

Mapping Budget Priorities for the Health Sector of Select States in India

A Note



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Authors

Simonti Chakraborty and Nilachala Acharya

For more information about the note, please contact the authors at simonti@cbgaindia.org and nilachala@cbgaindia.org

Data Support

Ajay Pal Singh and Saifullah Khan

Designed by

Yashoda Banduni

Published by

Centre for Budget and Governance Accountability (CBGA)

B-7 Extn./110A (Ground Floor), Harsukh Marg, Safdarjung Enclave,
New Delhi-110029

Phone: +91-11-49200400/ 401/ 402

Website: www.cbgaindia.org

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I. Context

The importance of public provisioning in the health sector cannot be emphasised enough. The overarching health crisis brought forth by the COVID-19 pandemic has especially made it pertinent to look at how the health sector is being budgeted for and what priorities are being assigned to this sector by different states in India. Health, being a state subject, puts state budgets at the centre of any such discussion on the budgetary trends and priorities for the sector. However, lack of a comprehensive database in the public domain on various fiscal indicators pertaining to health as a sector limits wider public discourse on the topic. To fill this gap, Centre for Budget and Governance Accountability (CBGA) has developed a database of budget allocations and expenditure on health sector for major states in India covering the last few years. The present note attempts to document trends and patterns of budget allocations and expenditure emerging from this budget database.

More specifically, the key research questions explored in this note are the following:

- What have been the trends in the share of budget allocation/ expenditure on health in total state budget and as a percentage of the Gross State Domestic Product (GSDP), for different states, in the pre-pandemic years and during the pandemic?
- How have states provisioned for the health sector, in terms of the increase or decrease in budgetary allocations in the pandemic years, as compared to budgets prior to the pandemic?
- Which states have prioritised their annual budget for the health sector with reference to the available fiscal space during the last five years?

II. Data Sources, Scope and Methodology

The note is prepared based on the data available from secondary sources. The database has been prepared on the basis of the data collated by CBGA from the Detailed Demands for Grants (DDGs) and other relevant budget documents of selected states for several years. We have compiled, tabulated and analysed fiscal information pertaining to health sector for 14 major states in India from the above noted sources. The time period of present analysis is from 2016-17 to 2021-22, i.e., a period of six years, which includes the latest state budget provisions for health sector. We have analysed the original budget estimates, the revised estimates and the unaudited actual expenditure for these selected states to document insights. For the convenience of the analysis, we have considered the period from 2016-17 to 2019-20 (four years) as the pre-pandemic years, while subsequent years as the pandemic years. A couple of states had already presented their annual budgets for the year 2020-21 prior to the surge of the pandemic. We have considered both the Budget Estimates (BE) and the Revised Estimates (RE) for the financial year 2020-21 to understand the priority of budget allocation and spending for this sector for 2020-21.

With regard to the definition of the health sector, we have not only included budget allocations and expenditure carried out by states through their respective health departments, but also relevant budget heads from other departments like education, tribal development, public works, etc. which do spend on health-related activities as well. Such a definition of the health sector is broader than the one followed by the Reserve Bank of India in its annual publication, *State Finances: A Study of Budgets*, which takes into account allocations and expenditure of only two broad categories of budget heads, i.e., the *Medical and Public Health and Family Welfare*. Such a formulation provides a more

comprehensive picture of sectoral priorities assigned to health by the states in their annual budgets.

The following section presents findings from the analysis of data.

III. Analysis of the Data

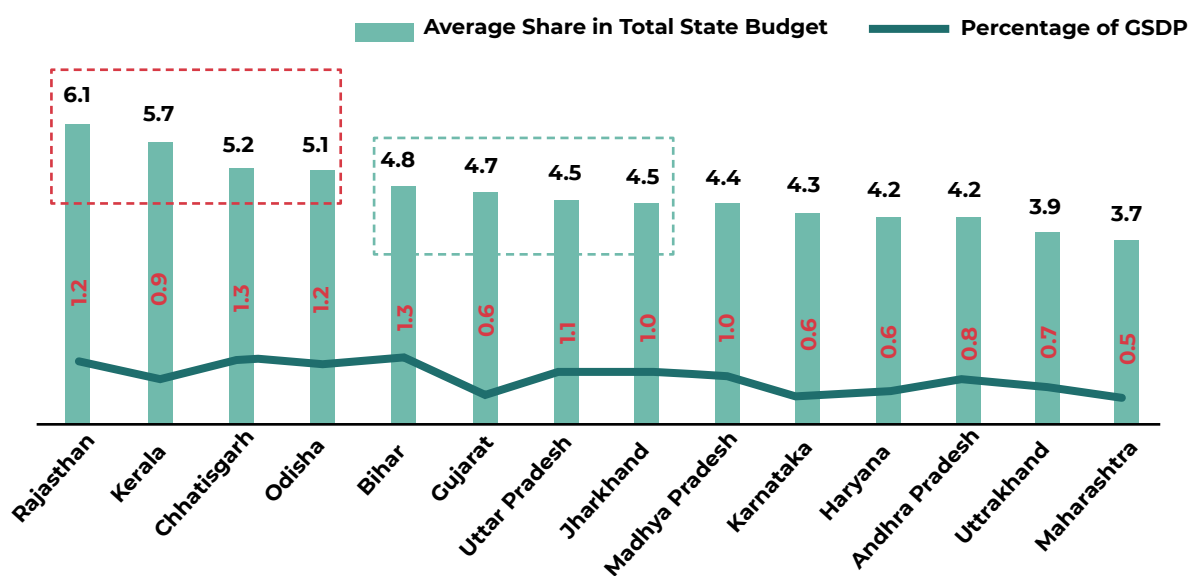
Following the recommendations of the 14th Finance Commission, the onus of spending on social sectors, including health, has been put majorly on the states. Moreover, health, being a state budget, is expected to be of utmost priority in the overall expenditure commitments of the State Governments. Figure 1 below depicts the average share of health expenditure (actual spending) in total state budgets and as a percentage of GSDP of 14 major states for a period 2016-17 to 2019-20 (pre-pandemic period). In terms of the share of health expenditure in total state budgets, it has been clearly seen that among the select states, Rajasthan tops the chart with 6.1 per cent followed by Kerala (5.7 %), Chhattisgarh (5.2 %) and Odisha (5.1 %). States like Bihar (4.8 %), Gujarat (4.7 %), Uttar Pradesh (4.5 %) and Jharkhand (4.5 %) are spending in the range of 5.0-4.5 per cent. Rest of the states, on an average, spent between 4.4 and 3.5 per cent of their total state budget on health.

Similarly, if one looks at the average spending on health as a percentage of GSDP, seven states, namely, Bihar (1.3 %) and Chhattisgarh (1.3 %), followed by Rajasthan (1.2 %), Odisha (1.2 %), Jharkhand (1.1 %), Madhya Pradesh (1.1 %) and Uttar Pradesh (1.1 %) have reported a level of higher than one per cent. These set of states are economically weaker compared to the rest of the states under consideration here.

The first important takeaway from the analysis is that only four states, namely, Rajasthan, Chhattisgarh, Odisha and Kerala have spent more

than 5 per cent of their total budget towards health sector. Out of these states, except for Kerala, all the others are relatively economically poorer, which signifies that relatively poorer states are spending higher towards the health sector compared to the relatively better-off states from their respective annual budgets. Secondly, given that the majority of the states are spending less than five per cent of their total budget on health, the existing concerns around large out-of-pocket expenditure still remains for the poorer households across states.

Figure 1: Share (Average) of Health Sector Expenditure from Total State Budget and as Percentage of GSDP for the period 2016-17 to 2019-20 (in per cent)



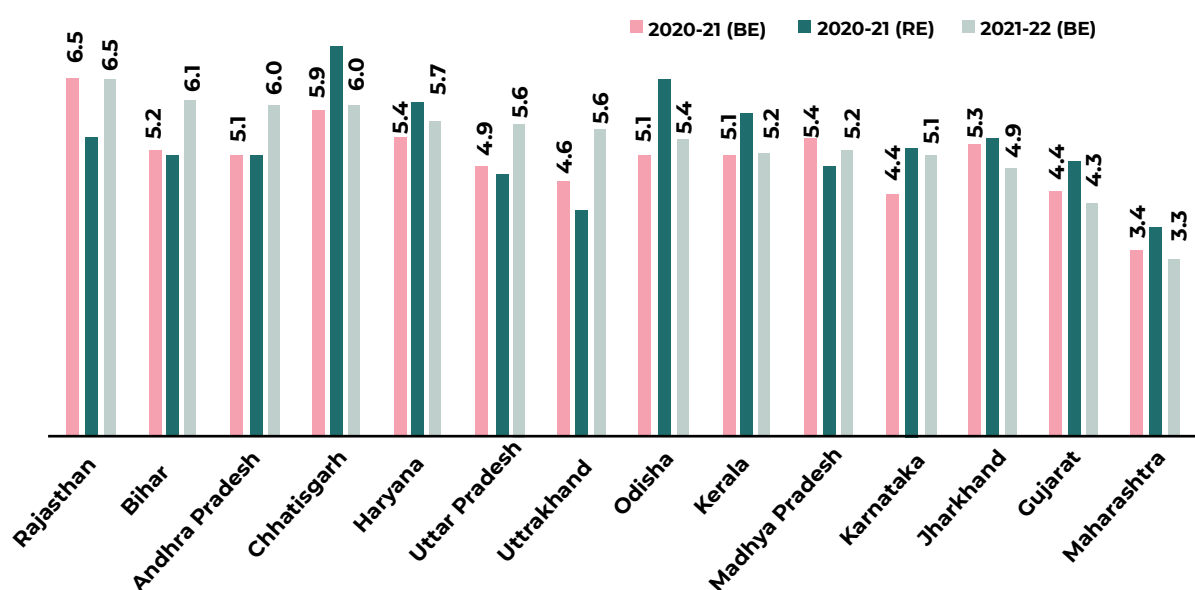
Note: GSDP is at current prices with 2011-12 as the base year.
Source: Compiled by CBGA from state budget documents.

The provisions for health sector made during last three time points (i.e., 2020-21 BE, 2020-21 RE and 2021-22 BE), as mentioned above, have been taken as the pandemic period. Among the 14 states for which data has been plotted in Figure 2, only four states have earmarked more than 6 per cent of their total state budgets for the health sector in 2021-22 BE. These states are Rajasthan (6.5 %), Bihar (6.1 %), Andhra Pradesh (6 %) and Chhattisgarh (6 %). A majority of the states (7 out of 14) form the

middle strata of the spectrum, allocating anywhere between 6 per cent and 5 per cent of their total budget for health. These states are Haryana (5.7%), Uttar Pradesh (5.6 %), Uttarakhand (5.6 %), Odisha (5.4 %), Kerala (5.2 %), Madhya Pradesh (5.2 %) and Karnataka (5.1 %). Jharkhand (4.9 %), Maharashtra (4.3 %) and Gujarat (3.3 %), are at the lower strata among the states considered for this part of the analysis.

Further, the share for health sector in 2021-22 BE falls short of the share in 2020-21 RE for 8 out of 14 states. States like Chhattisgarh, Haryana, Odisha, Kerala, Karnataka, Jharkhand, Gujarat and Maharashtra have allocated more while presenting the Revised Estimate figures compared to the original Budget Estimates in 2020-21. The highest increase in the share of budget allocation in 2020-21 Revised Estimates was noticed for Chhattisgarh, followed by Odisha, Haryana, Kerala and Karnataka. For states like Rajasthan, Madhya Pradesh, Uttarakhand, Uttar Pradesh and Bihar the allocation shares in 2020-21 RE have come down from the corresponding shares in the original estimates of 2020-21 BE, while in all the other states an opposite pattern exist for 2020-21

Figure 2: Share of Health Sector Expenditure in Total State Budget during the Pandemic (in per cent)



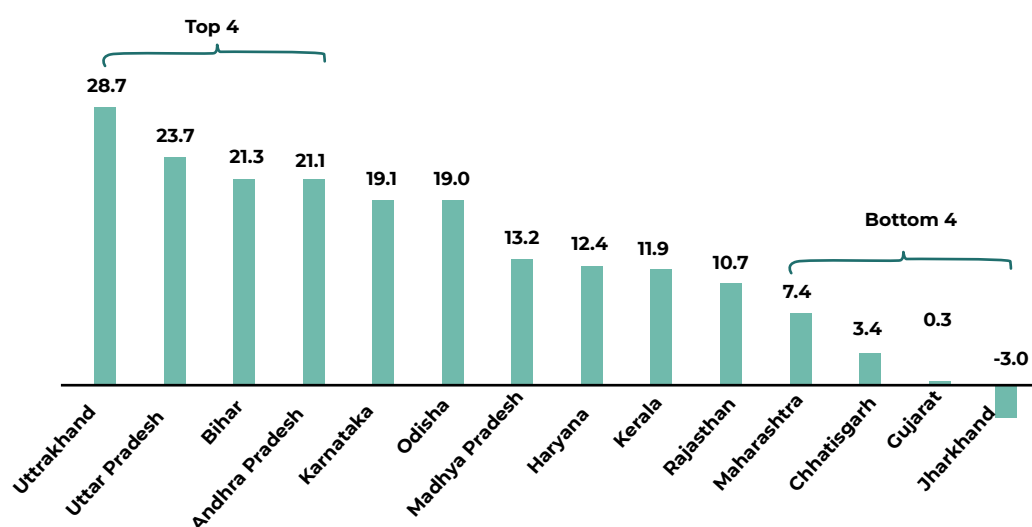
Source: Compiled by CBGA from state budget documents.

The crucial finding emerging from the data presented above is that the share for health sector in 2021-22 BE has even fallen short of the share reported during 2020-21 BE for four states, namely, Madhya Pradesh, Jharkhand, Gujarat and Maharashtra. Again, it should be noted that the level of original budget allocation (share of health sector in total state budget for 2020-21BE) for Gujarat and Maharashtra were the lowest, so a slight increase in the share of health sector expenditure in the Revised Estimates in FY 2020-21 did not push these economically better-off states into the higher order of ranking. On the other hand, states like Bihar, Andhra Pradesh, Uttar Pradesh and Uttarakhand have committed to higher level of spending on health sector in the ongoing financial year as compared to the last year.

In the pre-pandemic years, incremental budgeting has been followed in majority of the states, including that at the Union Government level in India. This process of budgeting, to some extent, adjust the inflationary effects. However, in a pandemic year public provisioning for critical interventions in the health sector assumes special significance. To take this into account, states are expected to go beyond the conventional practice of incremental budgeting and allocate more resources for those sectors for ensuring effective service delivery.

In the foregoing, we have seen varying trends in the share of health sector budgets in total budgets and as a percentage of GSDP of different states. The following graphs (Figure 3 and 4) present the percentage increase or decrease in the allocations for this sector by comparing the budget estimates of 2021-22 to the budget estimates and the revised estimates of 2020-21, respectively. Based on these two series, we have mapped the states from the ones having the highest percentage increase in budget allocations to the ones having the largest decline in allocations for the health sector and this as such, again, reflect how different states have responded to the increasing resource requirement for addressing the ongoing health emergency.

Figure 3: Increase (Decrease) in Health Sector Budgets in 2021-22 BE as compared to 2020-21 BE (in per cent)

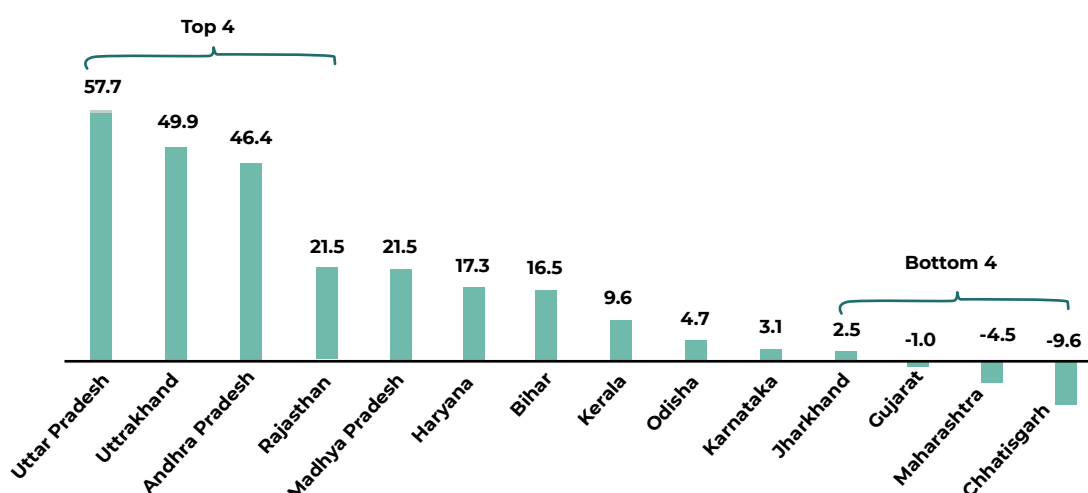


Source: Compiled by CBGA from state budget documents.

Comparing the initial budget estimates of 2020-21 BE, with the budget provisions for the on-going financial year, i.e., 2021-22BE, we have noticed that 13 out of 14 states have registered some increase in health budgets, while in Jharkhand, there has actually been a contraction in the budget provisions (in absolute terms). The largest percentage increase of health

sector spending are recorded by Uttarakhand (28.7 %), Uttar Pradesh (23.7 %), Bihar (21.3 %) and Andhra Pradesh (21.1 %) which occupy the top the top 4 positions in terms of the increase in health sector budgets in 2021-22 BE as compared to the corresponding original budget figures of 2020-21. States like Odisha, Madhya Pradesh, Haryana, Kerala and Rajasthan show moderate increase in budgets for health, while the states like Gujarat, Chhattisgarh, Maharashtra, along with Jharkhand, are at the bottom end (Figure 3).

Figure 4: Increase (Decrease) in Health Sector Budgets in 2021-22 BE as compared to 2020-21 RE (In %)



Source: Compiled by CBGA from state budget documents.

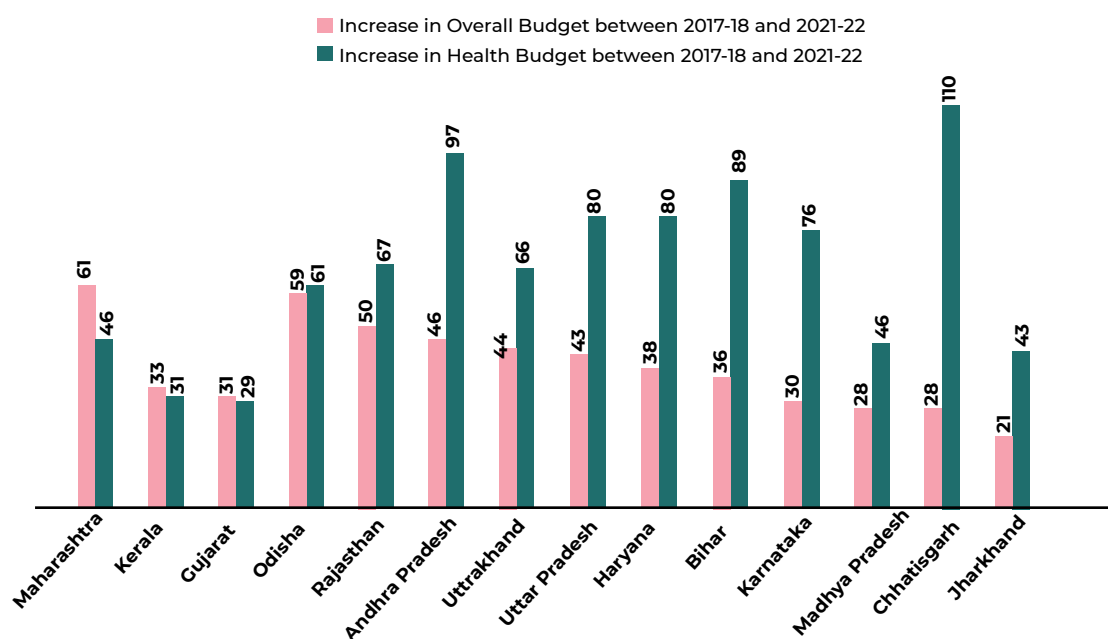
Similarly, when data for the same set of states is analysed, for percentage increase or decrease in allocation for health sector with respect to the revised estimates of the last financial year, the top position is now taken up by Uttar Pradesh with a sizeable increase (i.e., 57.7 %), followed by Uttarakhand (49.93 %) and Andhra Pradesh (46.35 %). 3 out of 14 states have shown absolute decline in the allocations for health sector from the revised estimates of 2020-21, namely, Gujarat, Maharashtra and Chhattisgarh (Figure 4).

There has been a general push for spending on health during the pandemic and additional resources were provisioned during the financial year 2020-21 over and above the original budget estimates by a number of states. However, the tempo of such priority spending for health sector is missing for a few states in the current financial year. It is crucial to again stress upon the point that budgetary commitments of FY 2021-22 should have taken into consideration the importance of expanding public provisions in the health sector to counter the ongoing crisis.

The expansion of the available fiscal space, has to be utilised judiciously towards fulfilling the commitments of the government. For determining the priority given by different states to health as a crucial sector, one has to look at the growth of health sector budget vis-à-vis the growth of overall state budget. Thus, we proceeded to look at whether the health sector has received adequate priority or not during last couple of years by analysing if the increase in the health sector budget for a particular state is higher than the increase in the overall budget for the state over the same period of time. On the other hand, if the increase in allocations for health sector has not kept pace with the overall increase in the state budget, it is a clear indication that the priority of the State Government has moved away from health-related interventions.

Data presented in Figure 5 compares the increase in total state budget and the increase in health budgets in 2021-22 BE from 2017-18 BE. Data presented here clearly indicates that, most of the states (11 out of 14 states) have prioritised the health sector budget between 2017-18 and 2021-22, albeit to varying degrees. Three states which can be said to have had sluggish growth in budgetary provisions for health sector (as compared to the increase in total state budgets) are Maharashtra, Kerala and Gujarat.

Figure 5: Increase in Total State Budget and Health Sector Budget between 2017-18 and 2021-22 (in per cent)



Source: Compiled by CBGA from State Budget documents.

There are states like Chhattisgarh where the growth of budget for health sector is almost four-fold compared to the growth of overall state budget during the period of analysis. For Odisha and Rajasthan, the increase in health budget over this period has been almost similar to the increase in overall state budget with no clear prioritisation for the sector. The other states (states featuring to the right of Rajasthan in Figure 5) have reported clear priority for health sector vis-à-vis the growth of overall state budget. However, the fact is that inadequate fiscal space

constrained many economically poorer states in their efforts to prioritise budgets for the health sector and must be taken into consideration while engaging in any such exercise. Further, it must also be pointed out that the national policy push for the sector has been on procuring health services rather than focusing on public provisioning for health.

IV. Concluding Observations

The trends emerging out of the analysis of data pertaining to the health sector present a diverse picture across the states considered in this note. The unfolding health crisis in the country in the form of the COVID-19 pandemic has brought back light on the governments' lack of priority towards the sector over the years. The looming crisis in the sector, at present, is the outcome of the persistent trend of neglected priorities of budgetary allocations and spending. Post the 14th Finance Commission recommendations, the fiscal federal framework of India observed a shift, which has further aggravated the resource crunch for economically poorer states. Given the challenges of competing priorities for resource needs, for various sectors, states on many occasions, could not pay adequate attention to either the strengthening of the existing public infrastructure of the health sector or to catering to the human resource requirements to deliver services therein.

Overall, it can be said that not all states have uniformly accorded a priority to the health sector and the trend of allocations and expenditure on health is, at best, a mixed one. While most states have increased their budget share on health in the pandemic years compared to the pre pandemic years, the resource need for the sector still remains hugely unmet. These budgetary trends and the argument in favour of a larger kitty of resources for health have to be read at the backdrop of the acute ongoing health crisis. Further, data trends clearly reflect that neither all states have responded to the pandemic uniformly nor have all of them progressively increased their budget share for the health sector.

About CBGA

Centre for Budget and Governance Accountability (CBGA), an independent think tank based in New Delhi, analyses public policies and government budgets in India and advocates for greater transparency, accountability and scope for people to participate in budgetary processes.

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For more information, please contact:
Centre for Budget and Governance Accountability
B-7 Extn/110A (Ground Floor) Harsukh Marg,
Safdarjung Enclave, New Delhi- 110029
Tel: (11) 49200400/401/402
Email: info@cbgaindia.org
Website: www.cbgaindia.org
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