

Fiscal Consolidation and Social Sector Development: A Study of Women Education and Health in Indian States

Abstract

Social sector expenditure by the government is of paramount importance in fostering human development, socio-economic progress and overall well-being of people in emerging economies like India, particularly in reaping demographic dividends and achieving the sustainable development goals. On the contrary, increasing concerns regarding instabilities in public finances have created the necessity to implement fiscal consolidation measures in many of the countries in the world. In India, implementation of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003 was a crucial initiative in this regard. However, uniform provisions under the Act, despite varying degrees of socio-economic, political and demographic characteristics across Indian states, cast doubts on its impact and also bringing in fiscal prudence. This is so, particularly in the context of the potentially complex interplays amongst public spending for social sector, fiscal stability, and human development. This raises three critical questions: First, what have been the changes in such expenditure by the Indian states following implementation of the FRBM Act? Second, how such changes have impacted education and health of women as the two main pillars of socially inclusive development. Third, how have the responses of the Indian states to the FRBM Act led to their fiscal stability? The present study attempts to deal with these questions. The study uses secondary data collected from the databases of the Reserve Bank of India, NITI Aayog, and the National Family Health Survey, and applies necessary statistical tools and econometric techniques. The findings indicate that while the share of social sector expenditure in both GSDP and total expenditure has increased in most of the Indian states, its composition has varied across different components. Further, public expenditure in education and health along with improvement in access to basic amenities through implementation of various flagship programmes has played a crucial role in achieving better education and health outcomes for women. However, such social sector spending does not have any significant impact on the fiscal stability of the states. Thus, while public expenditure is instrumental in promoting social sector development, it does not necessarily cause any threat to fiscal stability. Nevertheless, in addition to the amount of public expenditure, achieving the desired outcomes also depends on its objectives and efficiency. Hence, proper targeting of policies, systematic monitoring and evaluation of programmes are necessary to ensure efficiency of public expenditure and to promote socially inclusive development along with ensuring fiscal stability in Indian states.

Keywords: Fiscal Consolidation, Social Sector Expenditure, Women, Education, Health, Indian States