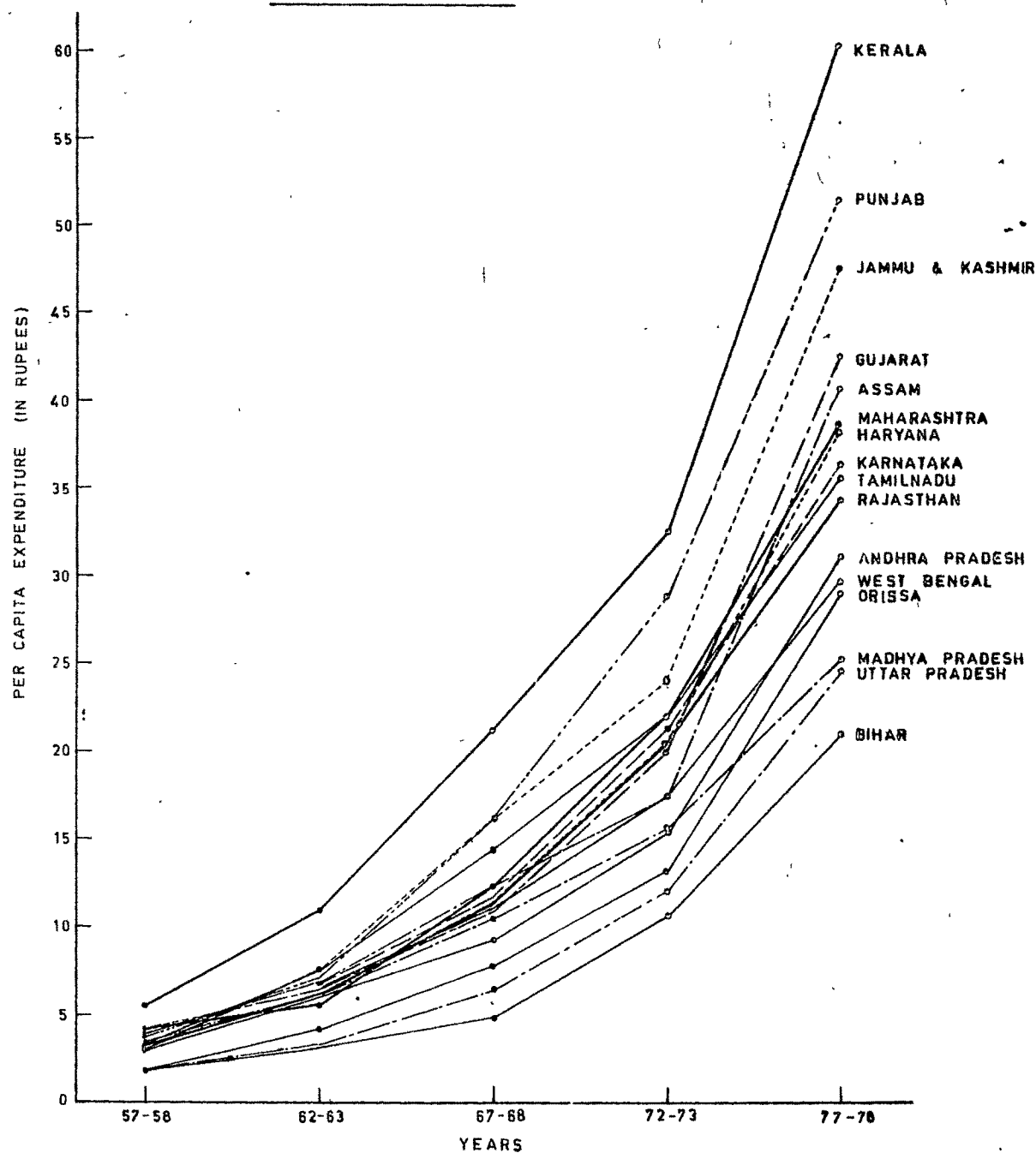
The proportion of total revenue expenditure devoted to education differed from 14.54% in Uttar Pradesh to 33.94% in Kerala in 1957-58 and from 17.04% in Jammu & Kashmir to 35.29% in Kerala by 1977-78. Of all the states allotment of highest share to this function occurred in Kerala in all the years. Jammu & Kashmir spent the lowest percentage except in 1957-58 when Uttar Pradesh stood at the bottom. Barring Jammu & Kashmir and Maharashtra the percentage of total revenue expenditure spared for education moved up in all the states. However, education obtained the highest share of total revenue expenditure in all the states.

Rate of Growth of Education Expenditure :

The percapita expenditure on education increased in all the states both in money terms and real terms over each six year period.

FIG: IV-1

PER CAPITA EXPENDITURE ON EDUCATION
(AT CURRENT PRICES)



Source: Table IV.4

Over the twenty-one years it grew faster in Jammu & Kashmir than in other states. The smallest growth was in Madhya Pradesh. It spurted up by 1441.6% and 631.50% in those two states respectively.

In real terms its growth ranged from 2 to 5 fold during the same period.

Inter-state Disparity in the Percapita Expenditure :

Table IV.6 shows the extent and trend in the variations in the percapita expenditure levels.

Table IV-6

Measures of inter-state variations in percapita
expenditure on education

I. Ratio between the lowest and highest percapita expenditure levels.

1957-58	1:3
1962-63	1:3
1967-68	1:4
1972-73	1:3
1977-78	1:2.79

Table IV-6 (contd.)

IV. Rank Correlation coefficient between 1957-58 percapita expenditure levels and the percentage variation in percapita expenditure levels.

1957-58 and 1962-63	-0.5617*
1957-58 and 1957-58	-0.2941
1957-58 and 1972-73	-0.4705
1957-58 and 1977-78	-0.5705*

* Significant at 5% level.

Source: Derived from Table IV-4.

The inter-state disparity in the percapita spending is wider and almost remains stable. The relative ranking of the states by the size of their percapita expenditures also almost stayed constant as disclosed by Table IV.7.

Table IV-7

Matrix of Rank Correlations Among the Rankings
of Percapita Expenditure on Education in
Selected Years

Years	1957-58	1962-63	1967-68	1972-73	1977-78
1957-58	1	0.5117*	0.6264**	0.6294**	0.7411**
1962-63		1	0.8411**	0.8235**	0.7676**
1967-68			1	0.9470**	0.8573**
1972-73				1	0.8411**
1977-78					1

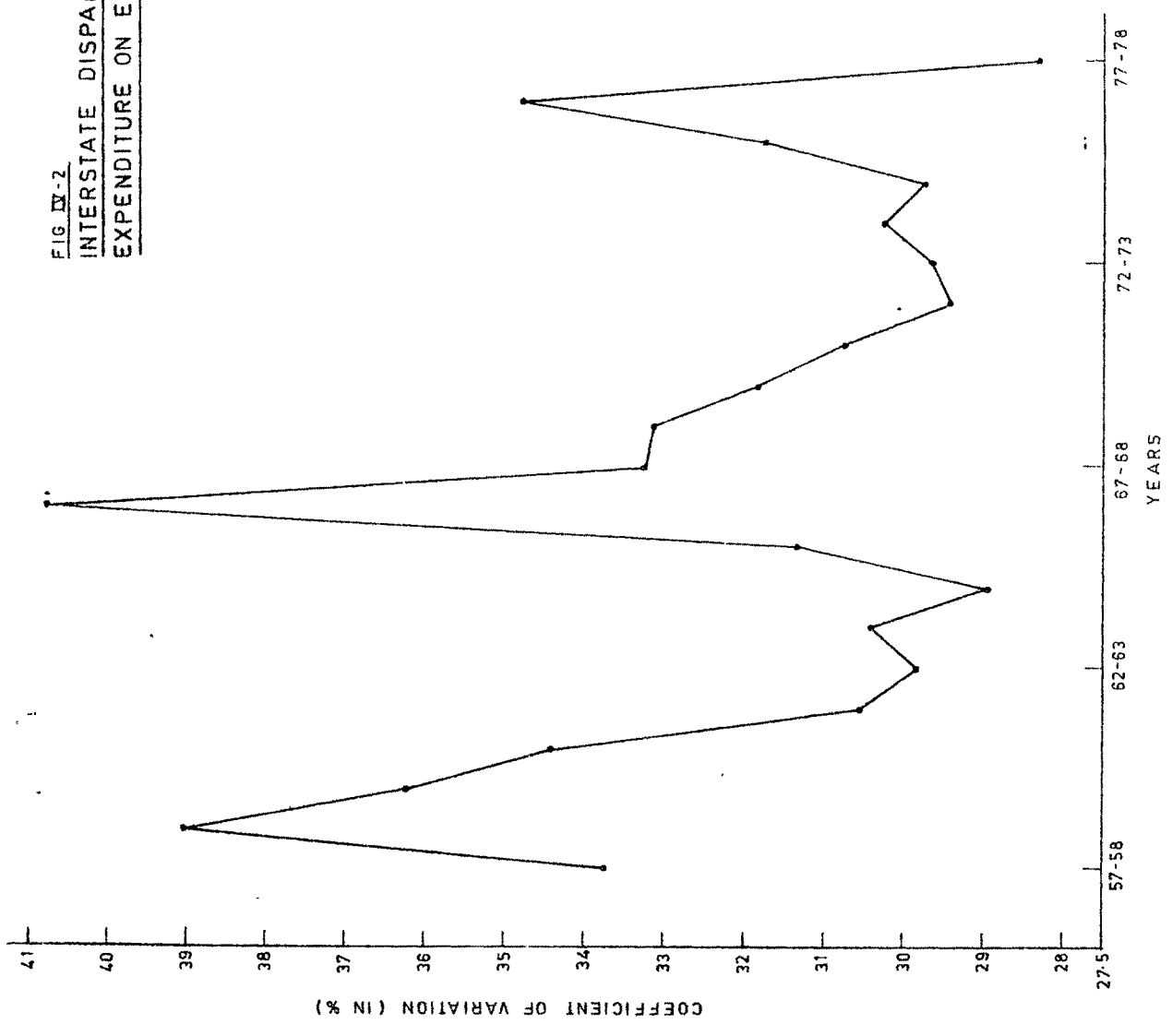
** Significant at 1% level

* Significant at 5% level.

Source: Derived from Table IV.4.



FIG IV-2
INTERSTATE DISPARITY IN PER CAPITA
EXPENDITURE ON EDUCATION



Source: Table IV.6

The states Assam, Gujarat, Haryana, Kerala, Maharashtra and Punjab continued to have larger percapita expenditures while the weaker states Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh remained below the all states average percapita levels with their smaller percapita expenditures.

Therefore no appreciable change happened in the inter-state spending differentials and relative ranking of the states.

B.5.2 Distribution of Education Expenditure :

The aggregate expenditure on education comprises the government spending on Primary Education, Secondary Education, Higher Education, Technical Education, Special Education and General Education. An analysis of the distribution of the expenditure on education will show the growth pattern of education expenditure and the relative importance of its components in different states.

Of all the five levels of education which level had contributed more for the increase in total expenditure?

One way of measuring the changes in the pattern of expenditures is to make a functional distribution of the increase in total expenditures.²⁰ When distributed the increase in the total expenditure on education on its components primary

20 B.U. Ratchford: Public Expenditure in Australia.
(Duke University Press, London), 1959, p.54.

and secondary education accounted foremost to the increase. The distribution of the education expenditure²¹ is presented in Table IV.8.

Expenditure on Primary Education :

In 1957-58 the percapita expenditure on primary education was highest at Rs.3.14 in Kerala followed by Rs.2.54 in Maharashtra and Rs.2.46 in Karnataka. It was lowest at 0.22 paise in West Bengal.

In 1974-75 also the percapita expenditure on primary education was greater in Kerala and was least in Andhra Pradesh. In 1957-58 and 1974-75 the states Bihar, Jammu & Kashmir, Orissa, Uttar Pradesh and West Bengal were below the all state average level. In 1974-75 Andhra Pradesh, Haryana, Madhya Pradesh, and Punjab joined with them.

A comparison of the positions of the states in relation to percapita aggregate expenditure on education and percapita expenditure on primary education gives some interesting informations. For instance Jammu & Kashmir, Haryana and Punjab had their percapita total education expenditures above the all state averageⁱⁿ 1974-75. Curiously their percapita figures on Primary education were below the all state

21 We confined our analysis to the period 1957-58 to 1974-75 since the expenditure figures on various levels of education are available only upto 1974-75.

Table IV.8
Distribution of the expenditure on Education at current prices
(Total Expenditure in lakhs of Rs., Percentage expenditure in Rs.)

States	(1) Primary Education					(2) Secondary Education					(3) Higher Education				
	1974-75					1974-75					1974-75				
	TE	PE	TE	PE	Inor.	TE	PE	TE	PE	Inor.	TE	PE	TE	PE	Inor.
Andhra Pradesh	572 (54.9)	1.67	3971 (42.96)	8.57	594	413	204 (19.59)	0.59	2988 (31.64)	6.45	1365	993	1411 (17.54)	0.41	2040 (21.60)
Assam	133 (30.88)	1.25	2083 (48.28)	12.66	1399	913	84 (18.66)	0.76	1361 (31.54)	8.27	1520	988	21 (6.00)	0.24	521 (12.07)
Bihar	333 (40.36)	0.76	5458 (60.97)	9.13	1539	1101	112 (13.57)	0.25	1222 (13.65)	2.04	991	716	85 (10.30)	0.19	1608 (17.56)
Gujarat	701 (66.50)	3.44	4036 (54.41)	13.95	475	306	180 (17.07)	0.88	2316 (31.22)	8.00	1187	809	89 (8.44)	0.43	793 (10.69)
Haryana	37 (27.88)	0.97	1252 (33.36)	11.62	1339	1098	168 (53.84)	1.00	1365 (44.00)	12.57	715	574	34 (10.89)	0.38	349 (11.25)
Jammu & Kashmir	24 (19.33)	0.61	591 (33.56)	11.98	2363	1864	51 (42.14)	1.29	841 (47.75)	17.05	1549	1222	15 (12.39)	0.38	237 (13.45)
Karnataka	543 (60.46)	2.46	4632 (56.39)	14.81	753	502	99 (11.12)	0.44	1757 (21.87)	5.74	1715	1205	96 (10.69)	0.43	1450 (17.65)
Kerala	491 (48.51)	3.14	5953 (57.32)	25.90	1112	725	296 (29.24)	1.89	2664 (25.65)	11.59	800	513	54 (5.33)	0.34	1457 (14.02)
Madhya Pradesh	402 (44.59)	1.54	4670 (50.29)	10.36	911	573	277 (26.73)	0.92	3111 (33.50)	6.90	1023	650	147 (14.18)	0.49	1216 (13.09)
Maharashtra	1418 (60.91)	2.54	8117 (49.75)	15.00	472	491	303 (16.88)	0.70	5255 (32.20)	9.71	1237	1287	185 (7.94)	0.33	1678 (10.28)
Orissa	134 (42.53)	0.81	2083 (44.24)	8.87	1454	995	64 (20.31)	0.38	1687 (35.83)	7.19	2536	1792	40 (12.69)	0.24	662 (14.06)
Punjab	285 (43.24)	1.64	1640 (29.99)	11.38	475	594	219 (33.23)	1.26	2898 (53.00)	20.12	1223	1497	102 (15.47)	0.59	672 (12.29)
Rajasthan	170 (27.91)	0.91	3845 (56.17)	13.84	2162	1421	264 (43.34)	1.42	1888 (27.58)	6.79	615	378	64 (10.50)	0.34	839 (12.25)
Tamil Nadu	643 (57.46)	1.98	5915 (51.56)	13.48	820	581	227 (20.28)	0.69	3805 (33.16)	8.67	1576	1157	96 (8.57)	0.29	1436 (12.51)
Uttar Pradesh	535 (36.97)	0.76	9467 (55.59)	10.15	1670	1236	284 (19.62)	0.40	5461 (32.06)	5.85	1823	1363	118 (8.15)	0.16	1711 (10.04)
West Bengal	71 (6.23)	0.22	4320 (41.13)	9.06	5985	4018	145 (12.74)	0.45	3968 (37.78)	8.33	2637	1751	80 (7.02)	0.25	1775 (16.90)

cont...

average in 1974-75. On the other hand, though the percapita expenditure on education as a whole was lower than the all state average in Assam, Gujarat, Karnataka, Rajasthan and Tamil Nadu in 1974-75 their percapita expenditure on primary education was above the all state average^{at} that function.

The states Bihar, Orissa and Uttar Pradesh stood below the all state average level in terms of percapita total education expenditure as well as percapita primary education expenditure in 1957-58 and 1974-75. Both the percapita figures were below the all state average in Andhra Pradesh and West Bengal in 1974-75.

The coefficient of variation which was 55.62% in 1957-58 decreased to 33.17% in 1974-75 indicating that the inter-state disparity tends to narrow down. However the gap is still very wide.

The Sixth Finance Commission recommended for the provision of funds for Andhra Pradesh, Bihar, Haryana, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal with the intention of raising their percapita expenditure on primary education to the all state average level within five years period from 1974-75 to 1978-79.²² Even then all these

22 Government of India, Report of the Sixth Finance Commission, 1973, p.51.

states except Rajasthan stood below the all state average percapita expenditure on primary education.²³

Share of Primary Education.

The proportion of the expenditure on Primary education to the education expenditure as a whole varied from 6.23%* in West Bengal to 60.91% in Maharashtra in 1957-58 and from 29.99% in Punjab to 60.97% in Bihar in 1974-75. By 1974-75, apart from Andhra Pradesh, Karnataka, Maharashtra, Punjab and Tamil Nadu the share of primary education increased from 1957-58 level in all the states.

Expenditure on Secondary Education :

The Resolution on National Policy on Education, 1968, Viewed that, "Educational Opportunity at the secondary (and higher) level is a major instrument of social change and transformation. Facilities for secondary education should accordingly be extended expeditiously to areas and classes which have been denied these in the past."²⁴

23 In 1975-76 also all these states except Rajasthan and Punjab stood below the average for all states.

* The smaller share of Primary Education suggests that there might have been anomalies in the classification of the expenditure on Education in West Bengal. Due to lack of sources we are not able to clarify it.

24 Government of India, Ministry of Education: Resolution on National Policy of Education, (N.F. 30-60/67.1.4) 1968, p.10

The percapita expenditure on secondary education was Rs.1.89 in Kerala and paise 0.25 in Bihar, the highest and the lowest levels among all the states in 1957-58. The percapita figures on secondary education, in 1974-75, was at the peak level at Rs.20.12 in Punjab followed by Rs.17.05 in Jammu & Kashmir. It was lowest in Bihar at Rs.2.04.

The coefficient of variation remained at 60.25% in 1957-58 and 49.11% in 1974-75. This implies that there is wide disparity in the percapita expenditure on secondary education.

The share of secondary education in aggregate education expenditure varied from 11.02% in Karnataka to 43.34% in Rajasthan by 1957-58 and from 13.65% in Bihar to 53% in Punjab by 1974-75. It is interesting to note that in 1974-75 Bihar and Punjab allotted respectively the highest and lowest percentage on primary education. The claim of secondary education decreased from 1957-58 level only in two states namely Kerala and Rajasthan. It almost remained stable in Bihar and went up in other states.

Expenditure on Higher Education.

The expenditure on higher education comprises University education and technical education in our analysis. In 1957-58 the maximum percapita expenditure level was 0.59 paise in Punjab and the minimum level was 0.16 paise in West Bengal.

By 1974-75 Kerala ousted Punjab from first place. Kerala had the percapita level at Rs.6.34. By replacing West Bengal, Uttar Pradesh went to the last place with Rs.1.83. The coefficient of variation increased from 27.27% in 1957-58 and 31.46% in 1974-75. The percentage of total education expenditure allotted to higher education ranged from 5.33% in Kerala to 15.47% in Punjab in 1957-58 and from 10.04% in Uttar Pradesh to 21.60% in Andhra Pradesh in 1974-75. Except Madhya Pradesh and Punjab all the states increased their shares for higher education during the period of our analysis.

Special Education.

Special education includes expenditure on Adult Education, Promotion of Modern Indian Languages and Literature, Commercial Institutes and other Expenditures.

The aim of adult education has been mentioned as 'The liquidation of mass illiteracy'. The Resolution on National Policy on Education states that, "The liquidation of mass illiteracy is necessary not only for promoting participation in the working of democratic institutions and for accelerating programmes of production especially in agriculture but for quickening the tempo of national development in general."²⁵

25 Ibid, p.11.

The highest level of percapita expenditure on special education was 0.27 paise in Maharashtra and 0.33 paise in Punjab in 1974-75. The average per capita level stood at 0.14 paise in 1957-58 and 0.18 paise in 1974-75. The proportion of special education expenditure in total expenditure declined drastically in all states by 1974-75. This tendency on the part of the states is in contravention with the objectives of National Policy on Education.

Expenditure on General Education.

The General Education includes expenditure on Direction and Administration, Research, Training, Scholarships, Transfers to/from Reserve Funds and Deposit Accounts and other expenditures.

Rs.2.61 in West Bengal and Rs.2.32 in Maharashtra were the highest levels of percapita expenditure on general education in 1957-58 and 1977-78 respectively. In all states but Uttar Pradesh and West Bengal the percapita expenditure went up. While the percentage of total education expenditure spent on General Education decreased heavily in most of the states in 1974-75 it went up in Gujarat and remained without change in Maharashtra.

Growth of Expenditure on Different Levels of Education.

The above analysis shows that the expenditure on different levels of education increased phenomenally during the seventeen years. When we compare the rate of growth of expenditure on these different levels we get an interesting picture. The primary education expenditure shot up faster than that of secondary education in Bihar, Gujarat, Haryana, Jammu & Kashmir, Kerala, Rajasthan and West Bengal. Expenditure on Secondary education had grown faster in the other nine states. In general the magnitude of increase in secondary education expenditure was higher than that of primary and higher education.

B.5.3 Expenditure on Education and Literacy Rate.

Are there any relationship between the level of per-capita total expenditure on education and literacy rate?

From Table IV-9 it can be seen that the literacy rate is higher in Kerala than in other states where the percapita expenditure and percentage of total revenue expenditure devoted for education are higher than in any other state. In general we can say that in those states where the per-capita expenditure is lower than the all state average the literacy rate is also below the all India rate. For instance in Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan

Table IV-9
Literacy Rates, 1961 & 1971

States	Percentage of Literacy	
	1961	1971
1. Andhra Pradesh	21.2	28.52
2. Assam	27.4	34.60
3. Bihar	18.4	23.35
4. Gujarat	30.5	41.84
5. Haryana		31.91
6. Jammu & Kashmir	11.00	21.71
7. Karnataka	25.4	36.83
8. Kerala	46.8	69.75
9. Madhya Pradesh	17.1	26.37
10. Maharashtra	29.8	45.77
11. Orissa	21.7	30.53
12. Punjab	24.2	38.69
13. Rajasthan	15.2	22.57
14. Tamil Nadu	31.4	45.40
15. Uttar Pradesh	17.6	25.44
16. West Bengal	29.3	38.86
All India	24.00	34.45

Source: India, A Reference Annual, 1970, 1977-78,
pp.64, and 57-59 respectively.

and Uttar Pradesh the percapita expenditure on education is lower than the all state average and the literacy rate is also low in these states. But it is a paradox that in Jammu & Kashmir the percapita expenditure has been far above the all state average whereas its literacy rate is lower.

Perhaps, what, this state, is spending now may be inadequate and it may have to be stepped up. Another exception is West Bengal. In this state the percapita expenditure is lower than the all state average since 1967-68 but its literacy rate is quite high.

B.5.4 Causes for the Increase in Education Expenditure.

The expenditure on Education increased vastly because of the responsibility imposed by the Constitution of India, and the importance given to it by the state governments. The constitution also imposes the obligation of free and compulsory primary education till the age of 14.

The Five Year Plans of India which reflect the efforts of States to translate the Constitutional obligations into reality, recognised that, "Education is the most important single factor in achieving rapid economic development and technological progress and in creating a social order formed on the values of freedom, social justice and equal opportunity."²⁶ The Fourth Plan aimed at the removal of deficiency in the system and link it more effectively with the increasing demands of social and economic development, to remove internal stresses and strains in the educational system which have developed in consequence of rapid expansion in the first

26 Government of India: Planning Commission, Draft Third Five Year Plan, p.573.

three Plans and to extend the system in response to social urges and economic needs.

The Fifth Plan laid emphasis on (i) ensuring equality of education opportunities as part of the overall plan of ensuring social justice; (ii) establishing closer links between the pattern of education on the one hand and the needs of development and the employment market on the other; (iii) improvement of the quality of education imparted; and (iv) involvement of the academic community, including students, in the tasks of social and economic development".²⁷

Further A.R. Prest had pointed out, that "the other indications of the importance of this expenditure component are the amount of attention it receives in Development Plans and the number of high level national commissions which have been set up to review the subject in different countries".²⁸ It is interesting to note that this function received highest share in total revenue expenditure of the states and government of India had appointed high level committees on education.

Recommendations of the Education Commission were incorporated in the National Policy Resolution 1968, and are under various stages of implementation by the Central and State

27 Government of India, Planning Commission. Draft Fifth Five Year Plan, p.192.

28 A.R. Prest. op.cit., p.121.

governments. The key points are (i) free and compulsory education upto the age of 14; (ii) improved status, emoluments and education of teachers; (iii) three language formula and development of regional languages; (v) equalisation of educational opportunity and the promotion of science and research; (v) development of education for agriculture and industry (vi) improvement in the quality and production of inexpensive text books; and (vii) investment of 6 per cent of the national income on education. Emphasis was also laid on the spread of literacy, adult education and promotion of games and sports.²⁹

The implementation of all these objectives caused the rapid expansion of the education expenditure through increased emoluments to primary, secondary and university teachers, spreading of education, training and research, scholarship and provision of other facilities.

B.5.5 Causes for Inter-State Variations in the Percapita Expenditure levels.

Now, the important question crops up. What are the factors responsible for the variations in the growth of education expenditure among the states? Whether this variation is due to varying emphasis laid on different levels of education by states ^{or} it is due to the pay-scale differences prevailing

29 Government of India, Ministry of Information and Broadcasting. India, a Reference Annual 1977-78, p.49.

in the education system in the states? The variations in the pay-scales are partly responsible for the variations in the expenditure on education. In the words of G.D. Sharma, "The analysis of pay-scales of teachers at various levels of education reveals that scales vary from state to state. In some states they vary between privately and government managed institutions. As the salaries account for part of expenditure on education, part of variation in the levels of allocation of funds on education may be attributed to variation in pay-scales of teachers."³⁰ He has further added that, 'It was found that variations in allocations did not vary with economic levels. They may therefore be due to variations in emphasis placed on education by state governments or due to the varying demand for education in the state. As there appears to be no clear-cut explanation for such variations, allocations by the state governments appear to have been on traditional lines and on an ad-hoc basis.'³¹

B.5.6 Compulsory and Free Education - Performance of the States.

The other two relevant issues are, have we achieved the goal of compulsory and free education as envisaged by the Constitution?, and What level of education should be given preference in the governmental finance on education?

30 G.D. Sharma: Resource Allocation on Education (Association of University Press, New Delhi), 1978, pp.102-103.

31 ibid, p.105.

All the states have introduced free education for children in the age-group 6-11. It is also free for children in the age-group 11-14 in all states except Orissa, Uttar Pradesh and West Bengal. Even in these states, girl students and students from backward communities get free education.³²

Table IV.10 shows that even by 1977-78 the states have not provided compulsory education for the children in the age-groups 6-11 and 11-14. The enrolment rate is very low in Rajasthan. Only 54.7% of the children in the age-group 6-11 are in schools. The all India enrolment for this group stands at 83.25. Only 34.63% of the children in the age-group 11-14 are in schools. This shows the heavy dropout rate. The states have neither fully achieved free education nor compulsory education as directed by the Constitution.

In the words of Jozsef Bogner, "The absence of the majority or a great part of school-age youth from primary education hampers the diffusion of agricultural and sanitary knowledge and creates deep gulf in the cultural standards of population. Amidst a very backward rural population the trained functionaries will enjoy privileges which are not in keeping with the endeavours of the government and the political forces. Not only the obsolete social conditions can create substantial cultural disparities through the cultural monopoly

32 Government of India, India, A Reference Annual 1977-78, p.52.

Table IV.10

Enrolment of Children in the Age-Group 6 to 14 in 1977-78

States	6-11 Age-group		Percentage	11-14 age-group		Percentage
	Total persons (in lakhs)	Enrolment I-V classes (in lakhs)		Total persons (in lakhs)	Enrolment VI-VIII classes (in lakhs)	
Andhra Pradesh	64.45	46.20	71.7	37.31	9.61	25.8
Assam	26.29	18.47	70.3	14.19	4.84	34.1
Bihar	84.7	57.03	67.3	46.48	12.61	27.1
Gujarat	39.93	38.15	95.5	23.20	9.92	42.8
Haryana	16.45	11.39	69.1	9.25	4.03	42.4
Jammu & Kashmir	7.1	4.4	62.0	38.9	1.54	39.5
Karnataka	44.75	38.74	86.6	25.31	9.87	39.0
Kerala	31.02	33.22	107.1	17.41	15.25	87.6
Madhya Pradesh	72.02	43.66	60.6	37.81	10.27	27.2
Maharashtra	74.9	76.89	102.7	43.36	19.52	45.0
Orissa	32.03	26.00	81.2	18.22	4.68	25.7
Punjab	18.88	20.94	110.9	11.2	6.22	55.5
Rajasthan	43.55	23.82	54.7	23.88	6.27	26.3
Tamil Nadu	56.07	59.85	106.7	33.04	16.38	49.6
Uttar Pradesh	132.55	120.86	91.2	73.60	26.75	33.4
West Bengal	71.06	59.51	83.7	38.73	12.72	32.8
Total	815.75	679.13	83.25	491.89	170.48	34.66

Source: Government of India; Department of Education. Selected Educational Statistics - 1977-78, pp.9 and 25-26.

of the leading classes but vice-versa, the great discrepancies in cultural standards may bring about sharp social differences".³³

The facts presented in the table and the consequences of the lack of primary education as mentioned by Jozsef Bognar pose the question of expenditure on the levels of education. Which level of education should be given priority? Should the investment on the levels of education be made on the basis of the social and political objective of the achievement of compulsory and free education upto the age of 14 or on the basis of returns to investment.

Jozsef Bognar felt that in 'Partly Advanced' countries (in which group he has included India), "within the national education programme the largest part of the financial means (about 35 to 45 per cent) should be assigned to secondary schooling, not much less (30 to 40 per cent) to primary schooling and the rest (15 to 25%) to higher education".³⁴ A study on the rate of returns to investment on education in India made by Prof. V.N. Kothari reveals that social monetary rates of return is higher to secondary education.³⁵ The objective of 'equality' that is compulsory and free education upto the

33 Jozsef Bognar: Economic Policy and Planning in Developing Countries. (Akademiai Kiado, Budapest), 1969, p.313.

34 Ibid, p.313.

35 V.N. Kothari, "Returns to Education in India", ed. Baljit Singh: Education As Investment (Meenakshi Prakashan, Delhi), 1967, p.156. Also see G.D. Sharma, op.cit., p.12.

age of 14 warrants that primary education should be given importance. The 'efficiency' criterion, that is, rate of returns to investment stresses that emphasis must be laid on secondary education. It has been observed that, "such equality may be largely complementary to efficiency; creation of a "fairer" set of educational opportunities may yield greater participation and acquiescence of workers qua parents in the whole range of economic adjustments. In any event the broader benefits of education go beyond its apparent economic returns".³⁶

So a well thought out policy regarding the allocation of resources on each level of education will be more fruitful.

C. Expenditure on Medical, Family Planning and Public Health.

Medical and Public Health is another major expenditure item among the Social and Community Services in the Revenue Account. The expenditure on Medical and Public Health are primarily income transfers in kind. R.A. Musgrave uses the term, "merit goods" since the society views adequate health standards as sufficiently meritorious and it is willing to ensure that the poor and the elderly have access to them. R.A. Musgrave and others have remarked, that, the concept of merit goods is nothing more than another way of expressing the fact that the health levels of the poor or the elderly

36 William G.S. Shepherd: "Alternatives for Public Expenditure". Ed. Richard E. Cave: Britain's Economic Prospects. (George Allen & Unwin Ltd.) 1969, p.416.

affect the utility levels of others in the society. Thus merit goods reflect the existence of consumption externality.

Besides a vehicle of income transfer the expenditure on Medical and Public Health is an important factor in the economic development also. It has been pointed out that "In many of the matured economies economic growth has been associated with improved health of the population as an increase in the expenditure per head of population on health and medical services."³⁷

In India, Medical and Public Health services are the responsibilities of the states. Article 47, Part IV, Directive Principles of States Policy emphasises that, "State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties". The same feeling runs through the objectives of the Five Year Plans. The Second Five Year Plan maintained that, the prime aim is "to expand the existing health services, to bring them increasingly within the reach of all people and to promote a progressive improvement in the level of national health".³⁸ The objective of the Third Five Year Plan was, "to bring about progressive improvement in the health of the people by ensuring a certain minimum of physical well-being and to create conditions favourable to

37 T. Mathew: Economics of Public Expenditure (Vora & Co., Bombay), 1972, p.90.

38 Government of India, Planning Commission, Second Five Year Plan, p.533.

greater efficiency and productivity."³⁹ In short, the objectives of the first four Five Year Plans⁴⁰ were :

- i) Control and eradication of major communicable diseases.
- ii) Provision of curative, preventive and promotional health services.
- iii) Augmentation of training programmes of medical and para-medical personnel; and
- iv) strengthening of the primary health centre complex for undertaking preventive and curative health services in rural areas.

The Fifth Plan tried to provide a minimum public health facilities integrated with family welfare and nutrition for vulnerable group - children, pregnant women and nursing mother.⁴¹ It aimed at -

- i) increasing accessibility of health services to rural areas;
- ii) correcting the regional imbalance;
- iii) further development of referral services by removing deficiencies in district and sub-divisional hospitals;
- iv) intensification of the control and eradication of communicable diseases especially malaria and small-pox;
- v) Qualitative improvement in education and training of health personnel;

39 Government of India, Planning Commission. Third Five Year Plan, p.61.

40 Government of India, Planning Commission, Fifth Five Year Plan, p.234.

41 Ibid, p.234.

vi) development of referral services by providing specialists' attention to common diseases in rural areas.

The measures taken by the state governments to achieve the objectives of Five Year Plans boosted up the expenditure on Medical Family Planning and Public Health. Tables IV-11 and IV-12 show the growth of expenditure on this function at Current and Constant prices respectively.

G.1 Levels of Percapita Expenditure.

In 1957-58 the Medical, Public Health and Family Planning expenditure per head of population was higher in West Bengal than in other states. It was Rs.1.93 in that state followed by Rs.1.67 in Assam and Rs.1.63 in Kerala. The least percapita level was Rs.0.77 in Uttar Pradesh.

In the subsequent years Jammy & Kashmir emerged to the top place. Since 1964-65, the last position was occupied by Bihar.

Share of this functions in Total Revenue Expenditure

In 1957-58 the proportion of total revenue expenditure assigned for this function ranged from 5.47% in Uttar Pradesh to 8.70% in West Bengal. In 1977-78 the share of this service was at minimum and maximum levels in Bihar and West Bengal respectively. Over the twenty-one years period the claim of

Table IV.11
Expenditure on Medical, Public Health and Family Planning at
Current Prices
(Total Expenditure in lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase by 77-78 over 1957-58	PE % increase by 77-78 over 1957-58
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE		
Andhra Pradesh	424 (7.69)	1.24	879 (8.11)	2.38	1684 (8.87)	4.17	2882 (8.17)	6.46	6683 (9.00)	13.74	1476.17	1008.06
Assam	185 (6.50)	1.67	436 (9.81)	3.41	590 (5.97)	4.10	903 (7.13)	5.81	1931 (7.69)	10.84	943.78	549.10
Bihar	460 (7.70)	1.05	684 (8.19)	1.43	886 (5.16)	1.68	2635 (7.79)	4.51	4048 (8.34)	6.45	780.00	514.28
Gujarat	318 (6.20)	1.56	411 (5.79)	1.92	1175 (8.00)	4.84	2809 (9.59)	10.19	4973 (10.00)	6.07	1463.83	330.12
Haryana					327 (5.88)	3.56	1048 (8.75)	10.13	2252 (9.74)	19.71	588.68	453.65
Jammu & Kashmir	55 (7.38)	1.39	140 (5.58)	3.84	355 (7.89)	8.67	564 (5.81)	11.92	1181 (8.14)	22.62	2047.27	1527.33
Karnataka	307 (5.77)	1.39	767 (8.16)	3.15	1025 (6.50)	3.79	2727 (8.34)	9.07	4777 (8.94)	14.46	1456.02	940.28
Kerala	256 (8.58)	1.63	650 (9.79)	3.71	1260 (10.16)	6.43	1944 (9.51)	8.84	4166 (10.01)	17.08	1527.34	947.85
Madhya Pradesh	338 (6.70)	1.21	908 (10.60)	2.71	1382 (7.81)	3.64	3196 (11.02)	7.43	5789 (9.89)	12.00	1612.72	891.73
Maharashtra	884 (7.68)	1.58	1146 (7.82)	2.80	2389 (7.67)	5.19	5963 (9.10)	11.50	9162 (8.13)	15.95	936.42	909.49
Orissa	139 (5.91)	0.84	412 (6.24)	2.28	763 (6.74)	3.78	1558 (8.08)	6.91	3006 (8.81)	12.08	2062.58	1338.09
Punjab	235 (6.46)	1.35	506 (6.18)	2.60	599 (6.25)	4.14	1592 (8.41)	11.47	3212 (9.36)	1.08	1266.80	1461.48
Rajasthan	259 (8.26)	1.39	587 (10.33)	2.81	1751 (12.92)	7.46	2439 (10.07)	9.19	5358 (11.63)	13.10	1968.72	1202.15
Tamil Nadu	400 (7.77)	1.41	958 (7.86)	2.78	1785 (7.66)	4.74	4055 (9.57)	9.61	7105 (10.06)	15.41	1844.56	992.90
Uttar Pradesh	545 (5.47)	0.77	1042 (5.52)	1.38	2016 (6.12)	2.44	4475 (7.81)	4.96	9186 (8.64)	9.43	1585.50	1124.67
West Bengal	611 (8.70)	1.93	1152 (10.14)	3.19	2137 (10.46)	5.24	4046 (9.81)	8.88	8212 (11.71)	16.13	1244.02	735.75

Source: Appendix Table A.20.

- Notes: 1. TE - Total expenditure on Medical, Public Health and Family Planning.
PE - Per capita expenditure
2. Figures in brackets indicate percentage to total revenue expenditure.
3. * belongs to 1960-61.

Table IV.12

Expenditure on Medical, Public Health and Family Planning at 1960-61

States	constant prices									
	(Total Expenditure in Lakhs of Rs., Per Capita Expenditure in Rs.)									
	1957-58		1962-63		1967-68		1972-73		1977-78	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE
Andhra Pradesh	456	1.33	837	2.26	991	2.45	1386	3.10	2206	4.53
Assam	199	1.80	415	3.24	347	2.41	434	2.79	637	3.57
Bihar	495	1.13	651	1.36	521	0.99	1252	2.17	1336	2.13
Gujarat*	318	1.56	391	1.83	691	2.84	1350	4.90	1641	5.30
Haryana					192	2.09	504	4.88	743	6.50
Jammu & Kashmir	59	1.50	133	3.65	209	5.11	271	5.72	390	7.47
Karnataka	330	1.49	730	3.00	603	2.23	1311	4.36	1577	4.77
Kerala	275	1.75	619	3.54	741	3.78	935	4.25	1375	5.63
Madhya Pradesh	363	1.21	865	2.58	813	2.44	1537	3.57	1911	3.96
Maharashtra	951	1.70	1091	2.67	1405	3.95	2867	5.53	3024	5.26
Orissa	149	0.90	392	2.16	449	2.22	749	3.32	992	3.98
Punjab	253	1.46	482	2.47	352	2.78	765	5.51	1060	6.95
Rajasthan	278	1.49	559	2.67	1036	4.39	1173	4.42	1768	5.97
Tamil Nadu	495	1.52	912	2.64	1052	2.78	1951	4.62	2345	5.08
Uttar Pradesh	586	0.83	992	1.31	1186	1.43	2151	2.38	3032	3.11
West Bengal	657	2.08	1097	3.04	1257	3.08	1945	4.26	2710	5.32

Source: Appendix Table A.21

Notes: TE - Total expenditure

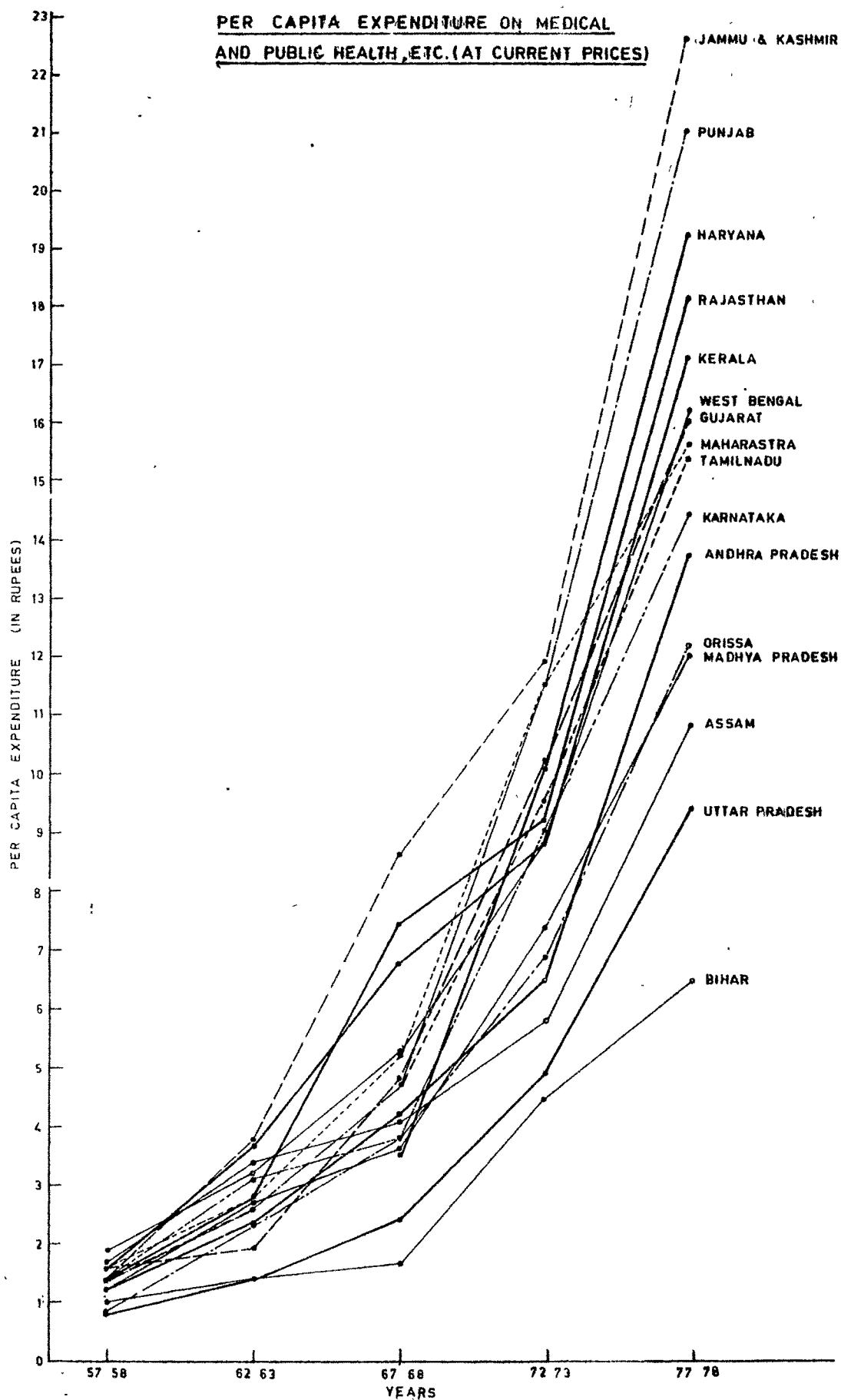
PE - Per capita expenditure

* - Belongs to 1960-61.

FIG. VI - 3

**PER CAPITA EXPENDITURE ON MEDICAL
AND PUBLIC HEALTH, ETC. (AT CURRENT PRICES)**

176



Source: Table IV. 11

Medical and Public Health in Total Revenue expenditure increased in all the states. But the increase was very small in Andhra Pradesh, Assam, Bihar, and Kerala.

Growth of the Expenditure on Medical, Public Health and Family Planning:

In its time pattern growth the percapita expenditure increased over each six year period in all the states in current prices. But at 1960-61 constant prices the expenditure per head of population declined by 27.3% in Bihar, 25.67% in Karnataka in 1967-68 over 1962-63 and by 4.88% in Maharashtra in 1977-78 over 1972-73.

The Medical, Public Health and Family Planning expenditure per capita sprang up over the twenty-one years period in all the states both at current and constant prices. In money-terms the fastest growth occurred by 16 times in Jammu & Kashmir and the slowest growth took place by 5 times in Bihar. In real terms it went up by 88.49% in Bihar and 398% in Jammu & Kashmir.

C.2 Inter-State Variations in Percapita Expenditure.

As we have seen the growth trend we proceed to examine the extent of variations in the percapita expenditure levels between the states.

Table IV.13

Measures of Inter-State Variations in Percapita
Expenditure on Medical, Public Health
etc.

I. Ratio between the lowest and highest percapita expenditure levels.

1957-58	1:2.5
1962-63	1:2.78
1967-68	1:5.16
1972-73	1:2.4
1977-78	1:3.5

II

Years	Mean (In Rs.)	Standard deviation	Coefficient of Variation(In %)
1957-58	1.3464	0.3158	23.4551
1958-59	1.5307	0.371	24.2372
1959-60	1.7842	0.5136	28.786
1960-61	2.0766	0.5308	25.561
1961-62	2.3646	0.614	25.9663
1962-63	2.6926	0.7341	27.2636
1963-64	2.886	0.7315	25.3465
1964-65	3.12	0.8432	27.0256
1965-66	3.5493	0.9138	25.7459
1966-67	3.9425	1.475	37.4128
1967-68	4.6543	1.7485	37.5674
1968-69	5.0981	1.6106	31.5921
1969-70	5.8481	1.6188	27.6807
1970-71	6.34	1.9025	30.0078
1971-72	7.2781	2.1681	29.7893
1972-73	8.555	2.3208	27.1279
1973-74	9.3006	3.1085	33.4225
1974-75	10.6906	3.1808	29.7532
1975-76	12.2518	3.9046	31.8696
1976-77	14.6312	3.7873	25.885
1977-78	15.0718	4.2848	28.4292

III Rank Correlation Coefficient between 1957-58 percapita expenditure levels and the absolute variations in the percapita expenditure levels.

1957-58 and 1962-63	+0.3125
1957-58 and 1967-68	+0.5405*
1957-58 and 1972-73	+0.3515
1957-58 and 1977-78	+0.4162

IV Rank Correlation Coefficient between 1957-58 percapita expenditure levels and percentage variations in percapita expenditure levels.

1957-58 and 1962-63	+0.0162
1957-58 and 1967-68	+0.0353
1957-58 and 1972-73	-0.1073
1957-58 and 1977-78	-0.2426

* Significant at 5% level.

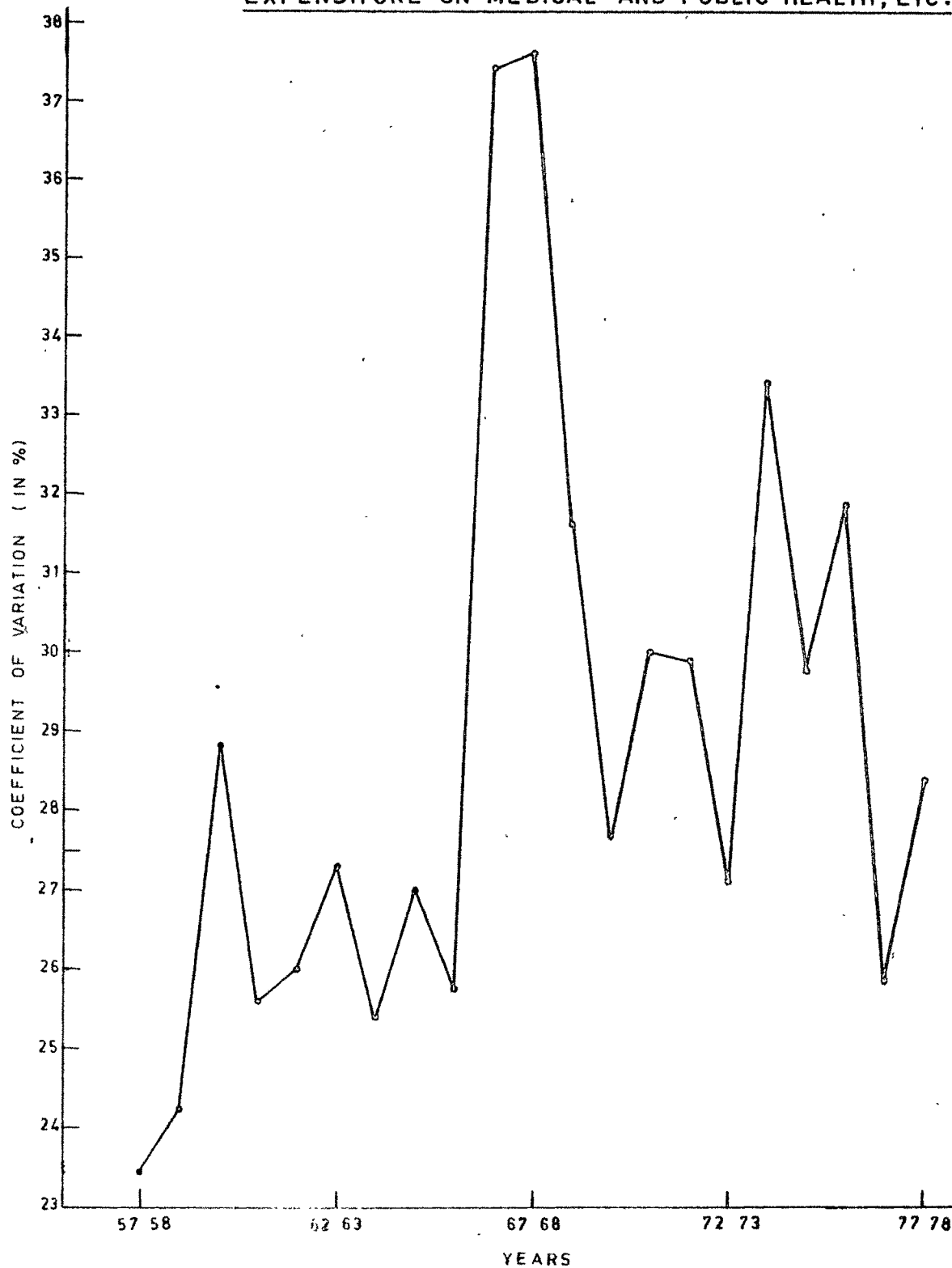
Source: Derived from Table IV.11.

The facts given in the above table connote that the inter-state disparity in the percapita expenditure levels is higher and there is no tendency towards convergence. Such a trend is the consequence of the persistent lower per capita levels in all weaker states except Rajasthan and higher percapita levels in the developed and middle level states.

The change in relative rankings of the states as seen in Table IV-14 is the outcome of the downward movement of the states like Assam, Gujarat, Maharashtra, Tamil Nadu and West-Bengal and upward movement of Haryana, Jammu & Kashmir, Punjab and Rajasthan.

FIG: IV-4

INTERSTATE DISPARITY IN PER CAPITA
EXPENDITURE ON MEDICAL AND PUBLIC HEALTH, ETC.



Source: Table IV. 13.

Table IV.14

Matrix of Rank Correlations Among the Rankings of Percapita
Expenditure on Medical and Public Health in Selected Years.

	1957-58	1962-63	1967-68	1972-73	1977-78
1957-58	1	0.7176**	0.6878**	0.3911	0.3882
1962-63		1	0.6661**	0.347	0.4647
1967-68			1	0.6132*	0.7102**
1972-73				1	0.8295*
1977-78					1

** Significant at 1% level

* Significant at 5% level.

Source: Derived from Table IV.11.

The states Andhra Pradesh, Bihar, Orissa and Uttar Pradesh were below the all state average per capita level in all the Five Years and Madhya Pradesh stood above the all state average level only in 1962-63. Since 1967-68, Assam joined with these states. It will be appropriate to refer here the recommendation of the Sixth Finance Commission. It identified Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Karnataka, Orissa and Uttar Pradesh as the states which were lower than the national average and added that, "our immediate objective is a more limited one of providing additional funds to certain

states to come upto a minimum which we have taken as the average of all states. We consider that this limited objective can and should be achieved within Five Years, i.e. by 1978-79.⁴² Surprisingly enough all these states except Haryana and Karnataka stood far below the all state average level even in 1978-79 (Budget estimates)

C.3 Distribution of the Expenditure on Medical and Public Health Services.

C.3.1 Expenditure on Medical.

Expenditure on Medical Service is one of the components of the functional head Medical, Public Health and Family Planning. The expenditure on Medical consists of Direction and Administration, Medical Relief, Medical Education, Training, Research, Employees State Insurance Scheme, Other Health Schemes, Medical Stores and Depots, Drug Manufacture, Other Expenditure, Deposit Account, Allopathy and Other System of Medicines.

Table IV-15 shows the growth trend of the expenditure on Medical. The percapita expenditure was highest at Rs.1.48 in West Bengal in 1957-58 and Kerala stood next to it. Thereafter it was Jammu & Kashmir which topped the list. Except in 1967-68, Bihar was in the lowest position in all the years.

42 Government of India, Report of the Sixth Finance Commission, 1973, p.51.

Table IV.15

Expenditure on Medical at Current Prices

(Total expenditure in lakhs of Rs., Per capita expenditure inds.)

States	1957-58		1962-63		1967-68		1972-73		1977-78 (RE)		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	PE % increase over 1957-58	TE % increase over 1957-58	PE % increase over 1957-58
Andhra Pradesh	299	0.88	626	1.70	1137	2.82	1508	3.38	4035	8.30	1249.50	843.18	1249.50	843.18
Assam	100	0.90	223	1.74	343	2.39	506	3.26	1223	6.87	1123.00	663.33	1123.00	663.33
Bihar	242	0.55	342	0.72	766	1.46	1260	2.19	2490	3.97	928.93	621.82	928.93	621.82
Gujarat	184*	0.90	231	1.08	605	2.49	1089	3.95	2483	8.03	1249.46	792.22	1249.46	792.22
Haryana					166	1.81	476	4.61	1071	9.38	545.18	418.23	545.18	418.23
Jammu & Kashmir	49	1.25	101	2.77	234	5.72	408	8.63	893	17.11	1722.45	1268.80	1722.45	1268.80
Karnataka	203	0.92	316	1.30	578	2.14	1063	3.54	2895	8.77	1326.11	853.26	1326.11	853.26
Kerala	213	1.36	382	2.19	822	4.20	1390	6.33	3339	13.70	1467.61	907.35	1467.61	907.35
Madhya Pradesh	231	0.77	397	1.19	610	1.61	1063	2.47	2916	6.05	1162.34	685.71	1162.34	685.71
Maharashtra	598	1.04	741	1.81	1402	3.05	2440	4.71	4548	7.92	686.85	661.54	686.85	661.54
Orissa	85	0.52	211	1.17	396	1.96	783	3.48	1470	5.91	1629.41	1036.54	1629.41	1036.54
Punjab	171	0.99	344	1.77	355	2.81	7103	5.12	1754	11.52	925.73	1063.64	925.73	1063.64
Rajasthan	209	1.12	374	1.79	733	3.11	1309	4.93	2935	10.09	1328.23	800.89	1328.23	800.89
Tamil Nadu	389	1.20	747	2.17	1270	3.37	2396	5.68	5270	11.44	1254.76	853.33	1254.76	853.33
Uttar Pradesh	392	0.56	569	0.75	1072	1.30	2095	2.32	4227	4.34	978.32	675.00	978.32	675.00
West Bengal	468	1.48	816	2.26	1533	3.76	2448	5.37	5205	10.23	1012.18	591.22	1012.18	591.22

Sources: 1. Combined Finance and Revenue Accounts of Union and State Governments in India,

Volume 1957-58, 1960-61, 1962-63, 1967-68, and 1972-73.

2. 1977-78 data - State Government budgets.

Notes: 1. TE - Total expenditure; PE - Per capita Expenditure.

2. * - Belongsto 1960-61.

Inter-State Variation in Percapita Expenditure Levels.

Table IV-16

Measures of Inter-State Variation in the
Percapita Expenditure on Medical Services

I Ratio Between Lowest and Highest Percapita Expenditure Levels.

1957-58	1:3
1962-63	1:4
1967-68	1:4
1972-73	1:4
1977-78	1:4

II

Year	Mean (In Rs.)	Standard deviation	Coefficient of variation(In %)
1957-58	0.96	0.29	30.20
1962-63	1.62	0.58	35.80
1967-68	2.75	1.14	41.45
1972-73	4.37	1.67	38.21
1977-78	8.97	3.41	38.01

III. Rank Correlation Coefficient Between 1957-58 percapita expenditure levels and the absolute variation in percapita expenditure levels.

1957-58 and 1962-63	+0.517*
1957-58 and 1967-68	+0.814**
1957-58 and 1972-73	+0.8375**
1957-58 and 1977-78	+0.8287**

IV. Rank Correlation Coefficient between 1957-58 percapita expenditure level and the percentage variation in percapita expenditure levels.

1957-58 and 1962-63	+0.0214
1957-58 and 1967-68	+0.2228
1957-58 and 1972-73	+0.1861
1957-58 and 1977-78	+0.142

** Significant at 1% level.

* Significant at 5% level.

Source: Derived from Table IV.15.

The inter-state expenditure variations in the percapita levels of the state is relatively higher and almost remains stable as the richer and mediocre states continue to have higher percapita levels.

We have distributed the increased expenditure on Medical⁴³ to identify the component which influenced it mostly. The item Direction and Administration accounted for 12.11% of the increase in Bihar. Its influence varied from 0.91% in Maharashtra to 6.21% in Jammu & Kashmir. Medical care was the dominating item in Medical Expenditure. It accounted for

⁴³ We have restricted our analysis upto 1974-75 because only upto this period the detailed informations are available.

50.89% of the increase in the expenditure in Maharashtra and 83.77% in Bihar. The item 'Others' stood next to Medical care. It accounted for 4.12% to 38.57% of the increase in Medical expenditure during the period from 1957-58 to 1974-75.

C.3.2 Expenditure on Public Health

Public Health is the other item of expenditure under the major head Medical and Public Health. The expenditure on Public Health is defrayed on (1) Public Health and Sanitation and (2) Sewerage and Water Supply. Public Health and Sanitation includes expenditure on Direction and Administration, Prevention and Control of Diseases, Prevention of Food Adulteration, Prevention of Air and Water Pollution, Drug Control, Training, Health Statistics and Research, Health Education and Publicity, Manufacture of Sera and Vaccine, Public Health Laboratories, Health Transport, Sanitation Services, Minimum Needs Programme and Other Expenditure.

Sewage and Water Supply Comprises the expenditure on Direction and Administration, Survey and Investigation, Research, Training, Machinery and Equipment, Suspense, Other Expenditure, Sewerage Schemes, Urban and Water Supply Schemes, Rural Piped Water Supply Scheme, Other Rural Water Supply Schemes and Minimum Needs Programme.

Table IV.17

Expenditure on Public Health at Current Prices

(Total Expenditure in Lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	PE % increase over 1957-58	TE % increase over 1957-58	PE % increase over 1957-58
Andhra Pradesh	125	0.37	253	0.69	547	1.36	669	1.50	2102	4.32	1581.60	1067.57		
Assam	85	0.77	213	1.67	247	1.72	295	1.90	761	4.27	795.29	454.55		
Bihar	218	0.50	342	0.72	120	0.23	773	1.34	1617	2.58	641.74	416.00		
Gujarat*	134*	0.66	180	0.84	570	2.35	1250	4.54	1707	5.52	1173.88	736.36		
Haryana					161	1.76	416	4.03	947	8.29	488.20	371.02		
Jammu & Kashmir	6	0.15	39	1.07	121	2.96	127	2.68	363	6.95	5950	4533		
Karnataka	104	0.47	451	1.86	447	1.66	752	2.50	1295	3.92	1145	734		
Kerala	43	0.28	268	1.53	438	2.24	232	1.06	420	1.72	876	514		
Madhya Pradesh	107	0.36	511	1.53	772	2.03	1322	3.08	2597	5.38	2327	1394		
Maharashtra	306	0.55	405	0.99	987	2.15	2067	3.99	4276	7.45	1297	1254		
Orissa	54	0.33	201	1.11	367	1.82	458	2.03	1098	4.41	1933	1236		
Punjab	64	0.37	162	0.83	244	1.93	592	4.27	1162	7.63	1715	1962		
Rajasthan	50	0.27	213	1.02	1028	4.36	1438	5.42	2170	7.33	4240	2614		
Tamil Nadu	71	0.22	211	0.61	519	1.38	962	2.28	1289	2.80	1715	1172		
Uttar Pradesh	153	0.22	473	0.63	944	1.15	1097	1.22	2668	2.74	1643.79	1145		
West Bengal	143	0.45	336	0.93	604	1.48	638	1.40	2023	3.97	1314	782		
All State Average		0.37		1.06		1.91		2.70		4.95				

Sources: 1. Combined Finance and Revenue Accounts of Union and State Governments in India,

Vols. 1957-58, 1960-61, 1962-63, 1967-68 and 1972-73.

2. For 1977-78 data - State Government Budgets.

Notes: 1. TE - Total expenditure - PE - Per capita expenditure.

2. * Belongs to 1960-61.

3. 1977-78 figures are revised estimates.

Table IV.17 presents the expenditure on Public Health.

Levels of Per-capita Expenditure.

The per-capita expenditure on Public Health was at the highest level at 0.55 paise in Maharashtra in 1957-58, at Rs.1.86 in Karnataka in 1962-63, at Rs.4.36^{in 1967-68} and Rs.5.43 in 1972-73 in Rajasthan and Rs.8.29 in Haryana in 1977-78. The lowest per-capita level prevailed in Jammu & Kashmir in 1957-58, in Tamil Nadu in 1962-63, in Bihar in 1967-68, and in Kerala in 1972-73 and 1977-78. We have seen that Jammu & Kashmir, Kerala and Tamil Nadu had higher per-capita expenditure levels on Medical. So they might have spent less on Public Health.

Inter-State Variations in Per-capita Expenditure on Public Health.

Table IV.18

Measures of Inter-State Variation in Per-capita Expenditure on Public Health

I. Ratio between the lowest and highest per-capita expenditure levels.

1957-58	1:5
1962-63	1:3
1967-68	1:13
1972-73	1:5
1977-78	1:5

Table IV.18 (contd.)

II.

Years	Mean (In Rs.)	Standard deviation	Coefficient of variation(In%)
1957-58	0.37	0.14	37.83
1962-63	1.06	0.39	36.79
1967-68	1.91	0.88	46.07
1972-73	2.70	1.36	50.37
1977-78	4.95	2.05	41.41

III Rank Correlation Coefficient Between 1957-58 percapita expenditure level and the absolute variation in percapita expenditure levels.

1957-58 and 1962-63	-0.1882
1957-58 and 1967-68	-0.2257
1957-58 and 1972-73	0.0045
1957-58 and 1977-78	0.0346

IV. Rank Correlation Coefficient between 1957-58 and percapita expenditure level and the percentage variation in percapita expenditure levels.

1957-58 and 1962-63	-0.7088
1957-58 and 1967-68	-0.8507
1957-58 and 1972-73	-0.283
1957-58 and 1977-78	-0.5125

Source: Derived from Table IV.17.

The inter-state percapita spending variation is higher in this function than in Medical Service. The percapita spending on this function remained continuously lower in the weaker states like Bihar, and Uttar Pradesh, in the mediocre states Karnataka, Kerala and in the developed states Tamil-Nadu and West Bengal. Hence the inter-state disparity level remains wider.

C.4 Causes for the Inter-State Variations in the Percapita Spending on Medical and Public Health.

We have seen in Chapter II that this function has been similarly appraised by all the states. Even then the percapita spending variations remain stable at a higher level. The variations in percapita expenditure levels among the states may be not only due to their relative economic conditions but also because of other factors such as social, historical and political conditions prevailing in the states. It may be worthwhile to mention here that, "This suggests, not unreasonably, that differences in countries' institutional structures, reflecting other factors of a social, historical and political nature play a larger role than income differences in accounting for the inter-country variations in the relative importance of the government sector in this field."⁴⁴ The same may be true for the states in India also.

44 The Organisation for Economic Cooperation and Development, op.cit., p.15.

We have seen that the expenditures on Medical and Public Health increased tremendously in all the states. Therefore it will be useful if we have a look at the performance of the states in this field. In the rural areas, there were 5,372 primary health centres and 37,745 sub-centres in September 1977. Malaria, Tuberculosis and Cholera which used to take a heavy toll of lives have been controlled to varying degrees. No case of plague has been reported in the country since 1967. Small-pox which was a dreaded disease has been brought to zero level since July 1975. The country had been declared to have eradicated small-pox by the International Assessment Commission on 23rd April 1977.⁴⁵ Further partly owing to the increased expenditure on Medical and Public Health the death rate declined from 36.3 in 1921-30, to 31.2 in 1931-40, to 27.4 in 1941-50, to 22.8 in 1951-60 and to 18.1 in 1961-70 while the birth rate has been 46.4, 45.2, 39.9, 41.7 and 39.9 in the corresponding years respectively.⁴⁶ Moreover the death rate has come down to 15.9 per thousand in 1975 and life expectancy at birth has increased from 32 years to 50 years.⁴⁷ Walter W. Heller opined that, large-scale improvements in health, education and training expand productive capacity by increasing the stamina and strength of the workers on one hand and enlarging their fund of knowledge and skills on the

45 Government of India, Ministry of Information and Broadcasting. India, A Reference Annual 1977-78, pp.95-97.

46 R.N. Bhargava, Theory and Working of Union Finance in India. (Chaitanya Publishing House, Allahabad), 1977, p.495.

47 Government of India. India, A Reference Annual, 1977-78, p.95.

other.⁴⁸ This has been proved in India. In the words of Professor Theodore W. Schultz, "The Ram-Schultz study provides evidence on the gains in the productivity of agricultural labour in India, realized as a consequence of improvements in health. The most telling part of that evidence is the productivity effect of the cycle that has characterized the malaria programme".⁴⁹ However the facilities provided by the states vary widely as exposed by Table IV.19. It is clear that the developed states have more number of doctors, Hospitals and Dispensaries and beds than weaker states. But the states have yet to achieve the target of one doctor per 3500 people as stipulated by Mudaliar Committee.

CONCLUSIONS :

(1) The Social and Community Services claimed major portion of the total revenue expenditure in all the states except Haryana, Jammu & Kashmir, Maharashtra, Punjab and Rajasthan. In these states Economic Services took larger share. By 1977-78, the claim of Social and Community Services varied from 29.79% in Jammu & Kashmir to 55.56% in Kerala. Over the twenty-one years the percentage of total expenditure spent on administrative services declined while that of Social and Community services increased almost continuously.

48 Walter W.Hellar. "Fiscal Policies for underdeveloped countries" in Readings on Taxation in Developing Countries. Ed. by Richard M.Bird and Oliver Oldman (The John Hopkins Press, Baltimore), 1967, p.23.

49 Theodore W. Schultz, The Economics of Being Poor. Nobel Lecture, 1977, p.17.

Table IV-19

Number of Doctors, Hospitals and Dispensaries, Number of Beds in the States in 1974

States	No. of doctors	No. of doctors per 1 lakh of population	Rank	No. of Hospitals and dispensaries	Per 1 lakh of population	Rank	Total No. of beds	No. of beds per 1 lakh of population	Rank
Andhra Pradesh	13612	29	9	1236	2.67	8	32000	69	9
Assam	5085	31	7	443	2.69	7	6000	36	15
Bihar	11828	20	12	694	1.16	16	24000	40	13
Gujarat	9248	32	6	611	2.11	12	20000	69	9
Haryana				263	2.44	9	8000	74	8
Jammu & Kashmir	1293	26	10	642	13.02	1	5000	101	2
Karnataka	11165	36	5	1191	3.8	5	31000	99	3
Kerala	6910	30	8	685	2.98	5	24000	104	1
Madhya Pradesh	7014	16	15	684	1.52	15	17000	58	14
Maharashtra	26798	50	4	1771	3.27	4	144000	81	6
Orissa	5611	24	14	563	2.39	10	11000	47	12
Punjab	15297	61*	1	600	4.16	2	11000	76	7
Rajasthan	5086	18.30	13	819	2.95	6	18000	65	10
Tamil Nadu	22461	51	3	1015	2.31	11	42000	96	4
Uttar Pradesh	16494	18	14	1713	1.83	13	45000	48	11
West Bengal	27058	57	2	736	1.54	14	45000	94	5

Source: Statistical Abstract, 1977, pp.520-521.

* Includes Haryana.

(2) The percentage of total expenditure devoted to Education was as high as 35.29% in Kerala. In all the years Kerala had the highest percapita level while Bihar had the lowest level except in 1957-58. The next two positions from the bottom were held by Uttar Pradesh and Orissa. The percapita expenditure on Education in Kerala was three times higher than that in Bihar. Over the twenty-one years under our review the inter-state disparity in the levels of percapita expenditure on education almost remained stable.

(3) Among the different levels of education primary education took major share in the aggregate expenditure on education in most of the states. Secondary education annexed larger share in Haryana, Jammu & Kashmir and Punjab. Even by 1977-78 the states have not achieved the Constitutional directive of Compulsory and free education for the children upto the age of 14. Hence more investment in primary and secondary levels of education is warranted.

(4) Barring 1957-58, the level of Medical and Public Health expenditure per head of population was highest in Jammu & Kashmir among the sixteen states in all the periods. In 1957-58 and 1962-63 Uttar Pradesh stood at the bottom. Since 1967-68 the last position was occupied by Bihar. The level of inter-state disparity in the percapita expenditure

on Medical and Public Health is higher and there is no tendency towards convergence.

(5) The functions Education and Medical and Public Health increased in various states in varying degrees. In both the services the absolute level of percapita expenditure increased faster in the states with higher percapita expenditure levels than in the states with lower percapita expenditure levels. The weaker states Bihar, Madhya Pradesh, Orissa and Uttar Pradesh perpetually stayed at the lower end.

The expenditure on Medical and Public Services increased faster than the expenditure on Education in thirteen states during the period under our review. Only in Assam, Bihar and Orissa the expenditure on Education expanded faster.

(6) The relative rankings of the states by the size of their percapita expenditure on education remained almost constant over the twenty-one years. In Medical, Public Health and Family Planning expenditure it significantly changed.

(7) The Sixth Finance Commission recommended for the provision of additional funds to the states Andhra Pradesh, Bihar, Haryana, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal with an intention of raising their percapita expenditure on primary education to the all

state average percapita level within five years from 1974-75 to 1978-79. But only Rajasthan and Punjab came above the all states average level by 1975-76. Further, it granted additional funds to Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Karnataka, Orissa and Uttar Pradesh to push up their levels of percapita expenditure on Medical and Public Health to the all state average percapita level within the same period.

However, even by 1978-79 no state except Haryana and Karnataka ascended to the all state average level. They are standing too far from the norm.

(8) The weaker states have relatively smaller percapita levels and their performances in education and Medical and Public Health are lower. Among the Weaker States though Rajasthan have higher percapita expenditure on both the services its performances are not satisfactory.