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Role of government health expenditure in achieving India's sustainable development goals

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Abstract

To achieve the Sustainable Development Goals, the Government of India has taken several steps to improve health services. Public spending plays a key role in achieving the goals of good health and well-being. While India's national health expenditure is 2.1% of GDP in FY23 and 2.2% in FY22, against 1.6% in FY21 as per the economic survey 2022-22. Various financial reforms were undertaken to improve the fiscal capacity of states. However, India's spending on health was not adequate or sustainable. However, the healthcare expenditure in India has neither been sufficient nor sustainable. The paper highlights public healthcare expenditure and challenges to revenue generation and mobilization by the States. There has been a huge decline in the revenue-generating ability of the states from 1998-99 to 2020-21 which has reduced the fiscal autonomy of the states by making them dependent for 47% of their resources on the Centre. This declining fiscal autonomy of the states and increasing dependence on the centre for resources affect the public expenditure on healthcare which primarily is the subject matter of the state list. Thus, the paper suggests the need and ways for sustainable healthcare financing in India.

Keywords: SDG, health and wellbeing, public expenditure, healthcare financing

Introduction

Humans are at the centre of the Rio Declaration on Environment and Development and Agenda 21 issues pertaining to sustainable development. One of the most important metrics for assessing life quality is health. Without the population's proper health, the dream of sustainable development cannot be realized since the goals of sustainable development cannot be met until the population's health can be maintained. Proper expenditure and sufficient fund are required to work efficiently. Insufficient health status results from unfair and subpar health service delivery in the state, which also contributes to the inadequate development of human capital. This will result in decreased productivity, which will increase poverty and slow down the country's economic growth. If the country does not grow, less money will be spent on social services, especially health care, which will result in subpar state health infrastructure. Therefore, a key component of sustainable development is health. As per Human Development Index (HDI) 2023, India ranked only at 132th place out of 191 countries in terms of health, wealth and education. To accelerate the process of structural transformation, revitalization of healthcare facilities is necessary, and this necessitates more health spending. Without a question, the government of India has improved the country's health situation. However, in terms of health outcomes, India still appears to be falling short of the Millennium Development Goals (MDGs) goal values. According to National Health

accounts states that morbidity and Associated mortality for both infectious and non-infectious diseases is still relatively high, despite a seemingly decreased total number of cases and deaths. Additionally, MMR stays high above the surface. In an instance like this, public spending plays a crucial role for India.

Literature review

Multidimensional development is addressed in UN Agenda 2030, numerous obstacles prevent the agenda's implementation. One of them is the SDG budgeting challenge, wherein decision-makers must determine how to distribute funds among various government initiatives in order to meet a set of predetermined goals can be accomplished in a specific amount of time (Bhadra, Kausik K and Bhadra, Jayeeta (2012) ^[5]. International agencies like the World Bank and IMF have further confirmed that sustainable financing is essential to accomplishing the Sustainable Development Goals (SDGs) and that development finance will result in the achievement of SDGs (Ghuman, B. S. And Mehta, Akshat. (2009) ^[8]. The author emphasizes that mobilizing domestic resources to achieve public spending on health and education, as well as having limited fiscal resources, are key factors contributing to South Asia's dismal performance in attaining the 2030 Agenda (Asadullah, Savoia, & Sen, 2020) ^[3]. India ranks lowest among the BRICS countries (including Indonesia) in terms of per capita public health spending, indicating that a lack of resources for public health is a major contributing factor to the

country's poor health statistics. (Mitra, 2014) [11]. Since the 2030 Agenda places a high priority on health and wellbeing, it is crucial to finance healthcare services and ensure their long-term viability. Public health expenditure promotes sustainable health, emergency preparedness, and investments in health capital to guarantee a more effective use of resources (Sathanalakshmi & Malthi, 2017) [14]. Even though the Indian government has repeatedly acknowledged that healthcare spending is low, India's great diversity makes it important to comprehend the pattern of subnational funding and financing on many healthcare variables. According to the data, the state government bears about 60% of the overall health care costs. However, spending is still reliant on the Center for revenue (Rao & Choudhury, 2008). A report by the OECD on the fiscal sustainability of health systems has discussed a challenge that most federal nations face while financing health care. The report highlights that in most of the OECD countries, the second level of the government or sub-national government has been entrusted with the responsibility to spend on public health where the health expenditure is 30%. However, India had a different experience when it came to spending on healthcare. The per capita expenditure on health increased however the expenditure on health as a percentage of GDP decreased from year 2000-01 to 2014-15. The literature review has very well established the proportional relationship between public expenditure and achieving sustainable development goals however, mere financing of the goal is not sufficient as there are various issues in financing the goals sustainably. Furthermore, every country's domestic fiscal policy is the reason for revenue generation and mobilization. The existing literature review covers the impact of public expenditure on healthcare however, ways for sustainable healthcare financing are understudied.

Public health expenditure and sustainable development

Health expenditure is the sum of public and private health expenditure. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include provision of water and sanitation (WHO 2010). Total healthcare expenditure in India was 4% of GDP in 2012 despite India being one of the most privatized healthcare systems in the world. The low levels of spending will have an adverse impact on the creation of a preventative health infrastructure. Compared to other nations of the world public expenditure of India on health is very low as shown in the following figure.

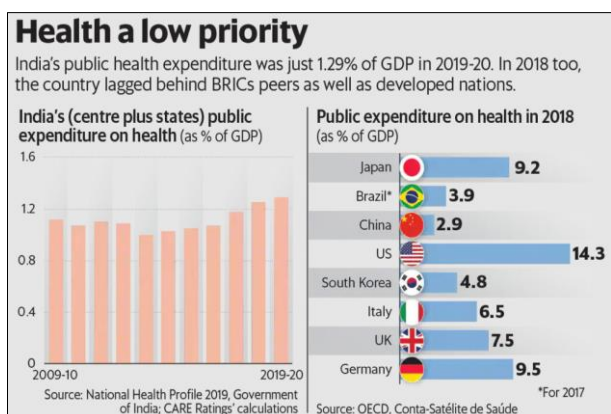


Fig 1

India's per capita health expenditure

The issue of Health is the most significant challenge in all developing countries like India. India is one of the member of BRICs countries together with Brazil, Russia China and South Africa, which has the potential for being a positive force in world affairs. In terms of health expenditure, India's per capita health expenditure is less than the other BRICS nations as shown in following figure. Among BRICS, Brazil has incurred highest expenditure on health. The main reason of slow progress in health sector in India is the poor access to primary and preventive health care services.

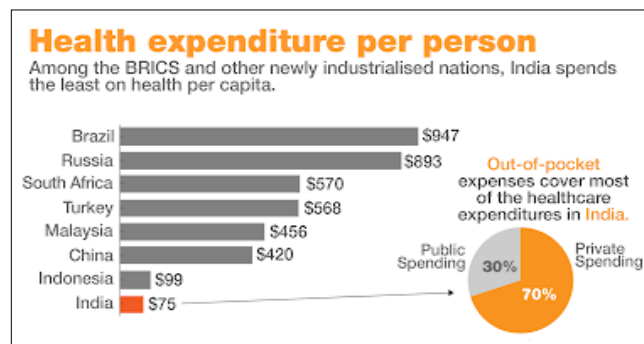


Fig 2

Public expenditure in health by states and UTs

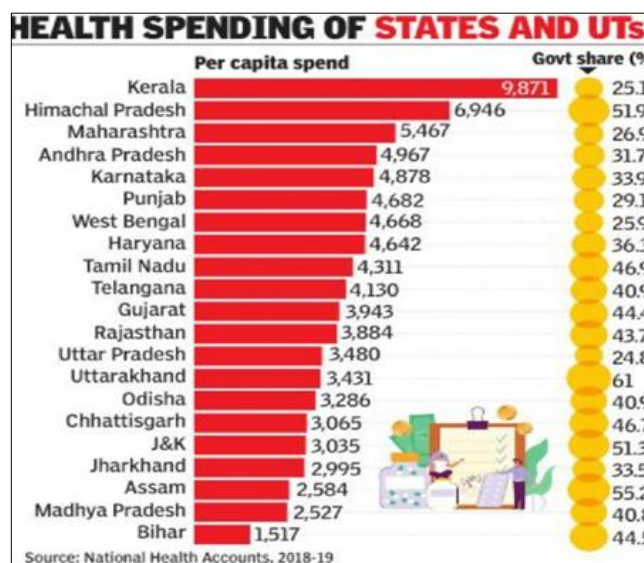


Fig 3

It can be inferred from figure that in Bihar incurred least expenditure in health sector. But every year its expenditure on health goes on rising. Kerala which has the highest HDI rank have second highest expenditure and growth rate. Thus, it can be inferred that more expenditure on health will improves the quality of life of people and hence they will have high HDI rank. Thus, every state has to incur on health to improve their status/ rank in HDI. The Indian health system faces a major challenge of inequalities in health outcomes in different states. However, the public expenditure (Union and State) combined as a percentage of the total GDP of the country is very low. A huge decline in public spending on health in the last 20 years with a slight increase in expenditure that can be observed after 2019, which can be attributed to the COVID-19 pandemic.

Instead of looking at healthcare spending in isolation, it is important to look at healthcare spending as a total expenditure. The percentage of expenditure to total expenditure incurred on healthcare services highlights the priority given to improving healthcare services in India. Though health spending has increased over the years but is substantially low when compared to other social services. It is clear the low priority given to the health sector as compared to all other social sectors. Furthermore, the challenge to the Indian Healthcare sector is not only less expenditure but also interstate spending disparity in healthcare. The uneven distribution of resources between the states is an important cause of uneven health status.

Result and discussion

The government in India has played an important role in helping the states prioritize health and increase expenditure on healthcare services. National Health Mission has played a complementary role in enhancing state budgets on Health. The increased devolution by the 14th Finance Commission recommendation has increased the fiscal space for prioritizing health expenditure. The Central transfers to states have also enhanced with efficiency in transfers. However, such transfers will not automatically increase health spending and need a system in place. Fiscal space is essential to improve the outcomes in the healthcare sector but prudence in spending is more essential. The states still suffer from fiscal autonomy to achieve their local needs and thereby achieve the national and international agenda. The healthcare sector as a whole requires political and governmental attention. Evidence suggests that the countries with lower GDP as compared to India spend more on public healthcare services. This demonstrates a clear political de-prioritization of health, relative to other social sectors. Therefore, a greater share of the total GDP is required to be invested in healthcare services. An increase in public expenditure on health care with in turn lead to more affordability of the healthcare services. Another challenge that the state government faced was a lack of revenue and utilization autonomy due to the involvement and influence of the central government. Lessons can be taken from other jurisdictions and examples of imposing sector-specific taxes like clean energy fund, and education cess. Similar sector-specific cesses can be charged or a similar super fund for health can be made which can consist of contributions from the private sector and health cess levied by the state and utilized accordingly to cater to local needs and national agenda. Another way to boost the revenue can be the issuance of Health bonds by the state governments, which can be used to implement the state schemes on healthcare. This will create an additional fiscal space for the states which can be mobilised to prioritize healthcare. Moreover, fiscal autonomy to states can be granted while implementing centrally sponsored schemes by making flexible guidelines to suit the state requirements. It is argued that merely increasing the financing for healthcare will not be sustainable until efficiency in spending is achieved.

Conclusion

Good Health and wellbeing of the citizens is a major driver of economic development of the country. In a developing country, the government plays a key role in keeping their people healthy by providing them with affordable and accessible healthcare

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services. Public expenditure on healthcare plays an important part in making government policies effective. The study shows that the healthcare spending in India is far below compared to other countries to achieve the sustainable development goals agenda of 2030. Therefore, the need of the time is to prioritize healthcare services and increase public expenditure on the same. This thorough work has studied the impact of fiscal federalism on public expenditure on healthcare. It can be concluded that the fiscal reforms have led to budget constraints for the states and therefore, there is a huge decline in the autonomy of the states which ultimately impacts healthcare spending, health being a subject matter of the state. Sustainably financing healthcare is important therefore merely increasing the budget for healthcare services won't be sufficient but expenditure must be increased on the right factors This can be achieved only when the states are given financial autonomy and flexibility to spend on the factors that require more attention in their states which will ultimately help in achieving the national agenda.

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