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An Economic Analysis Of Public Expenditure On Health In India

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Abstract

This paper analysis the relationship between public health expenditure and economic growth on the states based on an annual data series from the period 2014 -2015 to 2018-2019. The domain of the term 'Health' is as large and complex as the entire scope of human activities. Good health is a pre-requisite to human productivity and development process. The health care financing is one of the most important components of health system. This mainly deals with funding for the health care by different sectors. There is a need to arrange health care financing in such a way that it reduces the overall out of pocket expenditure on health care. One of the central problems has been the low levels of public spending on health and as a result the poor access to affordable and good quality healthcare for the majority of India's population. Health is a State Subject in the Indian Constitution. Accordingly the primary responsibility of organisation and delivery of health care services rests with state governments.The present study is based on secondary Data. The data was collected from different published sources such as various issues of Indian public finance statistics, National Accounts Statistics, Handbook of statistics on state finance, RBI Bulletin, and Director of Health and Family Welfare Services. Reserve Bank of India has compiled detailed finances of the state governments based on states' budget documents and other supplementary information.

Keywords: Family welfare, Gross Domestic Product, Primary Health Centre and Social Welfare.

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Prelude

"It is health that is the true wealth, not pieces of gold and silver."

- Mahatma Gandhi

This paper analysis the relationship between public health expenditure and economic growth on the states based on an annual data series from the period 2014 -2015 to 2018-2019. Economics development is one of the main contributors of the health status of the people. Health economics combines the economics perspective of production with the social objectives of health sciences Health Economics is specialist field that focuses on the effectiveness of resource allocation into health services infrastructure to meet the increasing health service needs of individuals and communities. Health is a primary and more essential input for human resources development of a country. A chronically sick person, in spite of high income and education cannot enjoy life and would contribute very little to the society. The health of population and individual is inextricably bound up with development. Overcoming health related barriers to the accumulation of human capital might be an important pre condition for achieving higher income level. Therefore, the expenditure on health is not only a means to the welfare of the society but also an end to the economic development. Investment in the health of people is considered to be a development strategy.

Concept of Health

The domain of the term 'Health' is as large and complex as the entire scope of human activities. Good health is a pre-requisite to human productivity and development process. A healthy community constitutes the infrastructure needed for building economically viable society. Health is vital for ethical, artistic, material and spiritual development of man. Health is not just feeling good but is concerned with social, emotional, physical and mental aspects of life. It includes the cognitive, effective and action domains of human behaviour as it refers not only to individuals but also to the capabilities of families, communities, institutions and societies.

Public Health Expenditure in India

The health care financing is one of the most important components of health system. Thismainly deals with funding for the health care by different sectors. There is a

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need to arrangehealth care financing in such a way that it reduces the overall out – of – pocket expenditureon health care. Health expenditure has improved during past years. But the privateexpenditure of the total expenditure has been more than 3/4th of the total health expenditure(78.1 per cent, NHA 2004-05). The Eleventh Five Year Plan (2007-12) suggested increasingthe public spending on health sector by 2 – 3 percent of the GDP. But in contrast to this theexpenditure on health care is still less than 1 per cent of the GDP. During the Eleventh FiveYear Plan, Central and State government have implemented various schemes to increase thechoice of health provider between the public and private to the people in form of subsidizedinsurance schemes on health in the like the most important one is Rashtriya SwastyaBimaYojna (RSBY) for the families living Below the Poverty Line (BPL) with total assured sumof Rs 30000/ (thirty thousand) only per family per annum. The scheme has been initiated in172 districts of India covering around 2.98 crores households.The public expenditure on health at about 1.2% of the GDP is amongst the lowest in the world. Public health facilities suffer from poor infrastructure and human resource inadequacies. For instance, according to the Rural Health Statistics 2017, 13% of the sanctioned health worker (female) posts and 37% of the health worker (male) posts remain vacant. Overall, only 11% of sub-centres and about 13% of primary health centres (PHCs) are functioning as per Indian Public Health Standards (IPHS). There is therefore an urgent need for more resources to be allocated for public healthcare along with measures to strengthen the delivery of health services. The National Health Policy 2017 aims to "increase health expenditure by Government as a percentage of GDP from the existing 1.15% to 2.5 % by 2025" Although it has already been reported that the health budget is not going to see a significant increase, it has to be noted that without a substantial enhancement in the allocations much of the needed reforms in healthcare provision will not be possible. Achieving this, requires not just an enhancement in the central budget but also increases in each of the state budgets as well. However, the central government can play an important role. Further, it also needs to be recognized that a number of states currently do not even have the spending capacity (one big reason for this is also the lack of human resources) and therefore along with the increase in allocations, a number of steps need to be taken towards strengthening the public health system.

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Statement of the Problem

One of the central problems has been the low levels of public spending on health and as a result the poor access to affordable and good quality healthcare for the majority of India's population. Health is a State Subject in the Indian Constitution. Accordingly the primary responsibility of organisation and delivery of health care services rests with state governments. But certain programmes of public health and family welfare with externality characteristics are classified under Concurrent List of the Constitution of India. Responsibility of delivering the services under Concurrent List rests with both Central and State governments. This form of division of roles and responsibilities have resulted in a wide spread network of health care facilities across the country. At the bottom of the system is the Sub-Centre facility located in a village extending preventive and promotive services to the people in and around the sub-centre. On the top of the pyramid is the district hospital equipped to deliver tertiary care services and often with super specialty services. In between these are the providers of primary and secondary care services, i.e. primary health centres and community health centres. The trends as depicted in the charts presented above though brings out clearly the declining public resources for health, how these affected the components of health care expenditures such as public health, family welfare programmes.

Theoretical Background

Adolph Wagner, the renowned German political economist(1835-1913) believed that a functional "Cause and Effect"relationship exists between the growth of an economy andthe growth of the public sector. He presented his famous'Law of ever increasing state activity' that indicates that thesocial progress was the basic cause of the relative growth ofstate activities. On the other hand, Keynesian macroeconomic theories assume that public expenditure causes national income. In "The General Theory of Employment,Interest and Money" (1936) Keynes sounds the death-knellto the classical thoughts. He totally repudiated the concept oflaissez faire and argues that economic growth is possibleonly through the expansion of fiscal activities of the state.On the above background, the present study investigateswhether the Keynesian approach or Wagnerian approach isvalid on the relationship between health care expenditureand economic growth. The relationship between health careexpenditure and economic growth is well studied. However,the direction of causality is still under controversy that iswhether

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health care expenditure leads to economic growth oreconomic growth leads to health. So this study consideringthe cases of four Indian states namely Tamil Nadu, Kerala,top two in India in health performance and Orissa andMadhya Pradesh least performing states in India.

Scope of the study

A key issue in establishing the accounting framework is defining the scope of health care expenditures and defining what is meant by State expenditure. A health expenditure account is a way of summarizing information for policymakers about activities in the health care sector. A health account can provide information to meet four general needs: (1) to monitor the health system, (2) to evaluate the effects of past policy changes, (3) to contain rising health care costs, and (4) to design policy proposals for the future.

Objectives of the study

1. To analysis the interstate disparities in health status in India.
2. To analysis the growth of public health expenditure of India.
3. To make Policy implication and conclusion to improve the health status of India.

Methodology

The present study is based on secondary Data. The data was collected from different published sources such as various issues of Indian public finance statistics, National Accounts Statistics, Handbook of statistics on state finance, RBI Bulletin, and Director of Health and Family Welfare Services. Reserve Bank of India has compiled detailedfinances of the state governments based on states' budget documents and othersupplementary information.According to this framework, we define our public health expenditure categories as follows: 1. Expenditure on “Health” includes revenue and capital expenditures on the budget major heads “Medical and Public Health” and “Family Welfare”. 2. Expenditure on “Health and Allied Fields” includes all expenditures listed in (1) in addition to revenue and capital expenditures on the budget major heads “Water Supply and Sanitation” and “Nutrition”.

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Period of the study

The period of study selected for the analysis of Public Expenditure on Health in India is for a period of 5 years ranging from 2014-2015 to 2018-2019.

Limitation of the study

The analysis is subject to the following limitations:

- The present study is limited to the Public Expenditure on Health in India only. And the study is carried out in between the period from 2014-2015 to 2018-2019.
- This analysis is confined to Family welfare only.

Analysis and Discussion

Table 1:State-Wise Expenditure on Medical and Public Health and Family welfare in India (Non-Special Category)

(In Per cent)

States/UTs	2014-15	2015-16	2016-17	2017-18 (RE)	2018-19 (BE)
Andhra Pradesh	4.1	4.5	4.7	4.3	4.6
Bihar	3.8	4.1	4.3	4.1	4.3
Chhattisgarh	4.9	5.1	5.6	5.8	5.8
Goa	5.6	5.5	6.1	6.2	6.1
Gujarat	5.5	5.6	5.7	5.2	5.3
Haryana	4.0	3.1	3.7	4.0	4.4
Jharkhand	4.0	4.0	4.2	4.7	4.8
Karnataka	4.5	4.1	4.1	4.1	4.4
Kerala	5.3	5.2	5.6	5.7	5.3
Madhya Pradesh	4.3	4.4	3.8	4.4	4.3
Maharashtra	4.3	4.5	4.2	4.5	3.7
Odisha	4.9	4.7	5.4	4.9	5.1
Punjab	4.4	4.1	2.8	4.0	3.9
Rajasthan	5.6	4.6	5.1	5.7	6.0
Tamil Nadu	4.7	4.9	4.2	5.0	4.6
Telangana	4.1	3.9	4.1	4.2	4.3
Uttar Pradesh	5.1	4.5	4.9	5.1	5.2
West Bengal	5.2	5.6	5.2	4.7	4.6

App : (1) Revised Estimates (2) Budget Estimates Source : Reserve Bank of India

Table 1 shows that state-wise Non-special Category Expenditure on Medical, Public Health and Family Welfare in India. The 18 states has been selected in Non-special

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Category. The Chhattisgarh state Health expenditure is increased slowly 4.9 in 2014-2015 and 5.8 in 2018-2019. As for as Tamil Nadu is concerned Health expenditure is showing fluctuating trend during the whole study period. Among the all states the public spending on Health in Goa has increased one i.e., 5.6 in 2014-2015 and 6.1 in 2018-2019. The Rajasthan Health care expenditure increased after 2016-20107.

Table 2 :State-Wise Expenditure on Medical and Public Health and Family welfare in India (Special Category)

(In Per cent)

States/UTs	2014-15	2015-16	2016-17	2017-18 (RE)	2018-19 (BE)
Arunachal Pradesh	6.6	4.3	5.8	5.6	6.1
Assam	4.2	6.8	5.6	5.9	6.1
Himachal Pradesh	5.4	5.2	5.2	5.9	6.2
Jammu and Kashmir	5.6	5.7	5.6	4.9	4.4
Manipur	6.5	5.4	4.8	5.1	5.0
Meghalaya	7.5	7.6	6.8	5.6	6.9
Mizoram	5.2	5.8	5.3	7.0	4.8
Nagaland	5.1	5.1	4.8	5.3	5.2
Sikkim	5.4	5.8	5.9	6.8	4.4
Tripura	6.1	5.3	5.5	6.7	6.0
Uttarakhand	5.5	5.0	4.8	4.6	5.6

Source: Reserve Bank of India

Table 2 analysis that State wise Expenditure on Medical and Public Health and Family welfare in (Special Category). The Health care expenditure has been increasing trend during the whole study period. During the study period the Megalaya state has a highest spending on Health (7.5 per cent) and Arunachal Pradesh is second highest (6.6 per cent) in 2014-2015. The lowest incurred Health expenditure 4.2 per cent in Assam State. The Megalaya state health expenditure increased upto 2015-2016 after it has been reducing one. The Sikkim State Health expenditure suddenly reduced from 2017-2018 (6.8 per cent) to 2018-2019 (4.4 per cent).

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Figure 1 : State-Wise Expenditure on Medical and Public Health and Family welfare in India (Non- Special Category)

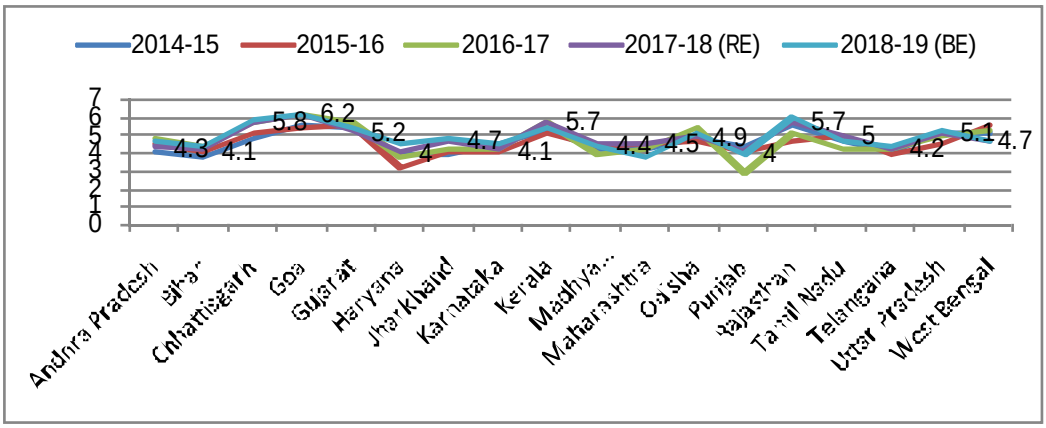

Figure : 2 State-Wise Expenditure on Medical and Public Health and Family welfare in India (Special Category)

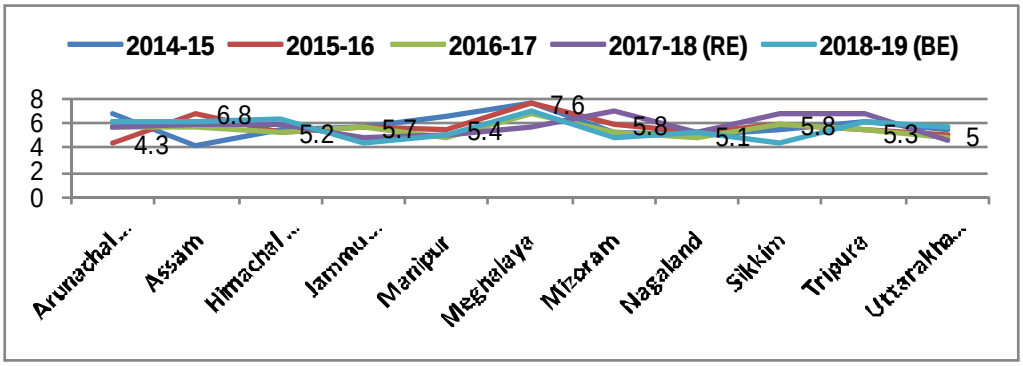

Table 3 :Over all Expenditure on Medical and Public Health and Family welfare in India (Special and Non-Special Category)

(In Per cent)

Country	2014-15	2015-16	2016-17	2017-18 (RE)	2018-19 (BE)
India	**4.8**	**4.7**	**4.6**	**4.8**	**4.8**
Percent to GDP	0.8	0.8	0.8	0.9	0.9
Memo Item					
Delhi	11.7	10.3	10.8	11.6	12.7
Puducherry	7.9	8.3	8.0	8.4	7.2

App : (1) Revised Estimates (2) Budget Estimates

Source : Reserve Bank of India

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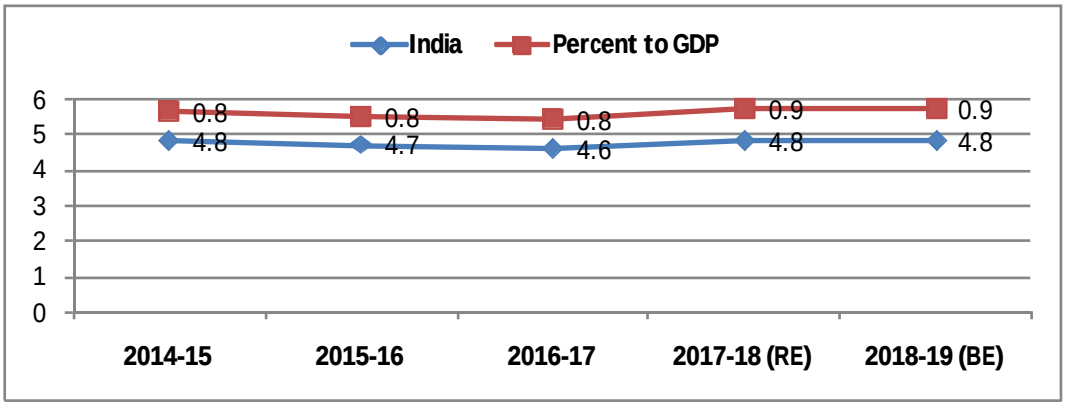
Table 3 indicate that overall expenditure on medical and Public Health and Family Welfare in India (Special and Non-Special Category). India's Per cent GDP rate has not been change during the study period. The GDP rate 0.8 in 2014-2015 and 0.9 in 2018-2019 (Budget Estimate)

Figure 3: Over all Expenditure on Medical and Public Health and Family welfare in India (Special and Non-Special Category)



Conclusion and Policy Implication

From the whole discussion one thing is very clear that resources allocated to health sector are not adequate by any yardstick and whatever meagre amount is incurred it is not appropriated properly. Capital account gets very little share that is why huge deficits are observed in health infrastructure and facilities in all the states under study. Good health is a decisive factor in the reduction of poverty and the promotion of sustainable economic development, particularly considering the high economic costs of preventable disease. Disease reduces the annual income of society as a whole, individual income for the rest of that individual's life and the general perspective of economic development. Health accounts provide policymakers with information to monitor the magnitude of the health sector and to assess the importance of various components. What reader of this article has not heard the following questions, or variants of them, asked by State legislators and key policymakers from States: How much was spent in total on health care in our State last year? How much of total State health spending is supported by employers and how much by government funds; do these respective shares vary by the type of health service?Raised as frequently as questions about the level of spending are questions about changes in spending over time that is, information about trends. Information on trends can signal progress in improving access to needed services, or it can provide early warning of problems in containing costs. State

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policymakers attending our planning meeting emphasized a special need for information that would permit States to monitor how their private insurance markets are changing. Several aspects were mentioned, including the role of self-insured employers; cost and premium growth; and shifting responsibility for payment to individuals, both through larger shares of premiums and increased cost sharing. In addition, they voiced a need for information to measure how fast the delivery system is changing under managed care and the implications for changing types of care and costs.

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