

A higher well-being

Increased public expenditure on health, education and other social services must be taken into account while assessing trends in poverty



C. RANGARAJAN AND
S. MAHENDRA DEV

THE OFFICIAL poverty ratios in India are estimated using certain minimum level of private consumer expenditure on food and non-food items. For example, according to the Rangarajan Committee report on poverty, the monthly per capita consumption expenditure of Rs 972 in rural areas and Rs 1,407 in urban areas was treated as the poverty line at the all-India level in 2011-12. This level of private expenditure has to be seen in the context of public expenditure being incurred in areas like health, education, food security, sanitation and drinking water. In this article, we argue that the actual well-being of the household will be higher than what is indicated by the poverty line, if we take into account public expenditure along with private expenditure. This aspect is specifically dealt with by the Rangarajan Committee.

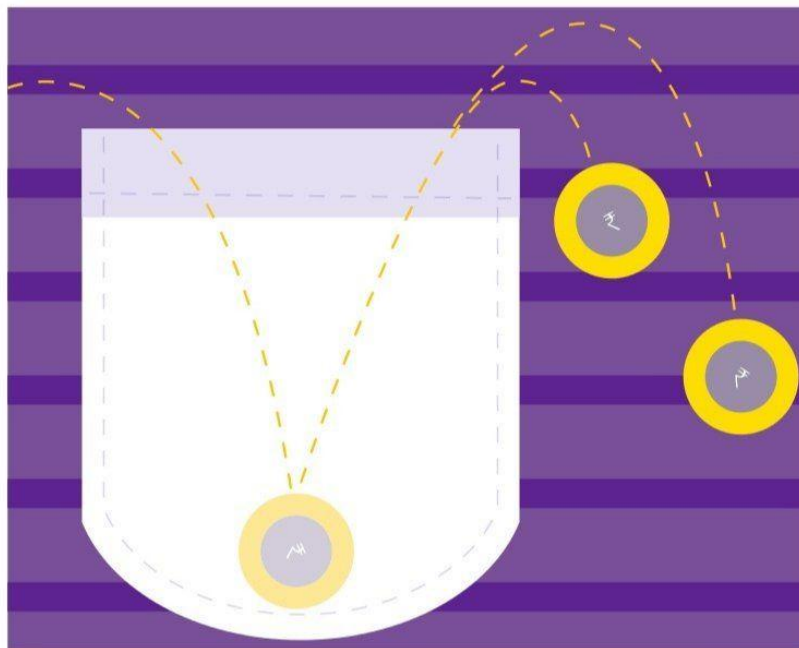
The issue of public expenditure on the social sector has been mentioned in earlier committees on poverty as well. For example, the 1962 expert group of the Perspective Planning Division of the Planning Commission recommended a national minimum of private consumption expenditure on food and non-food items for estimating poverty ratios. The committee report says that "this national minimum excludes expenditure on health and education, both of which are expected to be provided by the state according to the Constitution and in the light of its other commitments".

Similarly, the Lakdawala Committee on Poverty (1993) says the "poverty line derived from personal consumption patterns and levels does not take into account items of social consumption such as basic education and health, drinking water supply, sanitation, environmental standards, etc in terms of normative requirements or effective access". It also says "consumption of free goods and services provided by the state or charitable institutions is not recorded. Social consumption of these publicly provided services is in the nature of transfer from the government to the people. In other words, the real level of living of the poor, inclusive of social consumption are expected to be higher than what is reflected through the estimates of private consumption expenditure reported in NSS data".

Public expenditure, particularly in the areas of health, education, food, sanitation, etc, constitutes a significant proportion of the total consumer expenditure of these items. Their proportion is high particularly among the poor as these services are provided either free or at nominal cost to them. In the seven-year period 2004-05 to 2011-12, public expenditures on education and health per capita at constant 2004-05 prices have nearly doubled with an implied compound annual growth rate of close to 10 per cent per annum (Table 1).

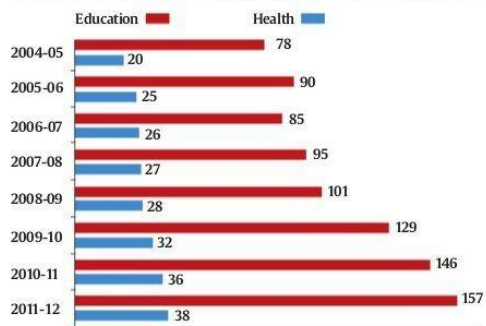
Given that these services are, typically, provided at heavily subsidised prices, if not given free, the reported private expenditures as captured in the NSS Consumer Expenditure Surveys on them would be lower than their true value. However, in the absence of data on the distribution of the public expenditures on these social services by the size-class of private consumption expenditure, they cannot be factored into either the construction of the poverty line or in the assessment of their impact on measured poverty. However, it is reasonable to assume that the bulk of the public expenditures on health and education would have gone to meet the needs of the lower deciles of the population.

Unlike in education and health, in the case



CR Sasikumar

PER CAPITA PER MONTH PUBLIC EXPENDITURE AT CONSTANT PRICES (2004-05)



PERCENTAGE OF STUDENTS RECEIVING SCHOLARSHIP FOR EACH QUINTILE CLASS OF UMPCPE (2014)

Quintile classes of UMPCPE	Rural			Urban		
	Male	Female	Person	Male	Female	Person
1	30.7	36.0	33.2	16.0	20.1	18.0
2	26.4	29.9	28.1	11.4	14.0	12.6
3	22.5	24.4	23.3	9.7	11.8	10.7
4	19.0	24.0	21.2	7.6	8.5	8.0
5	11.9	14.8	13.1	5.6	5.5	5.6
All	21.9	26.1	23.8	10.0	12.2	11.0

UMPCPE: Usual monthly per capita expenditure

Source: NSS 71st Round (Jan-June, 2014)

of the PDS, we do have information on the monthly per capita expenditure (MPCE) of households using PDS and the quantities of grains, etc bought. One could, therefore, analyse the impact of PDS on measured poverty. Abhijit Sen and Himanshu (2013) estimate the size of PDS transfers and the impact of these transfers on poverty. According to their estimates, the value of PDS transfer was 2.4 per cent of MPCE for the population as a whole and 5.2 per cent of MPCE for the bottom 40 per cent. In other words, the poor benefited more than others due to these in-

kind food transfers. Their study also shows that with PDS transfers, the total poverty ratio (Tendulkar methodology) was 30.68 per cent in 2009-10. Without PDS transfers, the poverty ratio was higher at 33.85 per cent in the same year.

A survey on "Social Consumption: Education" was conducted in NSS 71st round (January-June 2014). In this survey, information was obtained for each student on various educational incentives received by them, such as free education or tuition fee waivers, scholarship/ stipend/ reimbursement, free books or stationery or at a subsidised price, mid-day meal, student's concession in public transport, etc.

Table 2 provides the proportion of students receiving scholarships in the rural and urban categories for each quintile class of MPCE. The percentage of students receiving scholarships was higher for lower quintile classes. For example, in rural areas, 33 per cent of students received scholarships for the bottom quintile compared to that of 13 per cent for the highest quintile. The table also shows that female students were getting more scholarships than male students.

The survey on education also shows that around 57 per cent of male and 63 per cent of female students were getting free education in primary schools. In the case of upper primary, these percentages were 58 per cent for male students and 64 per cent for female students. Regarding secondary schools, 32 per cent of male students and 37 per cent of female students were getting free education. The proportion of students getting free education must be much higher for the poor. Similarly, the poor must be getting higher benefits from the public expenditure on health.

To conclude, it is suggested here that increased public expenditure on health, education and other social services will have to be taken into account while assessing the trends in poverty. This is because the actual well-being is higher than what is indicated by the poverty line—and it has policy implications.

Rangarajan is chairman, Madras School of Economics. Dev is director, Indira Gandhi Institute of Development Research, Mumbai