



Trends in Public Expenditure on Health Sector in India

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ABSTRACT

This paper aims at examining the trends, composition and rate of growth of public expenditure on health sector in India, covering the period from 2000-01 to 2012-13. It has perused the Annual Financial Statements of the Budget of Government of India of various years in order to analyse the Public expenditure on health. The total public health expenditure in the country, irrespective of revenue and capital accounts, has increased gradually over the period 2000-01 to 2010-11 with a CAGR of 19.58 per cent. The per capita public expenditure on health sector in India increased from Rs.24.26 in 2000-01 to Rs.157.18 during the year 2010-11. For the year 2012-13, the Budget estimates for health sector in India is earmarked at Rs. 24261.06 crore. The percentage share of public health expenditure to the GDP of the country saw a mere increase from 0.13 per cent to 0.26 per cent during the period 2000-01 to 2010-11 respectively. Besides this revealing trend, the Government of India has set the target of increasing the government health spending to 2-3 per cent of country's GDP over the next five years.

Key words: Public Expenditure, Medical & Public Health, Family Welfare and Social Services, Gross Domestic Product, Budget, Per capita expenditure, Revenue expenditure, capital expenditure.

INTRODUCTION

In India, the health sector is accounted through various sources of funding. They include Central Government, State Government, Local Government, Households, External Funding, Firms and other sources including NGOs. The funding by Central, State and Local Governments constitute the public expenditure. Under the budget, the public expenditure is classified into two main accounts. One is Revenue Expenditure Account, wherein the consumption expenditure incurred in the country is recorded and on the other hand is the Capital Expenditure Account, wherein the capital expenditure incurred in the country is recorded. With regard to health sector in India, transactions are recorded by two major heads under both the accounts i.e., Medical & Public Health and Family Welfare.

The objective of this paper is to examine the trends, composition and rate of growth with regard to Government Expenditure on Health in India during the period of 2000-01 to 2012-13. The paper focuses on expenditure incurred by the Central Government on health sector in India. It

covers the period of 2000-01 to 2012-13. Further the study peruses the "Annual Financial Statements" of Union Budget of various years available at the website of Ministry of Finance,

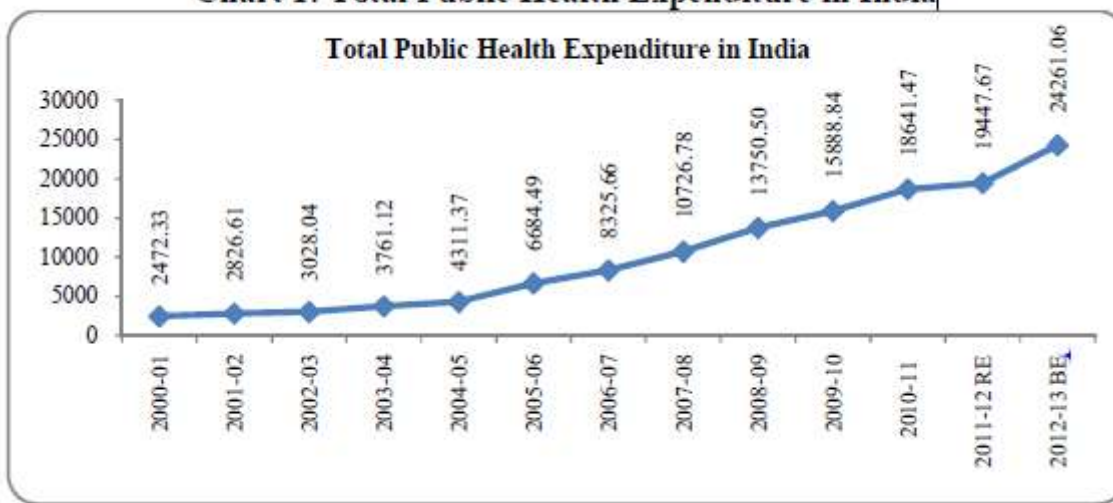
Government of India as the chief source for analysing the expenditure incurred by the

Government on health sector in India.

Health Expenditure in India

In the year 2000-01, the total public expenditure on health in India stood at Rs. 2472.33 crore. It drastically increased to that of Rs. 18641.47 crore in the year 2010-11. It registered a CAGR of 20.16 per cent over the period from 2000-01 to 2010-11. On an average, the public health expenditure in India during this period has increased with an annual growth rate of 23 percent. It is expected to reach Rs. 19447.67 crore in the year 2011-12 (as per the revised estimates of the Union Budget). For the year 2012-13, the Budget estimates for health sector in India is earmarked at Rs. 24261.06 crore, with an increase of 12.14 per cent over the previous year 2011-12 budget. During the period 2005-06, there was comparatively higher increase in the public health expenditure as seen by the annual growth rate of that period. It had increased to the tune of 55.04 per cent over the period 2004-05. Chart 1 depicts the overall health expenditure incurred in India.

Chart 1: Total Public Health Expenditure in India



Composition of Public Expenditure on Health by Revenue and Capital Accounts

Table 1 provides the breakup of public expenditure on health in India by revenue and capital accounts. On the revenue account side, it is noticed that the public expenditure on health has increased from Rs. 2483.66 crore in 2000-01 to that of Rs. 17754.94 crore in the year 2010-11, registering CAGR of 19.58 per cent. The average annual growth rate remained at 22 per cent. It is expected to incur Rs. 18181.51 crore in 2011-12. The budget estimates for health sector in India under revenue accounts for the year 2012-13 is earmarked at Rs. 22015.43 crore, with an increase of 11.72 per cent over the previous year 2011-12.

On the other hand, by the capital account side, it is noticed that in the year 2000-01, the public expenditure on health in India stood negative at Rs.11.33 crore, but gradually increased to Rs. 106.44 crore in the year 2006-07. Again, in the year 2007-08, it turned negative at Rs. 84.95 crore. In the year 2010-11, the public expenditure on health by capital account side stood positively at Rs. 886.53 crore. The average annual growth rate remained negative at 102 per cent. It is expected to make Rs. 1266.16 crore in the year 2011-12. For the year 2012-13 the budget earmarked for health sector on capital account is Rs. 2245.63 crore, with an increase of 16.36 per cent over the previous year 2011-12.

On a whole the total public expenditure on health in the country, irrespective of revenue and capital accounts, has increased gradually over the period 2000-01 to 2010-11 with a CAGR of 19.58 per cent and with an average annual

growth rate of 22 per cent. Chart 2 also shows the breakup of public expenditure on health by revenue and capital accounts in the country.

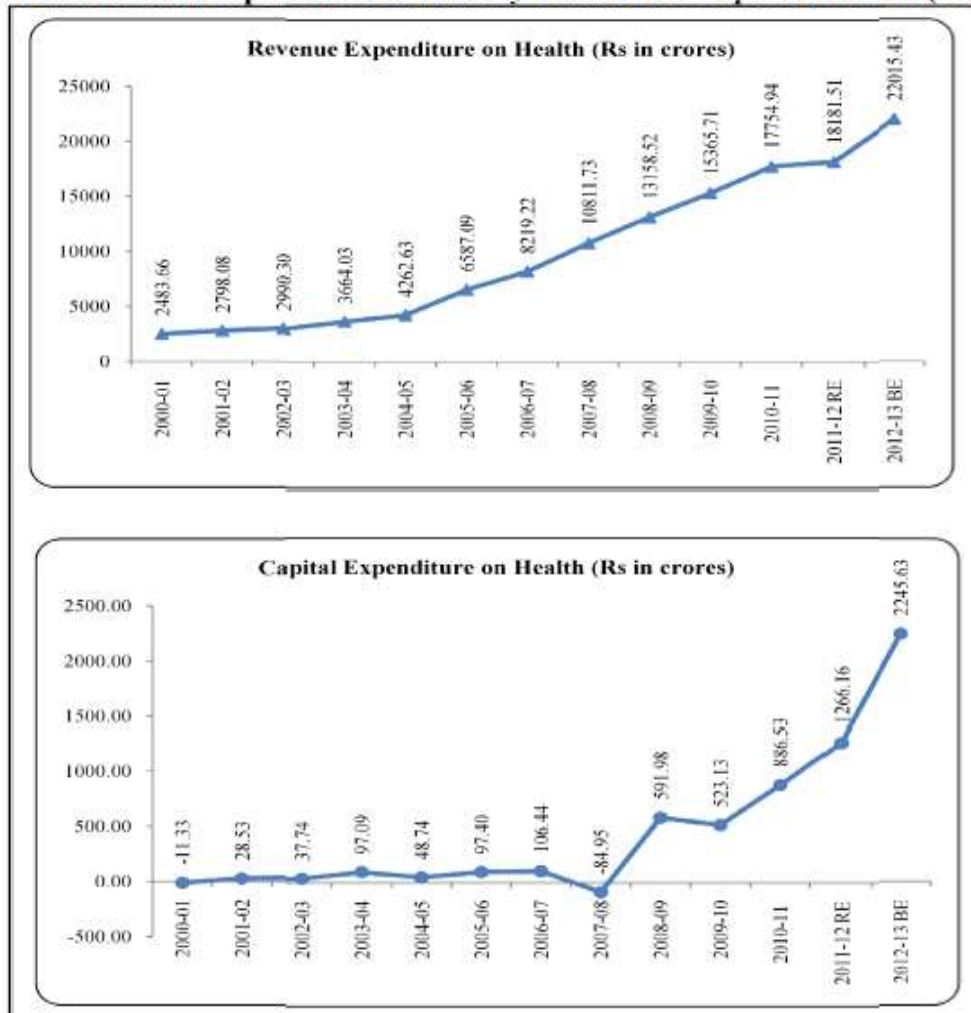
**Table 1: Composition of Revenue and Capital Expenditure on Health in India
(Rs in crore)**

Years	Health Expenditure		
	Revenue	Capital	Total
2000-01	2483.66	-11.33	2472.33
2001-02	2798.08	28.53	2826.61
2002-03	2990.30	37.74	3028.04
2003-04	3664.03	97.09	3761.12
2004-05	4262.63	48.74	4311.37
2005-06	6587.09	97.40	6684.49
2006-07	8219.22	106.44	8325.66
2007-08	10811.73	-84.95	10726.78
2008-09	13158.52	591.98	13750.50
2009-10	15365.71	523.13	15888.84
2010-11	17754.94	886.53	18641.47
2011-12 RE	18181.51	1266.16	19447.67
2012-13 BE	22015.43	2245.63	24261.06

Note: RE – Revised Estimates; BE – Budget Estimates

Source: Annual Financial Statements of various years, Budget Documents, GOI

Chart 2: Public Health Expenditure in India by revenue and capital accounts (Rs in crore)



Composition of Public Health expenditure to the Revised Budget Outlay of Health sector

Table 2 provides the composition of public health expenditure to the revised budget estimates on health in India in terms of percentage. During the year 2000-01, India incurred 96.20 per cent of the public health expenditure out of the revised budget estimate of Rs. 2569.93 crore. It gradually grew to more than 100 per cent in the later years. Since then, in the years that came ahead, it was noticed that the public expenditure incurred on health was slightly more than the revised estimated budgeted outlay in India. During the year 2010-11, the percentage of public health expenditure to that of the revised budget estimates of health stood at 106.75 per cent. Likewise, in the year 2011-12, it is expected to incur Rs. 19447.67 crore out of the budget outlay of Rs. 21635.46 crore i.e., around 89.89 percent. The percentage of expenditure incurred is yet to be ascertained. For the year 2012-13, the budget estimates on health sector in India is earmarked at Rs. 24261.06 crore.

Table 2: Percentage of Public Health expenditure to the Revised Estimates of Budget On Health in India

Years	Total Health Revised Outlay (Rs in crore)	Total Health Expenditure (Rs in crore)	%
2000-01	2569.93	2472.33	96.20
2001-02	2831.94	2826.61	99.81
2002-03	2921.81	3028.04	103.64
2003-04	3561.34	3761.12	105.61
2004-05	4221.36	4311.37	102.13
2005-06	6251.95	6684.49	106.92
2006-07	8116.05	8325.66	102.58
2007-08	10078.88	10726.78	106.43
2008-09	12876.30	13750.50	106.79
2009-10	14976.92	15888.84	106.09
2010-11	17462.89	18641.47	106.75
2011-12 RE	21635.46#	19447.67*	89.89
2012-13 BE	24261.06	24261.06	100.00

Note: # refers to Budget Estimates, * refers to the Revised estimates and BE is Budget Estimates

Composition of Public Health Expenditure in India by its broad heads

Under the budget of India, the accounts of health sector are depicted broadly by two main heads. They are: -

- Medical and Public Health
- Family Welfare

Table 3 provides the breakup of public health expenditure with regard to these broad heads from the year 2000 to 2012. Under Medical and Public Health, the expenditure has seen an increase from Rs. 1811.31 crore in 2000-01 to that of Rs. 9781.92 crore in the year 2010-11. The revised estimates of budget reveals that an amount of Rs. 10366.89 crore is expected to be incurred in the year 2011-12. For the year 2012-

13, the budget estimate for medical and public health is earmarked at Rs. 13360.47 crore, with an increase of 12.78 per cent over the previous year 2011-12. Likewise, under Family welfare, the expenditure has increased from Rs.661.02 crore in 2000-01 to that of Rs. 8859.55 crore in the year 2010-11. Further in the year 2010-11, an amount of Rs. 9080.78 crore is expected to be incurred as revealed from the revised estimates of the Budget. For the year 2012-13, a budget estimate of Rs. 10900.59 crore is earmarked with an increase of 11.36 per cent over the previous year 2011-12.

The composition of heads of public health expenditure to that of the total public health expenditure in India in terms of percentages is given in Chart 3. It reveals that during the year 2000-01, out of the total public health expenditure of Rs. 2472.33 crore, around 73.26 per cent of the public expenditure was incurred on medical and public health and the remaining 26.74 per cent was on family welfare. In the later years, the percentage of public expenditure incurred on medical and public health out of the total public health expenditure in India got considerably reduced. During the year 2010-11, 52.47 per cent of the public health expenditure was on medical and public health. On the other hand, the picture was totally different with regard to family welfare. The percentage of public health expenditure incurred on family welfare out of the total public health expenditure in India increased considerably over the years. During the year 2000-01, it was 26.74 per cent which got increased to 47.53 per cent in the year 2010-11. If we look at the chart, it reveals that the graph has taken more or less the shape of a scissor. On one hand the percentage of public expenditure incurred on medical and public health has seen a downfall trend and on the other hand the percentage of public expenditure incurred on family welfare has seen a rising trend.

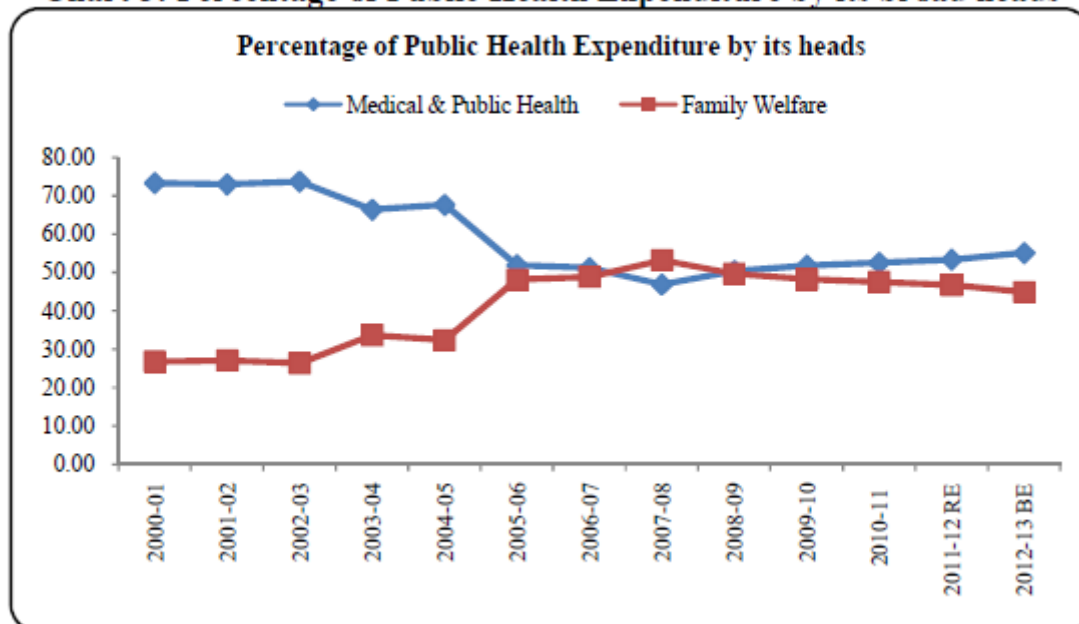
For the year 2012-13, out of the total budget estimate of Rs. 21635.36 crore, 55.07 per cent is allocated for the medical and public health sector and the remaining 44.93 per cent is earmarked for family welfare.

Table 3: Public Health Expenditure in India by its broad heads

Years	Total Public Health Expenditure (Rs in crore)			% to the Total Public Health Expenditure	
	Medical & Public Health	Family Welfare	Total	Medical & Public Health	Family Welfare
2000-01	1811.31	661.02	2472.33	73.26	26.74
2001-02	2061.93	764.68	2826.61	72.95	27.05
2002-03	2230.62	797.42	3028.04	73.67	26.33
2003-04	2494.86	1266.26	3761.12	66.33	33.67
2004-05	2914.75	1396.62	4311.37	67.61	32.39
2005-06	3469.03	3215.46	6684.49	51.90	48.10
2006-07	4254.94	4070.72	8325.66	51.11	48.89
2007-08	5022.32	5704.46	10726.78	46.82	53.18
2008-09	6924.87	6825.63	13750.50	50.36	49.64
2009-10	8231.87	7656.97	15888.84	51.81	48.19
2010-11	9781.92	8859.55	18641.47	52.47	47.53
2011-12 RE	10366.89	9080.78	19447.67	53.31	46.69
2012-13 BE	13360.47	10900.59	24261.06	55.07	44.93

Note: RE – Revised Estimates; BE – Budget Estimates

Source: Annual Financial Statements of various years, Budget Documents, GOI

Chart 3: Percentage of Public Health Expenditure by its broad heads

Per capita Public Health Expenditure in India: Table 4 provides the per capita public expenditure on health sector in India. During the year 2000-01, the per capita public expenditure on health sector in India stood at Rs.24.26. It drastically increased to Rs.157.18 during the year 2010-11. On an average, the per capita public expenditure on health sector in India remained at Rs.72.35, with an average annual growth rate of around 21.13 per cent during the period 2000-01 to 2010-11. The CAGR pertaining to the per capita public expenditure on

health sector during the period 2000-01 to 2010-11 stood at 18.5 per cent. Further the per capita public health expenditure is expected to increase up to Rs.160.72 in the year 2011-12.

Table 4: Per capita Public Health Expenditure in India

	Total Public Health Expenditure (Rs in crore)	Population (in crore)	Per capita expenditure (in Rs.)
2000-01	2472.33	101.90	24.26
2001-02	2826.61	104.00	27.18
2002-03	3028.04	105.60	28.67
2003-04	3761.12	107.20	35.09
2004-05	4311.37	108.90	39.59
2005-06	6684.49	110.60	60.44
2006-07	8325.66	112.20	74.20
2007-08	10726.78	113.80	94.26
2008-09	13750.50	115.40	119.16
2009-10	15888.84	117.00	135.80
2010-11	18641.47	118.60	157.18
2011-12	19447.67	121.00	160.72

Note: Per capita expenditure is arrived by dividing the total health expenditure to that of the total population in the country.

Composition of Public Health Expenditure to the Total Public Expenditure in India

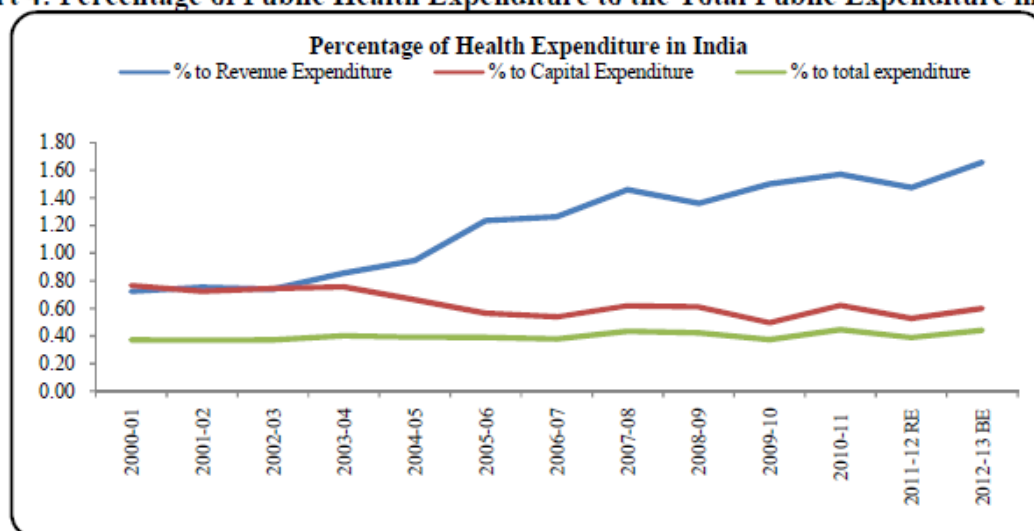
Table 4 reveals the percentage of public health expenditure to that of the total revenue, total capital and also total public expenditure incurred in the country. It is noticed that the percentage of public health expenditure to that of the total revenue expenditure has increased from 0.72 per cent in 2000-01 to that of 1.57 per cent in the year 2010-11. During the year 2011-12, the revised estimates shows that, the percentage of public health expenditure to that of total revenue expenditure of the country will expected to be around 1.48 per cent, slightly lower than the previous year. For the year 2012-13, it is expected to be around 1.66 per cent. In the similar way, the percentage of public health expenditure to that of the total capital expenditure has seen a slight reduction from 0.77 per cent in 2000-01 to that of 0.62 per cent in the year 2010-11. During the year 2011-12, the revised estimates expect the percentage of public health expenditure to that of total revenue expenditure of the country to be around 0.53 per cent. Likewise, for the year 2012-13, it is expected to be around 0.60 per cent.

The percentage of public expenditure incurred on health to the total expenditure incurred in the country reveals that the percentage has more or less remained stagnant over the years.

During the year 2000-01, the percentage was around 0.37 per cent, which increased slightly by 0.05 per cent in the year 2008-09, but again in the year 2009-10, it sticks to 0.37 per cent. Later in the year 2010-11, it increased by 0.08 per cent. During the year 2011-12, the revised estimates expect the percentage of public health expenditure to that of total public expenditure of the country to be 0.39 per cent. Likewise, for the year 2012-13, it is expected to increase by 0.05 per cent i.e., around 0.44 per cent.

Table 5: Percentage of Public Health Expenditure to the Total Public Expenditure in India

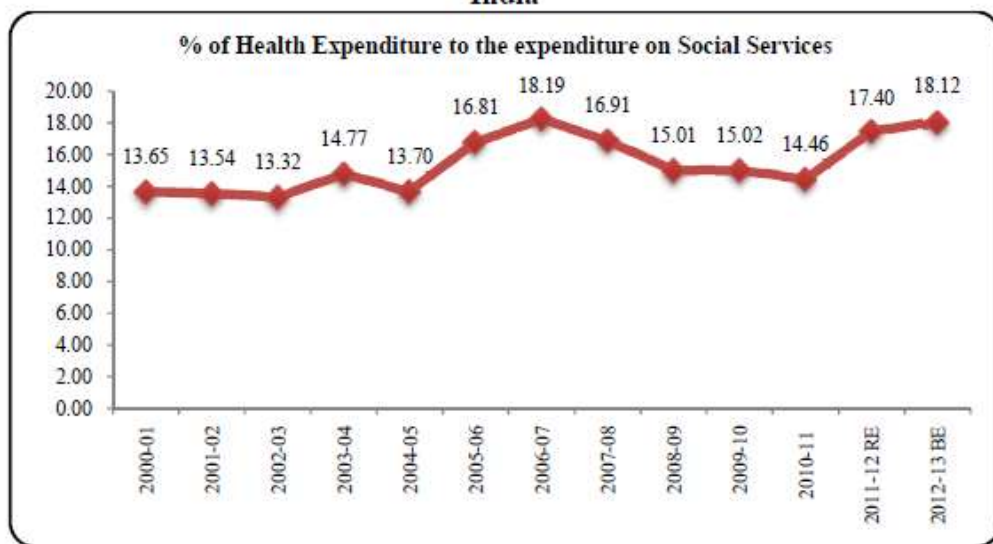
Years	% to Revenue Expenditure	% to Capital Expenditure	% to total expenditure
2000-01	0.72	0.77	0.37
2001-02	0.75	0.72	0.37
2002-03	0.74	0.75	0.37
2003-04	0.85	0.76	0.40
2004-05	0.95	0.66	0.39
2005-06	1.24	0.56	0.39
2006-07	1.26	0.54	0.38
2007-08	1.46	0.62	0.43
2008-09	1.36	0.61	0.42
2009-10	1.50	0.50	0.37
2010-11	1.57	0.62	0.45
2011-12 RE	1.48	0.53	0.39
2012-13 BE	1.66	0.60	0.44

Chart 4: Percentage of Public Health Expenditure to the Total Public Expenditure in India

Composition of Health Expenditure to the Total Public Expenditure on Social Services

Chart 5 provides the percentage of public expenditure incurred on health sector to that of the percentage of public expenditure incurred on social services in India. During the year 2000- 01, the percentage of public health expenditure constituted 13.65 per cent of the public expenditure on social services. It saw an increase to the tune of 4.55 per cent in the year 2006-07. But further it reduced slightly by 3.73 per cent in the year 2010-11. For the year 2011-12, the revised estimates expect the percentage of public health expenditure to constitute around 17.40 of the total public expenditure on social services. During the year 2012-13, 18.12 per cent of the total public expenditure on social services is allocated for health sector.

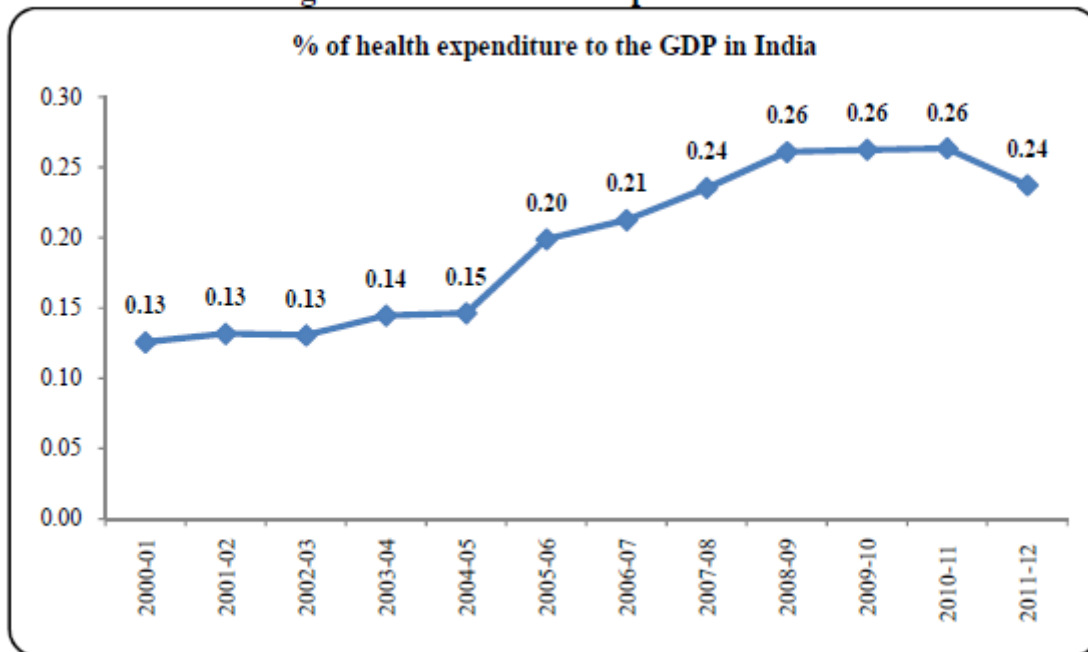
Chart 5: Percentage of Health Expenditure to the total expenditure on social services in India



Composition of Public Health Expenditure to the GDP in India

Chart 6 reveals the increasing trend of the percentage share of public health expenditure to the GDP of the country. During the year 2000-01, the percentage share of public health expenditure constituted around 0.13 per cent of the country’s GDP. Later, the percentage share slightly increased and shared 0.26 per cent of the country’s GDP in the year 2008-09 and remained in the same position till the year 2010-11. During the year 2011-12 the percentage share is expected to be around 0.24 per cent.

Chart 6: Percentage of Public Health Expenditure to the GDP of India



Findings

With regard to public expenditure incurred on health in India, the analysis reveals the following important findings: -

- The total public health expenditure in the country, irrespective of revenue and capital accounts, has increased gradually over the period 2000-01 to 2010-11 with a CAGR of 19.58 per cent and with an average annual growth rate of 22 per cent.
- Under Medical and Public Health, the public expenditure has seen an increase from Rs. 1811.31 crore in 2000-01 to that of Rs. 9781.92 crore in the year 2010-11.
- Under Family welfare, the public expenditure has increased from Rs.661.02 crore in 2000-01 to that of Rs. 8859.55 crore in the year 2010-11.
- The percentage of public expenditure incurred on health to the total public expenditure incurred in the country has more or less remained stagnant during the period 2000-01 to 2010-11. On an average, it remained at 0.39 per cent.
- The per capita public expenditure on health sector in India increased from Rs.24.26 in 2000-01 to Rs.157.18 during the year 2010-11. On an average, the per capita expenditure on health sector in India remained at Rs.72.35.
- There was a slight increase in the percentage share of health expenditure to the total expenditure on social services. It increased from 13.65 per cent in 2000-01 to that of 14.46 per cent during the year 2010-11.
- The percentage share of health expenditure constituted around 0.13 per cent to the GDP of the country in 2000-01. It saw a mere increase of 0.13 per cent during the year 2010-11. Besides this revealing trend, The Government of India has set the target of increasing the government health spending to 2-3 per cent of country's GDP over the next five years, but it seems to be an uphill task to be achieved.

Suggestions

On the basis of the above findings, the following suggestions need attention. If 2-3 per cent of India's GDP should constitute health expenditure in the country, then the allocations in the budget for health sector needs to be increased in an adequate manner. Otherwise it becomes a herculean task to be accomplished. Apart from that, Government should take precautionary measures with regard to capital expenditure incurred on health sector in India, because it has witnessed negative growth rate under capital account on health sector during the year 2000-01 and 2007-08. As per the National Health Accounts 2004-05, public health expenditure accounts for 26.7 per cent of the total health expenditure in India. Apart from that the public health expenditure to the total public expenditure in the country is dwindling from 0.30 to 0.40 percent. Therefore, high priority to the health sector should be provided in the Union Budget in order to increase the share of public expenditure on health.

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