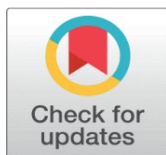
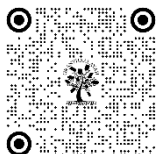


ASSESSING THE RELATIONSHIP BETWEEN PUBLIC EXPENDITURE AND HUMAN DEVELOPMENT OUTCOMES IN INDIA

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ABSTRACT

This study explores the relationship between public expenditure and human development outcomes in India. It examines the extent to which government spending on health, education, and social welfare translates into improved human development indicators such as literacy rates, life expectancy, and poverty reduction. Using a mixed-methods approach, the research analyses data trends over the past two decades, identifies gaps in resource allocation, and highlights regional disparities. The findings underscore the need for enhanced accountability and policy reforms to ensure that public expenditure effectively addresses the socio-economic needs of India's diverse population.

Keywords: Public Expenditure, Human Development, Health Outcomes, Education, Poverty Reduction, Regional Disparities, Socio-Economic Development, India

1. INTRODUCTION

Public expenditure plays a crucial role in determining human development outcomes, particularly in a country like India with vast socio-economic disparities. Over the years, successive governments have allocated substantial resources toward sectors such as health, education, and social welfare to improve quality of life. However, despite these efforts, India continues to grapple with challenges such as low literacy rates, poor healthcare infrastructure, and widespread poverty. This study seeks to evaluate the effectiveness of public expenditure in bridging these gaps and achieving sustainable human development. Public expenditure serves as the cornerstone of socio-economic development in any country, particularly in a diverse and populous nation like India. It represents the commitment of the government to prioritize the welfare of its citizens by allocating resources to critical areas such as health, education, and social infrastructure. Over the years, the role of public expenditure in shaping human development outcomes has gained increasing importance, especially as India strives to achieve the Sustainable Development Goals (SDGs). Despite considerable efforts, India faces persistent challenges, such as high levels of poverty, regional disparities, inadequate healthcare access, and significant gaps in educational achievements.

Human development, as a concept, encompasses more than just economic growth. It emphasizes improving the quality of life, ensuring equal opportunities, and addressing the multidimensional nature of well-being, including education, health, and income security. Public expenditure, particularly in sectors that directly influence these dimensions, holds the potential to bridge the gap between policy intentions and ground realities. However, the effectiveness of this spending depends on the equitable allocation of resources, efficient implementation of programs, and robust mechanisms for accountability.

India's socio-economic landscape is characterized by vast heterogeneity. States like Kerala and Himachal Pradesh have made significant strides in human development, showcasing the benefits of sustained public investment in education and health. On the other hand, states such as Uttar Pradesh, Bihar, and Jharkhand continue to lag, highlighting the challenges of inadequate spending and inefficient governance. This dichotomy raises important questions about the role of public expenditure in reducing disparities and promoting inclusive development.

The evolution of public expenditure in India has witnessed multiple phases, shaped by historical, political, and economic factors. From the socialist-oriented Five-Year Plans of the early decades to the liberalization reforms of the 1990s, the focus of government spending has shifted over time. While early policies aimed at poverty alleviation and infrastructure development, recent years have seen a renewed emphasis on direct benefit transfers, digital governance, and targeted welfare schemes.

Despite these advancements, India's ranking on the Human Development Index (HDI) reveals a mixed picture. With significant improvements in certain indicators such as life expectancy and literacy, the country still grapples with critical issues like malnutrition, maternal mortality, and gender inequality. This disparity underscores the need for a more nuanced understanding of the relationship between public expenditure and human development outcomes.

Furthermore, the COVID-19 pandemic has highlighted the vulnerabilities in India's public health and social welfare systems, underscoring the importance of robust public expenditure. The crisis has also emphasized the need to prioritize investments in healthcare infrastructure, digital education, and economic safety nets to ensure resilience against future shocks.

This study aims to explore the intricate relationship between public expenditure and human development outcomes in India. By examining trends, identifying regional disparities, and analyzing the effectiveness of government spending, it seeks to provide insights into optimizing resource allocation for better socio-economic outcomes.

The findings of this research hold significant implications for policymakers, economists, and social planners. Understanding how public expenditure translates into tangible improvements in quality of life can guide strategies to enhance governance, promote equity, and achieve sustainable development. This study not only sheds light on the successes and shortcomings of existing policies but also charts a path for future reforms to ensure that India's economic progress is both inclusive and equitable.

This comprehensive exploration of public expenditure and human development underscores the importance of investing in people as the foundation of national prosperity. By aligning fiscal policies with developmental goals, India can pave the way for a more equitable and prosperous society, addressing the aspirations of its billion-plus citizens.

1.1. NEED FOR THE STUDY

India's socio-economic challenges necessitate a critical evaluation of the efficiency and effectiveness of public spending. Understanding the correlation between expenditure and development outcomes can guide policymakers in optimizing resource allocation.

1.2. OBJECTIVES

- 1) Examine the distribution of public expenditure across health, education, and social welfare.
- 2) Assess the correlation between expenditure levels and human development indices.
- 3) Investigate the role of governance in ensuring effective utilization of funds.
- 4) Provide policy recommendations for improving the efficacy of public expenditure.

Hypothesis

Public expenditure positively correlates with human development outcomes, but its effectiveness is hindered by inefficiencies, corruption, and regional disparities.

2. RESEARCH METHODOLOGY

Data Collection: Secondary data from government reports, World Bank, and United Nations Development Programme (UNDP).

Data Analysis: Statistical tools to establish correlations between expenditure and development outcomes.

Qualitative Analysis: Case studies from states with contrasting human development indicators.

Strong Points of Public Expenditure and Human Development in India

- 1) Direct Impact on Human Development
- 2) Reduction of Poverty and Inequality
- 3) Economic Multiplier Effect
- 4) Enhancement of Education and Literacy Rates
- 5) Improved Healthcare Access and Outcomes
- 6) Promotion of Gender Equality
- 7) Regional Development
- 8) Focus on Digital Transformation
- 9) Alignment with Sustainable Development Goals (SDGs)
- 10) Empowerment of Vulnerable Groups
- 11) Robust Policy Framework
- 12) Crisis Management and Economic Recovery
- 13) Decentralized Governance
- 14) Innovative Public Financing Models

Weak Points of Public Expenditure and Human Development in India

- 1) Inefficient Allocation of Resources
- 2) Bureaucratic Delays and Red Tape
- 3) Leakages and Corruption
- 4) Limited Fiscal Space
- 5) Urban-Rural Disparity
- 6) Regional Imbalances
- 7) Underfunding of Education and Healthcare
- 8) Low Public Awareness and Participation
- 9) Poor Implementation Mechanisms
- 10) Inadequate Focus on Quality
- 11) Dependence on External Borrowing
- 12) Limited Impact Assessment
- 13) Fragmentation of Programs
- 14) Neglect of Environmental Concerns
- 15) Limited Technological Integration
- 16) Inadequate Decentralization
- 17) Persistent Social Inequalities
- 18) Over-Dependence on Subsidies

- 19) Impact of Political Interference
- 20) Global Comparisons Highlight Gaps
- 21) Slow Progress in SDG Goals
- 22) Mismatch in Policy and Implementation

Current Trends in Public Expenditure and Human Development Outcomes in India

1) Increased Focus on Social Sector Spending

- Government expenditure on healthcare and education has seen a modest rise, particularly after the COVID-19 pandemic emphasized the importance of robust public health and education systems.
- Initiatives like Ayushman Bharat and the National Education Policy (NEP) 2020 aim to improve access and quality in these critical sectors.

2) Shift Towards Digital Infrastructure

- Public funds are increasingly being directed toward digital transformation in governance, education, and healthcare.
- Projects like Digital India and e-Governance initiatives aim to ensure transparency, efficiency, and citizen-centric service delivery.

3) Emphasis on Rural Development

- Programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) continue to receive significant funding to support rural employment and infrastructure development.
- Rural electrification, sanitation (Swachh Bharat Abhiyan), and housing schemes are key priorities for bridging the urban-rural divide.

4) Increased Investment in Green Economy Initiatives

- Public expenditure is being channelled into renewable energy projects, sustainable agriculture, and climate-resilient infrastructure.
- India's commitment to achieving net-zero emissions by 2070 has led to increased funding for solar power, electric vehicles, and reforestation programs.

5) Healthcare Spending Post-COVID-19

- The pandemic catalysed higher allocations to public health infrastructure, including vaccine development, healthcare facilities, and emergency response systems.
- Efforts are being made to strengthen primary healthcare through the establishment of Health and Wellness Centers under Ayushman Bharat.

6) Focus on Skill Development and Employment

- Programs like Skill India and Startup India are being funded to enhance employability and foster entrepreneurship, particularly among youth.
- Emphasis on vocational training and digital skills reflects the changing demands of the labor market.

7) Urban Infrastructure Development

- Public expenditure is increasingly focused on smart city projects, urban mobility solutions, and housing for all.
- Initiatives like the Pradhan Mantri Awas Yojana (PMAY) and metro rail expansions highlight the government's commitment to urban development.

8) Regional Disparity Reduction Measures

- Special packages for North-East India, Jammu and Kashmir, and aspirational districts are being implemented to address regional imbalances in human development.
- Increased grants and infrastructure investments aim to uplift underdeveloped regions.

9) Inclusion of Marginalized Communities

- Public expenditure programs are increasingly targeting women, Scheduled Castes (SC), Scheduled Tribes (ST), and other disadvantaged groups through affirmative action and welfare schemes.
- Gender budgeting and schemes like Beti Bachao Beti Padhao reflect a shift towards inclusive development.

10) Public-Private Partnerships (PPPs)

- The government is leveraging PPPs to enhance efficiency and resource mobilization in sectors like healthcare, education, and infrastructure.
- Examples include private participation in operating public schools and hospitals.

11) Increased Role of Technology in Public Spending

- Implementation of Direct Benefit Transfer (DBT) mechanisms ensures that subsidies and welfare payments reach beneficiaries directly, reducing leakages.
- Use of Aadhaar-linked accounts and digital platforms has improved transparency and accountability in fund utilization.

12) Focus on Education Reforms

- Education Technology Forum (NETF), and multidisciplinary institutions aim to modernize education delivery. The NEP 2020 emphasizes increased public expenditure on education, with a goal to reach 6% of GDP.
- Initiatives like online learning platforms, National

13) Push for Universal Basic Services (UBS)

- Public expenditure is increasingly aligned with the Universal Basic Services framework, focusing on providing free or affordable access to health, education, housing, and water.
- These services aim to improve the quality of life for all citizens, particularly the poor and marginalized.

14) Sustainable Development Goals (SDG) Integration

- India's public expenditure is increasingly aligned with SDG targets, focusing on poverty alleviation, quality education, clean water, and climate action.
- Efforts are being made to track and report progress on SDG-related expenditure.

15) Increased Spending on Social Security

- Public expenditure on pensions, unemployment benefits, and welfare schemes has increased to provide a safety net for vulnerable populations.
- Schemes like the PM-Kisan and Jan Dhan Yojana aim to ensure financial inclusion and support for farmers and the poor.

16) Adoption of Outcome-Based Budgeting

- A shift from input-based to outcome-based budgeting ensures that public expenditure delivers measurable benefits.
- Key performance indicators (KPIs) are being used to evaluate the effectiveness of developmental programs.

17) Increased Funding for Research and Innovation

- Higher allocations for research in agriculture, healthcare, and technology underscore the importance of innovation in addressing developmental challenges.
- Initiatives like Atal Innovation Mission (AIM) aim to foster research-driven solutions.

18) Global Collaborations and Multilateral Funding

- India is increasingly partnering with international organizations like the World Bank, UNDP, and WHO to finance large-scale development projects.
- Multilateral grants and loans supplement domestic public expenditure for human development.

19) Expanding Social Protection Post-Pandemic

- Increased spending on food security programs like PM Garib Kalyan Yojana reflects the government's commitment to cushioning the pandemic's impact.
- Temporary income support and subsidies have been expanded to protect vulnerable populations.

20) Emphasis on Digital Literacy and Connectivity

- Investments in broadband connectivity for rural areas aim to bridge the digital divide and enable access to online education, healthcare, and e-governance services.
- Digital literacy programs under Digital India empower citizens to leverage technology effectively. These trends indicate a paradigm shift in public expenditure strategies to address contemporary challenges, enhance human development outcomes, and promote equitable growth in India.

3. HISTORY

India's approach to public expenditure has evolved significantly since independence. The Five-Year Plans emphasized healthcare, education, and poverty alleviation. Post-1991 economic reforms shifted focus toward market-driven growth, often at the expense of social welfare. Recent years have seen renewed emphasis on human development under programs such as the National Health Mission and Sarva Shiksha Abhiyan. The relationship between public expenditure and human development has evolved significantly in India, shaped by the nation's socio-political landscape, economic reforms, and developmental priorities. This historical overview highlights the trajectory of public spending on education, health, and social welfare, and its impact on human development outcomes.

Pre-Independence Era: Limited Public Spending on Human Development

- **Colonial Legacy:** Under British rule, public expenditure was focused on administrative costs, military needs, and infrastructure for resource extraction, with minimal attention to human development sectors like education and healthcare.
- **Health and Education Neglect:** Limited investments in public health and education resulted in widespread illiteracy, poor healthcare infrastructure, and high mortality rates.
- **Reforms and Philanthropy:** Initiatives by social reformers and philanthropists, such as Raja Ram Mohan Roy and Swami Vivekananda, advocated for education and healthcare. However, their impact was restricted due to the lack of state support.

Post-Independence Era: Nation-Building and Planned Development (1947-1991)

- **Constitutional Mandate:** The Indian Constitution emphasized social justice and human development. Articles 21, 45, and 47 under the Directive Principles of State Policy called for universal education, improved nutrition, and public health.
- **Five-Year Plans:** The planning era marked the beginning of systematic public expenditure on human development:
- **First Five-Year Plan (1951-1956):** Focused on agricultural development, rural health centers, and primary education.
- **Second and Third Five-Year Plans (1956-1971):** Initiatives to establish public universities, improve healthcare access, and reduce poverty.
- **Public Health Initiatives:** The government launched programs to combat diseases like malaria and tuberculosis, alongside efforts to improve maternal and child health.
- **Challenges:** Resource constraints, population growth, and regional disparities limited the impact of these expenditures.

Economic Liberalization and Social Sector Reforms (1991-2000)

- **Economic Reforms:** The economic crisis of 1991 led to liberalization, privatization, and globalization. While economic growth accelerated, social sector spending initially stagnated.
- **Human Development Focus:** Recognizing the importance of human capital, public expenditure began to prioritize health and education:

The National Literacy Mission (1988) and Sarva Shiksha Abhiyan (2001) aimed to achieve universal elementary education.

Public healthcare programs like the Reproductive and Child Health Program (RCH) were initiated to improve maternal and child health outcomes.

- **Increased Role of NGOs:** Non-governmental organizations became significant partners in implementing social sector initiatives.

Millennium Development Goals and Public Expenditure (2000-2015)

- **Global Commitments:** India aligned its public expenditure with the Millennium Development Goals (MDGs), focusing on eradicating poverty, achieving universal education, and reducing child mortality.
- **Health Sector Reforms:** The launch of the National Rural Health Mission (NRHM) in 2005 marked a significant increase in healthcare spending, particularly in rural areas.
- **Right-Based Approach:**

The Right to Education Act (2009) mandated free and compulsory education for children aged 6-14.

Initiatives like the National Food Security Act (2013) aimed to reduce hunger and malnutrition.

- **Impact of Economic Growth:** The rise in GDP enabled higher allocations to social sectors, although regional inequalities persisted.

Post-2015 Era: Sustainable Development Goals and Digital Transformation

- **Sustainable Development Goals (SDGs):** India's public expenditure aligned with the SDGs, emphasizing inclusive growth, quality education, and universal healthcare.
- **Flagship Programs:**

Ayushman Bharat (2018) for universal healthcare coverage.

Skill India Mission to enhance employability and reduce unemployment.

- **Digital Revolution:** Initiatives like Digital India facilitated the delivery of education, healthcare, and welfare services through technology.
- **Social Welfare Spending:** Increased allocations for rural development, sanitation (Swachh Bharat Mission), and women's empowerment (Beti Bachao Beti Padhao).

Challenges in Public Expenditure and Human Development

- **Resource Allocation:** Despite progress, public expenditure on health and education remains below the global average, with only 3% of GDP spent on health and 4% on education.
- **Regional Disparities:** States like Kerala and Tamil Nadu excel in human development outcomes, while others lag due to governance and resource challenges.
- **Policy Gaps:** Inconsistent implementation and corruption have hindered the effective utilization of public funds.

4. CURRENT CONTEXT AND IMPLICATIONS

The historical trajectory of public expenditure in India demonstrates a growing recognition of the role of human development in economic growth and social equity. With the advent of the SDGs, digital transformation, and a focus on inclusive development, the historical lessons provide a foundation for addressing emerging challenges and optimizing public spending for human development. This historical overview underscores the evolution of public expenditure as a critical instrument for fostering human development in India. While significant progress has been made, achieving equitable and sustainable development requires continued investment, innovation, and reforms.

5. DISCUSSION

The discussion delves into the relationship between expenditure levels and outcomes, analyzing success stories from states like Kerala and challenges in states like Bihar. The role of governance, political priorities, and public accountability are explored in detail.

6. RESULTS

- States with higher social sector expenditure have better human development indices.
- Significant regional disparities in fund utilization and outcomes.
- Lack of robust monitoring mechanisms hampers effective resource allocation.

7. CONCLUSION

While public expenditure has contributed to improving human development outcomes in India, inefficiencies and regional disparities continue to pose challenges. Targeted reforms, enhanced transparency, and participatory governance are essential for optimizing the impact of government spending. The relationship between public expenditure and human development in India reveals a complex yet pivotal dynamic where government investments directly influence the quality of life, economic productivity, and social equity. Over decades, India's policy framework and fiscal strategies have undergone significant evolution, driven by the need to address a diverse set of developmental challenges.

Critical Observations and Key Takeaways

1) Transformative Impact of Public Expenditure:

Public spending in sectors like education, healthcare, sanitation, and social welfare has undeniably improved human development indicators. Initiatives like the Right to Education Act, Ayushman Bharat, and the National Rural Health Mission (NRHM) have demonstrated the potential of targeted investments to uplift marginalized communities and bridge developmental gaps.

2) Significant Achievements:

- The increase in literacy rates and access to primary education is a testament to sustained educational investments.
- Enhanced healthcare programs have reduced infant and maternal mortality rates while expanding access to essential services for rural and underprivileged populations.
- Social security schemes have played a vital role in reducing hunger, malnutrition, and poverty.

3) Persistent Challenges:

Despite progress, India continues to grapple with several issues:

- **Inadequate Funding:** Public expenditure on health (approximately 3% of GDP) and education (approximately 4% of GDP) remains below international benchmarks, limiting the scope and reach of developmental programs.
- **Regional Disparities:** States with strong governance and higher investments, such as Kerala and Tamil Nadu, outperform others in human development outcomes, highlighting the uneven distribution of resources.
- **Implementation Gaps:** Corruption, inefficiencies, and lack of accountability have hindered the effective utilization of funds, diluting the impact of public expenditure.

8. ECONOMIC AND SOCIAL INTERDEPENDENCE:

A significant correlation exists between human development and economic growth. Healthier and more educated populations contribute to economic productivity, while inclusive growth ensures equitable resource distribution.

8.1. EMERGING TRENDS AND FUTURE DIRECTIONS

- **Focus on Sustainable Development:** Aligning public expenditure with Sustainable Development Goals (SDGs) is critical for fostering inclusive and sustainable growth.

- **Leveraging Technology:** Digital transformation through initiatives like Digital India has enabled the efficient delivery of education, healthcare, and welfare services, offering new avenues for scaling developmental programs.
- **Innovative Financing Models:** Public-private partnerships (PPPs) and international collaborations are increasingly recognized as essential for mobilizing resources and addressing funding gaps.

Call to Action

- To maximize the benefits of public expenditure on human development, India must:
- Increase budgetary allocations for education and healthcare to align with global best practices.
- Strengthen governance mechanisms to ensure transparency, accountability, and efficient use of funds.
- Foster regional cooperation to address disparities and encourage knowledge sharing among states.
- Embrace a rights-based approach to ensure universal access to essential services, irrespective of socio-economic status. Public expenditure on human development is not merely an economic investment but a moral imperative that underpins the nation's progress. By prioritizing human development in its fiscal policies, India can build a resilient, equitable, and empowered society capable of addressing contemporary and future challenges. Achieving this vision requires a collective effort by policymakers, private stakeholders, and civil society to ensure that every rupee spent contributes to the well-being and prosperity of its people.

9. SUGGESTIONS AND RECOMMENDATIONS

- Increase allocations for health and education sectors.
- Implement stricter monitoring and evaluation mechanisms.
- Promote public-private partnerships for efficient fund utilization.
- Encourage decentralized decision-making to address regional disparities.

10. FUTURE SCOPE

- Further research on the role of technology in improving expenditure efficiency.
- Comparative studies with other developing nations to identify best practices.
- Longitudinal studies to measure the impact of policy reforms.

CONFLICT OF INTERESTS

None.

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