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Public expenditure on health sector in India

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Abstract
The public sector in developing countries like India plays a major role in financing social services. It is very commonly known that health is an important component of human development. Empowerment of people comes from the freedom they enjoy, and this includes, among others, freedom from poverty, hunger, and malnutrition, and freedom to work and lead a healthy life (Sen, 1999). The level of public spending on health has been a widely discussed issue in India in recent times. Various research studies as well as policy documents have repeatedly highlighted the low level of public spending on health in India.
The first objective of the study is to understand the level of public expenditure on health in India as compared to international level. The second objective of this study is o examine the patterns of public expenditure on health in India. This study is based on secondary data sources. The secondary data has been obtained from various reliable sources. The results show that government health spending has remained almost constant during the period and hovered around one per cent of GDP, which is even lower than most of the developing countries. The existing level of health spending is much lower than the required level of resources to provide the basic health facilities in the country across states.

Keywords: public expenditure, education, health, life expectancy, infant mortality

1. Introduction
According to the Schultz (1960) Scientific discussions concerning theory and economics of human capital to the American Economics Association on the importance of Human Capital for Economics growth. The human capital theroy proposes that people should invest in themseves in the form health, education, nutrition and skill development, which would increase their future incomes. Thereafter, a plethora of studies were conducted to trace the impact of health and education on economic development, productivity, returns, cost benefit analysis and financing to human capital. At the same time it was recognized that people in developing countries are restricted in their investment on health and education, not only due to their poor financial condition, but also due to the long gestation of investment. Hence the goveronment have a major role to play in the development of health and education of the people. It has to provide free health and education services at least at the primary level. The dominant role of the goveronment arises from the characteristics and the defination of “public goods”. Health and education are generally considered as public good, particularly at the basic level since they benefit a nations social and economic growth as a whole (Wang, 2000).
The public sector in developing countries like India plays a major role in financing social services. Health and education are the two most important characteristics of human capital. Their economic value lies in the effects they have on productivity: both health and education make individuals more productive. Health and education have a considerable impact on individual well-being, as well. The Public expenditure plays a significant role in the functions of economy at almost all stages of economic development. The government resorts to expenditure and revenue programmes to produce desirable effects on the national income, production and employment. Public expenditure aims at the expansion of the volume and rate of investment in both public and private sectors and the increase in the production of agricultural and industrial sectors. Further, a planned scheme of public expenditure provides for an optimum resource allocation which is not guaranteed by the market, and also reduces the inequality in the distribution of resources by properly directing the expenditure towards education, medical and health care of the low income section of the community.

2. Review of Literature
Bhakta (2014) [1] examines the impact of public expenditure on health and education after incorporating the linkages between health status of children and their educational

achievements in India. In this study author developed a simultaneous equation model among health and education of children, and public expenditure on these sectors. This study found that per capita real expenditure on health by state governments does not have a significant impact on IMR but additional expenditure on SNP improves the health status significantly at diminishing rate. These results of the study suggest that government should expand total expenditure on the SNP program through anganwadis.

Rao and Choudhury (2012) [3], argues that the low levels of public spending on health care and poor quality in health care services in India is adverse effects on the population's health status. Not only is public spending on health care in India too low, but its distribution across the country is very uneven. Per capita health care expenditure in the poorest state, Bihar, was Rs. 166 in 2008- 09, whereas that same year it was Rs 421 in Tamil Nadu and Rs 507 in Kerala, relatively more affluent states.

Purohit (2012) [7], examine poverty, human development and health financing in India. The main findings of this are rural sector depict that mortality is highly positively influenced by lack of basic education of women with its coefficient ranging from.131 to.232 for IMR and UFMR respectively.On the other hand the results of urban sector indicate lack of female education, proper housing and insurance as important determining factors in influencing mortality. The coefficient of lack of female education varies between.196 to.241 for IMR and UFMR respectively. The coefficients of insurance and lack of proper housing vary between.242 for IMR and.127-.205 for CMR and IMR respectively.

Kaur and Sethi (2007) [4], this study mainly focus on some of the crucial aspects like growth performance and nature/speed of structural transformation in social sector expenditure in respect of major states of India. The authors argue that the policy of liberalization has, in general, induced a negative impact on the pace of growth in different components of social services expenditure. Components of crucial importance like Medical Health and Education/ Research have registered growth at just moderate rates of 3.5 and 5.6 per cent, respectively. Furthermore, relative share of social sector expenditure has declined in a large majority of the state governments.

Bajpai and Dholakia (2006) [5], this study focus on scaling up primary health services in rural Rajasthan. This study found some PHCs and SCs not having any official building. Public facilities on electric connections and water supply seriously lacking at the SC and even the PHC levels. But on the other hand private HFs was not found lacking on these crucial counts. There is also serious shortage of both general physicians and specialists in the HFs.

Bhat and Nishant (2004) [8], analyzed the relationship between income and public health care expenditure. This study found interesting result that for all the states PHCE as a percentage of GSDP went down significantly in the period 1990-1996, for the period 1996-2002 again it went down except for some states like Andhra Pradesh, Madhya Pradesh, Maharashtra, Orissa, Punjab and West Bengal. But entire period from 1990 to 2002 PHCE as a percentage of GSDP went down for all the states. From this a very important point emerges that States Bihar and UP one of the largest and backward states in India but these two has shown one of the lowest PHCE among all states consistently and smaller states like Kerala and Assam spends more than these two states.

3. Objective of the Study

- To understand the level of public expenditure on health in India as compared to international level.
- To examine the patterns of public expenditure on health in India.

4. Research Methodology and Data Source

This study based on secondary data sources. The secondary data has been obtained from sources are RBI, Center and State Budget, Indian public finance, World Health Organization, World Bank, Ministry of Health and Family Welfare, National Rural Health Mission, Finance Account of the State Governments, RBI. All statistical analysis derived from EXCEL. For analytical purpose study has been use to simple tabulation, graphical representation.

Table 1: Country wise Comparison of Health Expenditure

Country	Total Exp. on Health as % of GDP 2006	Public Exp. on Health as % of GDP 2006	Public Exp. on Health as % of Total Exp. on Health 2006	Public Exp. on Health as % of total Govt. Exp. 2006	Per Capita Total Exp. On Health (PPP int. $) 2006	Health Attainments 2007	
						Life Expectancy at Birth (Years)	IMR Per 1000 Live Births
US	15.3	7	45.8	54.2	6719	79.1	6
Germany	10.6	8.2	76.9	17.9	3465	79.8	4
Canada	10	7	70.4	17.8	3673	80.6	5
Australia	8.7	5.9	67.7	17	1164	81.4	5
France	11	8.8	79.7	16.7	3420	81	3
U K	8.2	7.2	87.3	16.3	2815	79.3	5
Mexico	6.6	2.9	44.2	11.8	778	76	18
Thailand	3.5	2.3	64.5	11.3	264	68.7	6
China	4.6	1.9	40.7	9.9	216	72.9	19
Nepal	5.1	1.6	30.5	9.2	52	66.3	43
Sri Lanka	4.2	2	47.5	8.3	171	74	17
Brazil	7.5	3.6	47.9	7.2	674	72.2	20
Bangladesh	3.2	1	31.8	7.1	37	65.7	47
Malaysia	4.3	1.9	44.6	7	544	74.1	10
Indonesia	2.5	1.3	50.5	6.2	82	70.5	25
India	3.6	0.9	25	3.4	86	63.4	54
Pakistan	2	0.3	16.4	1.3	47	66.2	73

Source: Shailender Kumar Hooda (2013)

Table 1 shows cross countries analysis of health expenditure and found that some country spend more public funds than others and some countries rely more on the private sector for service delivery. The developed countries, in most cases, spend high amount on health both as per cent of GDP and out of their total budget compare to the developing countries. The variation in public health spending ranging from less than 1 per cent to more than 8 per cent of GDP and from 1.3 per cent to 54.2 per cent out of total government expenditure. The public expenditure on health in India is recorded one of the lowest amongst the developed as well as South East Asian countries, except Pakistan. The quantum of public spending on health, in per capita term, also recorded low in India. While, even some developing countries like, Nepal and Bangladesh (who's per capita GDP almost less than half of India's GDP) managed high public spending on heath out of their GDP than India.

Table 2: Health Expenditure in BRICS Nations (2012)

Country	Expenditure on Health (per cent of GDP)			Out-of Pocket Health Expenditure	
	Total	Public	Private	Per cent of Private Health Expenditure	Per cent of Total Health Care Expenditure
Russia Federation	6.3	3.8	2.4	88	33.52
Brazil	9.3	4.3	5.0	57	31.08
South Africa	8.8	4.2	4.6	13.8	7.21
China	5.4	3.0	2.4	78	34.67
India	4.0	1.3	2.7	86	58.05

Source: World Bank, 2012

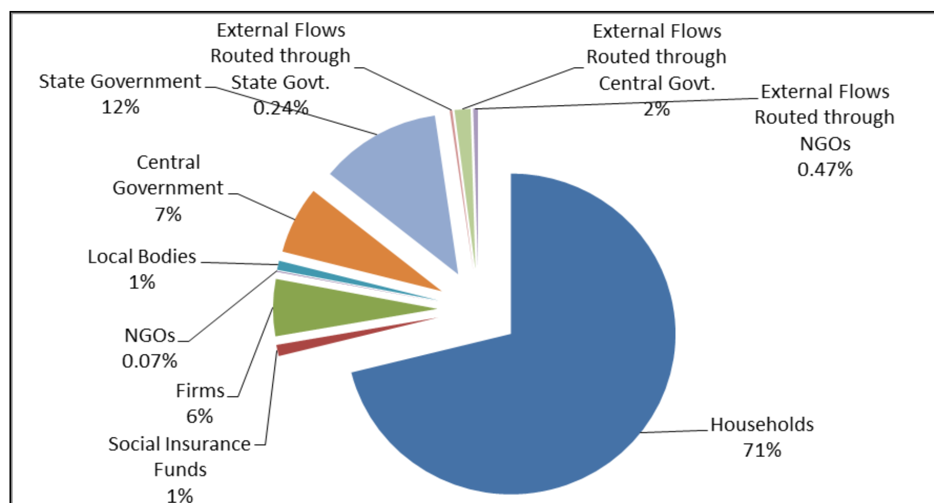
Table 2 shows the public expenditure on health care as a percent of GDP is 1.3 per cent in India which is the lowest compared to other BRICS nations. Whereas the private expenditure on health care is 2.7 per cent of GDP which is almost double compared to public expenditure on health care. On the other hand total (public and private) expenditure on health is just 4 percent of GDP, which is also lowest expenditure on health compared to other BRICS nations. It is interesting to note that BRICS nations spending on health are recorded lower than the prescribed norm i.e. 5% of GDP (Saved off, 2007). The out-of-pocket health expenditure as a share of total health care spending (58%) places India as the BRICS nation that relies most heavily on patient payment at the point of consumption. From the above table this concludes that private sector play the dominant role in health sector in India.

Table 3: Health Status of BRICS Nations

Country	Life Expectancy at Birth	Infant Mortality Per 1000 Live Births	Child Mortality under 5 per 1,000 Live Births	Maternal Mortality Per 1000 Live Births
Russia Federation	70	9	10	24
Brazil	74	12	14	69
South Africa	56	33	44	40
China	75	11	13	32
India	66	41	53	190

Source: World Health Organization, 2012 and World Bank, 2013.

From the Table 3 this study found that Russian Federation is the best performer in terms of infant mortality and maternal mortality among the BRICS countries. On the other hand this study found that the India is the lowest performance in terms of infant mortality and maternal mortality. Based on Life Expectancy at Birth, the Indian population has the shortest Life Expectancy at Birth which is 66. However, the population in China and Brazil live longer by 3 years, on average than their Russian counterparts.

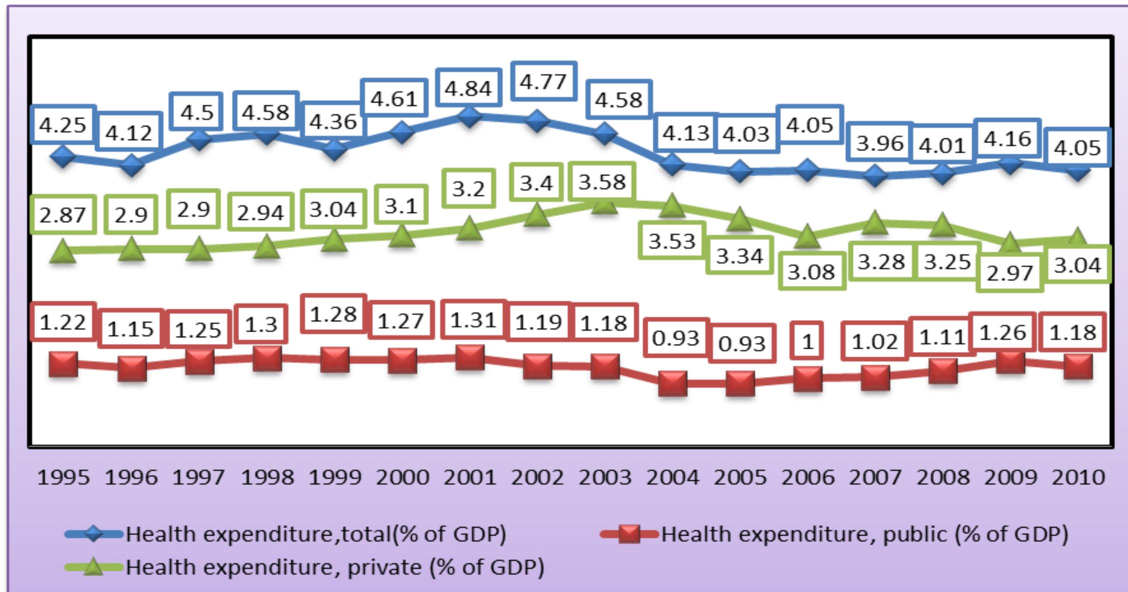


Source: National Health Account India, 2004-05.

Fig 1: Sources of Health Expenditure in India

Figure 1 represents the different sources of health expenditure funding in India. The Public spending combining of centre, state and local government on health is the second largest components in India. The highest source of health expenditure comes from the households which is 71 per cent. The health expenditure is the predominant responsibility of state governments. Being health a state subject, as per the Constitution, it was expected that state government would deliver the health services adequately to meet the health need of the population.

Figure 2 represents the trend of Health expenditure as per cent of GDP. Total health care expenditure in India was 4.25 per cent of GDP in 1995 and 4.05 per cent in 2010 which is less than the European Union (EU) Member States expenditure on healthcare which typically accounts for about 9 % of GDP. The Public expenditure on health in India is 1.22 per cent of GDP in 1995 and 1.18 in 2010. On the other hand the expenditure on health in India is increased from 2.87 to 3.04 during 1955 to 2010.



Source: World Health Organization, National Health Account database

Fig 2: Trend of Health expenditure as per cent of GDP

Table 4: State Wise Health Expenditure

S.N	Name of the States	Total Health Expenditure (Public +Private)	Per Capita Public Health Expenditure	Per Capita Private Health Expenditure	Public Exp. As share of S.D.P. (Per cent)	Public Exp. As share of State Exp. (Per cent)
1	AP	84300554	191	870	0.72	3.22
2	Bihar	45520617	93	420	1.12	4.12
3	Chhattisgarh	17061522	146	626	0.73	3.35
4	Gujarat	51279969	198	755	0.57	3.06
5	Haryana	24475723	203	875	0.49	3.19
6	Karnataka	45942750	233	597	0.87	3.77
7	Kerala	96976023	287	2663	0.88	4.65
8	MP	51070350	145	644	0.87	3.19
9	Maharashtra	124303897	204	1008	0.55	2.88
10	Orissa	34564114	183	719	0.98	4.41
11	Punjab	34778565	247	1112	0.65	3.01
12	Rajasthan	46152166	186	575	0.98	3.9
13	Tmil Nadu	80896329	223	1033	0.71	3.43
14	Uttar Pradesh	173811185	128	846	0.92	3.86
15	West Bengal	10558846	173	1086	0.69	4.32

Source: National Health Accounts India, 2004-05.

Table 4 shows health expenditure in 15 major states of India. This study found some interesting results; the per capita private health expenditure is very high compared to per capita public health expenditure in every state. In case of Bihar per capita public health expenditure is only Rs. 93 which is lowest among states. Whereas per capita private health expenditure is Rs 420 which is almost five time of per capita public health expenditure. In case of Kerala per capita public health expenditure is Rs. 287 which is highest among states, whereas per capita private health expenditure is Rs.626. Almost every states public health expenditure percent share is less than 1 percent in total health expenditure. So finally this study concludes that all the indicators, Kerala has showing better health condition compared other state of India.

5. Conclusion

Finally this study concludes that the developed countries spend high amount on health both as per cent of GDP and out of their total budget compare to the developing

countries. The public expenditure on health in India is recorded one of the lowest amongst the developed countries as well as South East Asian countries, except Pakistan. The low per capita income country like Sri Lanka's spends more public fund in health compared to India. The public expenditure on health care is 1.3 per cent of GDP in India which is the lowest among the BRICS nations. It is interesting to note that per capita private health expenditure is very high compared to per capita public health expenditure in every state of India. The public expenditure on health Bihar is recorded one of the lowest positions and Kerala occupied highest position among states. Almost every states public health expenditure percent share is less than 1 percent in total health expenditure. The highest source of health expenditure comes from the households which is 71 per cent in India. The low level of public expenditure has resulted in government failure in providing adequate public health facility in India.

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