

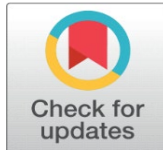
AN ANALYSIS OF TRENDS AND PATTERNS OF SOCIAL SECTOR EXPENDITURE IN KARNATAKA

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ABSTRACT

Creating a Social Sector that is well developed influences a lot on the level of human development of an economy. In turn, the Social Sector can also play an essential role in affecting the amount of economic growth. A better quality of life results from the development of the social sector, which leads to higher productivity in the economy. The paper analyses trends and patterns of Social Sector Expenditure in Karnataka from 2003-04 to 2017-18. The study observes that, despite being low in proportion, the share of capital expenditure in Social Sector Expenditure has been increasing. The Education and Health sector is observed to be holding the highest share of Social Sector Expenditure in the state. The study concludes by suggesting for assessment of Social Sector Expenditure along with Human Development achieved over the period in the economy.

Keywords: Social Sector Expenditure, Human Development, Karnataka, Capital Expenditure, Revenue Expenditure

1. INTRODUCTION

The Social Sector in an economy comprises different subheads that are, education, health, housing, family welfare, nutrition, rural and urban infrastructure, etc. The global economy started prioritizing the Social Sector more extensively after being acknowledged by the United Nations Development Programme (UNDP). Budgets are the most critical documents in identifying an economy's social and economic priorities as they indicate what the government plans to spend on social issues. Since India got independence, governments are spending a lot on Social Sector Spending in all the states and India.

According to Economic Survey 2021-22, over the years, Karnataka has established itself as one of the top five states in India, and it has shown strong growth. The Karnataka state has been able to create 10% of the formal jobs and 8.8% of the Gross Domestic Product of the Indian economy, even though it contributes less than 5% of the population. The State has made rapid progress from a policy perspective in providing social infrastructure for its citizens by implementing targeted programs funded adequately, thereby contributing to overall human development. The State has consistently ranked between the 6th and 10th spot on Human Development Index compared with other Indian states between 1981 and 2012. With the State's overall literacy rate increasing from 66.64% in 2001 to 75.60% in 2011, the State's literacy rates, both male and female, are higher than the national averages. The State has made significant progress in rural and

urban areas in providing health care services. Health care services are being provided through a three-tier healthcare system, including Sub-Centres, Primary Health Centres (PHCs), Community Health Centres, Taluk/General Hospitals, and District Hospitals. Karnataka is implementing a series of programs to help people get quality health care. Over the years, a series of programs have been implemented in Karnataka to assist with access to quality health care.

In contrast, some districts of Northern Karnataka do not appear to have experienced substantial growth in health care services, according to Sustainable Development Goals (SDG) health indicators. Even with the challenge of Karnataka being one of the most drought-prone states in the country, with large areas of the State vulnerable to a lack of rainfall and having endured some droughts and floods since 2000, the State continues to assure its citizens of adequate water and sewage infrastructure. Despite success in meeting the targets relating to water access and sanitation, the State faces challenges concerning wastewater management and water resource sustainability. As evident from the above discussion, the State's performance in Social Sector Development can be understood. This paper examines the trends and patterns of social sector expenditures within the public sector to see if the government's claim is credible.

2. REVIEW OF LITERATURE

The most important objectives of developing countries have been to better the standard of living of their people in their country or known explicitly as Social Sector Development. In a country like India, the Scope of Social Sector Development is very broad, providing basic amenities such as education, health, housing, nutrition, rural infrastructure, transportation facilities, etc. There have been several attempts to analyze the scope of Social Sector Expenditure in Economic Literature. **Makonnen & Englebert (1991)** found that from 1975 to 1985, Social Sector Spending on Education is given much more importance than Health Expenditure in 49 countries. Moreover, within Social Sector Spending, the interest payments have been taking a major chunk for a sample of 44 developing countries. **Hicks (1993)** analyses poverty trends in Latin America and the relationship between poverty and social sector development. Many Latin American countries spent hugely on Social sector development programs in the eighties without considering cost-effectiveness. The author explains that the current development occurred only due to public Expenditure made by previous governments and not the present government. **Prabhu (1993)** focuses on the impact of social sector expenditure on human development in 15 central states of India from 1974-75 to 1991-92. Most of the states had allocated less proportion of total public Expenditure to them. The study observed that increase in the share of elementary education did not increase development in the education sector in the states Madhya Pradesh, Orissa, and Uttar Pradesh. **Choudhary and Sen (1998)** observed an increase in Social Sector Spending in Bangladesh from the 1980s to the 1990s. The share of Social Sector Spending in Total Public Spending was increased by more than seven percent during the same period. The share of Educational Expenditure was increased by nine percent, whereas Health Expenditure was declined by six percent during the study period. **Kaur and Misra (2003)** evaluate the progress of Social Sector Expenditure and its impact on Social Sector Development in 15 Indian states for the period 1985-86 to 2000-01. During the study period, Expenditure on Education was given more priority than the Health sector. With the help of simple rank correlation, it was observed that Human Development Index (HDI) is strongly associated with Social Sector Expenditure, including Expenditure on Education and Health. **Mooij & Dev (2004)** discuss the primacies of the Social Sector by the Central Government of India between 1990 and 2001. Through trend analysis, it was observed that priorities for Social Sector Spending were increased in the post-reform period. **Aggarwal (2011)** noticed that the share of Capital Expenditure in Social Sector Expenditure of Punjab was relatively low compared to India during the pre-reforms period and posted reforms period and then began to expand after post reforms period. The Revenue Expenditure within Developmental Revenue Expenditure was progressive from 1980 to 2001 for India and Punjab. Moreover, from 2001 to 2011, it was the same for India but not for Punjab. **Kaur et al. (2013)** study the cyclical behavior of Social Sector Expenditure on Education and Health for 17 non-special category states of India from 2000-01 to 2012-13. Through trend analysis, it was observed that the share of Social Sector Spending of total Expenditure on various heads is relatively less than in other countries around the world. The panel data analysis found that Social Sector Spending at the state level is acyclical. **Mittal (2016)** observed the uptrend in Total Social Sector Expenditure from 2000-01 to 2014-15 in the Indian States. The proportion of Social Sector Spending in GDP was weak up to 2008 and then improved till 2011 and then turned out to be steady. Among the components of the Social sector, Expenditure, Education, Sports, Arts, and Culture were given the highest priority. The study proved that optimal allocation of Social Sector Spending is to be prioritized rather than only increasing Social Sector Expenditure. **Chattopadhyay (2018)** explores the trends and patterns of Social Sector Expenditure in the 2000s in India. The Social Sector Expenditure by both Central and State governments witnessed an uptrend in the later 2000s, but it was less in proportion to the 1980s. The share of the states in combined social sector expenditure by the Centre

and states was declined as the Centre increased the expenses on Social welfare programs. In the later 2000s, state governments spent more efficiently on the social sector than central government. In the 2000s, the government emphasized spending for inclusive growth through rural and urban development and provision for socio-economic rights. Nevertheless, the impact was not up to the mark. **Goswami (2019)** studies trends and patterns of combining Social Sector Expenditures of Central and State governments regarding specific health and educational attainments. The increased expenses on improving literacy are effective in states with lower literacy rates than those with higher literacy rates. **Dey (2021)** observes that the Social Sector Expenditure of Central Government as a percentage of GDP increased by 3% from 1990-91 to 2011-12. The share of Social Sector Expenditure in total development expenditure peaked in 1998-99 and started to diminish and reach the lowest point in 2006-07. The expenditure on rural development increased in the early reform period and then started to diminish from 1995-96 but peaked in 1996-97. On the other hand, expenses on scientific research and services were a minor concern in the study period.

3. OBJECTIVES OF THE STUDY

The allocation of Social Sector Expenditures between the center and states results in most of these costs being borne by the states. Due to the constitutional division of powers, basic needs are the responsibility of states. This paper examines the trends and patterns in Social Sector Expenditure in the State of Karnataka, and this helps to understand the contribution of government and dedication toward Social Sector Development of people in Karnataka State. The study focuses on the trends and patterns of Social Sector Expenditure in Karnataka from 2003-04 to 2017-18.

4. DATA SOURCES AND RESEARCH METHODOLOGY

The present study is purely based on the secondary data attained from different databases of different institutions such as the Economic and Political Weekly Research Foundation (EPWRF), Reserve Bank of India, Government of India, and various issues of the Economic Survey of Karnataka. Appropriate statistical tools and methodology have been applied to attain the results based on obtained data.

5. DISCUSSION AND DATA ANALYSIS

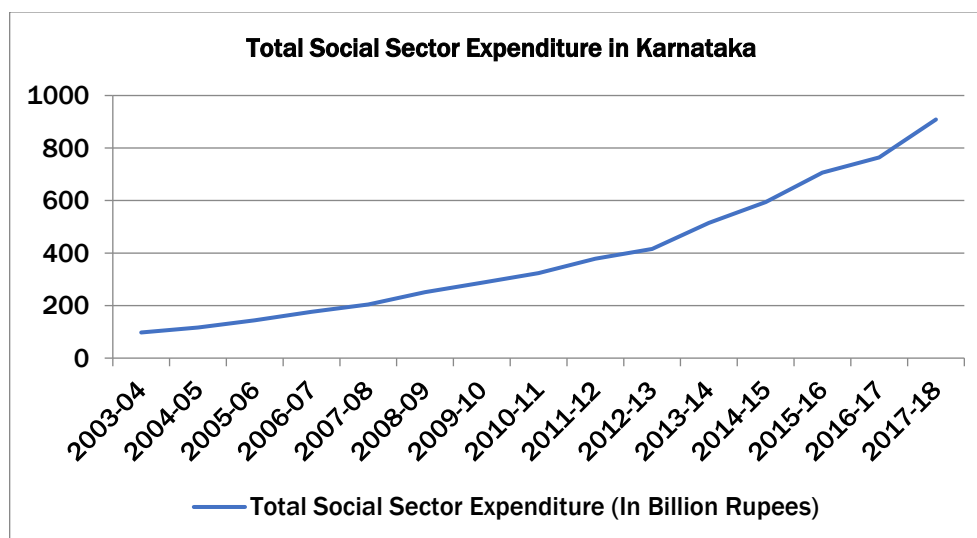
The study looked at the trends and patterns of Social Sector Spending in Karnataka from 2003-04 to 2017-18, taking into account the importance of Social Sector Expenditure on human development in Indian states. Table 1 shows trends and patterns of Social Sector Expenditure in Karnataka over the study period. We can observe that the social sector spending by the government is gradually increasing over the years. The Social Sector Expenditure by Karnataka Government in 2003-04 was around 97.6 billion rupees which have been increased gradually over the years, and as of 2017-18, it has touched 908.7 billion rupees (Also depicted in Graph 1). Social Sector Expenditure is increased by more than 23% between 2012-13 and 2013-14, which witnessed the highest increase during the study period. On the other hand, only about an 8.17% increase was observed between the 2015-16 and 2016-17 financial years.

Table 1 : Trends and Patterns of Social Sector Expenditure in Karnataka

Year	Social Sector Expenditure (in Billion rupees)
2003-04	97.6
2004-05	116.8
2005-06	144.1
2006-07	176.4
2007-08	204.4
2008-09	251.0
2009-10	286.9
2010-11	323.7
2011-12	378.3
2012-13	415.9
2013-14	515.1
2014-15	594.3
2015-16	706.6
2016-17	764.3
2017-18	908.7

Source: Authors Calculation, **Data Source:** State Finance, A Study of Budget and Handbook Statistics on Indian States, Reserve Bank of India (RBI), 2021.

Graph 1



Source: Authors Calculation, Data Source: State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

During the period 2003-04 to 2008-09, the Social Sector Expenditure in Karnataka increased at a Compound Annual Growth Rate (CAGR) of 20.79 percent, and from 2008-09 to 2013-14, it increased by 15.46% and by at a rate of 16.92% during 2013-14 to 2017-18 respectively. (As shown in Table 2)

Table 2 : Compound Annual Growth Rate (CAGR) of Social Sector Expenditure in Karnataka (in Percentage)

Year	Five Year CAGR of Social Sector Expenditure
2003-04 to 2008-09	20.79%
2008-09 to 2013-14	15.46%
2013-14 to 2017-18	16.92%

Source: Authors Calculation, Data Source: State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

Table 3 shows that Social Sector Expenditure as a percentage of total public expenditure was 28.4% in 2003-04 in Karnataka. Furthermore, over the period, it increases and reaches 33.4% in 2005-06. Furthermore, in 2006-07 the government decreased the social sector spending by 0.7% and increased it by 4% for the next financial year, 2007-08. In 2009-10, Social Sector Expenditure increased to 39.9% and remained the same for the following year. In 2011-12, it was again decreased by 2.1%, and the share of Social Sector Expenditure in Total Public Expenditure first time crossed above 40% in the year 2014-15. In two consecutive financial years, i.e., 2015-16 and 2016-17, it remained at 41.7% and declined by 0.7 in 2017-18 (also depicted in Graph 2).

Table 3 : Social Sector Expenditure to Total Expenditure in Karnataka

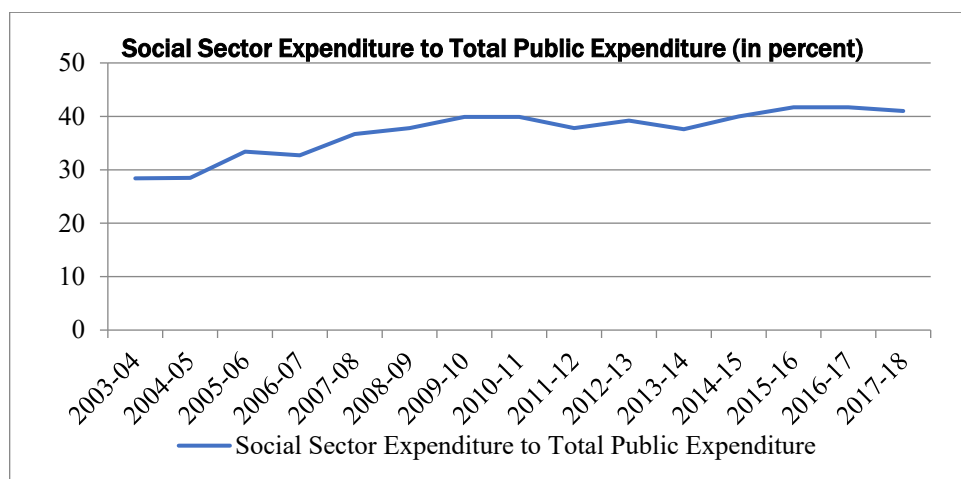
Year	Social Sector Expenditure to Total Public Expenditure (in Percentage)
2003-04	28.4
2004-05	28.5
2005-06	33.4
2006-07	32.7
2007-08	36.7
2008-09	37.8
2009-10	39.9
2010-11	39.9
2011-12	37.8
2012-13	39.2
2013-14	37.6
2014-15	40.0
2015-16	41.7
2016-17	41.7

2017-18

41.0

Source: Authors Calculation, **Data Source:** State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

GRAPH 2



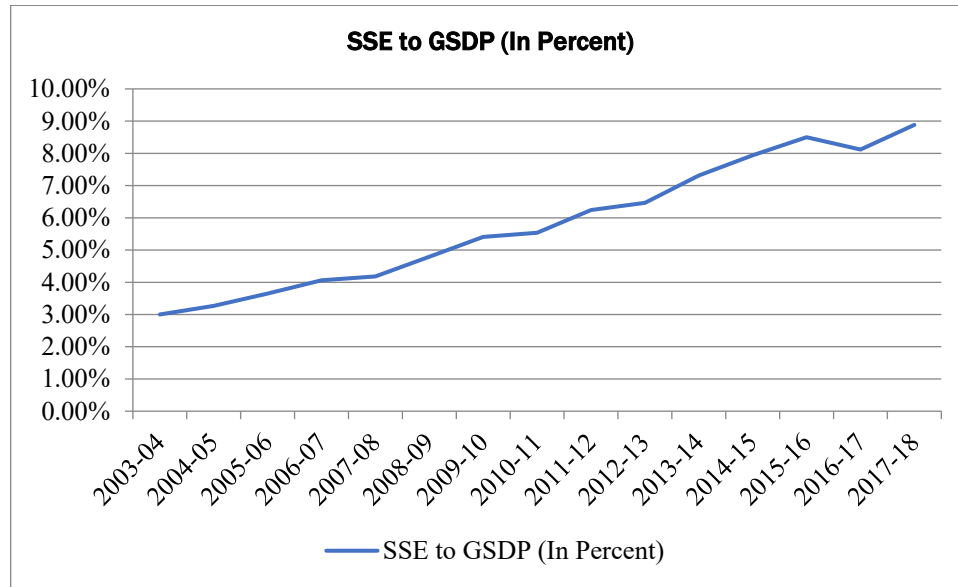
Source: Authors Calculation, **Data Source:** State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

The Social Sector Expenditure as a percentage of Gross State Domestic Product (GSDP) for Karnataka state is tabulated in Table 4 and depicted in Graph 3. All the values of GSDP as been adjusted to the 2011-12 base year using the Data Splicing Method. From table 4, it can be observed that the share of Social Sector Expenditure has been increasing from 3% in 2003-04 to 8.88% in 2017-18. Moreover, only in the year 2016-17 did it decrease by 0.38%, but again it picked up to reach the highest point in the financial year 2017-18. Over the period, Karnataka may have structured its Social Sector Expenditures to reflect its efforts toward inclusive growth.

Table 4 : Social Sector Expenditure to Gross State Domestic Product (GSDP) of Karnataka

Year	Social Sector Expenditure to GSDP (in Percentage)
2003-04	3.00%
2004-05	3.27%
2005-06	3.65%
2006-07	4.06%
2007-08	4.18%
2008-09	4.79%
2009-10	5.41%
2010-11	5.54%
2011-12	6.24%
2012-13	6.47%
2013-14	7.31%
2014-15	7.94%
2015-16	8.50%
2016-17	8.12%
2017-18	8.88%

Source: Authors Calculation, **Data Source:** State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

Graph 3

Source: Authors Calculation, Data Source: State Finance, A Study of Budget and Handbook Statistics on the Indian States, Reserve Bank of India (RBI), 2021.

6. REVENUE AND CAPITAL EXPENDITURE IN TOTAL SOCIAL SECTOR EXPENDITURE

The Social Sector Expenditure in India can be separated into two heads revenue expenditure and capital outlay. Through trend analysis, it can be observed that the revenue expenditure is increasing with the increase in Total Social Sector Spending in Karnataka state. Capital outlay represents a minimal share of total social sector spending, while revenue expenditure is over 89 percent in the State. The following graph 4 shows the share of revenue expenditure and capital expenditure in Social Sector Expenditure. It can be observed that the share of capital outlay represents a rising trend. In 2003-04, the capital expenditure accounted for around 7 percent, which rose to more than 12% in 2017-18. Furthermore, the government spent the highest share of capital expenditure in 2007-08, incurring more than 14 percent. From 2003-04 to 2017-18, the composition of Social Sector Expenditure of the Karnataka government is presented in Table 5 & Table 6.

7. CONCLUSION

In this paper, the importance of Social Sector Expenditure on the growth and development of the Karnataka Economy is discussed by analyzing its trends and patterns. Karnataka state has allocated an average of 37% of Total Public Expenditure on Social Sector Development in the study period. The essential component of human development, the Education and Health sectors, have been allocated a good amount of funds every year by the government. Only funding for the Social Sector does not directly contribute to the Social Sector Development in a state. There should be an effective assessment of the Human Development achieved in Social Sector with the help of Social Sector Spending done by the government. This idea paves the way for further research to precisely recognize the efficiency of Social Sector Expenditure towards the overall Human Development of the people in Karnataka State.

CONFLICT OF INTEREST

None

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