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Social Sector Priorities: An Analysis of Budgets and Expenditures in India in the 1990s

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Many policies in India, including economic reform policies, are officially intended to alleviate poverty. But how committed is the Indian government? And to what? This article addresses India's social spending priorities over the past decade. Looking at the rhetoric in budget speeches, actual expenditure patterns and the process by which budgets are formulated, it finds a widened concept of poverty and a shift away from income and employment programmes to human development. The budget-making process is not very participatory, and the role of the Finance Ministry has increased. Although the widening of the concept of poverty has positive aspects, within the overall context of structural adjustment it has facilitated the politically convenient neglect of other dimensions (income and employment).

1 Introduction

Throughout the history of Independent India, the government has claimed that it wants to work towards social development and the eradication of poverty. On the eve of Independence, Jawaharlal Nehru, addressing the Constituent Assembly, declared that Independence meant the redemption of a pledge. But he also stated that this achievement 'is but a step, an opening of opportunity, to the great triumphs and achievements that await us ... the ending of poverty and ignorance and disease and inequality of opportunity'.[1]

A lot has been achieved in the past half-century. The incidence of poverty has declined from over 50% in the 1950s to less than 30% in the late 1990s.[2] The literacy rate has increased from less than 20% in 1951 to 65% in 2001. According to the recent

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1. Jawaharlal Nehru's speech at the Constituent Assembly, New Delhi, on 14 August 1947. Quoted from Drèze and Sen (1995: 1).
2. There is some controversy regarding the poverty estimates of the late 1990s.

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Human Development Reports of UNDP, India has moved from the category of 'low' human development to that of 'medium' human development and its rank in 2003 was 127 (out of 175 countries). Nevertheless, its performance in the social sector is far from satisfactory, and could have been much better (Drèze and Sen, 1995).

The claim of the government that it is fully committed to addressing poverty and social development has continued over time. Today, if we are to believe the government, the prime objective of most policies is to help the poor and reduce their numbers. This is true even of the economic reform policies. But how genuine is this claim?

In this article we analyse the social sector priorities of the Indian government over the period 1990-2001. The social sector is defined here as what comes under 'Social Services' and 'Rural Development' in the Indian budgets. Basically this means health, education, water and sanitation, housing, anti-poverty programmes, employment programmes, etc. For our analysis we have studied the most crucial policy documents of the Indian government: the annual budgets. It is in these budgets that official objectives and stated commitments are given a concrete shape (or not) (Jain and Indira, 2000). In order to understand the genuineness of the government's claims with regard to the social sector, budgets are therefore a useful point of entry.

Budgets can be analysed from three perspectives. First, there is the justification. How does the government legitimise its allocation decisions and the real expenditures (whether or not in tune with the allocations made earlier)? Second, there is the content of the budgets. What kinds of allocations are made, and what are the trends in real expenditures? Third, there is the budget-making process. What kind of stakeholders are involved; whose interests are mainly represented; which ideas have dominated the process? This article considers all three.

As far as we know, not many studies have been carried out on social sector budget-making in India. Most studies focus on expenditure patterns only and not on the budget-making process. Examples of interesting work on expenditure patterns are the studies of Seetha Prabhu (1997, 2001). Another useful piece of work is by Guhan (1995), which focuses on trends in Central government social sector expenditure. In so far as these studies are about government priorities, they are deductive in their methodology, as they deduct priorities from expenditure patterns and do not analyse the processes behind the figures. Basu's book (1995) is about the budget-making process, but there is not much on the social sector in her work. There are a number of non-governmental organisations in India that undertake budget studies, usually with the aim of promoting more participatory and decentralised forms of budget-making.

The main focus of this article is on the Central government. We realise that Central government expenditure on the social sector is only one-fifth of total social sector expenditure in India, and that 80% of the expenditure is incurred by the States. The division of responsibilities between the Centre and the States is laid down by the Constitution. Health and most rural development issues are the responsibility of the States; education, welfare and employment issues come under the concurrent list – meaning that both the Centre and the States are responsible. In practice, there is involvement of the Centre in all social sectors. Activities that come under 'State' are sometimes directly or indirectly funded by the Centre (as the States receive central assistance for their five-year plans as well as other financial support) and the Centre has a considerable influence on policy directions in the States. This influence is reinforced by the severe fiscal crisis many States are experiencing at present (Saxena and Farrington, 2002: 17-19).[3]

The article focuses on the 1990s. This decade has been a rather special period, in economic as well as political terms. In 1991 there was an acute balance-of-payments crisis. The rupee was devalued, various international loans were taken to overcome the immediate problems, and a stabilisation programme was introduced. This was followed by an adjustment programme. The result has been that the economic development model at the end of the 1990s was distinctly different from the development model pursued before 1991. The level of protection is less; the Indian economy has opened up much more to the world market than before. In political terms, the 1990s were also a special decade. There have been as many as four parliamentary elections. The Congress (I) government was the only government that completed its term, from 1991 to 1996. There have been subsequent general elections in 1996, 1998 and 1999. The Congress (I) government was the only single-party government in the 1990s (though it was a minority government and needed outside support in Parliament from other political parties). The United Front government (1996-8) was a coalition government, consisting of 9 centrist or left-wing parties. In 1998 the Hindu fundamentalist Bharatya Janata Party (BJP) became the biggest party and formed a coalition government, and the same happened after new elections were held in 1999. These economic and political developments form the backdrop of the changes in social sector priorities which we shall describe in this article.

Generally, the way in which poverty is addressed and social policies are conceptualised is related to the overall development strategy and political economy. India is no exception to this. In the first decades after Independence, it sought to modernise through industrial development, with substantial government involvement in key economic sectors. There were some attempts at land reform, but there was no substantial redistribution to the landless. The dominant idea was that rural poverty and underdevelopment would decrease and disappear as a result of industrialisation and, from the mid-1960s onwards, also as a result of agricultural growth.

By the end of the 1960s, a series of poverty studies was showing that rural poverty was still a very serious problem and that, so far, not much had been achieved. An increasing number of economists became convinced that, though growth was important, it was not enough and that a ‘direct attack’ on poverty was also necessary (Vaidyanathan, 2001: 1808). This, together with political compulsions, made the then Prime Minister Indira Gandhi introduce a number of specific anti-poverty schemes. The main focus of these schemes was on employment creation, through either wage employment or self-employment schemes. The other major schemes were food-related: the Public Distribution Scheme and mid-day meals for school children. This reflected the then dominant conceptualisation of poverty, mainly in terms of income and calorie intake. Basic needs, a concept that became prominent in the Fifth Plan in the mid-1970s, included more than income and nutrition, but even then, for some time these two

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3. The Indian Central and State budgets make a distinction between Plan and non-Plan. Approximately one quarter of aggregate government expenditure is Plan expenditure, officially intended for new programmes and initiatives. About three-quarters of aggregate expenditure is non-Plan expenditure. This includes the recurrent costs of all government departments (mainly salaries), interest repayments, subsidies, etc. See section 4 for more discussion.

elements – i.e. income and calories – remained by far the most important in the conceptualisation of poverty and in anti-poverty policies.

In the 1990s. however, a shift occurred in the conceptualisation of poverty and the prioritisation of social policies, as we shall illustrate in this article. The focus shifted away from income and employment towards human development, a much broader concept, which also includes education, health, housing, rural roads, etc. In the following section we analyse conceptualisations of poverty and social sector priorities as they appear from the budget speeches. The third section analyses the major trends in social sector expenditure. The fourth section is about the budget-making process. The final section summarises the main conclusions, and suggests that the observed changes have to be understood against the background of the economic policies and the overall changes in India's political economy.

2 Poverty and the social sector in the budget speeches

Budget speeches are, of course, political documents and their content cannot be taken at face value. They are written for particular audiences. They package messages in particular ways, elaborating on some issues but maintaining a silence on others. Nevertheless, they present and justify particular allocation decisions and policies and reveal the way of thinking underlying them. The fact that these allocations can later be delayed or withdrawn altogether means that one should not give too much weight to budget decisions and budget speeches. These speeches do illustrate, however, how governments, or rather Finance Ministries, would like to present themselves to the outside world, including international agencies/policy-makers and economists. What follows are our main conclusions resulting from an analysis of the thirteen speeches made between 1990 and 2002. The focus is particularly on how poverty and social policies were discussed by the various Finance Ministers.

First, throughout the 1990s, the issue of poverty has played an important role in the justification of the economic reform policies. In the five budget speeches of the Congress (I) government (1991-5) – the government that introduced the economic reforms – the poor figured in three main ways. First, the idea was that the poor need inflation control. This was their immediate interest. 'Inflation remains a difficult problem, and one to which we attach the highest priority, because inflation hurts the poor' (Budget Speech [BS] 1992: point 11). Second, economic growth (and, hence, economic adjustment) was considered to be good for the poor. In the 1991 budget speech, the Finance Minister stated that: 'If we do not introduce the needed correctives, the existing situation can only retard growth, induce recession and fuel inflation, which would hurt the economy further and impose a far greater burden on the poor' (BS, 1991: point 8). So, the interests of the poor were used to justify the reform programme. It was, however, acknowledged that, in the short term, the poor could suffer from the economic adjustment, and that this should not happen. The third way in which the poor figured is that the budget speeches stated explicitly that the government was committed to adjustment with a human face (BS, 1991: points 8, 45). All budget speeches, but especially those of 1993, 1994 and 1995, elaborated extensively on anti-poverty programmes.

It was, hence, made very clear that economic growth and the reform policies were not ends in themselves. Neither were they meant for the rich:

> They are only the means to improving the lives of the ordinary citizens. I wish to assure the House that this concern has been central to our strategy from the very beginning. Experience in our own country, as also from all over the world, shows that the surest antidote to poverty is rapid and broad-based growth. This is precisely what our economic reform seeks to achieve. (BS, 1995: point 10)

Or to quote Yaswant Sinha, the Finance Minister in the BJP-led coalition governments:

> In preparing this budget I have been guided by the famous talisman of Gandhiji. I have recalled to myself the face of the poorest and weakest man I have seen and made sure that this budget is of use to him. (BS 1998: point 5)

Second, throughout the period 1991-2002, there was a great belief in the 'trickle-down' mechanism. Even though initially the poor could be negatively affected, there was an explicit assertion that in the end economic growth would help them. This belief in 'trickle-down' was not new in Indian development. In the first decades after independence, there was a strong belief that the benefits of industrialisation and agricultural growth would trickle down to the poor (ITRICK and ATRICK, as labelled by Saith, 1990). In the course of the 1960s and 1970s, however, the assumption had come under attack and additional interventions were introduced. The 1990 budget speech was still very critical of the trickle-down mechanism,[4] but from 1991 onwards a belief that one may label as SAPTRICK became again prominent in the thinking of the subsequent Finance Ministers.

Third, throughout the 1990s, the conceptualisation of poverty was residual. The idea was that the poor were left out and should be brought into the development process. (A relational interpretation, on the other hand, would hold that poverty is the result of social and economic relations: the poor are poor as a result of their position within the social and economic structure) (Bernstein, 1992: 24). There have, however, been shifts in the *extent* to which poverty is conceived as residual. In the first years of the 1990s, it was acknowledged that poverty could be aggravated or that additional poverty could be created, even though, in the long term, it was assumed, the benefits of growth would reach the poor. After 1998, this possible intensification or creation of poverty disappeared from the speeches.

A very clear example of this residual conceptualisation of poverty can be found in the budget speech of 1998, in which the Finance Minister said that: 'The problem of rural unemployment and underemployment is a massive one. This can only be solved through self-employment [*and, hence, not by wage employment schemes*]. There can be no reason why every craftsman, artisan and weaver cannot become an entrepreneur and run his own little enterprise' (BS, 1998: point 18; emphasis added). The major bottleneck, according to the Finance Minister, was just credit, and he tried to solve this through the extension of micro-credit facilities. In short, a simple capital injection was supposed to be a sufficient remedy against poverty.

Fourth, the conceptualisation of poverty became more multi-dimensional in the 1990s. In the period up to 1995, the traditional anti-poverty programmes (focusing on income and employment, coming under the rural development heading) received most attention from the Finance Minister. The United Front governments (1996-7), however, started to focus on a broad range of development issues. Seven objectives were

4. Point 23 of the 1990 budget speech is an explicit rejection of the trickle-down theory of development.

identified, to be achieved before the year 2000. 'These are 100% coverage of provision of safe drinking water; 100% coverage of primary health centres; universalisation of primary education; public housing assistance to all shelterless poor families; extension of the mid-day meal scheme; road connectivity to all villages and habitations; and streamlining the public distribution system targeted to families below the poverty line' (BS, 1996: point 14). In short, a broad conception of poverty was adopted, which included various basic needs. With regard to the 'traditional' anti-poverty schemes (mainly employment schemes), these two budget speeches announced a review and a 'rationalisation', i.e. to bring down their number and to make them more focused and effective (BS, 1997: point 13). This broad conceptualisation of poverty continued after the UF government was replaced by a BJP-led coalition government. From 1998 onwards, social policies were discussed as human development (sometimes called human resource development) policies. They included health, education, drinking water, housing, roads, food, empowerment of women.

Fifth, this changing conceptualisation of poverty went together with an increasing emphasis on participation and new forms of governance. The 1998 budget put a lot of emphasis on decentralised management (i.e. management by the elected district or village councils). A new term brought into the budget speeches in 1999 was empowerment.[5] Another term that entered the budget speeches in 1998 was 'self-help groups', which would have to be stimulated, and which were supposed to play a beneficial role in local development processes. Table 1 illustrates this shift in terminology to some extent. The term 'human (resource) development' was particularly prominent in the 1999 budget. In 2001 and 2002 there was a separate heading 'Human Development'.

Table 1: Frequency of terms used in budget speeches

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Poor/poverty	7	22	7	4	3	30	20	9	3	12	15	7	6
Employment	23	10	12	6	12	18	5	8	14	19	8	4	7
Human development	0	2	0	1	2	2	1	2	1	7	5	2	1
Self-help (groups)	0	0	0	0	0	0	0	0	3	6	3	3	2
Empower (women, youth etc.)	0	1	0	0	0	0	0	1	0	8	2	3	3
Macro Credit/Finance	0	0	0	0	0	0	0	0	2	0	3	2	2
Equity/Inequality/ Distribution of income	5	7	1	0	0	1	1	0	0	0	0	0	0

Note: This table is based on a simple word count. In the case of 'poor', only references to 'the poor' were counted, and not references to 'the poor quality of our infrastructure', etc. In the case of 'employment', all uses of the word 'employment' are included. In the case of 'human development', we checked for the word 'human', and included all references to investment in (or enhancing) human resources, etc. In the case of 'empowerment', references to empowered committees etc. were not included. In the case of equity, only references to social/income equity were counted.

5. Empowerment, by the way, does not mean changing power relations or the distribution of assets. It is about basic social services – important enough – and nothing else. To quote the Finance Minister: 'The essence of human development should be to empower vulnerable people in society to take advantage of the process of development. Empowerment, in my view, entails access to five basic requirements, namely, Food, Health Care, Education, Employment and Shelter. It is our resolve to make them available to the entire population of this country within a decade' (BS, 1999: point 17).

Sixth, there was a consistent silence in the budget speeches in relation to the issue of employment in the regular economy. Although all Finance Ministers have emphasised the importance of job creation, all of them have been vague about the way in which they would pursue this (except through specific anti-poverty employment schemes). The assumption throughout has been that growth is always good for employment and that pursuing economic growth is, therefore, always good. Employment creation or the labour market have never been considered as important enough to deserve a separate heading or separate treatment in the thirteen budget speeches, except in the 2001 budget speech where the point is made that labour markets need to become more flexible. It would be no exaggeration to state that, as far as one can judge from these budget speeches, India in the 1990s had no employment policy. It may, however, be that a different picture would emerge if one were also to take the Five-Year Plans into account.

Seventh, another consistent silence is related to the issue of redistribution. Poverty received considerable attention, but not social inequality. The creation of wealth was important throughout the 1990s, but its redistribution was not discussed. Perhaps this is not surprising if other (for instance, Western) countries are the point of reference. However, if we think of the explicitly socialist or leftist policies and rhetoric of earlier decades, this silence is noteworthy. The first two budgets of the 1990s of the Congress (I) government dwelt a little on the contradiction of private wealth creation in a very poor country. Leaning on Gandhi's ideas of trusteeship, they argued that wealth should be seen as a social product:

> For the creation of wealth, we must encourage accumulation of capital. This will inevitably mean a regime of austerity … [W]e have to develop a new attitude towards wealth. In the ultimate analysis, all wealth is a social product. Those who create it and own it, have to hold it as a trust and use it in the interest of society, and particularly of those who are underprivileged and without means. (BS, 1991: point 23)

How this different attitude should be developed or enforced was not made clear, however. There was no policy proposal to encourage this kind of trusteeship or regime of austerity. On the contrary, from 1992 onwards, there was a consistent policy to 'rationalise', i.e. reduce the taxation rates (but with the stated objective of enhancing the taxation base). In 1992, changes were introduced with regard to direct taxes: the tax percentages of both income tax and wealth tax were reduced. From 1993 onwards, the excise duties on many luxury articles such as refrigerators, colour television sets, air conditioners, etc. (and on many mass consumption articles) were reduced.

In various budget speeches, there was some reference to social equity. The only explicit reference (after 1991) was in the budget speech of 1996, where the Finance Minister reminded the audience that '2000 years ago Saint Tiruvalluvar had laid down the golden rule for the King's Ministers: "To be able to increase wealth, to lay it up and guard it. And also to well distribute it, marks a royal lord"' (BS, 1996: point 145). This, however, was a statement made almost at the end of the speech, and was more a matter of politically correct lip-service than a correct characterisation of the content of the budget. In short, redistribution has never been a serious issue in the budget speeches 1990-2002.

3 Patterns of expenditure

In this section we analyse expenditure patterns in the social sector.[6] As mentioned above, social sector expenditure is defined as expenditure coming under 'Social Services' and 'Rural Development', as given in Central and State budgets. The heading 'Social Services' includes, among other things, education, health and family welfare, water supply and sanitation. The expenditure under the heading 'Rural Development' (which is listed under 'Economic Services' in the budget classification) relates mostly to anti-poverty programmes. Expenditure on food policy/subsidy is not taken into account, because it is difficult to establish which component of that subsidy benefits the poor and which component benefits the foodgrain producers.[7]

Expenditure figures differ from allocation figures. The reason for analysing expenditure rather than allocation figures is that they give a better impression of the priorities. They are not so much based on good intentions, but are the concrete result of decisions *and* other social processes and compulsions. It is, however, interesting to analyse the gap between allocations and expenditures, and the reasons behind this gap. We shall do this in the next section of the article.

There are three ways of examining trends in social sector expenditures. The first is to look at social sector expenditure as a proportion of GDP, the second is to calculate it as a percentage of overall government expenditure, and the third option is to look at real per capita social sector expenditure. Table 2 does all these things. It gives an overview of total social sector expenditure for the Centre and the States together for the period 1987-8 to 2000-01. The picture that emerges from these three ways of looking at trends in social sector expenditure is slightly different. As a percentage of GDP, India spends around 6 to 8% on the social sector. In 1990-91, the share of GDP was 6.78%. Only in 1998-9 was a higher level reached. Throughout the 1990s, social sector expenditure, in terms of a percentage of GDP, was lower than that in the late 1980s. The recent increase in 1998-9 and 1999-2000 may be partly due to an increase in salaries as a result of the recommendations of the Fifth Pay Commission. As a percentage of aggregate expenditure, India spends between 24 and 28% on the social sector. The percentage started to increase in the middle of the 1990s. Since 1995-6, a higher percentage of government expenditure goes to the social sector than when the reforms started or during the last years preceding the reforms. In terms of per capita real expenditure, social sector expenditure has continued to increase since 1993-4. Per capita expenditure has risen from Rs. 623 in 1990-1 to Rs. 959 in 2000-01, an increase of 54% in 11 years.

On the basis of Table 2 different arguments can be made. Advocates of the reforms can claim that they are proved right when they say that the reforms are meant to reduce state intervention in certain sectors in order to increase expenditure on the social sector. After all, after the mid-1990s, there has been an increase in social sector expenditure taken as a percentage of overall government expenditure. Opponents of the reforms, on the other hand, can claim that the social sector has suffered because, as a percentage of GDP, social sector expenditure in the 1990s was less than it was in the late 1980s.

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6. See Appendix for a note on methodology and sources.
7. Dev and Mooij (2002) includes the food subsidy.

Table 2: Social sector (social services + rural development) expenditure by Centre and States, 1987-2001

Year	Social Sector Expenditure (Revenue + Capital)		
	As % of GDP	As % of aggregate public expenditure (revenue + capital)	Per capita expenditure (in Rs.), in 1993-4 prices
1987-8	7.74	25.29	562
1988-9	7.40	25.22	583
1989-90	7.64	25.19	633
1990-1	6.78	24.85	623
1991-2	6.58	24.28	599
1992-3	6.39	24.06	594
1993-4	6.46	24.58	623
1994-5	6.41	25.01	633
1995-6	6.40	25.95	675
1996-7	6.48	27.22	739
1997-8	6.60	26.95	789
1998-9	6.94	27.36	890
1999-2000 (R)	7.55	27.69	1027
2000-01 (B)	6.97	26.61	959

Notes: R = revised; B = budget.
Source: Estimates based on data from *Indian Public Finance Statistics*, GoI, 1995 and 2000-01.

As already noted, social sector expenditure in India is a matter of both the Centre and the States. By 1998-9, the contribution of the States to overall social sector expenditure was 80% (see Table 3).

Table 3: Share of States in total social sector expenditure of Centre and States, 1998-9

Major heads	Share of states (%)
1. Education, art and culture	88.1
2. Medical and public health, water and sanitation	89.3
3. Family welfare	85.9
4. Housing	44.6
5. Urban development	93.1
6. Labour and employment	60.4
7. Social security and welfare	89.2
8. Others[a]	21.2
9. Social and community services (1 to 8)	82.3
10. Rural development	64.2
11. Total (9+10)	80.0

Notes: The information given in the table relates to actual expenditures; a) others include scientific services and research, broadcasting, information and publicity.
Source: Computed from the data available in ibid.

Table 4 gives an overview of the major heads within social sector expenditure (as percentage of GDP; Central government only). The most striking change is in rural development expenditure. This expenditure was 0.47% of GDP in 1990-1. It declined in the first two years of the reform period, and then increased significantly in 1993-4. In the post-1996-7 period, however, there was a significant decline again. In 1996-7 the Basic Minimum Services (BMS) programme was introduced. One might hypothesise that the funds for BMS came partly from the Rural Development outlay, although this was denied by the government at the time. It is important to note, however, that the two are not the same. Rural Development expenditure goes mainly to employment schemes. BMS includes other minimum services, which may, or may not, take place in rural areas. Education received 0.30% of GDP in 1990-91. This percentage declined marginally in the first two years of the reform period, and increased significantly in 1998-9 to 0.38. In the case of health, there were no significant changes in the percentages.

Table 4: Central government expenditure on social sector (plan and non-plan) (as % of GDP)

	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97	1997 -98	1998 -99	1999 -00	2000-01 (R)
1. Education, sport, youth welfare etc.	0.30	0.27	0.25	0.28	0.28	0.31	0.29	0.33	0.38	0.34	0.36
2. Health and family welfare	0.22	0.21	0.23	0.25	0.24	0.22	0.20	0.21	0.23	0.24	0.25
3. Water supply, sanitation, housing and urban development	0.15	0.14	0.11	0.15	0.13	0.15	0.22	0.22	0.23	0.22	0.21
4. Information and broadcasting	0.08	0.06	0.05	0.05	0.05	0.05	0.04	0.06	0.06	0.06	0.06
5. Labour and employment	0.05	0.05	0.05	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04
6. Welfare of SC, ST and BC	0.06	0.06	0.07	0.07	0.07	0.07	0.06	0.05	0.05	0.05	0.05
7. Other social services	0.09	0.10	0.11	0.10	0.10	0.15	0.14	0.15	0.14	0.19	0.12
8. Total social services (1 to 7)	0.95	0.90	0.86	0.95	0.91	0.98	1.00	1.04	1.12	1.14	1.15
9. Rural Development	0.47	0.35	0.43	0.54	0.57	0.56	0.37	0.37	0.33	0.24	0.19
10. Basis Minimum Services (BMS)							0.18	0.19	0.21	0.21	0.23
Total (8+9+10)	1.42	1.25	1.29	1.49	1.49	1.54	1.56	1.60	1.67	1.59	1.58

Source: *Expenditure Budgets of GoI*, Vol. 1.

Table 5 illustrates these shifts within social sector expenditure even more clearly, as it shows the shares of the major heads within Central government social sector expenditure. The share of rural development was high till the mid-1990s (30-38%), but after 1996-7 it started to fall drastically. In 2000-1, just 12% of overall social sector expenditure was spent on rural development. The shares for water supply and sanitation and 'other social services' increased and the BMS was newly introduced. This shift away from rural development does not necessarily mean a shift in expenditure from

Table 5: Percentage shares of major heads in social sector expenditure (Central government)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 (R)
1. Education, sport, youth welfare etc.	20.92	21.47	19.55	18.53	18.63	19.90	18.81	20.58	22.55	21.48	22.88
2. Health and family welfare	15.80	16.91	17.92	16.74	16.06	13.94	12.97	13.30	13.63	15.23	15.78
3. Water supply, sanitation, housing and urban development	10.28	11.43	8.20	9.84	8.99	9.63	13.94	1.57	13.91	13.60	13.29
4. Information and broadcasting	5.41	5.10	3.86	3.06	3.19	3.27	2.80	3.69	3.54	3.78	3.89
5. Labour and employment	3.59	4.37	3.61	4.10	2.93	2.78	2.77	2.31	2.42	2.74	2.65
6. Welfare of SC, ST and BC	4.32	5.13	5.08	4.40	4.95	4.39	3.93	2.98	3.13	1.18	2.94
7. Other social services	6.45	7.68	8.36	6.86	6.64	9.87	9.20	9.11	8.25	11.75	7.88
8. Total social services (1 to 7)	66.77	72.07	66.58	63.52	61.38	63.77	64.41	65.27	67.43	71.75	73.25
9. Rural Development	33.23	27.93	33.42	36.48	38.62	36.23	23.96	22.93	19.99	15.21	12.19
10. Basic Minimum Services (BMS)							11.63	11.80	12.58	13.04	14.55
Total (8+9+10)	100	100	100	100	100	100	100	100	100	100	100

Source: Ibid.

rural to urban populations. Rather, it means a shift away from the 'traditional' ways of addressing rural poverty and (under)development, i.e. through wage employment schemes. Table 6 illustrates how, until the middle of the 1990s, the category, wage employment, was by far the most important component within the rural development sector (with a share of more than 70% in 1994-5), but that this changed dramatically in the second half of the 1990s. The shares for social welfare and housing increased considerably. The table also gives information on changes within the education and health sectors. In the case of education, there was a clear shift from secondary to elementary education. In the case of health, there was an increase in the share of maternal and child health. The significant increase in 2000-1 for other rural development programmes was due to the introduction of a rural roads scheme known as the Prime Minister's Gram Samrudhi Yojana (PMGSY).

The question is whether the same shifts away from rural development also occurred at the State level. Table 7 shows the social sector expenditure patterns of all 25 States. With the exception of 1999-2000, there is a general decline in expenditure on social services as well as on rural development (taken as a percentage of GDP). The heading of water supply, sanitation, housing and urban development is the only exception. Education is the main heading. Its share increased after 1993-4. See Table 8 for the shares of the major headings in total social sector expenditure. The share of Rural Development declined in the latter half of the 1990s, while the share of education increased.

Table 6: Intra-sectoral allocation (%) in education, health and rural development: Central government expenditure

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00 (R)	2000-01 (B)
Education											
Elementary	13.6	15.5	18.6	20.2	20.5	39.6	42.0	48.1	42.9	39.0	37.7
Secondary	23.5	24.4	25.0	25.6	24.1	19.9	19.0	15.0	15.5	14.4	14.3
University and higher	28.6	28.7	28.0	24.9	25.6	19.9	19.5	20.5	25.1	29.6	31.0
Adult	8.3	6.4	6.3	7.8	8.5	4.7	3.1	1.8	1.3	1.1	1.3
Technical	19.0	18.4	18.7	18.3	18.6	14.0	14.5	13.0	13.6	14.1	13.5
Others	7.0	6.6	3.4	3.2	2.7	1.9	1.9	1.9	1.6	1.8	2.2
Health and Family Welfare											
Public health	13.0	12.9	16.6	16.6	18.0	17.7	19.7	18.9	16.4	14.1	14.8
Medical education	13.5	12.9	13.6	12.4	12.3	12.2	12.3	13.1	15.2	13.1	13.9
Rural family welfare	16.2	15.0	17.2	15.8	13.2	13.7	12.4	13.9	15.3	21.4	16.2
Maternal and child health	6.9	7.2	5.4	60.	6.3	11.0	11.9	13.6	15.3	13.6	15.2
Other services and supplies	21.8	21.9	21.1	26.2	28.5	23.1	19.5	17.6	16.5	17.9	20.2
Others[a]	28.6	30.1	26.1	23.0	21.7	22.3	24.2	22.9	21.3	19.7	19.6
Rural development											
Water supply and sanitation	14.1	21.3	13.3	13.6	13.2	14.1	14.7	16.7	17.7	19.3	17.8
Special programmes[b]	15.8	15.7	13.8	14.5	12.9	10.7	10.6	10.4	9.6	12.1	5.9
Social security and welfare	-	-	-	-	-	6.6	7.0	5.8	6.8	7.6	6.2
Rural wage employment programme	67.0	60.4	70.5	68.9	70.8	57.3	44.5	46.0	42.8	39.8	23.7
Other rural development programme	1.2	1.3	1.0	1.0	1.2	4.0	6.4	5.8	5.3	1.9	29.6
Housing	-	-	0.1	0.2	0.3	5.9	15.2	13.6	16.2	17.7	12.6
Others	1.9	1.3	1.3	1.8	1.6	1.4	1.6	1.7	1.6	1.6	4.2

Notes: All the data in this table refer to revised estimates; a) refers to Central government health schemes, hospitals and dispensaries, urban family welfare. Maternal and child heath was replaced by reproductive and child health in 1998-9; b) refers to Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Drought-Prone Area Programme (DRAP), Desert Area Development Programme, etc. Rural wage employment programmes are Jawahar Rozgar Yojana (JRY) and Employment Assurance Scheme (EAS). Other rural development programmes refer to Development of Women and Children in Rural Areas (DWCRA), rural roads, million wells scheme and training.
Source: Budget Papers, GoI, Vol II.

Finally, a highly relevant question is where the money for the social sector comes from. This is hard to say. The Central government has no earmarked taxes intended for social development exclusively.[8] The expenditure therefore comes from (revenue and capital) receipts generally and from international loans and grants. Our expectation is that the share of international money in total social sector expenditure has gone up in

8. At the State level, such taxes exist. Maharashtra has introduced a special tax to finance the Employment Guarantee Scheme.

Table 7: All 25 States' expenditure (plan and non-plan) on social sector (as % of GDP)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00 (R)	2000-01 (B)
1. Education, sport, art and culture	2.78	2.66	2.62	2.53	2.47	2.48	2.42	2.42	2.57	2.94	2.58
2. Health and family welfare	0.85	0.82	0.79	0.80	0.75	0.75	0.70	0.72	0.73	0.80	0.76
3. Water supply and sanitation, housing and urban development	0.56	0.59	0.55	0.54	0.56	0.56	0.55	0.59	0.62	0.69	0.66
4. Info. and publicity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Welfare of SC, ST and BC	0.34	0.34	0.33	0.32	0.31	0.31	0.31	0.32	0.32	0.35	0.33
6. Labour and labour welfare	0.08	0.07	0.07	0.07	0.07	0.06	0.06	0.07	0.06	0.07	0.06
7. Others	0.53	0.53	0.48	0.45	0.42	0.60	0.51	0.49	0.49	0.53	0.48
8. Total social services	5.14	5.01	4.85	4.71	4.58	4.76	4.55	4.60	4.80	5.38	4.87
9. Rural development	0.84	0.84	0.88	0.86	0.68	0.57	0.58	0.57	0.61	0.68	0.59
Total (8+9)	5.98	5.85	5.72	5.57	5.27	5.33	5.13	5.18	5.41	60.06	5.46

Source: RBI Bulletins.

Table 8: Shares of major headings in social sector expenditure of 25 States (%)

Major heads	1990-91	1993-4	1996-7	1998-9
1. Education, art and culture	46.5	45.5	47.1	48.5
2. Health and family welfare	14.2	14.4	13.7	13.2
3. Water supply and sanitation, housing and urban development	9.4	9.7	10.7	11.4
4. Welfare of SC, ST and BC	5.6	5.7	6.1	5.8
5. Labour and employment	1.3	1.2	1.1	1.1
6. Other social services	8.9	8.0	10.0	8.8
7. Total social services (1 to 6)	85.9	84.5	88.7	88.8
8. Rural development	14.1	15.5	11.3	11.2
9. Total social sector (7+8)	100.0	100.0	100.0	100.0

Source: Ibid.

the 1990s. We were unable to check this, except in the case of child-related development. In that sector the share of external aid has increased from 0.5% in 1990-1 to around 29% in 1997-8. On average for the 1990s, out of every 100 rupees spent on children, around 20 rupees came from external aid (see HAQ, 2001). With regard to the amounts raised within India, direct taxes (such as corporation tax and personal income tax) have become more important in the total tax revenue of the Government of India, despite the continuous lowering of the income tax rate. The share of direct tax revenue in total tax revenue has increased from about 20% in 1990-1 to more than 35% in 2000-1 (see Mooij and Dev, 2002: Table A2). In that sense, taxation has become more progressive. Tax evasion is, however, still an enormous problem.

To conclude, three observations can be made. First, overall anti-poverty and social development expenditure increased in the 1990s in terms of per capita expenditure. As percentages of GDP and aggregate government expenditure, the picture is mixed. The question that immediately arises is whether the expenditure levels should be considered high or low. The answer to this question depends on the yardstick. In Dev and Mooij (2002), we used different kinds of yardsticks and concluded that the expenditure on the social sector is low, (a) as compared with the proportion of GDP India used to spend on the social sector in the late 1980s, (b) as compared with some other developing countries, and certainly as compared with East Asian countries, and (c) as compared with the norms/ratios that are developed by the UNDP for comparing and monitoring social sector expenditure at the country level.

Second, there has been a significant shift, starting from 1996-7 and visible both at the Centre and in the States, away from rural development. This does not necessarily mean a shift away from rural to urban, but a shift from (mainly) wage employment schemes to the basic minimum needs kind of programmes. Within the rural development outlay at the Centre, there is a shift away from rural employment schemes to rural housing, water, rural roads, etc. In other words, there is a shift from the traditional ways of addressing rural poverty to what we can call human development or basic needs interventions. A relevant question is, of course, whether this shift is the result of relabelling and reclassification of schemes or whether it reflects a real change. To some extent, indeed, relabelling is a reason behind the shift, but (a) this does not explain the shift completely, and (b) this renaming and reclassification itself illustrates a shift in thinking in what is considered to be the most important characteristic of a particular scheme.

Third, within education, there is a shift towards expenditure on elementary education at the Central level. There is no such trend at the State level. A further disaggregation shows that this increase is to a large extent (but not completely) related to the introduction and expansion of the mid-day meal scheme.

4 The budget-making process[9]

4.1 The Plan and the budget

Most of the Central government expenditure on the social sector is Plan expenditure. This means that, in principle, once every five years when the Plan is designed, schemes are formulated and funds are allocated. The reality is different, however. Although the full size of the Plan is decided at the start, the annual allocation has to be renegotiated every year. These 5-yearly and annual negotiations are often difficult. The Planning Commission argues for a higher outlay; the Finance Minister (who is a member of the

9. This section is based on interviews with more than 30 policy-makers and other experts in the area of social sector plan/non-plan policy-making. The interviews were conducted under the condition of anonymity, and that is why there are no literal quotes from these interviews in the text. We realise that this results in a problem with the evidence of some of the statements made in the section. They are our interpretation of what the informants told us. For a more elaborate treatment, see Dev and Mooij (2002).

full Planning Commission) argues for less, and he generally gives more priority to non-Plan expenditure. Often the Prime Minister (who is the chairman of the full Planning Commission) has to intervene to settle the matter. The trend since 1993-4 has been for the size of the Plan to come down as a proportion of total government expenditure, and for non-Plan expenditure to go up (Sarma, 2001).

In principle, the decision on how to use the Plan money is left to the Planning Commission. During the course of the 1990s, the share of social sector spending within the Central plan expenditure went up from 36% in 1991-2 to 51% in 1997-2001.[10] This may indicate that many policy-makers in the Planning Commission give priority to the social sector. It may also indicate that the government has been reducing its allocation to energy, industry and transport, whose share in total Central plan expenditure has decreased from 45% in 1990-1 to 31% in 1997-2001.

The Planning Commission consists of the Prime Minister, in the chair, the deputy chairman, the Finance Minister and several other Cabinet Ministers, plus a few other members and a (member) secretary. The members are appointed by the Prime Minister and, at the moment, are all relatively old men. There is a widespread consensus that in recent times appointments have been more politicised than in the past and that 'eminence' plays a less important role. Apart from this Planning Commission proper, there is a large staff. There are several divisions, headed by (principal) advisers, who can be experts who applied directly for the job or generalists from the Indian Administrative Service. The first option is considered more desirable by many, but the trend is towards an increasing proportion of IAS. These civil servants can have relevant expertise, of course, but they can also be people who have to be posted somewhere, perhaps even because they did not fulfil expectations in their previous posting. Moreover, within the IAS, a posting within the Planning Commission is not regarded as very prestigious, and some may even regard it as a punishment transfer. All in all, it can be concluded that the eminence of the Planning Commission has suffered in recent times, and its prestige is eroded.

The status and importance of the Ministry of Finance, however, has only increased. The Finance Ministry is a crucial ministry, dealing with international agencies and in control of the release of funds to other ministries. As compared with 15 years ago, the balance of power between the Finance Ministry and the Planning Commission has shifted in favour of the former.

Within the Planning Commission there is widely shared disillusionment with the traditional anti-poverty schemes. There is a widespread belief that money is going down the drain and that, at best, some current poverty can be alleviated, but that the employment that is created is not sustainable. Many people therefore believe that money should be spent in a different way, and that the emphasis has to shift more to infrastructure and human capabilities, rather than employment. The increasing loudness of the critique of traditional anti-poverty programmes fits into a more general trend within the Planning Commission to be more open about poor governance generally and the failures of the delivery system in particular. The mid-term appraisal of the Ninth Plan is highly critical of the implementation of many schemes. Several people within the Planning Commission seem to think that the quality of governance has deteriorated seriously and that there is no point hiding this any longer. The sixth chapter (on poverty

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10. Our thanks to Dr N. C. Saxena, who pointed this out to us.

alleviation programmes) of the Mid-Term Appraisal of the Ninth Plan, for instance, reads like a long list of various kinds of failures on the part of the government to implement the schemes properly (GoI, 2000). The Approach Paper to the Tenth Five-Year Plan states that there are serious deficiencies in the capability to design viable schemes and in the delivery system on the ground, and that these can be 'regarded broadly as due to poor governance' (GoI, 2001: 48). This criticism of the delivery system also partly explains the preference for schemes with concrete and enduring results, such as infrastructure or education, rather than employment.[11]

Thus disillusionment with governance is shared between the Planning Commission and the Finance Ministry. At the same time, it is clear that these institutions have a different policy outlook and that people working in them have a somewhat different mindset. To generalise perhaps a bit too much, the economists within the Ministry of Finance seem to be more concerned with overall fiscal and macroeconomic processes, while the advisers to the Planning Commission are more concerned with social development and poverty alleviation. Unfortunately our information on these institutional differences is based on only a few interviews with people who worked in one or both of these institutions, but it would be interesting to study these differences in more detail. One of the differences that was mentioned to us is the fact that, for the Finance Ministry, not only the Plan, but social sector expenditure generally, is residual. This is illustrated by the following quotation from a speech by Manmohan Singh, the Minister of Finance from 1991 to 1996:

> Some people have criticised the stabilisation programme as being anti-poor. I admit that in an economy which has been living beyond its means, stabilisation does hurt … It is true that the fiscal compulsions have forced us to restrain the growth of all expenditure, including social expenditure. But considering that interest payments are a fixed contractual obligation, that defence expenditure cannot be cut beyond a point because of the security environment confronting us, that expenditure on government administration cannot be drastically reduced without a wage and DA freeze or a sharp reduction in employment, that various subsidies cannot be removed overnight, we had very little option but to do what I did. Those who criticize the cuts in social spending should tell us what other expenditure could be cut to make room for increased spending on social sectors. (Singh, 1992: 3-4)

Budgets are prepared once a year, and they are presented at the end of February. In the course of the preparation, all ministries and departments are consulted, and discussions are also held with several interest groups from outside the government, including small-scale industrialists, large industrialists, farmers and trade unions. Every year a number of separate half-day meetings are set up to discuss relevant issues with these interest groups. These consultations are rather like rituals. They have to be organised, because that is what happens every year, but within the trade unions, for instance, the belief is that the Finance Minister will listen to what they have to say, but that not much will follow from this.

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11. One could hypothesise that various interests converge in this shift towards durable assets. Schemes that involve construction work and discretionary powers (e.g. the selection of beneficiaries of housing schemes) can be easily misused and manipulated by local politicians. See, for instance, Nayak et al. (2002).

As compared with the budget-making process, the Plan preparation is highly consultative. In the course of the preparation of the Tenth Plan, each division has established a number of working groups, sometimes only one, but in the Health and Family Welfare division, for instance, there were 13 working groups. These groups usually have between 20 and 30 members. The various ministries and departments are normally heavily represented, but all the working groups also include a number of academics or other experts, and most also include representatives from non-governmental organisations (NGOs), other voluntary organisations or trade unions. Membership of the working groups is by invitation. It is often the divisional adviser of the Planning Commission who decides who will be invited to participate. The extent to which the members of the groups take part in writing the final report is usually limited; often the chairperson or one of the officials writes it. The extent to which the recommendations of the working groups are included in the final Plan document is not clear, but is likely to vary from case to case, and is probably not very great. Yet it is also likely that, in an indirect way, these working groups are one of the mechanisms through which new ideas trickle down to the Planning Commission and the Plan documents.

There are additional mechanisms through which ideas trickle down. Some NGOs or trade unions are very active in advocacy and organise seminars, for instance, together with the Planning Commission and the relevant departments, or lobby in favour of particular schemes. It seems that the influence of NGOs and other types of associations on policy-making has increased over time. Although many government officials are still negative about NGOs and other local organisations, it is also acknowledged that they have sometimes been successful in developing alternative strategies for development, which have to be taken seriously by the government.

Politicians participate in the budget-making process in several ways. First of all, of course, the Finance Minister and the Prime Minister play key roles in the decisions regarding the size of the Plan. In addition to these ministers, the full Planning Commission includes several other Cabinet ministers. Members of Parliament come in at least once a year when the budget has to be approved by the Lok Sabha. This possibility to participate is not always utilised to the full extent, however, either because of lack of interest or expertise, or because the Parliamentary Session is dominated by other issues.

Voters may play an indirect role, but it is not clear to what extent they make their electoral choices on the basis of social sector policies and promises. Politicians clearly think that voters have these considerations in mind. Many schemes have a populist purpose, and are meant to appeal to (particular categories of) voters. The decision to step up rural development/anti-poverty expenditure in 1993, for instance, can be interpreted in this light. The parliamentary elections were still a long way ahead, but the State Assembly elections in the various States had made it clear that the Congress (I) party was not doing well. The Prime Minister and others had started to worry about the political prospects of Congress (I) and the future of the reform process. They probably thought that the reform process could be made acceptable to a wider audience if more money were to be spent on anti-poverty programmes.

As it happened, however, the Congress (I) party did not manage to win the parliamentary elections in 1996. The United Front government, which introduced the Basic Minimum Services programme after it came to power, also did not survive the next elections. The only major political party in the 1990s not to lose an election while it was in power was the BJP in the 1999 election. It is impossible to draw firm conclusions from this. It could be that both Congress (I) and United Front governments were ‘punished’ because their social policies were regarded as insufficient. It could also be that voters made their electoral decisions on the basis of other considerations rather than social sector policies.

4.2 From allocation to expenditure

An important feature of social sector expenditure is the underspending of the resources allocated. Underspending hardly occurs in non-Plan expenditure, but it does occur in most years in most sectors of the Plan. Labour and employment is a particularly big underspending sector (see Table 9).

Table 9: Extent of variation between budget estimates and accounts of Central government Plan expenditure on social sector (%)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
1. Education, sport, youth welfare, etc.	96	88	101	97	104	118	75	84	93	85
2. Health and family welfare	109	105	109	102	101	93	96	93	87	92
3. Water supply, sanitation, housing and urban development	121	84	97	110	92	94	98	94	90	86
4. Information and broadcasting	36	37	22	60	85	86	108	64	66	128
5. Labour and employment	24	73	33	27	36	53	48	24	34	67
6. Welfare of SC, ST and BC	107	100	105	100	116	97	102	72	83	89
7. Social services and nutrition	93	86	102	96	100	157	79	71	85	86
8. Total Social Services	96	88	100	99	100	106	87	84	88	87
9. Rural Development	100	84	122	111	96	101	94	96	99	87
Total (8+9)	98	87	108	104	98	104	89	88	91	87

Source: *Expenditure Budgets of GoI*, Vol. 1.

The problem is even worse when one looks at mid-year utilisation rates, as has been done in a study by Rajaraman (2001a, b). The study focuses on some major schemes of the Ministry of Rural Development for the year 2000-1. The utilisation rates of these funds, for most of the schemes, were less than 50% of the funds allocated for the first six months. In other words, in the first six months, less than 25% of the annual allocation was used. The utilisation rate of the two major employment schemes (the Employment Assurance Scheme and Jawahar Gram Samridhi Yojana (JGSY), the successor of JRY) was 42% (of 50%). This, according to Rajaraman, is especially surprising, ‘since the first six months of the fiscal year from April encompass the agricultural slack season, when the demand for rural employment should be at its peak’ (Rajaraman, 2001a: 20). The utilisation rates at the end of the year are, however, much higher, ‘suggesting hasty, wasteful utilisation in the second half of the fiscal year’ (ibid: 20). Underutilisation of funds seems to be worse in the poorer States. ‘A simple regression shows a statistically significant rise in the mean mid-year utilisation rate of 4% for every increase in the SDP (State Domestic Product) of Rs. 1000 per capita. The worse-off states are also less efficient in using JGSY funds’ (Rajaraman, 2001b). So, although these schemes are meant to alleviate poverty, the poor States make less efficient use of them than the better-off States.

Several reasons can be given to explain this underutilisation. First, new schemes (and there is a lot of reformulation and redesigning) bring new guidelines and require new procedures. It takes time before the State governments or local bodies are fully aware of these and able to fulfil the new criteria. Second, for some schemes, the Central government gives a grant that has to be complemented by matching funds from the States. If these matching funds are not available, the central grant will not be handed over. Third, there can be a deliberately created or unintentional delay in the central bureaucracy, with spill-over effects for the next year's allocation (which is partly based on spending figures of the previous year). These delays can, for instance, be created by the Ministry of Finance since it occupies a strategic position and is crucial in releasing funds to other ministries. It can put more, or less, pressure on the financial advisers of the various ministries to control the money as tightly as possible. It can delay allocations, for instance, by sending files back with requests for additional information.

Fourth, some schemes presuppose the availability of local infrastructure, such as rural primary health centres. If this infrastructure does not exist, the schemes make no sense and funds are not allocated. Some central schemes are also not relevant in each and every State. Fifth, there may be other forms of institutional disability or lack of interest. State governments may not be able to get their act together and design a plan (for instance for a rural road) and therefore cannot receive the money. It may also be that low priority is given by some State governments to implementing the schemes. This can be the case, for instance, when States are ruled by a party that does not participate in the Central (coalition) government. It may also be that there is hidden or open opposition to particular schemes.

This last point raises the issue of the diverse and sometimes conflicting interests in social sector development and/or funds. Some economists and planners within the government may give more weight to bringing down the fiscal deficit or capital investments than to social sector expenditure. At the same time, however, some politicians at the central level use the schemes to enhance their visibility and may hope to attract voters by increasing allocations. In so far as social sector expenditures do affect voting behaviour, these politicians have an interest in raising social sector expenditure and in relatively proper implementation. This may not always be true of politicians at the local level and the more powerful local people. As documented in several studies on the implementation of anti-poverty policies, locally powerful people have often been able to capture a large share of the funds.[12] In addition, there are also cases where the locally powerful groups have no interest at all in social sector schemes and human development, and actively oppose such development efforts. Literacy campaigns and universal education are a case in point. The opposition to universal learning goes a long way back, as the following quote makes clear:

> The ancient *Smriti* political and legal system drew up vicious punishments for sudras seeking learning. (In those days, that meant learning the Vedas). If a sudra listens to the Vedas, said one of these laws, 'his ears are to be filled with molten tin or lac. If he dares

12. To mention just three recent publications, see GoI (2000); Nayak et al. (2002); and Sharma and Mamgain (2001).

> to recite the Vedic texts, his body will be split'. That was the fate of the 'base-born'. The ancients restricted learning on the basis of birth. (Sainath, 1996: 49)

In modern times, the laws have changed, but discrimination on the basis of gender and caste continues to exist. Schools are often hostile places for girls and lower-caste children, and this is partly deliberate. After all, '[w]hen the poor get literate and educated, the rich lose their palanquin bearers' (Sainath, 1996: 50, quoting an unnamed writer). There are vested interests in the social status quo, and education is perceived as a threat to this social order. This fear also means that there is no interest in spending money on education. The Uttar Pradesh government, for instance,

> has taken little interest in the Total Literacy Campaign, even after the considerable potential of that campaign had been well demonstrated in several other states [or perhaps rather, having seen this potential]. The under-utilization of large grants earmarked for the promotion of elementary education … is yet another symptomatic indication of the low priority given to basic education by the state government. (Drèze and Gazdar, 1996: 88; our addition in [ ])

So, the point is that there are conflicting interests in the process of allocation, but also in that between allocation and implementation.[13] The final expenditure is a result of both.

5 Conclusion and discussion

In this article, we have discussed India's social sector priorities as they appear from the budget speeches between 1990 and 2002, actual expenditures on the social sector, and the budget-making process. The analysis of the budget speeches showed that the Finance Ministers all want to give the impression that the budgets are made primarily for the poor, but that very little is said about social inequality and the redistribution of wealth. There is an assumption that growth will lead to employment, which will be good for the poor, but this is more an article of faith than a substantiated point. Another phenomenon that became clear is that the conceptualisation of poverty changed in the course of the 1990s. Initially the main emphasis was on income and employment, but from 1996 onwards, the emphasis shifted more to other human development aspects, such as health, education, housing, and rural roads. This shift in prioritisation in the budget speeches corresponds with a shift in expenditure patterns. From 1996 onwards, out of total social sector expenditure, the share for Rural Development (and especially for wage labour programmes) went down. Overall, the figures revealed that social sector expenditure is less than what the UNDP recommends, and sometimes also less than the targets of the Indian government itself.[14] Finally, the analysis of the budget-making process revealed that the process is not very participatory or democratic. The budgets

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13. See also footnote 4 of Kurian (1989), in which he notes that the higher echelons of the bureaucracy and of politics have a 'more egalitarian outlook and sympathy for the cause of the poor' as compared to their colleagues at the grassroots level. This, according to Kurian, is because of their more cosmopolitan (educational) background and their more informed idealism, but also because 'they do not have to face the realities of the rural power equations and economic conflicts', unlike their grassroots colleagues.
14. There is a long-standing commitment to increase expenditure on elementary education to 6%. In reality, total expenditure on education (which includes secondary and tertiary education plus expenditure on education financed by departments other than the educational department) was never more than 4.07%. The share of elementary education in this is less than 50% (Dev and Mooij, 2002: Table 5).

are prepared mainly within the Ministries, with little outside participation. The process of Plan preparation is more participatory. The balance of power between the Finance Ministry and the Planning Commission has shifted in favour of the former.

How should we judge and understand the shift in the conceptualisation of poverty? Most people would probably welcome a broadening of the concept of poverty. The point is already long made in academic debates that poverty includes more than income, and that a whole range of human capabilities should be included (Sen, 1985). The UNDP has also consistently made the point that human development includes much more than income. There is, however, also a flipside to this broadening. Within the overall context of structural adjustment, this turning away from income allows policy-makers also to turn away from employment and work. In other words, the human development framework, sympathetic as it may be, helps to divert attention from the more structural characteristics of poverty. It suggests that poverty can be eradicated by add-ons, such as educational programmes, health centres, houses, etc. There is no doubt that all these things are important in their own right, but there is no reason to assume that a literate and more healthy but poor and underemployed population will automatically find a place in an increasingly competitive and increasingly unequal economy.[15] More is needed to address the inequalities in Indian society than these human development-related schemes. Apart from a redistribution of assets, something that is not very realistic at the moment, one can think of a consistent employment policy (involving, for instance, a principled choice of labour-intensive technologies in the planning of infrastructural works; a consistent policy to support labour-intensive industries through taxes, strategic investments and price policy, etc.); a more serious drive to increase income-tax compliance, strategic price policies, the enforcement of existing minimum wage legislation, and other legislation that protects the vulnerable sections of society.

Apart from economic reasons, there may also have been political reasons underlying the shift to a human development framework. India is a democracy which has become ‘increasingly democratic’ but also ‘increasingly difficult to govern’ (Manor, 1988: 72; Yadav, 2000). Most political parties rely on different mechanisms to appeal to voters, but the way in which they do this changes over time. Congress (I), as a traditionally secular and socialist (in name) party, used to appeal to the majority by addressing them in class/economic terms as ‘the poor’. It then makes sense to have large-scale anti-poverty programmes, mainly meant for the unemployed. With the demise of the Nehruvian ideology/model and with the pursuit of an economic model that is clearly no longer socialist (i.e. even less socialist than the previous model was), it no longer makes sense to address the majority in economic terms. The human development terminology helps to solve this problem, as it stresses backlogs in development, rather than fundamental economic inequalities. The emphasis on education, rural roads, etc., one can hypothesise, helps to address new, and potentially wider, constituencies. More research would be necessary to prove or falsify this hypothesis.

It is clear that, despite all the lip-service being paid, anti-poverty policies and social development do not get the priority they deserve. In principle, most politicians and policy-makers would like to be able to spend more money on poverty alleviation

15. See Breman (1995) for a similar argument made in a critique of the 1995 *World Development Report*.

and human development. The difficulty is to cut down on other expenditures, and other things get priority. This bias is not surprising given the social background and urban lifestyle of India's policy elite. Even if they were born in a poor family, their education has helped them to escape that environment and to see the world with different eyes. To a large extent, this bias in policy-making, although not preferable, is inevitable. Only well educated people with a lot of resources are able to climb to the level of 'adviser' to the Planning Commission or Secretary in the Ministry of Finance. It would not surprise us, however, if this bias in policy-making is becoming even more pronounced in the present days of globalisation, rather than less. The social divide between those who benefit from globalisation and those who are primarily threatened is becoming wider rather than narrower, and it is mainly from the former group that those who ultimately become the policy decision-makers are recruited.

We should like to conclude with two observations. First, there is an urgent need to step up social sector expenditure. Given the characteristics of the budget-making process, however, it is very unlikely that this is going to happen in the near future. A substantial increase in the allocation for the social sector is only likely when there is a change in the budget-making process. In this respect, movements towards decentralised planning and increasing awareness among the public about budgets are to be welcomed. They can play a very important role in involving a wider group of people in the budget-making process and, thereby, in changing the policy bias and the content of the allocation decisions.

Second, although somewhat outside the scope of this article, there is an obvious need for a better utilisation of the money allocated. It is a well-known fact that the effectiveness of many of the Central and State social sector schemes is poor. Sections within the government itself are also well aware of this. This awareness within the corridors of power is very important indeed. Whether something is likely to change for the better will, however, depend mainly on activities and pressures from the grassroots level, the vigilance of civil society and the extent to which some of these groups can and will be involved in the policy process.

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Appendix: Note on methodology and sources

The social sector expenditures in our tables include Plan and non-Plan expenditure. Some of the earlier studies (e.g. Prabhu, 1997) used only the revenue account for analysing social sector expenditures. In our study, both revenue and capital expenditures are included.

There are different ways of examining the trends in budget expenditures. One way is to look at social sector expenditures as a proportion of GDP, or GSDP (Gross State Domestic Product) in the case of the States. A second way is to calculate social sector expenditure as a percentage of aggregate budget expenditure. A third option is to look at the real per capita expenditures for the social sector. We use all three approaches when we discuss aggregate social sector expenditure. For the major and minor heading, the analysis is restricted to a proportion of GDP or GSDP. The shares of expenditures in total budget expenditures and real per capita expenditures for major and minor heading are available from the authors.

The main data sources used in the article are: (a) *Central Budget Papers* (Vol. 1 and II) of the Government of India; (b) Reserve Bank of India's (RBI) *Bulletins*; and (c) *Indian Public Finance Statistics*, Ministry of Finance, GoI, various years.

The details of data sources are as follows: (a) *Indian Public Finance Statistics*, Ministry of Finance, GoI, for combined expenditure of Centre and States; (b) *Expenditure Budgets of GoI*, Vol. I for Central government expenditure; (c) Reserve Bank of India (RBI) *Bulletins* for aggregate expenditure of 25 States and expenditures of major 15 States; (d) *Economic Survey* 1999-00, 2000-01 for the expenditure on Basic Minimum Services (BMS), Wholesale Price Index Numbers (WPI); (e) *Handbook of Statistics on Indian Economy*, RBI, 2000 and *Indian Public Finance Statistics* for GDP at market prices; (f) *Handbook of Statistics on Indian Economy* for mid-financial year population. One limitation of the RBI *Bulletin* data is that they do not give details on minor headings at the State level.