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SOCIAL SECTOR EXPENDITURE TRENDS AND HUMAN DEVELOPMENT IN INDIA: A CRITICAL ASSESSMENT

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ABSTRACT

In India, the third phase of Economic Reforms is underway. A full-fledged market economy characterised with growing inequality in income is theoretically accepted as means of wealth creation. Trust is admitted to be only political trust which is no way influenced by any economic or commercial transactions which are all subject to efficiency. This policy stance undermines the importance social sector expenditure in creating institutional level networks which provide for poor people access to resources. Analysis of data on social sector expenditure and its pattern and human development indicators shows that the present status is insufficient to promote human development, which is falling, in the country. Therefore, high growth rate of income must be accompanied with larger proportion of expenditure for social sectors.

Keywords: *Social Capital, Social Sector Expenditure, Human Development, HDI.*

Introduction

Recently the idea Social Capital has been researched and debated vehemently in social science disciplines. Social capital is the quality and quantity of relationships, networks, and norms among people and organizations that facilitate collective action. Social capital formation, is a community capacity-building strategy for the reciprocal benefit of its members, which is crucial for the smooth functioning of democracy and economic sustainability of the poor and marginalised people. Government action and deliberate spending on social sectors is contemplated as a mechanism for social capital creation by the public sector. However, Government of India (GoI), through its annual publication, Economic Surveys, conveyed the requirement of the nation to grow fast by accumulating as much wealth as possible. The efficient way of wealth creation is by adopting fully market driven economy as envisioned by Adam Smith and Kautilya and through growing unequal distribution of economic power in the country.

Social Capital

The widely quoted definition of social capital is by Robert Putnam. In his words social capital is “features, norms and social trust that facilitate co-ordination and co-operation for mutual benefit” (Putnam, 1993), a latent resource. Here, emphasis is given to “the quantity and quality of associational life and the related social norms” (Narayan and Pritchett, 1999). Pierre Bourdieu defines social capital in a slightly different way, which is more suitable from the economic point of view, as ‘the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. The membership in a group provides each of its members with the backing of the collectively-owned capital, a ‘‘credential’’ which entitles them to credit, in the various senses of the word’ (Bourdieu, 1986). Bourdieu believed that social capital is one of three forms of capital (economic, cultural and social) which, taken together, ‘explain the structure and dynamics of differentiated societies’ (Bourdieu & Wacquant, 1992).

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Humans are social creatures; living in society and hence without attaching to the society, he/she cannot live in isolation. The idea behind social capital formation is ‘give and take’ among the members of society and as a result emerging collective social life. Social planning and social capital formation go hand in hand. Like physical capital, possession of social capital generates future flows of benefits for individuals, groups and communities and it facilitates collective action.

The permeation of the concept and idea of social capital across the world has provided a new interpretation, approach and impetus to the participatory rural development and poverty eradication strategies in the socio-political background of democracy in developing countries like India. The political milieu in India is democracy, the root of its success largely depends on social norms, generalised trust and reciprocity within and across communities. Trust persuades individuals to participate in communities and participation in communities promotes trust. Inclusive development through strengthening social ties and building social capital is an innovative approach, the foremost and strongest stepping-stone towards participatory rural development protecting environment with a certain accepted degree of distributional justice.

The trust, norms and reciprocity that have been created, nurtured and developed among people and communities have political as well as economic implications which are mutually interdependent and reinforcing. The principles and laws which govern the economic activities of citizens are mostly determined in the political setting which the nation has adopted.

Social Capital: The Economic View

Poverty eradication and uplifting people who live below poverty line shall be a major policy stance in the developing countries. However, paucity of resources with low investment and hence low growth rate makes the effort of upliftment programmes very small in size and that with growing population makes the outcome less reflective. The pace of reducing poverty head count ratio might be very slow or even the absolute number may rise. Another malady of the poverty reduction initiative to catch success is the inefficiency of implementation and lack of proper information to people to make use of the provisions of those programmes. Poor people may be rather poor in technical know-how and may have poor mechanisms to be informed of the provisions of the programmes to make use of them for positive change. Building social capital among the deprived groups and government spending on social sectors are empirically proved vital tools for economic entitlement among them.

In the economic sphere social capital acts as a resource generating welfare effects to the people. The welfare so generated with a certain amount of government spending is much greater than if the amount was spent out with the absence of group cooperation, mutual trust and reciprocity. Being a resource, social capital can be regarded as endogenous because government spending which build the characteristics of social capital is exogenous and it further generates welfare effects. Gesthuizen et al. (2008) suggest that high social spending promotes a national norm of social solidarity, stimulating people to help others in need. For social capital, a resources path is advocated by Wallace & Pichler (2007) who argued that welfare benefits relieve people from ‘the struggle for their existence, and this enables various kinds of social communication, participation and trust to flourish’. Eurostat, the agency that provide statistics and data of Europe defined social protection benefits ‘as transfers to households, in cash or in kind, intended to relieve them of the financial burden of risks or needs related to disability, sickness/health care, old age, survivors, family/children, unemployment, housing, and other social exclusion. The degree of “welfare stateness” can be measured as the average spending on social protection benefits as per cent of GDP for three years.

Research nowhere admits that the growth rate of the economy can be abruptly increased by merely creating social trust or social capital. Rather trust, particular or general is useful in implementing redistribution, poverty eradication or empowerment polices effectively. Bourdieu and Coleman highlight the sense in which concrete social relationships can give individuals access to crucial resources not otherwise available despite ample endowments of human or financial capital. Even with the presence and endowment of human and financial capital, the individuals of the society may not be largely benefitted without ample networks and communications and may not be able to transform such capital into welfare outcomes. Further, for Bourdieu, the fundamental structures that produce and reproduce access to social capital are not self-regulating markets but networks of connections, which themselves are ‘the product of an endless effort at institution (Micheal W. Foley & Bob Edwards,1999). ‘Endless effort at institution’ is nothing but the effort of government institutions. The self-regulating markets, which are essential features of a neo-liberal economy can do nothing with ‘endless effort of institutions at the government’. However, networks as created through various government programmes need not be the same as social capital but a means to access resources. Access is a necessary, but not sufficient component of social capital (Bourdieu, 1986). Social capital is best conceived as access (networks) plus resources. Social networks provide individuals direct access to both resources and information. They also establish the most proximate spheres for interaction by individuals and perceive valuable resources to be available. Individuals and groups are said to have social capital, if two conditions are met; availability of resource and access. Therefore, neither measures of network attributes and its intensity nor the presence of resources can be taken as measures of social capital. Measures of access can be regarded only as indirect indicators of social capital.

Following Putnam, social capital formation is an essential input for social inclusion and sustainable development. "Sustainable development is development that not only regenerates economic growth but distributes its benefits equitably, that regenerates the environment rather than destroying it and that empowers people rather than marginalizing them. It gives priority to the poor, enlarging their choices and opportunities and providing their participation in decisions affecting them. It is the development, that is, pro-poor, pro-nature, pro-jobs and pro-women and pro-children" (UNDP, 1994).

Objectives

- To examine whether the present social sector expenditure is sufficient for ensuring human development in India.
- To critically examine the relationship between income inequality and per capita income growth rate in India.
- To examine whether human inequality and human development indicators are positively correlated.

Research Methodology

The present study is entirely based on official data published by ministry of finance, Government of India through Economic Survey of various years and United Nations Development Programme (UNDP) about India on variables/indices such as HDI, GNI per capita, human inequality coefficient and so on. Data compiled into charts have been compared. Scatter plots with linear fit have been used for analysing correlation.

Findings

- In a detailed analysis, which is elaborated in subsequent sections, of data collected from official reports, the author found that:
- The present proportion of social sector expenditure is insufficient to meet the human development requirement of the country. The current falling trend of HDI is inherent of the system rather than random.
- No specific pattern found in the relationship between income inequality index and per capita income.
- Coefficient of Human inequality and Gross national income per capita are negatively correlated.
- Coefficient of Human inequality and HDI scores are negatively correlated.

Discussion and Analysis

The sections that follow first examine the changing view of government on wealth creation, inequality, fostering trust and expenditure on social sectors. Subsequent sections analyse data for arriving at a conclusion about the research questions.

View on Wealth Creation

The Economic Survey 2020-21 argued that market supported ethical based wealth creation by combining the invisible hand of markets with the hand of trust provides the way forward for India to develop economically. An often-repeated concern expressed with this economic model pertains to the relationship between inequality and economic growth and human development.

Economic Survey 2019-20 was instrumental in establishing the legacy of India as a major and significant contributor to world GDP. For long, she had been a super power. The importance of wealth creation through ethical means is that it would make the nation rich, happy and powerful. To quote Thiruvalluvar, who wrote *Thirukural*, a treatise on enriching human life, "Wealth, the lamp unfailing, speeds to every land; Dispersing darkness at its lord's command (chapter 76, versus 753)." Thiruvalluvar, declares: "Make money – there is no weapon sharper than it to sever the pride of your foes" (Economic Survey 2019-20, p-2). During the period of economic dominance, the economy relied on Adam Smith's 'market model' and the free play of 'invisible hand' as a mechanism for wealth creation. Unhindered economic activity is the root of wealth without which the result would be material distress. The absence of economic activity prevents current progress as well as future growth. The administrator, the king can achieve the abundance of riches by freeing up economic activity. Kautilya advocated economic freedom by asking the King to "remove all obstructions to economic activity" (Economic Survey, 2019-20).

However, after independence, with tryst to a socialistic pattern of society, India deviated from the market model of wealth creation, that she had in past, for around four decades. She adopted a 'command and control economy' in which most prices were regulated and choices to use resources were exogenous to the market system both breeding economic inefficiency. In 1991, though crisis driven, India had embarked on her march towards economic progress with the market model. Since 2014, the government policy of liberalisation has been more intensified (stage III of liberalisation initiative) in which it visualised a pro-business system that provide equal opportunity for all new business entrants. The new vigour is like how India's foreign trade was carried out in ancient times by large corporatised guilds which are akin to today's multinationals and were funded by temple banks (Economic survey, 2019-20 p- 6). Therefore, the policy aims to make firms gigantic capable of conducting large scale business in the pursuit of gaining power. The refined policy, as is claimed to benefit other stakeholders including employees, suppliers, government etc. via the market.

The new policy hope that the best way of eradicating poverty is achieving high economic growth in that its effect will permeate the economy indirectly.

The wealth creation approach as explained above, is likely to turn into markets with oligopoly features. In a fully market determined economy, theoretically the interaction between supply and demand determines the price in the specific commodity markets. The citizens hopefully expect a competitive price for the product, and by establishing that competition a margin from the high price. Unfortunately, what happening is the formation of oligopoly markets or even monopoly market through illicit cartels and tacit agreements or some other mechanisms, as we see, in the petroleum related fuel market in India. The price is hardly move in line with international crude price but rather with political scenario as dictated by unknown noneconomic forces. In many cases, mergers and amalgamations end up in very large firms which are 'competent' to impose monopoly prices squeezing a large share of consumer welfare, well above the price the consumer must face in a theoretically perfect competitive market.

Inequality and Economic Growth

Another policy shift is about the stated relationship between inequality and per capita income and related variables of human development and socio-economic outcomes such as health, education, life expectancy, infant mortality rate, murder rate, drug use among people, mental health, birth rate and total fertility rate. Economic survey 2020-21 finds by making use of the data compiled by erstwhile planning commission that income or consumption inequality go hand in hand with better living conditions, say they are reasonably highly correlated in Indian states. As the inequality levels increase in the Indian states, human development indicators and socio-economic outcomes turn better. For instance, education index gets better with high levels of inequality as measured by Gini ratio or the murder rate or infant mortality rate declines with high levels of inequality. The empirical evidence in the developed world contradicts with this. Growing inequality, which is the natural outcome of extreme capitalism elsewhere in the developed countries, is accompanied with worsening of the human development indicators and socio-economic outcomes. This contradictory research outcome, seemed to be at the back of framing policy that growing inequality can have a potential for using it as an input inter alia for high rates of economic growth and related betterment of human development indicators because India has large potential to grow in terms of resources and humans.

View on Trust

Economic survey views "trust as a public good that gets enhanced with greater use" with usual characteristics as non-excludability and nonrivalry in consumption. Being collective supply for all citizens, it cannot be rejected (non-rejectable) by any citizen. Following Nobel laureate Oliver Williamson who specialized in transaction cost economics, plainly states that there is no such thing as trust within economic activity: 'It is redundant at best and can be misleading to use the term "trust" to describe commercial exchange for which cost-effective safeguards have been devised in support of more efficient exchange. Calculative trust is a contradiction in terms (Economic Survey 2019-20 p-16). However, Williamson conceded that calculative cooperation based on incentives and governance structures has a role in maintaining trust. He argues that calculative co-operation is more likely when agents have longer time horizons, which is also true for trust.

Another theoretical foundation based on 'trust' must be addressed is incomplete contracting paradigm pioneered by Nobel laureate Oliver Hart, Sanford Grossman, and John Moore. Prior contracts cannot specify what people must do at every possible contingency. In such a context, since economic agents will only risk entering incomplete contracts, they trust their counterparts to adapt to unexpected outcomes in a manner that respects a fair division of economic returns (Economic Survey 2019-20 p-16).

The new policy admits that (Economic Survey 2019-20 vol-1 P-14) 'the market economy too needs a moral hand to support the invisible hand'. However, it has been admitted that markets are likely to be debased by firms pursuing in the consideration of profits at all costs. Following the arguments of ancient philosophers, it has been admitted that trust is an important element in a society. Trust can be furthered by appealing to ethical and philosophical dimensions. Along these lines, the Economic Survey introduces "trust as a public good that gets enhanced with greater use".

Regarding trust, the working of Aristotle maxim, "good laws make good citizens' depends on the commitment of people towards the rule of law in the state. Most of the people have their behaviour closer to what Hume says in his maxim "Every man ought to be supposed to be a knave and to have no other end, in all his actions, than in his private interest. By this interest we must govern him, and, by means of it, make him, notwithstanding his insatiable avarice and ambition, cooperate to public good." Economic policy today largely proceeds according to Hume's maxim. Therefore, in principle the trust must be created by the government. This line of argument clearly indicates that good governance, that is, how do the government make use of its people 'cooperate' with, determines the trust in government. It means that the actions of the political government create trust among people about the government. Economic means no way affect trust but creates a type of calculative cooperation which is different from trust. This view on trust is emanating from the vision of wealth creation by adopting an economy envisioned in tune with the philosophy of Adam Smith and *Kautilya*. This is an extremely liberalised economy in which human choices are exercised entirely based on the market principle, efficiency. The resource allocation has nothing to do with creation of social capital-Institutional networks with access to economic resources-that has been already explained.

Social Sector Expenditure in India

As seen in introductory paragraphs, government expenditure on social services or social sectors is the key to build social capital. In India, social sector expenditure has a systematised face in the economic survey since 2004-05, the year in which it began to classify social sector expenditure into 'education', 'health' and 'others' categories. The last category, 'others' include wage employment schemes under the MGNREG Act and similar schemes. Since then, on an average social sector spending as a per cent of GDP has been slightly rising from 6.04 to 8.3, though the period from 2001 to 2006 witnessed a slight decline. The devolution of social sector expenditure among its categories as per cent of GDP has been changed continuously. The expenditure on education initially increased from 2.98 per cent in 200-01 to 3.1 per cent in 2012-13 and declined to 2.9 per cent in 2022-23. Health expenditure has been rising from 1.25 per cent in 200-01 to 2.1 per cent in 2022-23. The 'others' category has also been rising from 1.81 per cent to 3. 2 per cent in 2022-23. Out of total social sector expenditure, the share of each component, indicating relative importance of each, has changed significantly. The share of education has been declining from around 50 per cent in 2000-01 to around 36 per cent in 2022-23.

Table 1: Social Sector Expenditure in India

Year	Social Sector Expenditure as Per Cent of GDP				Expenditure as Per Cent of Social Sector Expenditure		
	Social Sector Expenditure	Education	Health	Others	Education	Health	Others
2001-02	6.04	2.98	1.25	1.81	49.4	20.7	29.9
2002-03	5.93	2.96	1.28	1.68	49.9	21.7	28.4
2003-04	5.57	2.74	1.24	1.59	49.3	22.2	28.5
2004-05	5.49	2.67	1.19	1.62	48.7	21.7	29.6
2005-06	5.65	2.69	1.27	1.7	47.5	22.4	30
2006-07	5.8	2.78	1.26	1.76	47.9	21.8	30.3
2007-08	5.83	2.58	1.23	2.02	44.2	21.1	34.7

2008-09	6.9	2.9	1.3	2.6	42.6	19.5	37.9
2009-10	6.9	3	1.4	2.5	44.1	19.7	36.1
2010-11	6.8	3.1	1.3	2.4	46.1	19	34.9
2011-12	6.6	3.1	1.2	2.2	47.7	19	33.3
2012-13	6.6	3.1	1.2	2.2	47.6	18.8	33.6
2013-14RE*	7.2	3.2	1.3	2.6	45.4	18	36.6
2014-15	6.2	2.8	1.2	2.1	46.1	19.4	34.6
2015-16	6.6	2.8	1.3	2.5	42.8	19.1	38
2016-17	6.8	2.8	1.4	2.6	41.8	20.5	37.7
2017-18	6.7	2.8	1.4	2.4	42.4	21.4	36.2
2018-19	6.8	2.8	1.4	2.6	41.2	20.8	38
2019-20	6.8	2.9	1.4	2.6	42.5	20	37.6
2020-21	7.5	2.9	1.6	3	38.9	21.5	39.6
2021-22 RE*	8.2	2.9	2.2	3.2	35.1	26.6	38.4
2022-23 BE**	8.3	2.9	2.1	3.2	35.5	25.7	38.7

*RE- Revised estimates, ** BE-Budget estimates
Note: Data compiled from various Economic Surveys since 2004-05.

Health expenditure which accounted for around 21 per cent in 2000-01 has been slightly increased to 26 per cent in 2022-23. The 'others' category which consists of wage employment programmes registered consistent improvement from around 30 per cent in 2000-01 to around 39 per cent in 2022-23. The shifting emphasis is very clear that the government is withdrawing itself from the education sector and concentrates more in health expenditure.

Recently the union government concentrates much on health expenditure to fulfil its target of raising government's health expenditure to 2.5 per cent of GDP by 2025 as part of the national health policy, 2017 (Economic Survey 2021-22). In continuation of this policy, the government announced many programmes. Important ones are (1) The Ayushman Bharat Health Infrastructure Mission to develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases; (2) Ayushman Bharat Pradhan Mantri – Jan Arogya Yojana (AB PM-JAY) Which is the world's largest health insurance scheme that intends to minimise the out of pocket expenditure (OOPE) of the target beneficiaries of around 50 crore comprising the bottom 40 per cent of the Indian population.

Despite launching the New Economic Policy in 1991, the government enacted the MGNREG Act in 2005, a right based unskilled wage employment programme, to provide poor households at least 100 days wage employment a year to counter the low performance of the public and private sector enterprises in generating employment and progress in poverty eradication. The opening of the economy in 1991 did not generate welfare effects as contemplated. The poverty ratio and unemployment levels stood very high. Now, from official statistics, it can be understood that the target 100 days of employment per household is unmet (Table 2) in recent years.

Table 2: Progress under MGNREGS: Person Days of Employment Generated

Indicator	2009-10**	2018-19	2019-20	2020-21	2021-22	2022-23*
Person-days generated (in crore)	283.5957	267.9	265.4	389.1	363	225.8
Average person-days per household	-	50.9	48.4	51.5	50.1	40.7

*as of 6 January 2023 **column compiled from "Exploring Issues In Mahatma Gandhi Rural Employment Guarantee Act in India", Ed. Dr T Ramachandran. p-187.
Source: Economic Survey 2022-23, p -205.

Since 2018-19, except in pandemic years, person days of employment generated in aggregate stands well below 283. 6 crore which was achieved in the year 2009-10. The average person days of employment awarded to households stood at around 50 per year which is 50 per cent of the target of 100 days employment to be generated per household per year as laid down in the Act. During the pandemic years, though more persons got employment but that too at the rate of 51. 5 and 50.1 person days per year respectively in 2020-21 and 2021-22.

Welfare Effects of Social Sector Expenditure

Social sector expenditure generates welfare effects leading to human development. The United Nations Development Programme Publishes Human Development Reports (HDRs), the most comprehensive information on human development in countries. Its principal measure, Human

Development Index (HDI) covers aspects such as education, health and material wellbeing as represented in average years of schooling for adults and older and expected years of schooling for school going children, life expectancy and per capita GNI respectively. HDI must be viewed as an alternative measure of national development along with material wellbeing as measured in terms of income or wealth. Table 3 shows India's progress in human development as measured by HDI for the period from 2001 to 2021 for which data on social sector expenditure has been captured.

Table 3: Human Development and its growth in India

Year	HDI	Annual Change in HDI	Annual Growth rate of HDI (per cent)*
2001	0.496		
2002	0.503	0.007	1.41
2003	0.516	0.013	2.58
2004	0.525	0.009	1.74
2005	0.534	0.009	1.71
2006	0.543	0.009	1.69
2007	0.553	0.01	1.84
2008	0.56	0.007	1.27
2009	0.565	0.005	0.89
2010	0.575	0.01	1.77
2011	0.588	0.013	2.26
2012	0.598	0.01	1.7
2013	0.607	0.009	1.51
2014	0.619	0.012	1.98
2015	0.629	0.01	1.62
2016	0.639	0.01	1.59
2017	0.644	0.005	0.78
2018	0.645	0.001	0.16
2019	0.645	0	0
2020	0.642	-0.003	-0.47
2021	0.633	-0.009	-1.4

Note: data captured from UNDP website https://undp.org/data-center/specific-country-data#/countries/IND.
*Growth rate is estimated based on column 2

Table 3 presents data on HDI captured from Human Development Reports of UNDP since 2001. India's HDI score which belong to medium HDI category registered continuous growth well above one per cent per annum up to 2016, except in 2009 which was a year of severe world economic slowdown. The year 2017 onwards, the growth rate of the score fell below one per cent per annum, touched zero in 2019, turned negative in 2020 and the sliding became acute as much as 1.4 per cent per annum in 2021. Recent years in India, therefore, witnessed not only stagnated but negative human development in the country. Some academicians could, of course, tie the negative growth to the economic slowdown due to COVID-19 pandemic. Indeed, the sliding was started even from 2015 when the growth rate of the score slightly declined from 1.98 per cent in 2014 to 1.62 per cent in 2015. This marginal fall out could not be regarded as random because the declining trend has not been reversed in any of the subsequent years; it never picked up prior to the pandemic. Thus, the falling Human Development score is rather inherent of the system.

India's current HDI score (0.633), which is slightly higher than the average score of south Asian countries (0.632), is seemed to be more aligned to south Asian countries (Economic survey 2022-23 P-149) which are all poor and developing countries. The world average score, 0.732 is far away from the India's current score that she must travel many years to reach the world average. In a comparative static setting, considering the simple average annual growth rate of 1.2315 per cent per annum over the last 20 years, it would take 13 years to hit the target. However, the world is dynamic and the average world HDI score is rising. Therefore, an additional 10 to 15 years is necessary to align with India's HDI score to the world average.

It is must be noticed that this is despite reasonably high growth rate of gross national income and net per capita income achieved in the country during the period of study (2000-01 to 2022-23 except in the years of world recession (2008-09), and COVID-19 pandemic (2019-20 and 2020-21). See table 4.

Table 4: Growth Rate of Gross National income and Net Per Capita Income (Constant Prices)

Year	GNI	Net Per Capita Income	Year	GNI	Net Per Capita Income
2000-01	3.6	1.4	2012-13	5.1	3.3
2001-02	5.0	2.7	2013-14	6.3	4.6
2002-03	3.9	2.2	2014-15	7.5	6.2
2003-04	7.9	6.4	2015-16	8.0	6.7
2004-05	7.9	6.1	2016-17	8.3	6.9
2005-06	7.9	6.1	2017-18	6.9	5.5
2006-07	8.0	6.3	2018-19 (3rd RE)	6.5	5.2
2007-08	8.0	6.3	2019-20 (2nd RE)	3.9	2.3
2008-09	2.9	0.8	2020-21 (1st RE)	-7.0	-9.7
2009-10	7.9	6.1	2021-22 (PE)	8.5	7.5
2010-11	8.0	6.4	2022-23 (1st AE)	6.6	5.5
2011-12	5.5	2.1			

Note: Data captured from Economic survey, statistical appendix, 2022-23.

Empirical research did not give a clear and straight forward answer to the question whether GNI or Per capita income significantly contribute to the growth of Human Development indicators. A two-way causality, implying that countries are caught either in a virtuous cycle of high economic growth accompanied with high human development gains or in a vicious cycle of low economic growth that manifests low human development (Ranis, 2004; 2000), was found between economic growth and human development. In India the mutual relationship is a two-way causality indicating the likelihood of vicious cycles (Ghosh, 2006). For Indian states, from 1980s to 2000s, it had been observed that good governance explains more of human development than what explained by economic growth, per capita investment or income per capita (Joshi, 2007). Even though the relationship established between growth and human development is found to be positive, it was not automatic in either direction. It follows that some deliberate policy is warranted. UNDP examined the relationship between Per Capita GDP (in PPP USD) and HDI score across countries (HDR, 2009). The result was surprising that as per capita income goes up, the HDI score increases only up to a certain level and thereafter forms a flat terrain. The per capita income is necessarily an ingredient for achieving a higher level of human wellbeing. The cross-country analysis of Mukherjee, Chakraborty & Amarnath (2010), however, reiterated the positive linear relationship of human development with both democracy and income level. Countries with higher income level and those which experiencing better democratic set up are enjoying better human welfare scenarios.

Indeed, high economic growth is a necessary but not a sufficient condition for human development (UNDP, 1990). Without accumulating fabulous wealth in the vaults, significant and large improvement in quality of life is possible. "A society does not have to be rich to be able to afford democracy. A family does not have to be wealthy to respect the rights of each member; a nation does not have to be affluent to treat women and men equally" (UNDP, 1994).

Is Inequality Positively Affect Per Capita Income and Human Development in India?

The foregoing analysis raises certain questions as whether (1) high per capita income is accompanied with high levels of inequality? (2) high human development is accompanied with high level of human inequality? and (3) high per capita income is accompanied with high levels of human inequality? What is the Indian experience? Data on these variables relating to India are available in Human Development Report (HDR) since 2010 (Table 5).

Table 5: Measures of Inequality and Gross National Income Per Capita

Years	Coefficient of Inequality in Income	Gross National Income Per Capita (2017 PPP$)	Coefficient of Human Inequality	HDI
2010	19.16	4189.433074	29.0744413	0.575
2011	19.16	4361.090551	28.7728685	0.588
2012	19.16	4529.016173	28.47177063	0.598
2013	19.16	4758.303085	28.18294846	0.607
2014	19.16	5056.665926	27.87921082	0.619
2015	19.369	5401.490996	26.41276048	0.629
2016	19.369	5732.913931	26.13743343	0.639
2017	19.369	6116.059654	25.87529507	0.644
2018	19.369	6449.18609	25.62413349	0.645

2019	19.369	6650.054097	24.80447006	0.645
2020	19.369	6107.493949	24.54688962	0.642
2021	19.369	6589.980037	24.39381027	0.633

Note: Captured from UNDP https://undp.org/data-center/specific-country-data#/countries/IND.

Income inequality, here, is a special type of variable having only two values over the 12-year period indicating a policy shock or a structural change in 2015. The gross national income per capita measured in 2017 PPP$ is grouped over the periods with relatively low- and high-income inequality coefficient and obtained annual average growth rate during these periods for ready comparison (Table 6). The relationship between per capita income growth rate and income inequality coefficient is inconclusive in the context of the pandemic in 2020 and subsequent low growth rate. Seemingly, the annual average growth rate of per capita GNI is lower in the period with high income inequality but much of it is due to the negative and low growth rate during the pandemic.

Table 6: Income Inequality and per Capita Income Growth Rate

Years	Inequality in income	Gross National Income Per Capita (2017 PPP$)	Growth rate of Per capita income	Annual Average Growth Rate
2010	19.16	4189.433074		4.82
2011	19.16	4361.090551	4.1	
2012	19.16	4529.016173	3.85	
2013	19.16	4758.303085	5.06	
2014	19.16	5056.665926	6.27	
2015	19.369	5401.490996	6.82	3.99
2016	19.369	5732.913931	6.14	
2017	19.369	6116.059654	6.68	
2018	19.369	6449.18609	5.45	
2019	19.369	6650.054097	3.11	
2020	19.369	6107.493949	-8.16	
2021	19.369	6589.980037	7.9	

Note: data compiled from table 5.

Fig.1: Gross National Income Per Capita versus Coefficient of Human Inequality (with least squares fit)

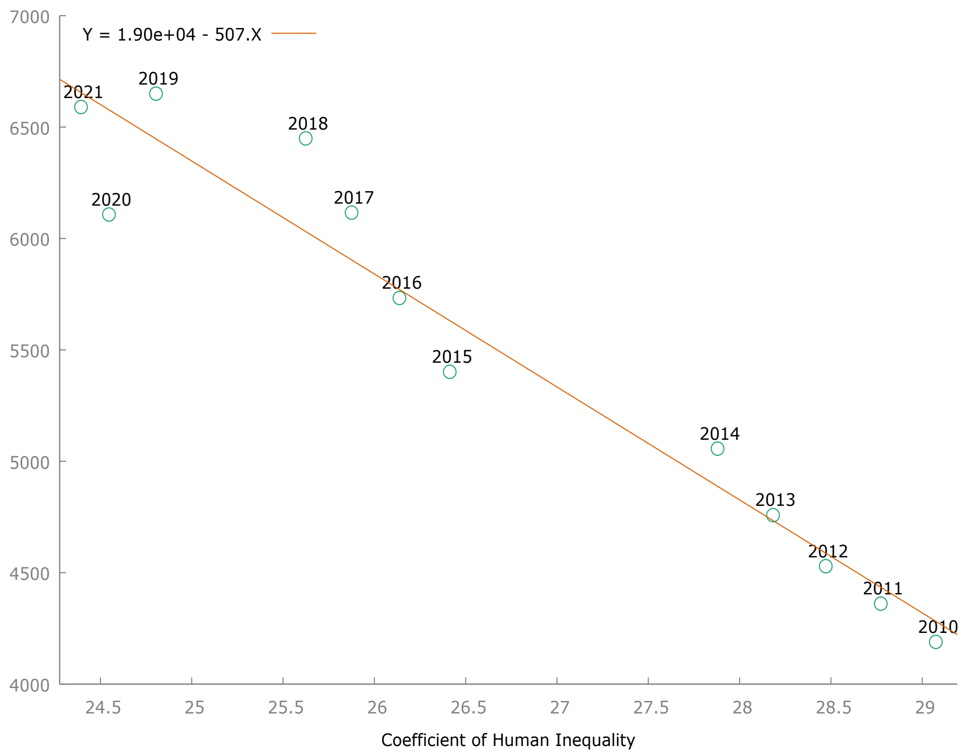

Fig.2: HDI versus Coefficient of Human Inequality (with least squares fit)

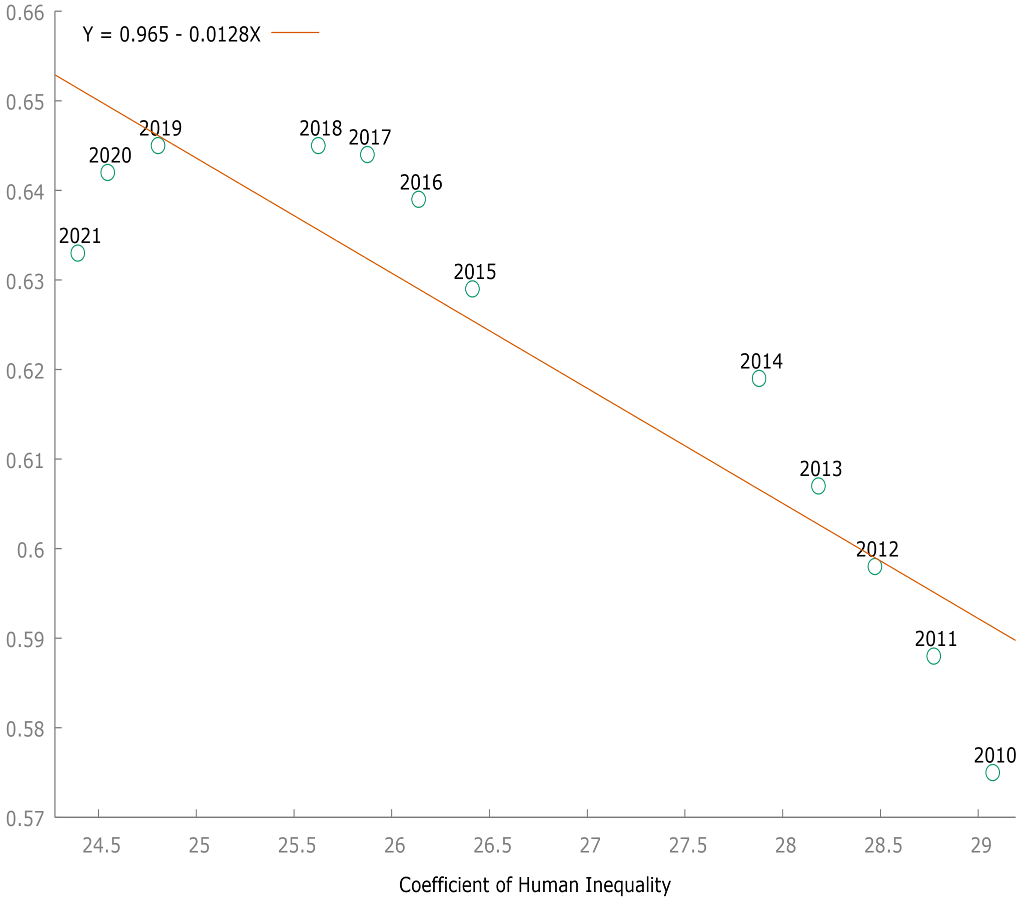

Fig. 1 and 2 show the Indian experience that human inequality index, which is the simple average of inequalities in health, education and income in the country has negative correlation with Human Development as measured by HDI and per capita income. This result implies that improvement in human welfare indicators and growth of per capita income are possible with the presence of low inequality indicators.

Conclusion

In India, drastic policy changes are underway. The liberalisation phase III (since 2014) attempts to launch a free market economy in tune with extreme capitalism. Inequality, is theoretically admitted as a means of betterment in growth as well as human development and Socio-economic indicators. Social sector expenditure, comparing to high growth rate, receives low attention except in health expenditure. The state's commitment for providing education in the public sector and wage employment guarantee is losing. Large expenditure in health insurance immensely helps poor patients to reduce out of pocket expenditure. However, for the poor, the benefit of a free insurance policy is not a substitute for the income received from wage employment programmes like MGNREGS. A health insurance policy is availed of by a sick person whereas the wage for employment is received by a healthy person. The economic implications of these programmes are entirely different. The expenditure on wage employment schemes may be regarded as unimportant or a waste in an 'economy featured for growing inequality' and 'wealth accumulation', as if they turn to be mere income transfer type schemes without generating ample assets. These expenditures are beyond their sums but generate or improve consumption demand of the masses, which would in turn promote industries and manufacturing.

The present pattern and proportion of social sector expenditure (per cent of GDP) is depressing the HDI scores of India, the growth rate of which has been continuously falling since 2015. The core objective of every development effort must be improving human development. Every effort for raising per capita GNP is admirable, but the bigger pie must be shared for the benefit of the poor and underprivileged too.

The smooth functioning and validity of social sector spending approach of poverty eradication largely depends on the ability of the government to finance these social entitlements, which in turn is a function of economic growth. Thus, the problem is one of long run and short run. As poverty affects humans, it should be resolved at the earliest, even in the short period. The poor people think of their daily bread, clothing, health care, the education of their children and employment. Any justification of the government and policies formulated by economic technicians cannot substitute for the requirements of the people. Postponing attending the reasonable requirements of people stand against the principle of inter-generational equity and a cause that erode trust. However, sustainability requires a long run perspective such as economic growth with a more fair and equitable distribution of assets. Therefore, rising social sector expenditure and economic growth approaches for poverty eradication and human development are not competitive but complementary.

Recommendations

Any effort of the government to speed up the per capita income growth rate is admirable, but the high growth momentum must be accompanied with apportioning larger share as per cent of GDP to the social sectors. In the social sector expenditure, wage employment schemes must be strengthened and/or new income transfer schemes must be launched, if necessary. Merely raising per capita income, without creating sufficient networks at government institutions for providing poor people access to resources, of course might intensify inequality. The rising levels of inequality depresses human development, because the poor may not survive the competition for opportunity of daily bread. Therefore, an ideal economy is one which maximise 'growth' for the nation with enhanced 'care' for the poor.

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