



# PUBLIC EXPENDITURE ON HEALTH AT NATIONAL LEVEL IN INDIA: UNDERSTANDING THE MACRO TRENDS SINCE 1991

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**Abstract:** India has witnessed remarkable economic progress, demographic and epidemiological transitions and social change since the structural adjustment programme of 1991. The size of public expenditure on health is very low in India compared to many other countries and there have been many health policies in place since economic reforms. These raise the question that how has the size of public expenditure on health progressed during the post-reform India in response to all these. The existing studies which have analysed the national level trends in public spending on health do not provide an up to date and thirty years-long macro picture of health spending trends since 1991 in India. Given this context, this study attempts to analyse the macro trends in public expenditure on health at the national level in India during the period since 1991 using various statistic tools. The analysis finds that India has a lower size of public expenditure both globally and historically. The size of public expenditure on health was stagnant as a share of GDP for long years after the reforms though the per capita size of public expenditure on health has increased. There are various political or policy regime breaks in the growth of public expenditure on health in India and the effect of pandemic on the size of public expenditure on health was transitory in nature.

## 1. INTRODUCTION

The various economic, social and demographic role of state spending on health is very much theoretically and empirically placed. Theoretically, health being a public good, social good, or merit good, carry various positive externalities

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and help poverty reduction and income distribution (Musgrave, 1959). The human capital approach like endogenous growth theories view health being a component of human capital as a driver of economic growth (Aghion *et al.*, 1998). The human development approach view health as a means to expand human functioning and capabilities and hence a means to expand people's choices and freedom (Sen, 1989; Sen, 2001; Nussbaum, 2003; Anand, 2005). The various countries on the globe have recognised these multiple roles and returns of the state investment on health and have prioritised the healthcare sector in their government budgets. The human development approach by the UNDP and other global institutions since 1990s have given a push to the state spending on health at the global level (WHO, 2021).

However, the size of public spending on health is very low in India. The year 1991 was a critical economic and political juncture in India which witnessed the radical structural adjustment programme (SAP). India has passed thirty years of its structural adjustment programme. The economy of the country has grown rapidly during these three decades. There has been rapid shifts, changes and transitions in the country's economic, demographic and social spheres since 1991. The country has witnessed a rapid phase of demographic and epidemiological transition during this period. A global pandemic has hit the country and the climate change is challenging the country in the recent years. The household burden of diseases and healthcare financing is found to be rising in the long-run in this period. The various political regimes have come in between and the economic and health policies have also undergone multiple changes during this period. Neoliberal ideology is found to be finding more place in national policy frameworks during this period. Various global developments has also occurred during these period.

It raises the question that how has the size of public expenditure on health behaved during the last three decades at the national level in India in the context of all these changes. The existing studies which have studied the national level trends in public spending on health (Tulsidhar, 1993; Reddy and Selvaraju, 1994; Duggal *et al.*, 1995a; Duggal *et al.*, 1995b; Deolalikar and Vashishtha, 1996; Prabhu, 1996; Duggal, 1997; Prabhu, 1999; Prabhu, 2001; Dev and Mooij, 2002; Kadekodi and Kulkarni, 2002; Dev and Mooij, 2004; Joshi, 2006; Duggal, 2006; Bhat and Jain, 2006; Berman and Ahuja, 2008; Hooda, 2015) are confined to certain shorter periods, focused more on the compositional changes and not up to date covering the recent pandemic years. Those studies have missed to give any in depth analysis of the thirty years long macro trends in state spending on health at the national level in India since 1991.

Catering to these gaps in the empirical literature, this paper attempts to analyse the size, trends and patterns of public spending on health at the national level in India during the period since 1991. The rest of the paper is organised as follows. The second section explains the methods and data sources of the study. The third section presents a global comparison of the size of public spending on health at the national level in India. The fourth section briefly analyses the historical trends in the size of public expenditure on health at the national level in India. The fifth section analyses the macro trends in public expenditure on health at the national level in India during the post-reform period since 1991. The quinquennial and decadal growth rates, the political or policy regime breaks and the pandemic effect in state spending on health are analysed in this section. The sixth section summarises the key findings of the chapter.

## **2. METHODOLOGY**

The study is intent to analyse the size of public expenditure on health at the national level in India over the years. This is a descriptive analysis using various statistical tools. The size of public expenditure on health (PEH) is measured in terms of per capita Rupees in 2011-12 constant prices, as a percentage share of Gross Domestic Product (GDP), as a percentage share of Total Public Expenditure (TPE) and as a percentage share of Current Health Expenditure (CHE). The study have used the Compound Annual Growth Rates (CAGR) to measure the extent of change in the size of public spending on health over a period of time. The monetary figures expressed throughout this paper are expressed in 2011-12 constant prices if not otherwise specified.

The expenditure made by the Ministry of health and family welfare and the Ministries of Ayush both at the central and state levels are counted as PEH in this study. The expenditure made by other ministries and the expenditure on other allied sectors like drinking water and sanitation and nutrition are not counted in this study. The negligible share of health expenditure made by local bodies from their own expenditure is also not counted in this study. The data on public expenditure on health and TPE is sourced from CAG reports and budget documents of various states and the union government for various years. The mid-year population for population standardisation is collected from the Office of the Census Commissioner. The data on GDP and GSDP are collected from NAS. The data on public expenditure at global level is sourced from WHO global health expenditure database.

The time frame of analysis is the period since the financial year of 1991-92. The year 1991 was a critical political and economic juncture in Indian

economy characterised by the introduction of the structural adjustment programme. The analysis on trends and patterns of public expenditure on health is carried out till 2020-21 since the actual figure of public spending for all the states were not available for the years after 2020-21. The budget estimates and actual spending vary significantly in various states and hence budget estimates are not comparable across years.

### **3. SIZE OF PUBLIC SPENDING ON HEALTH IN INDIA: A GLOBAL COMPARISON**

The per capita size of public expenditure on health in India is very much lower than that in many of the highly developed and less developed countries. The size of public expenditure on health in India in per capita terms in 2021 was US\$.25 (PPP terms) (see Table No.3). This is a very negligible size when compared with many of the high income countries in the world. The governments of the Nordic countries like Norway (US\$7871) and Finland (US\$4500) are spending per capita an amount 100 times greater than that is spent by India on health. The advanced capitalist countries like Germany (5238), France (4069) and Japan (3683) are also spending an amount multiple times greater than that of India per capita.

The Latin American countries like Argentina and Brazil are also spending very high size on health compared to India. India has the least size of public spending on health among the BRICS nations. The per capita health spending of the governments in the countries with nationalised health system like Thailand, UK, etc. is also multiple times greater than that of India. The government of Ghana, being a less developed country, is spending double the amount of India on health per capita. The government of South Africa is spending an amount many multiples greater than that of India on health.

The government spending on health account only for 1.35 percent of the GDP in India in 2021 when the Covid-19 pandemic was at peak. This is when the Nordic countries like Norway and Finland and the capitalist countries like Germany, France, Canada, UK, and Japan have government spending on health greater than eight percentage of their GDP. The governments of Latin American countries like Argentina and Brazil are also spending more than five percent of their GDP on health. The government of South Africa is also spending four percent of its GDP on health.

The governments in high income countries are spending 5.91 percent of their GDP on health on an average, the upper middle income countries are

spending 4.07 percent of their GDP, the lower income countries are spending 2.71 percent of their GDP on health on an average and the least developed countries are spending 1.72 percent of their GDP on health on an average. India's size of public expenditure on health as a percentage of GDP is far lower than that of the upper middle category average. The country is also unable to catch up with the least developed countries' average in terms of health spending.

**Table 1: Public Expenditure and OOP Expenditure on Health Across Country Groups in 2021**

<i>Country groups</i>	<i>PEH/GDP (%)</i>	<i>OOP Health Expenditure/ THE (%)</i>
High income countries	5.91	13
Upper middle income countries	4.07	22
Lower middle income countries	2.71	36
Lower income countries	1.62	39
India	1.35	51

Source: Author's Compilation from Global Health Expenditure Database, WHO.

**Table 2: Public Expenditure on Health Across Select Countries in 2021**

<i>Countries</i>	<i>Per capita PEH (in PPP Dollars)</i>	<i>PEH as share of CHE (in %)</i>	<i>PEH as a share of GDP (in %)</i>	<i>PEH as share of TPE (in %)</i>	<i>OOP health exp. as share of CHE</i>
Argentina	660	63	6	16	22
Brazil	347	46	5	11	23
Canada	4718	73	9	20	14
China	363	54	3	9	34
Finland	4500	82	8	15	16
France	4069	76	9	16	9
Germany	5238	19	10	20	12
Ghana	54	54	2	8	27
Israel	2958	68	5	13	20
Japan	3683	85	9	21	12
Mexico	306	50	3	11	41
Norway	7871	86	9	18	14
Qatar	1644	86	2	8	7
South Africa	352	60	5	15	6
Thailand	256	70	4	13	9
UK	4803	84	10	22	14
New Zealand	3780	77	8	19	2
India	25	34	1.35	4	51

Source: Author's Compilation from Global Health Expenditure Database, WHO.

The share of public expenditure on health in the total current health expenditure is 34 percent in India in the year 2021 (see Table No.3). The share of OOP expenditure on health in total current health expenditure is 51 percent in India in 2021. The many of high income countries and market economies are having the share of government expenditure on health in total health expenditure above fifty percentage and the share of OOP expenditure in current health expenditure below thirty percent. The average share of OOP expenditure in current health expenditure is 13 percent in high developed countries and 22 percent in upper middle income countries. India is nowhere near to these figures.

The share of government expenditure in total current health expenditure is greater than eighty percent in countries like Norway, Finland, Qatar and UK. Their OOP share in current health expenditure is less than 20 percent. The countries like Japan, Israel, France, South Africa and Thailand have state spending on health greater than seventy sixty percent of current health expenditure. These shows that the so called capitalist countries are not so market oriented in health sector.

The share of public expenditure on health in total government budgets is 4 percent in India in 2021 (see Table No.2). This figure is also very low compared to many advanced and developing countries. Many of the governments are allocating more than 10 percent of their state budgets for health. The budgetary allocation for health is 16 percent and 20 percent respectively in capitalist countries like France and Germany. This is greater than 15 percent in Norway and Finland. The government of South Africa is also allocating 15 percent of their state budget for health. The countries like Argentina, Brazil, Canada, New Zealand, Japan, Thailand and UK are also allocating a share greater than 10 percent of their government budgets for health. The government of Ghana is allocating eight percent of its budget for health.

This imply that the size of health spending is a priority question of the countries rather than their economic positions. Various countries have prioritised health irrespective of their economic position. The less developed countries like Ghana and South Africa and developing countries like Brazil and Argentina are able to allocate a significant portion of their state budgets for health while India does not give much priority to the health sector.

#### **4. HISTORICAL TRENDS IN PUBLIC SPENDING ON HEALTH IN INDIA**

The lower size of public spending on health in India is not a recent or post-reform phenomenon. India has historically very low levels of state spending on

health. The health was never been prioritised in India's planned development trajectory. The planning process of the post-colonial India failed to realise the importance of the human development route to the economic development. The social sector outlays in the five year plans of India were around 30 percent of the total outlays during various five year plans, the rest were allocated for the economic services. The bias against the social sector in the planning process was continued throughout the planning era.

The discourse of human development was started in Indian policy documents only in 1990s with the moral pressures of the United Nation Development Programme (UNDP), but even after that, the social sector spending got not enough push. It was curtailed by the economic pressures and restrictions of the structural adjustment programme imposed by the World Bank. The allocation for health was even more meagre during various five year plans.

**Table 3: Plan Outlays during Various Five Year Plans in India**

<i>Plan</i>	<i>Period</i>	<i>Total Outlay - in crore Rs.</i>	<i>Outlay for health in crore Rs.</i>	<i>Share of health outlays in total outlays (%)</i>
First Five Year Plan	1951-56	1960	65	3.33
Second Five Year Plan	1956-57	4673	141	3.01
Third Five Year Plan	1961-66	8577	226	2.63
Fourth Five Year Plan	1969-74	15779	336	2.13
Fifth Five Year Plan	1974-79	39426	761	1.93
Sixth Five Year Plan	1980-85	109292	2025	1.85
Seventh Five Year Plan	1985-90	218730	3689	1.69
Eight Five Year Plan	1992-97	527012	7494	1.42
Ninth Five Year Plan	1997-02	705818	19818	2.81
Tenth Five Year Plan	2002-07	1249322	31020	2.48
Eleventh Five Year Plan	2007-12	2862029	102255	3.57
Twelfth Five Year Plan	2012-17	8050124	291414	3.62

*Source:* Various plan documents of Government of India

**Table 4: Size of Public Spending on Health Since 1951-52 in India**

<i>Year</i>	<i>1951- 52</i>	<i>1961- 62</i>	<i>1971- 72</i>	<i>1981- 82</i>	<i>1991- 92</i>	<i>2001- 02</i>	<i>2011- 12</i>	<i>2019- 20</i>
Per capita PEH (Rs., 2011-12 prices)	82	96	112	159	310	446	668	1223
PEH as share of GDP	1.21	1.18	1.24	1.19	1.25	1.01	1.12	1.22
CAGR in per capita PEH (%)		1.59	1.56	3.57	6.90	3.70	4.12	6.87

*Source:* Various volumes of Economic Survey, Government of India

\*The public expenditure on health in 1951-52 and 1961-62 also contain the expenditure on drinking water and sanitation



The allocation for health was less than three percent of total outlays in various five year plans (see Table 3). The allocation for health sector was around three percent of total outlays during the first two five year plans and which was reduced to 2 to 3 percent range during third and fourth five year plan periods. This was further reduced to less than 2 percent during the fifth to eighth five year plans. This has improved since ninth five year plan. The allocation has crossed three percent since eleventh five year plan. This was the period when the inclusive growth agenda and discourse was initiated in India and the remarkable government programme of National Rural Health Mission (NRHM) was introduced.

The size of per capita public expenditure on health was Rs.80 (in 2011-12 constant prices) in 1951-52 in India (see Table No.4). This was increased to Rs.92 in 1961-62, to Rs. 112 in 1971-72, to Rs.159 in 1981-82, to Rs.310 in 1991-92, to Rs.446 in 2001-02, to Rs.668 in 2011-12 and Rs.1223 in 2020-21. The per capita size of public expenditure on health has increased at a CAGR of 1.41 percent during the first decade of the planned development. It has increased by 1.99 annually during the second decade and by 3.57 during the third decade. The per capita size of public expenditure on health was increased by a CAGR of 6.90 percent during 1981-2 to 1991-92. This was a golden era of public expenditure on health in India. Thus was the period when the first national health policy was introduced. The global discourse of Alma Ata declaration has helped the public spending on health to achieve a momentum in India during this period.

The CAGR of per capita public expenditure on health again reduced during the period from 1999-92 to 2001-02. It was a period when the structural adjustment programme was phased out in India. The CAGR of public expenditure on health was 4.12 percent during 2001-02 to 2011-12. The per capita public expenditure on health has increased at CAGR of 6.87 during the period from 2011-12 to 2019-20. This was a boom after 1980s.

The constant rise in per capita public expenditure on health during the last seven decades can be attributed to the technological progress and economic expansion which has occurred during this period. Though the size of public expenditure on health has increased constantly over time during the last seven decades, the size of public spending on health as a share of GDP has remained stagnant at 1 to 1.2 percent. The public expenditure on health is not growing in relation to the GDP in the country. The size of health spending in the country is historically stagnant. This shows the historic neglect of the sector.



Many of the economic, social and global policy developments have not much influenced the size of public expenditure as a share of GDP historically in India.

## 5. MACRO TRENDS IN PUBLIC SPENDING ON HEALTH SINCE 1991 IN INDIA

The year 1991 was a critical juncture in Indian economy. The structural adjustment programme of 1991 have brought liberalisation and privatisation into the economy. Which has affected the social sector as well as health expenditure in India. The structural adjustment programme was carried out in India without a human face (Prabhu, 1999). The 1980s was a golden era of state spending on health in India as a result of first national health policy of India, however, the SAP of 1991 has reduced its size in the years immediately after 1991.

**Table 5: Trends in Public Spending on Health at the National Level in India**

<i>Measures of public expenditure</i>	1991-92	1996-97	2001-02	2006-07	2011-12	2016-17	2021-22
PEH in current prices (crore Rs.)	7329	13956	24347	35972	83992	182813	364032
PEH in constant prices (crore Rs.)	27530	33310	48142	57839	83992	128389	209870
per capita PEH in current prices (Rs.)	82	142	226	307	668	1366	2582
per capita PEH in constant prices (Rs.)	310	339	446	493	668	959	1488
PEH as a share of GDP	1.08	0.96	1.06	1.07	1.13	1.22	1.40
PEH as a share of TPE	3.94	4.06	3.73	3.24	3.47	4.29	4.88
Quinquennial CAGR in per capita public exp. on health (%)		1.80	5.60	2.03	6.24	7.51	9.18
Decadal CAGR in per capita public exp. on health (%)		3.71		4.11		8.34	

*Source:* Author's computation from budget documents of various states and the Union Govt.

The per capita public expenditure on health was Rs.310 in 1991-92 (in 2011-12 constant prices) and which was increased to Rs.339 in 1996-97 at a quinquennial CAGR of 1.8 percent and to Rs.446 in 2001-02 at A CAGR of 5.60 (see Table No.5). This was further raised to Rs.493 in 2006-07 at a CAGR of 2.03 and to 668 in 2011-12 at a CAGR of 6.24 percent. It was the

time when the NRHM which is intent to revive health system in India was introduced. The per capita size of public expenditure has increased to Rs.959 in 2016-17 at a CAGR of 7.51 percent and to Rs.1488 in 2021-22 at a CAGR of 9.18 percent. This was during the peak period of Covid-19 pandemic.

The CAGR in per capita public expenditure on health during the first decade of reforms was 3.71 percent. This was lesser than the CAGR for the previous decades. This can be seen as an effect of the SAP programme introduced in the economy. The UNDP had introduced the Human Development approach during this period and millennium development goals were also initiated during this period. However the size of per capita public expenditure did not grow much during this period.

The second decade of the reforms witnessed a CAGR of 4.11 percent. This was when the inclusive growth debates and policies were in place and the NRHM was introduced. The third decade of reforms have witnessed a larger CAGR in in per capita public expenditure on health, which was 8.34 percent. A part of this rise can be attributed to the Covid-19 pandemic. The rest can be attributed the gaining priority of health sector in the new regime in India. The public expenditure on health was also raising rapidly at the global level during this period (WHO, 2023). The higher CAGR in this decade can also be associated with this global effects.

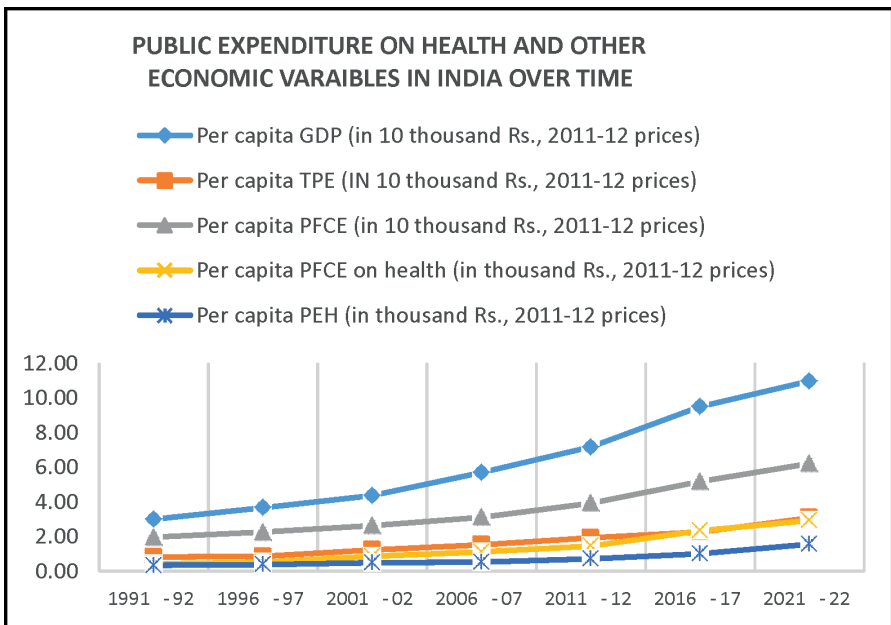
Though the size of per capita public expenditure on health has constantly raised at varying rates in various decades in the post-reform period, the size of public spending on health has a share of GDP has remained constant and stagnant. The share of government spending on health almost stayed within a range of one percent to 1.2 percent during this period except during the pandemic years. It was also have fallen below one percent in 1996-97. The share of public spending on health in total public expenditure of the governments were low and stagnant at the range of three to four percent during the first two decades of the reforms. The budgetary prioritisation for health has been increased during the last decade of the reforms. The reasons for this can be the reasons same as discussed in the previous case.

### **5.1. Economic Progress and the Size of Public Spending on Health since 1991 in India**

The economy of the country has witnessed rapid expansion during the post-reform period (see Figure No.1). The per capita GDP of the country has increased by multiple folds. The service sector economy also have expanded

rapidly. The private final consumption expenditure (PFCE) in the economy also have increased enormously during this period. The total government expenditure is also rising along with the GDP or the economy. The health sector of the economy also have developed in tandem with the growth of the overall GDP and service sector economy. The technological progress in the health sector have channelized the rise of health sector economy.

The per capita PFCE on health can be a good indicator of the healthcare demand in the country. The per capita PFCE on health has increased in line with the per capita GDP and per capita PFCE in the India since 1991. This can be observed from Figure No.1. However the per capita public spending on health has not vibrantly increased on pace with the rapid rise of per capita GDP, per capita PFCE or per capita PFCE on health during the post-reform period. The rise in per capita public expenditure on health is very negligible when compared to the rise in the GDP.



**Figure 1: Public expenditure on health and other economic variables over time in India**  
*Source:* Author's illustration based on budget documents of various states and the Union Govt.

## 5.2. Political/Policy Regime Breaks in Public Spending on Health in India

The political and policy process may be able to influence the size of public spending on health more than the economic variables. The post-reform period

in India can be categorised into four political regime or policy regime periods at the national level. The period since 1991-92 to 1998-99 was characterised by multiple non-stable coalition governments in India. It was the immediate period after the SAP. The period during 1999-00 to 2003-04 was characterised by National Democratic Alliance (NDA) government. The National Health Policy of 2002 and the National Population Policy of 2000 were introduced during this regime. The period during 2004-05 to 2013-14 was (United Progressive Alliance) UPA regime. The inclusive development agenda was introduced under this regime and the historic NRHM and RSBY Rashtriya Swasthya Bima Yojana (RSBY) were introduced under this regime. The period during 2014-15 to 2023-24 was the NDA regime. The National Health Policy (NHP) 2017 and the historic Ayushman Bharat National Health Protection Scheme (NHPS) were introduced under this regime.

The average annual size of per capita public expenditure on health was Rs. 340 (in 2011-12 constant prices) during the initial phase of SAP (see Table 6). The per capita public expenditure on health increased from Rs.310 (2011-12 constant prices) in 1991-92 to Rs.399 in 1998-99 at a CAGR of 3.66 percent during this period. The share of public expenditure on health was 1.08 percent of GDP in 1991-92 and it was marginally reduced to 1.06 percent in 1998-99.

**Table 6: Public Expenditure on Health during Various Policy Regimes in India**

<i>Policy regimes and periods</i>	<i>Year</i>	<i>size of per capita PEH</i>	<i>PEH as a share of GDP</i>	<i>PEH as a share of TPE</i>	<i>average annual size of per capita PEH during the period (Rs., 2011-12 prices)</i>	<i>CAGR during the period</i>
Initial phase of SAP (1991-92 to 1998-99)	1991-92	310	1.08	3.94	340	3.66
	1998-99	399	1.06	4.21		
Second phase of reforms (1999-00 to 2003-04)	1999-00	446	1.11	4.30	228	-0.19
	2003-04	441	0.97	3.35		
NRHM & UPA regime (2004-05 to 2013-14)	2004-05	463	1.03	3.37	585	4.09
	2013-14	693	1.12	3.66		
NHP 2017 & NDA regime (2014-15 to 2020-21)	2014-15	821	1.14	4.28	1056	4.59
	2023-24 (BE)	1287	1.19	4.02		

Source: Author's computation from budget documents of various states and the Union Govt.

The second policy phase of reforms witnessed a negative CAGR of 0.19 in the per capita public expenditure on health which was reduced from Rs.446 IN 1999-00 to Rs.441 in 2003-04. It was phase of stagnant size of per capita public expenditure on health. The average annual size of per capita public expenditure on health in this year was Rs.228 (in 2011-12 constant prices). The share of government spending on health was 1.11 percent of GDP in 1999-00 and was reduced to 0.97 percent during this period. It was a period of fiscal consolidation. The Fiscal Responsibility and Budget Management Act was introduced during this regime. The share of health in government budgets also reduced from 4.30 percent to 3.37 percent during this period.

The per capita public expenditure on health has increased at a CAGR of 4.09 percent during the ten years of UPA regime. The size of per capita public expenditure on health was Rs.463 in 2004-05 and it was increased to Rs.693 in 2013-14 (in 2011-12 constant prices). The average annual per capita public expenditure on health during this period was Rs.585 (in 2011-12 constant prices). This was more than double of the previous regime figures. The share of state spending on health in GDP has marginally increased from 1.03 percent to 1.12 percent during this period. The share of health in government budgets also increased from 3.37 percent to 3.66 percent during this period. It can be seen as a result of the NRHM programme.

The CAGR of per capita public expenditure on health was 4.59 percent during the ten years of NDA regime since 2014-15. The size of per capita public expenditure on health was Rs.821 (2011-12 constant prices) in 2014-15 and it has increased to Rs.1287 (Budget Estimates-BE) in 2023-24. The average annual size of per capita public expenditure on health was Rs.1056 during this period. The CAGR in per capita public expenditure was all time high in this period across all political regimes. The share of public spending on health as a share of GDP also have increased during this period from 1.14 percent in 2014-15 to 1.19 in 2023-24. This has been increased to 1.40 percent of GDP during the pandemic years. The increasing policy priority can be observed through these health spending indicators during this political regime. The rise in public spending on health is largely visible since the National Health Policy of 2017.

### **5.3. The Pandemic Effect on Public Expenditure on Health in India**

The Covid-19 pandemic has made a big push on public spending on health at the national level in India. The pandemic was a catalyst on otherwise stagnant

or sickly trends of public expenditure on health in India. The per capita public expenditure was growing at a CAGR of 4.91 percent from Rs.1112 (2011-12 constant prices) in 2017-18 to Rs.1223 in 2019-20 in the pre-pandemic period (see Table No.7). It has increased at a CAGR of 10.31 percent from Rs.1223 in 2019-20 to Rs.1488 in 2021-22 during the pandemic period. The size of per capita public expenditure on health in 2020-21 was Rs.1286. The share of public expenditure on health was in 1.21 percent in the pre-pandemic years while it has increased to 1.31 percent in 2020-21 and 1.40 percent in 2021-22. The budgetary share for health has also found to be increased during the pandemic period. It was at the peak level of 5.78 percent of TPE in 2020-21.

However, the rise in public expenditure at the national level during the pandemic period was transitory in nature. The post-pandemic level of public expenditure on health was very much lower than that during the pandemic years. The per capita public spending on health reported a negative CAGR of 7.01 percent during 2021-22 to 2023-24 (BE). The Share of public expenditure on health in GDP was also reduced from 1.40 percent to 1.19 percent during the post pandemic period. The budgetary prioritisation for health is also reduced to the actual levels. The CAGR of per capita public expenditure on health during 2019-20 to 2023-24 ignoring the pandemic upsurge was 1.28 percent which is lower than the pre-pandemic growth rates in public spending on health. Thus the sudden rise in public expenditure on health due to the crisis situation was short term phenomenon and it has not influenced the long term trends in the size of public expenditure on health in India.

**Table 7: The Size and CAGR of Public Expenditure on Health during the Pandemic Years**

<i>Year</i>	<i>PEH constant prices</i>	<i>per capita PEH constant prices</i>	<i>PEH per GDP</i>	<i>PEH per TPE</i>
2017-18	150510	1112	1.21	4.85
2019-20	169191	1223	1.22	5.02
2020-21	179535	1286	1.31	5.78
2021-22	209870	1488	1.40	4.88
2023-24 (BE)	175083	1287	1.19	4.02
CAGR (2017-18 to 2019-20)	6.02	4.91	0.78	1.69
CAGR (2019-20 to 2021-22)	11.37	10.31	-	-
CAGR (2021-22 to 2023-24)	-8.66	-7.01	-	-
CAGR (2019-20 to 2023-24)	0.86	1.28	-	-

*Source:* Author's computation from budget documents of various states and the Union Govt.

#### 5.4. Policy Pronouncements and Actual Spending on Health in India

Though health was never been on a policy focus in independent India in terms of budgetary allocations, various policy documents had stated the vision of increasing the public spending levels by certain levels. The National Health Policy of 2002 was a first such vision document which stated the goal of increasing the size of public expenditure on health to two percent of GDP by 2010. However, the budgetary allocations did not catch up with this goal and the policy vision was failed. The actual public spending on health in 2010-11 was only 1.09 percent of the GDP. The NRHM document envisioned a bigger size of public spending on health (2 to 3 percent of GDP) to be achieved by 2012. This was also failed the actual spending in 2012-13 which was 1.02 percent of GDP then. The combined vision of both the NHP 2002 and NRHM did not result in adequate budgetary allocation for health.

The high Level Expert Committee on Health suggested to increase the size of public expenditure on health to 2.5 percent of GDP in 2017. However the actual spending on health in 2017-18 was 1.21 percent of GDP which was just below half of the target (see Table No.8). The National Health Policy of 2017 also envisioned the same target of 2.5 percent of GDP to be achieved by 2025. However, the current trends are not in tandem with this goal to be achieved in 2025. The size of public expenditure on health was 1.19 percent of GDP in India in 2023-24 (BE). The policy goals of rising public expenditure on health were never been achieved. This shows that though there are policy visions to increase the size of public expenditure on health in India, the budgetary allocations for health is not matching with the visions. This can be the due to lack of political priority for the health. The neglect of health sector was a historic phenomenon in India and there found to be having marginal rise in prioritisation for health during the last few years under the current political regime.

**Table 8: Various Policy Targets and Status of Public Expenditure on Health in India**

<i>Policy document</i>	<i>Public spending targets</i>	<i>Achieved status</i>	<i>success status</i>
National Health Policy 2002	2 percent of GDP by 2010	1.09 percent in 2010-11	failed
National Rural Health Mission	2-3 percent of GDP by 2012	1.2 percent in 2012-13	failed
High Level Expert Committee 2012	2.5 percent of GDP by 2017	1.21 percent in 2017-18	failed
National Health Policy 2017	2.5 percent of GDP by 2025	1.19 percent in 2023-24 (BE)	not on track

Source: Author's tabulation from various policy documents



## 6. CONCLUSION

The size of per capita public expenditure on health in India was Rs.1488 (in 2011-12 constant prices) in the pandemic hit year of 2021-22. This was 1.4 percent of the GDP of the country. This accounts only for 4.88 percent of the total government budgets in India. The per capita public expenditure in many countries like Norway, Finland, Germany, France, etc. is 100 fold greater than that in India. India's public spending level is also lesser than the average levels of that in the Least Developed Countries. The governments in many advanced capitalist countries and market economies are spending more than seven percent of their GDP and more than twelve percent of their total government budgets on health sector while the share of public expenditure on health in India is less than 1.5 percent of GDP. The so called capitalist countries are not so market oriented in health sector, but, India shows limited priority for health compared to many countries of the world.

The lower size of public spending on health in India is not a recent or post-reform phenomenon. India has historically very low levels of state spending on health. The health was never been much prioritised in India's planned development trajectory. The planning process of the post-colonial India failed to realise the importance of the human development route to the economic development. The allocation for social sector was comparatively lower in various five year plans and the allocation for health was even more meagre during various five year plans. The allocation for health was less than three percent across plan periods till the introduction of NRHM in eleventh plan. Though the per capita size of public expenditure on health has increased constantly over the time, the size of public expenditure on health as a share of GDP was stagnant ranging between one to 1.2 percent during the period since 1951-52 to 2011-12. The size of health spending as a share of GDP has started rising only in the last decade.

The structural adjustment programme of 1991 have brought liberalisation and privatisation into the economy. Which has affected the social sector as well as health expenditures in India. The 1980s was a golden era of state spending on health in India as a result of first national health policy of India, however, the SAP of 1991 has reduced its size in the years immediate to it. The first decade of reforms showed stagnated size of public expenditure on health. The reforms have affected the size of health spending as a share of GDP, and it has marginally improved only since 2005 when the inclusive growth discourse was started in India. The health spending of the states have improved during the

second and third decades of the reform. Though the economy and the health sector of the country has vibrantly expanded during the post-reform period, the size of public spending on health has not increased as vibrant as the GDP in this period.

There are variations in the trends of public spending on health across various political and policy regimes over time at the national level in India. The first two policy phases during the post-reform period showed stagnant change or consolidation in state spending on health in India. The health spending has started increasing since the UPA regime which introduced an inclusive growth agenda and NRHM. The health spending size and prioritisation is further improved during the NDA regime since 2014-15. The NHP 2017 and Ayushman Bharat contributed to it. Though various policy documents have envisioned raising public expenditure levels on health to 2.5 percent of GDP, it was never been achieved.

The Covid-19 pandemic has made a push on public spending on health at the national level in India. The per capita public expenditure was growing at a CAGR of 4.91 percent during 2017-18 to 2019-20 in the pre-pandemic period. It has increased at a CAGR of 10.31 percent from 2019-20 to 2021-22 during the pandemic period. However, the rise in public expenditure at the national level during the pandemic period was transitory in nature. The post-pandemic level of public expenditure on health was very much lower than that during the pandemic years.

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