

**Analysis on the Relationship between Increased Expenditure and its Effect on Human Capital: Evidence from the budget and gender budgeting initiatives of Kerala**

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**ABSTRACT**

Public policy touches the life's of every one. Budget has been considered as an effective tool to influence the standard and quality of living of individuals. Kerala has used budgeting as an effective tool for bringing up the marginalised sections of the economy. Increased public expenditure has been regarded as an impressive way to influence the quality of human capital in the state. The paper is an effort to show the relationship between increased expenditure and its effect on human capital, based on the data from 1957-58 to 2017-18. The paper attempts to make a gender based assessment of budget of Government of Kerala and examining the incorporation of gender perspective at expenditure level of budgetary process. The paper examines how Kerala attained remarkable credits in areas related to health and education through the instrument of budget.

**KEY WORDS**

Social development, budgetary allocation, gender budgeting.

**INTRODUCTION**

Public policy touches the life of every individual. Government uses several instruments to influence the living and to raise the standard of living of the people. Budget is one among them. Although budget is the financial statement of the government it reflects the views of the government and policy priorities. In all developing countries budget is regarded as a means and a way to uplift the lives of the underprivileged people. India has been using budget as an instrument for redistribution of wealth, reduction of inequality and reduction of discrimination. Women form an integral part of the unprivileged part of the economy

although they exceed men in sex ratio. Hence specific allocation for her upliftment is essential. Budgets reflect the economic, social and political choices of a nation, state or local community, including what is valued and what is not, and who is rewarded and who is not (Sharp and Dev, 2004). Always a budget from gender perspective is neutral. This gender-neutral assumption ignores the fact that budgetary impacts are often different and unequal between men and women since they occupy different socio economic positions play different roles and undertake different responsibilities in the paid and unpaid economy (Budlender, 1996; UNIFEM, 2000). It is through the budget that a government commitments to gender equality and women's empowerment move from paper promises to practical policies (Sharp, 2007a). Recognition of the fact that the national budget impact men and women differently through the pattern of resource allocation led to the initiation of gender budgeting at the national level.

Women constitute 48 percent of Indian population and more than half of the population of the State of Kerala, but they lag behind men on many social indicators. Hence they demand special attention due to their vulnerability and lack of access to resources. Women are especially marginalized since they constitute the bottom layer and always have been left behind the development benefits. The way in which the national budget is usually formulated ignores the different, socially determined roles, responsibilities and capabilities of men and women (Elson, 1999).

The state of Kerala was formed on 1<sup>st</sup> November, 1956 and it was long after Indian Independence on 15<sup>th</sup> August 1947. Prior to that, it was three independent provinces named Malabar, Cochin, Travancore. The Kerala state was formed as a result of States Reorganisation Act of 1956, passed by Government of Kerala. For the formation, Travancore –Cochin state, Malabar district of Madras state and Kasargod of South Canara was merged together. Modern Kerala is divided into 14 districts and with Trivandrum as the state capital. The first state budget was presented on 7<sup>th</sup> of June 1957 for the financial year 1957-58 by Sri. C. Achutha Menon, the then Finance Minister of Kerala, under the Chief Minister ship of Sri. E. M. S. Namboothiripad.

## **HISTORY OF GENDER BUDGET INITIATIVES IN KERALA**

Since the formation of the state, 63 budgets have been presented in the Legislative assembly of Kerala by various Finance Ministers so far. The budgets have both microeconomic and

macroeconomic effects on the economy. The effects of a government's budget on the individuals, society, and on the economy are of great concern to economists, consumers and tax payers. The budget is the most important fiscal document relating to the socio-economic problems and programmes for the coming year which outlines the proposed measures of the government for their solution and implementation. A budget is a statement of the financial plan of a government. Budget is the instrument through which the government controls the entire economy. Budget proposals are always in line with the government's socio-economic policies. Budget is a tool for implementing five year plans. Annual plan allocations are made through the budget. A budget gives the revenue and expenditure of the last completed financial year, the probable revenue and expenditure estimates for the current year and the estimates of the anticipated revenue and proposed expenditure for the next financial year. The analysis of budgets would give the reflections of government policies on various heads especially on education, health. All the allocations have differential impact on people. These impacts are according to the capabilities they already have. If the people are already deprived of the capabilities they won't be able to receive the benefits of budgetary allocations. That means budget have differential impact on class, community, gender according to the capabilities they already have. Since the budgets have differential impact on men and women or boys and girls budgets is not gender neutral. This necessitates analysis of the budget from a gender perspective. The gender issues needs to be studied and translated in to the policies, programmes and schemes of ministries and departments. This necessitates identification of existing policies, programmes and schemes to determine whether or not they meet these priority needs. Corrective reprioritisation of budgetary allocations and taking requisite follow-up actions can be ensured by adopting gender budgeting. Women are one of the backward sections of the society and needs special attention. The analysis of Kerala budget shows that no such initiatives have taken place in Kerala budgeting before 2008. Kerala has initiated the gender budgeting process at the local Government level as far back in 1998 and mandated the local bodies to allocate at least 10% of the plan funds devolved by the state specifically for women (Women Component Plan). For the first time, in the budget 2010-11, the then finance minister Dr. Thomas Issac has made a conscious effort to be gender responsive. He stated that it is necessary to carry forward the traditions of social and economic egalitarianism in the State. It is necessary to create a new tradition

of gender equality. Gender equality is basically a social and political issue. In order to galvanise efforts towards this objective, gender budgeting is a must. All departments have tried to develop special schemes for the benefit of women. Efforts would be made to consciously incorporate gender concerns even in the general projects. (Budget Speech, Government of Kerala, 2010-11). Gender Audit was initiated in Kerala as part of budget preparation and that exercise for the first time was done on the 2008-09 Kerala budget. Gender Audit of the 2008-09 budget came out with certain facts that schemes solely for the benefit of women constituted only 5.5% of the plan. In 2009-10, it was only 5.6%. Gender audit revealed that only 50% of what local Government spent as part of their women component plan. In the budget speech of 2011-12 also gender budget initiatives continued. But unfortunately, in May 2011 new UDF Government came in to the power. Alteration memorandum presented in the Legislative assembly. The then finance Minister Sri K.M. Mani continued what LDF Govt. did for gender budgeting for that particular financial year. It is estimated that during 2010-11, 9.4% of the plan outlay would be used exclusively for women beneficiary schemes. In 2016-17 LDF government came in to power and decided to reintroduce the gender budget initiatives. Finance minister Sri Thomas Issac stated before Assembly that the Government is going to reintroduce gender budgeting. Hereafter, gender audit report will also be distributed to the honourable members along with budget documents. Apart from ensuring gender equality, 10% of the outlay will be set apart for women specific projects. A new Department will be created for women. This department will be responsible for coordinating gender auditing and schemes related to women in other departments in addition to the schemes directly under this department. (Budget Speech, Government of Kerala, 2016-17). In the year 2017-18 the Gender Budget is being reinstated. The gender statement prepared by the State Planning Board is also distributed along with this budget document. In this statement, the allocations for women development have been divided into two parts. Part-A includes schemes for which 100% beneficiaries are women. The Part-B statement includes the general developmental schemes in which a special component for women or beneficiary number of women is distinguishable. This is the time-path of history of gender budget initiatives in Kerala.

## **GENDER ANALYSIS OF THE KERALA BUDGET**

This analysis part has been divided into two. Part A and Part B. The first section, i.e., part A attempts to show the relationship between increased expenditure and its effects on human capital especially on women. For this, examined the role of budgetary allocations in the achievement of Kerala state in terms of social development indicators. This is done in terms of budgetary allocations from 1957-58 to 2017-18 towards different heads of expenditure.

In part B, tried to investigate the gender sensitivity of Government budget from allocation point of view and to examine the priorities envisaged in the budgetary allocations targeted towards addressing the different needs of women. Period of study is from 1998-99 to 2017-18. In second section, examined budgetary allocation towards women specific schemes during the above period.

### **ANALYSIS ON THE RELATIONSHIP BETWEEN INCREASED EXPENDITURE AND ITS EFFECT ON HUMAN CAPITAL**

Improving the education and health of people is not only goal in itself for a better quality of life but also its positive impact on the economic development of a country is far reaching. The provision of education and health is a key element of a policy to promote broad-based economic growth (Economic and Social Survey of Asia and the Pacific 2003). Expenditure on health and education is regarded as expenditure on human capital that indirectly influences economic growth and have direct welfare effects on society. Educated and healthy workers may have more opportunities for better employment that increase their earnings and help them in achieving better living standards. Education is considered to be the most important way of building human capital. Public sector is a major provider of education and health. Government expenditure on education may have positive impact on public health, reduction in crime, improving participation in political and community affairs and raises formal participation. Female literacy and education are crucial determinants of child survival, general health and hygiene. These in turn, determine progress in other demographic and health indicators like expectancy of life at birth rates and death rates, infant mortality rate and general morbidity. Improvement in health status leads to an increase in life expectancy that means more and more opportunities for worker to work and earn more income. Equal and proper delivery of health care services is considered to highly important in achieving health related objectives of government spending. The relationship between public sector expenditure and economic growth has continued to

occupy series of debate among research scholars and policy makers. Public expenditure have identified as an important instrument by which the Government influence the performance of the economy. There is a direct relationship between the amount of public sector expenditure and economic growth. The policy makers place more emphasis on the role of public sector expenditure as an instrument which the government can apply to solve some economic problem such as reduction in inequality, inflation, fall in exchange rate and employment.

## **PUBLIC EXPENDITURE ON EDUCATION AND HEALTH IN KERALA**

Policies of the Government are always influenced by historical, cultural, political, economic and institutional factors. The nature of political regime also affects the scope and allocation of public resources for social progress. Present policies of the government of Kerala are the continuation of what Maharajas and Maharanis were followed in the past. The rulers of Cochin and Travancore princely states realised the importance of investment in human capital. They gave importance to education, especially importance of girl's education, and health care development. Statistical data from the princely states of Travancore and Cochin became part of Kerala state, shows that the relationship between public expenditure and its effects on economic growth had been identified by its rulers very earlier. The rulers realised at that time itself that Kerala's achievements in the sphere of health would have been impossible without female literacy and without an enlightened social attitude towards the survival of girl children and women. The primacy accorded to health and education in Kerala goes back at least to the enlightened policies of some of the Maharajas and Maharanis of the princely states of Travancore and Cochin in the 19<sup>th</sup> Century. It was reinforced by the work of the missionaries in establishing schools, orphanages and hospitals especially for the poor and low cast people (Zachariah and Sooryamoorthy, 1994, Ramachandran, 1997). There are so many factors contributed to the social development. A political leadership committed to extending vital social services to the entire population and strong action by the public sector in the provision of health and services. The state intervention is an important factor that led to the social development. The state assumed responsibility for the provision of certain services which are critical to the social development. It is the overall social policy and pattern of public expenditure that are

responsible for supreme social performance. By the mid 1890s, Travancore Government claimed that 40% of the school age population was attending school (Jeffery 1987). Data indicate that high levels of expenditure existed in the princely state of Travancore and Cochin on health and education from 1920s. The table underlies this fact.

**Table.1 Percentage share of Health and Education in Travancore and Cochin from 1867-68 to 1942 -43**

Year	Share of education(%)		Share of health(%)	
	Travancore	Cochin	Travancore	Cochin
1867-68 to 1869-70	1.9	0.9	n/a	n/a
1870-79	2.7	1.5	1.8	n/a
1880-89	3.4	2.8	1.5	1.7
1890-99	4.6	4.2	3.2	2.6
1900-09	6.3	4.2	4.1	3.4
1910-19	11.1	10.9	4.0	7.9
1920-29	18.3	16.5	4.5	5.4
1930-39	19.8	18.1	5.3	6.3
1940-41 to 1942-43	16.1	17.3	4.6	6.9

Each figure is an unweighted average of the corresponding figures for the relevant individual years.

For Cochin, expenditure on health 'represents annual disbursements under the head 'Medical, vaccination, sanitation, and conservancy' (this first appeared as a separate category in the Cochin reports in 1887-88). For Travancore, expenditure on 'health' has been obtained by aggregation over the relevant heads.

For Travancore, expenditures on education from 1864-65 to 1902-03 were presented under the heading 'Education, Science and Art'; these are the figures in the table. In subsequent years, disbursements on education are given separately.

Source: Calculated from Government of Travancore, Reports of the Administration of Travancore, various issues; and Government of Cochin, Reports of the Administration of Cochin, various issues.

Source: Ramachandran, V.K., 2000.

The above table shows the expenditure on education in Travancore and Cochin are at high rate and it was double digit figure from the second decade of 20<sup>th</sup> Century onwards. In the above table decadal averages are given. During the first decade of 20<sup>th</sup> century, 1900 to 1909, expenditure on education in Travancore and Cochin was 6.2% and 4.3% respectively. In the second decade it entered to a double digit figure. From 1940-41 to 1942-43 both Travancore and Cochin states were spent 16.1% and 17.3% respectively on education.

This is not the case of education only. The same high level of expenditure could be seen in health sector in both of these princely states. Kerala has a long history of organized health care. Before the advent of European medicine, families of practitioners of indigenous systems like Ayurveda handed their traditions from generation to generation. People were accustomed to approaching caregivers when they were sick, rather than turning to self-treatment. When the colonial powers established their

presence in the region, they brought their medical system with them. In the 19th century, the princely rulers of the erstwhile states of Travancore and Cochin took the initiative in making the western system of care available to their subjects (Ramankutty V., 2000). A royal proclamation of 1879 made vaccination compulsory for public servants, prisoners and students (Panikar and Soman, 1984). However, these positive changes were mostly confined to the erstwhile princely states of Travancore and Cochin ruled by the local maharajas. On the other hand, the colonial policy basically isolated British Malabar from Travancore and Cochin adversely affecting the general and health care infrastructure development of the region. The western medical care was introduced to Malabar by the British. On the eve of the formation of Kerala, Travancore had 76 beds per 1, 00,000 people while Malabar had only 34. But the decision by elected legislatures to follow the same expenditure pattern shows that by state intervention demand for health care services had grown to an extent from which it had to be reflected in the decisions of the legislature. The elected governments tried to expand the reach of the health system and to bring the health facilities of erstwhile Malabar to the level available in Travancore-Cochin (Sadanandan R., 2011).

The scholars on Kerala economy commented that increased public expenditure was one of the reasons resulted in high social development. There is no question that government policy after the formation of Kerala has played a key role in raising education, health standards. Throughout the post-independence period health and education expenditure as proportion of total expenditure has been higher than in any other state. While per capita expenditure on health was only marginally higher in Kerala than in other state in the 1980s (Krishnan, 1991), an important feature of health expenditure in Kerala has been the emphasis on mother and child care and immunisation as well as on curative medicine (Krishnan, 1991; Kabir and Krishan, 1991; Parikar, 1979). A social policy that accords priority to maternal and child care, prevention of insect-borne and infectious disease without gender discrimination, of health and hygiene conditions can have quick and powerful impact on social indicators (Ramachandran, 2000). The social movements for the emancipation of lower castes were fundamental in eliminating barriers to health and education services for the most deprived section of the population. The areas of state government intervention in Kerala have been land reform, health and education and public distribution system. The state has also introduced a series of mechanism, that are

intended to provide protective social security to persons outside the organised sector, who are not usually covered by Government schemes(Duvvury,1994b;Issac and Mohana kumar,1991;Kannan 1993).By these policies government have also attempted to reduce disparities in major development achievements. However, increased expenditure is always one of the reasons for the laudable achievements in the field of education and health.

The decadal averages of budgetary allocations on education and health are depicted in the Table 2. Education and health are the two areas where increased allocations had been in Kerala from the period of Maharanis and maharajas. Governments of post- formation period of Kerala also followed the same policy of the rulers of early kingdoms. They realised the importance of education and health care in economic development and their positive externalities and continued what the rulers had followed. Increased public expenditure along with certain other factors resulted in what the women have achieved in the area of life expectancy, age at the time of marriage, infant mortality etc. Eventhough there are so many other factors for what women have achieved, the role increased public expenditure is not all a small one. The governments of Kerala in the post-formation period continued this increased expenditure on education and health. This could be understood from the following table.

**Table. 2 Decadal Average of Budgetary Allocations towards Education and Health for the Period 1957-2017**

<b>Year</b>	<b>BE on Education(Decadal average)</b>	<b>BE on Health(Decadal average )</b>
1957-1958 to 1966 -1967	17.73	6.16
1967-1968 to 1976-1977	20.79	7.33
1077-1978 to 1986-1987	22.02	9.12
1987-1988 to 1996-1997	20.28	5.78
1997-1998 to 2006-2007	16.7	4.37
2007-2008 to 2016-2017	15.01	4.39

Source: Budget Documents, GoK.

The above table shows decadal average of budgetary allocations on education and health. During the first decade, i.e., from 1957-58 to 1966-67 budgetary allocation on education was 17.73 and on health it was 6.13. The education stood first in terms of budgetary allocations till 2013-14. Health also was there in the top listed heads of expenditures. The following table shows top listed heads of expenditures of Kerala government from 1957-58.

Table 3

**Top Listed Heads of Expenditures from the Period 1957-58 to 2016-17**

Heads/Years	57-58	59-60	69-70	79-80	89-90	09-10	13-14	14-15	16-17
Police	2.12(7)	2.43(6)	2.60(5)	2.75(6)	2.50(7)	2.23(6)	2.60(7)	2.71(7)	2.80(6)
Public woks	12.21(2)	10.58(2)	7.20(3)	5.65(4)	3.79(5)	3.5(5)	4.06(5)	3.87(5)	4.03(5)
Pension and miscellaneous	2.09(7)	1.43(8)	1.93(6)	2.60(7)	8.85(2)	11.85(2)	13.98(2)	15.29(1)	17.76(1)
Education	17.19(1)	15.6(1)	19.94(1)	22.29(1)	19.1(1)	13.80(1)	15.25(1)	15.08(2)	14.59(2)
Health	9.64(3)	7.20(3)	7.80(2)	9.10(2)	4.68(3)	3.62(4)	4.75(4)	4.77(4)	4.78(4)
Agriculture	0.03(8)	2.36(7)	1.4(7)	4.3(5)	3.57(6)	1.8(7)	2.7(6)	.54(9)	2.80(6)
Compensation assignments	NA	NA	.21(8)	.08(9)	1.30(8)	5.3(2)	6.44(3)	6.62(3)	6.20(3)
Irrigation	4.28(4)	4.74(4)	3.4(4)	6.23(3)	4.6(4)	1.03(8)	1.18(9)	1.25(7)	0.61(7)
Transportation	4.11(5)	3.55(5)	0.11(9)	0.48(8)	0.76(9)	0.46(9)	2.37(8)	0.77(8)	0.51(8)

Source: Budget Documents, GoK. Figures in Brackets shows ranking according to allocation.

The above table gives data on heads having highest budgetary allocations form 1957-58 to 2016-17. Throughout the period, from 1957-58 to 2016-17 ,the allocations towards these heads were varying .During the financial year 1957-58 education received highest budgetary allocation.Public works and health ranked 2<sup>nd</sup> and 3<sup>rd</sup> respectively. Up to 2013-14 education was in the first position in terms of allocations. From 2014-15 onwards allocation towards education went down to the second position and pension and miscellaneous became in the first position. Rank of health in terms of allocation fluctuating between 2<sup>nd</sup> and 4<sup>th</sup> position. Table shows that education and health was two heads having highest budgetary allocations during the post formation period also. This increased allocation was one of the strong reasons for the gender parity that Kerala achieved in the field of education and health.

From 1957-58 to 2008-09, there has been not only gender specific allocations but also increased allocations to the above said heads. Besides increased public expenditure, the factors like social policy of the government, committed political leadership, state intervention, social movements, better and effective implementation of the health and education programmes, work of missionaries also contributed to the social development. All the above said factors were equally responsible for the better performance of Kerala women in socio demographic indicators.

## **Conclusion**

To conclude increased expenditure have played important role in achieving gender parity in socio – demographic indicators. Eventhough, there were no gender budget initiative upto 2008-09 increased expenditure along with other conducive factors led to the better performance of the Kerala women in Kerala certain socio demographic indicators. . Even though, the budgetary allocations were not pro-women in nature it became pro-women due to the fact that increased enrolment of women in educational institution and more than 30% of the beneficiaries in the health sector were women from those time itself (Economic Review, GoK). Increased enrolment and participation of women in education and health sector is due to some other factors. Increased budget allocations combined with other factors resulted in the achievement of gender parity in these sectors.

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