

Perspective

Whether States prioritize to spend the untied fund more on Bijli, Paani, Sadak etc. at the cost of Social Sector (Health, education)?

Social Sector Expenditure of States Pre & Post Fourteenth Finance Commission (2014-15 & 2015-16)

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(Views expressed in this paper are personal and do not necessarily reflect the views of NITI Aayog)

1. Introduction

The fiscal year 2015-16 saw a disruptive change in the Centre-State financial relationship with the Government accepting the Fourteenth Finance Commission's (FFCs) recommendation of a substantially higher devolution to States. The States' share in central taxes was increased by a whopping 10 percentage points from a level of 32% (as recommended by the Thirteenth Finance Commission) to 42%. The level of disruption can be gauged from the fact that the Thirteenth and the Twelfth Finance Commission recommended an increase in States' share in the divisible pool of central taxes by 1.5% and 1% respectively. As a natural corollary to the increase in untied devolution grants, there was a corresponding decrease in the tied grants in the form of Central Assistance to State Plans (CASP)¹.

Two concerns were expressed. First that the States were worse off in the bargain. As one of the States noted "FFC has done more harm than good to the state. As per the recommendations there is a reduction in the resources of the State and thus it is imperative that additional resources are devolved to maintain the previous level of funding under CSS" (Sub Group of Chief Ministers Report on rationalization of CSS : NITI Aayog, 2015). Second and perhaps a bigger apprehension was, that even if the States are overall better off in terms of resources post the FFC would they use the extra leeway of resources to spend on physical infrastructure (*bijli, sarak* and *pani*, if you will) to the detriment of social sector spending (health, education and other schemes catering to social protection of disempowered sections)?.

This paper seeks to analyze the change in total central transfers to the States and its impact on expenditure on Social Sector in 2015-16 (post FFC period) in comparison with 2014-15 (pre-FFC period) based on information available in the Union and the State Budget Documents, Financial Statements/ data provided by

KEY WORDS

*Social Sector
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Fiscal Transfer

Devolution

¹ This includes all assistance to States by the Union including under Centrally Sponsored Schemes and other forms of discretionary assistance by the erstwhile Planning Commission in the form of Normal Central Assistance (NCA), Special Central Assistance (SCA) and Special Plan Assistance (SPA). The discretionary grants have been discontinued post FFC recommendation and the transition to NITI Aayog.

the States to NITI Aayog. Data has been compiled for last two financial years i.e. FY2014-15(Actuals) & FY 2015-16 (Revised Estimate, RE) in respect of (i) all States for total central transfers; and (ii) all States for Social sector expenditure. The data sources referred include the Union Budget 2016-17, Plan Finance-I, Ministry of Finance website, Public Financial Management System (PFMS) website, State Budgets 2016-17/ Annual Financial Statements.

Section 2 reviews the total fiscal transfers to the States for this period. Section 3 analyzes the quantum of Social Sector Expenditure across countries, within the country and across States' for this particular period scaled by their Gross State Domestic Product (GSDP) and total expenditure. Further, the paper also discusses the State-wise expenditure on health and education. Section 4 maps the change in total transfers to change in social sector expenditure of States for this period and Section 5 sums up with way forward.

2. Central Transfers to States

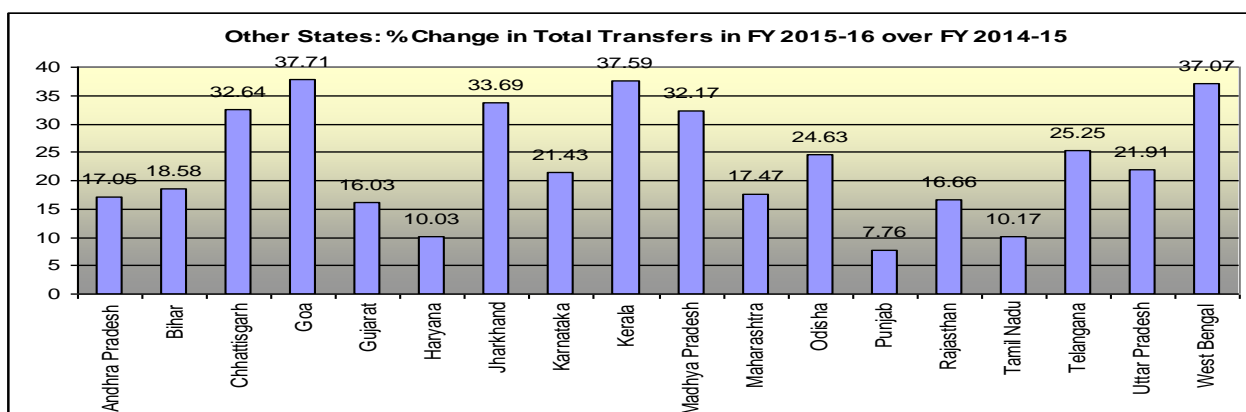
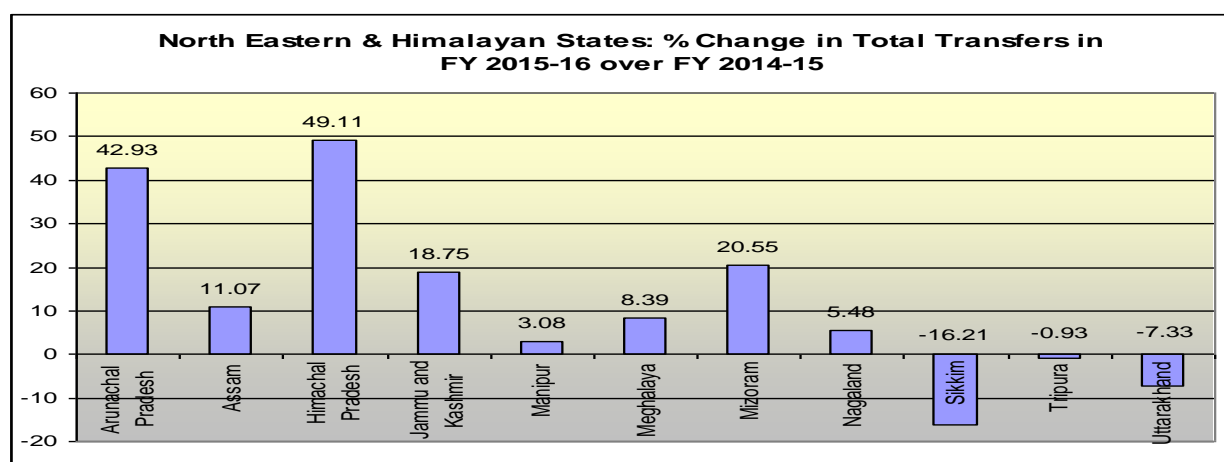
Funds are transferred to States from the Centre *via* Devolution of Central taxes, Grants-in-aid recommended by the Finance Commission (meant for the third tier of Local Governments), CASP, revenue deficit grants and Grants to address natural calamities and disasters. The major part of the CASP flow as assistance to States under the Centrally Sponsored Schemes (CSS) - which reflect the national development priorities. As shown in Table 1 below, at an aggregate level, 21.19% more resources were available to the States during FY 2015-16 by the way of Central transfers as compared to FY 2014-15. Barring Sikkim, Tripura and Uttarakhand, all other States are better off in terms of financial allocations in respect to FY 2014-15.

Table 1: Total transfers in FY 2015-16 & FY 2014-15

| Sl. No. | States | Amount (Rs. crore) | | % Change in Transfers |
|------------|--|--------------------|-------------------|-----------------------|
| | | 2014-15 | 2015-16 | |
| I. | North East & Himalayan States (NE&HS) | | | |
| 1 | Arunachal Pradesh | 6,356.32 | 9,085.15 | 42.93 |
| 2 | Assam | 26,349.99 | 29,267.21 | 11.07 |
| 3 | Himachal Pradesh | 9,994.71 | 14,903.24 | 49.11 |
| 4 | Jammu and Kashmir | 20,162.92 | 23,943.60 | 18.75 |
| 5 | Manipur | 7,203.42 | 7,424.94 | 3.08 |
| 6 | Meghalaya | 5,276.84 | 5,719.34 | 8.39 |
| 7 | Mizoram | 4,865.26 | 5,865.15 | 20.55 |
| 8 | Nagaland | 6,797.81 | 7,170.27 | 5.48 |
| 9 | Sikkim | 3,257.76 | 2,729.71 | -16.21 |
| 10 | Tripura | 7,764.40 | 7,692.53 | -0.93 |
| 11 | Uttarakhand | 10,892.37 | 10,093.48 | -7.33 |
| | Sub-Total: NE&HS | 108,921.80 | 123,894.62 | 13.75 |
| II. | Other States (OS) | | | |
| 12 | Andhra Pradesh | 35,933.79 | 42,059.04 | 17.05 |
| 13 | Bihar | 58,137.55 | 68,939.43 | 18.58 |

| | | | | |
|----|----------------------|-------------------|-------------------|--------------|
| 14 | Chhattisgarh | 17,343.89 | 23,004.17 | 32.64 |
| 15 | Goa | 1,610.72 | 2,218.15 | 37.71 |
| 16 | Gujarat | 21,346.90 | 24,768.79 | 16.03 |
| 17 | Haryana | 8,160.40 | 8,978.76 | 10.03 |
| 18 | Jharkhand | 17,169.90 | 22,953.67 | 33.69 |
| 19 | Karnataka | 30,392.55 | 36,906.13 | 21.43 |
| 20 | Kerala | 16,067.28 | 22,106.41 | 37.59 |
| 21 | Madhya Pradesh | 43,540.74 | 57,547.95 | 32.17 |
| 22 | Maharashtra | 38,706.58 | 45,468.69 | 17.47 |
| 23 | Odisha | 29,868.28 | 37,225.59 | 24.63 |
| 24 | Punjab | 11,111.91 | 11,973.92 | 7.76 |
| 25 | Rajasthan | 40,142.56 | 46,828.84 | 16.66 |
| 26 | Tamil Nadu | 35,071.45 | 38,637.73 | 10.17 |
| 27 | Telangana | 17,047.22 | 21,351.30 | 25.25 |
| 28 | Uttar Pradesh | 101,272.43 | 123,460.53 | 21.91 |
| 29 | West Bengal | 46,862.59 | 64,236.25 | 37.07 |
| | Sub-Total: OS | 569,786.74 | 698,665.35 | 22.62 |
| | Grand Total | 678,708.54 | 822,559.97 | 21.19 |

Source: 2014-15- (i) Share in Central Taxes- Annex 10B Union Receipt Budget 2016-17; (ii) Non Plan grants- Actual Releases from the website of Ministry of Finance; (iii) CASP- Releases as per PFMS. 2015-16- (I) Share in Central Taxes- Annex 10A Union Receipt Budget 2016-17; (ii) Non Plan Grants- Actual Releases from the website of Ministry of Finance; (iii) CASP- Releases as per PFMS



Now, whether this increase in transfer to States led to a proportional increase in Social Sector expenditure of the States or not, is examined in the following section of this paper.

3. Quantum of Social Sector Expenditure

Spending on social sector is critical since it tends to benefit the poor relatively more than the rich and because, it arguably enhances the human capital of the economy, which can produce direct growth effects and indirect spill over benefits for the rest of the economy.² In the case of India- as with many other developing economies- the Government's expenditure on social sector assumes importance on three accounts. The first being magnitude of deprivation in the country being too large to be left to the market forces alone to tackle. Secondly, the proportion of poor households utilizing Government services is higher as compared to the richer households and thirdly, to ensure clearly articulated outcomes in social sectors such as the Sustainable Development Goals (SDGs).

(i) Cross Country Social Sector Expenditure

As per the latest World Bank data India spends 3.8 % of GDP on education and 1.4% of GDP on health which is below the world average of 4.4 % and 6%, respectively. Also, as per the Human Development Report – 2015, UNDP, India's Human Development Rank is 130 and the following table shows the cross country public expenditure on education & health.

Table: Public Expenditure as % of GDP

| Country | Education (%) (latest available period 2011-12) | Health (%) (2014) | HDI Ranking |
|---------------|---|----------------------|----------------|
| India | 3.8 | 1.4 | 130 |
| Singapore | 3.1 | 2.1 | 11 |
| Sri Lanka | 1.5 | 2.0 | 73 |
| China | NA | 3.1 | 90 |
| Brazil | 5.9 | 3.8 | 75 |
| United States | 5.2 | 8.3 | 8 |
| Japan | 3.8 | 8.6 | 20 |
| Sweden | 7.7 | 10.0 | 14 |
| Canada | 5.3 | 7.4 | 9 |
| World | 4.4 | 6.0 | -- |

Source: World Bank data, Human Development Report, UNDP (2015)

Public Expenditure on Social Sector of India including health & education is a major concern to improve the Human Development Index rank of the country. Though Union Government assists the States by providing funds through different Centrally Sponsored Schemes (CSS) & Central Sector Schemes, it is also the responsibility of the States to prioritize as well as make best allocation of their resources available.

(ii) Trend of India's Social Sector Expenditure

² IMF Working Paper. Social Sector Spending in Panel of Countries, 2002

Social Sector includes expenditure on General Education, Technical Education, Sports and Youth Services, Arts and Culture, Medical and Public Health, Family Welfare, Water Supply and Sanitation, Housing, Urban Development, Information & Publicity, Broadcasting, Welfare of SC, ST and OBC, Labour and Employment, Social Security & Welfare, Nutrition, Natural Calamities, Other Social Services, Secretariat Social Services & North Eastern Areas.³ States altogether spend about 6 to 7% of GDP on Social Sector whereas Centre spends about 1 to 2%. The following table shows the trend of States and Centres expenditure on Social Sector. The available data indicates that States expenditure on social sector has steadily increased over the years and that they have been acting responsibly towards Social Sector.

Table: Past trend in Social Sector Expenditure

| Year | States | | Centre | |
|-------------|-----------------------|-------|-----------------------|-------|
| | Amount (Rs. Crore) | % GDP | Amount (Rs. Crore) | % GDP |
| 1990-91 | 28,199 | 4.81 | 6,629 | 1.13 |
| 2000-01 | 1,01,551 | 4.68 | 25,542 | 1.18 |
| 2006-07 | 1,89,443 | 4.41 | 56,286 | 1.31 |
| 2007-08 | 2,12,712 | 4.27 | 78,768 | 1.58 |
| 2008-09 | 2,67,592 | 4.75 | 1,07,058 | 1.90 |
| 2009-10 | 3,38,921 | 5.23 | 1,22,104 | 1.88 |
| 2010-11 | 3,99,537 | 5.13 | 1,47,494 | 1.89 |
| 2011-12 | 4,60,502 | 5.27 | 1,40,932 | 1.61 |
| 2012-13 | 5,33,537 | 5.78 | 1,57,353 | 1.58 |
| 2013-14 | 6,74,148 | 5.98 | 1,74,855 | 1.55 |
| 2014-15@ | 6,99,173 | 5.62 | 2,01,983 | 1.62 |
| 2015-16 RE@ | 8,99,157 | 6.58 | 2,28,846 | 1.67 |

Source: Table 2.1 (A) for Centre; Table 3.1 (A) for State of Indian Public Finance Statistics upto year 2012-13 Centre & 2013-14 States. For rest Budget Documents of State & Union Government

@Centre- CSS (like SSA, NHM, NRHM, MDM etc.) have been restructured and included in CASP with effect from FY 2014-15. The amount under these schemes for FY 2014-15 & FY 2015-16 RE have been added to the Centres' social sector expenditure to make it comparable with earlier years.

(iii) Social Sector Expenditure of States

Social Sector expenditure in FY 2015-16 has increased in absolute terms across all the States with respect to previous financial year. The percentage increase varies from 4% in Tamil Nadu to 62% in Assam (ignoring J&K and Telangana)⁴.

There has been an increase in Social Sector expenditure as a percentage of GSDP for all the States, except Manipur, Andhra Pradesh and Tamil Nadu. This increase, however,

³ The social sector classification is as per the Comptroller and Auditor General of India.

⁴ J&K percentage change is abnormally high at 135%, some error in reporting of data in their budget document is explained in later sections. Telangana being the newly formed State may not be compared with other States for this period.

varies from 0.09% for Sikkim to 4.45% for Jammu & Kashmir across the North Eastern & Himalayan States and from 0.06% in West Bengal to 2.49% in Chhattisgarh & Telangana . Also, it is noticeable that in respect of as many as 21 States, social sector expenditure has increased at higher pace than the increase in their total expenditure.

Table: Social Sector Expenditure

| Sl. No | States | SSE/GSDP | | | SSE/TE | | |
|------------|--|-------------|--------------|--------------|--------------|--------------|--------------|
| | | 2014-15 | 2015-16 RE | % difference | 2014-15 | 2015-16 RE | % difference |
| I. | North East & Himalayan States (NE&HS) | | | | | | |
| 1 | Arunachal Pradesh | 20.60 | 21.60 | 1.00 | 39.20 | 35.87 | -3.33 |
| 2 | Assam | 9.56 | 14.01 | 4.45 | 39.85 | 41.76 | 1.91 |
| 3 | Himachal Pradesh | 7.89 | 9.26 | 1.37 | 25.73 | 34.83 | 9.10 |
| 4 | Jammu & Kashmir | 6.51 | 14.02 | 7.50 | 33.72 | 32.08 | -1.64 |
| 5 | Manipur | 14.69 | 14.55 | -0.15 | 29.95 | 29.23 | -0.72 |
| 6 | Meghalaya | 10.84 | 11.31 | 0.47 | 35.77 | 31.73 | -4.04 |
| 7 | Mizoram | 21.60 | 22.00 | 0.40 | 31.85 | 34.83 | 2.98 |
| 8 | Nagaland | 12.45 | 15.82 | 3.38 | 28.34 | 31.61 | 3.27 |
| 9 | Sikkim | 11.18 | 11.27 | 0.09 | 32.89 | 33.50 | 0.61 |
| 10 | Tripura | 13.40 | 13.77 | 0.37 | 5.21 | 5.30 | 0.09 |
| 11 | Uttarakhand | 6.17 | 6.99 | 0.82 | 37.41 | 38.73 | 1.32 |
| | Sub-Total: NE&HS | 8.97 | 11.87 | 2.90 | 25.26 | 28.00 | 2.74 |
| II. | Other States (GS) | | | | | | |
| 12 | Andhra Pradesh | 8.40 | 7.51 | -0.89 | 38.90 | 31.06 | -7.85 |
| 13 | Bihar | 8.13 | 9.99 | 1.86 | 34.35 | 37.58 | 3.23 |
| 14 | Chhattisgarh | 7.60 | 10.09 | 2.49 | 39.40 | 40.96 | 1.56 |
| 15 | Goa | 6.79 | 8.65 | 1.86 | 37.18 | 35.42 | -1.76 |
| 16 | Gujarat | 4.90 | 5.13 | 0.22 | 19.47 | 20.61 | 1.14 |
| 17 | Haryana | 4.73 | 5.26 | 0.53 | 30.08 | 32.43 | 2.35 |
| 18 | Jharkhand | 5.81 | 7.82 | 2.01 | 37.63 | 39.31 | 1.68 |
| 19 | Karnataka | 4.80 | 4.96 | 0.16 | 35.34 | 37.42 | 2.08 |
| 20 | Kerala | 4.73 | 4.90 | 0.17 | 30.48 | 36.46 | 5.98 |
| 21 | Madhya Pradesh | 7.56 | 10.03 | 2.46 | 35.41 | 42.71 | 7.30 |
| 22 | Maharashtra | 4.53 | 4.97 | 0.44 | 37.29 | 40.36 | 3.07 |
| 23 | Odisha | 7.51 | 8.57 | 1.06 | 35.26 | 36.58 | 1.32 |
| 24 | Punjab | 3.95 | 4.41 | 0.47 | 32.05 | 32.26 | 0.21 |
| 25 | Rajasthan | 7.12 | 7.75 | 0.63 | 34.87 | 33.61 | -1.26 |
| 26 | Tamil Nadu | 5.21 | 4.72 | -0.49 | 29.20 | 31.45 | 2.24 |
| 27 | Telangana | 3.77 | 6.26 | 2.49 | 33.29 | 38.36 | 5.06 |
| 28 | Uttar Pradesh | 7.07 | 9.06 | 1.99 | 34.22 | 35.27 | 1.06 |
| 29 | West Bengal | 5.54 | 5.60 | 0.06 | 39.09 | 38.10 | -0.99 |
| | Sub-Total: OS | 5.68 | 6.36 | 0.68 | 32.91 | 34.59 | 1.68 |
| | Grand Total | 5.87 | 6.68 | 0.81 | 32.04 | 33.78 | 1.73 |

Source: (i) Social Sector Expenditure (SSE) & Total Expenditure (TE) from Budget Documents of respective State or information provided by the States to NITI, where information relevant information not available from budget document (ii) Gross State Domestic Product (GSDP) from Central Statistical Office (CSO) and Estimation of Ministry of Finance in respect of States for which information is not available in CSO.

(iv) Health & Education

Expenditure data of health includes the major heads Medical and Public Health (2210 – Revenue & 4210- Capital) and Family Welfare (2211- Revenue & 4211- Capital). Similarly, expenditure data of education includes General Education, (2202- Revenue), Technical Education (2203- Revenue), Sports & Youth Services (2204- Revenue), Art and Culture (2205- Revenue) and 4202 Capital Expenditure on Education.

For North Eastern & Himalayan States (NE&HS), the average expenditure on health & education as percentage of GSDP has increased by about 0.40 & 1.00 percentage point respectively. Maximum increase is witnessed in Mizoram for health and in J&K for education.

Table: Expenditure on Health and Education as percentage of GSDP

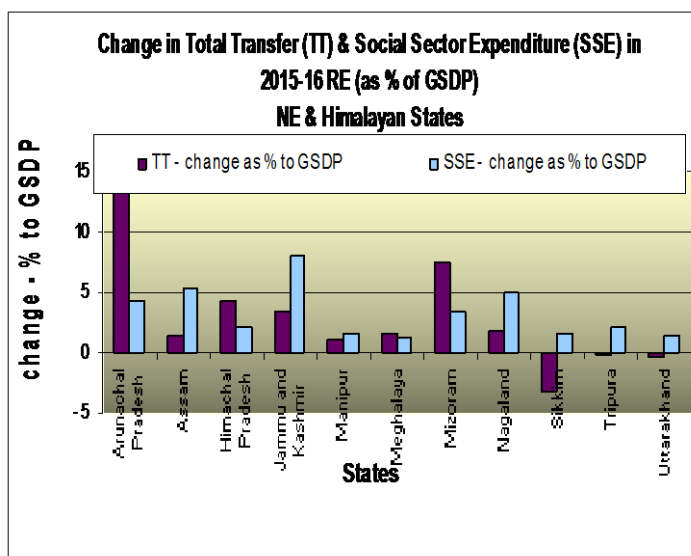
| Sl. No. | States | Health | | | Education | | |
|------------|---|----------------|-------------|--------------|----------------|-------------|--------------|
| | | % to GSDP | | | | | |
| | | 2014-15 Actual | 2015-16 RE | % difference | 2014-15 Actual | 2015-16 RE | % difference |
| I. | North Eastern & Himalayan States (NE&HS) | | | | | | |
| 1 | Arunachal Pradesh | 3.08 | 2.99 | -0.09 | 6.27 | 6.81 | 0.55 |
| 2 | Assam | 0.88 | 1.88 | 1.00 | 5.72 | 6.92 | 1.20 |
| 3 | Himachal Pradesh | 1.05 | 1.22 | 0.17 | 4.23 | 4.93 | 0.70 |
| 4 | Jammu and Kashmir | 1.40 | 2.56 | 1.17 | 2.85 | 6.16 | 3.32 |
| 5 | Manipur | 3.17 | 2.71 | -0.46 | 7.08 | 7.10 | 0.02 |
| 6 | Meghalaya | 2.13 | 2.11 | -0.02 | 5.17 | 5.39 | 0.22 |
| 7 | Mizoram | 2.69 | 3.84 | 1.15 | 10.16 | 9.83 | -0.33 |
| 8 | Nagaland | 2.34 | 2.90 | 0.55 | 6.27 | 8.11 | 1.84 |
| 9 | Sikkim | 1.87 | 1.91 | 0.03 | 5.49 | 5.57 | 0.09 |
| 10 | Tripura | 2.15 | 2.56 | 0.40 | 5.46 | 5.82 | 0.35 |
| 11 | Uttarakhand | 0.85 | 0.92 | 0.08 | 3.10 | 3.28 | 0.18 |
| | Sub-Total: NE&HS | 1.27 | 1.80 | 0.40 | 4.56 | 5.61 | 1.05 |
| II. | Other States (GS) | | | | | | |
| 12 | Andhra Pradesh | 1.04 | 0.80 | -0.24 | 3.16 | 2.77 | -0.39 |
| 13 | Bihar | 0.88 | 1.02 | 0.14 | 4.02 | 5.17 | 1.14 |
| 14 | Chhattisgarh | 0.97 | 1.29 | 0.32 | 4.27 | 5.05 | 0.78 |
| 15 | Goa | 1.09 | 1.52 | 0.43 | 2.99 | 3.81 | 0.82 |
| 16 | Gujarat | 0.64 | 0.64 | 0.01 | 1.95 | 2.02 | 0.07 |
| 17 | Haryana | 0.51 | 0.57 | 0.06 | 2.23 | 2.36 | 0.14 |
| 18 | Jharkhand | 0.60 | 1.15 | 0.55 | 2.64 | 3.41 | 0.76 |

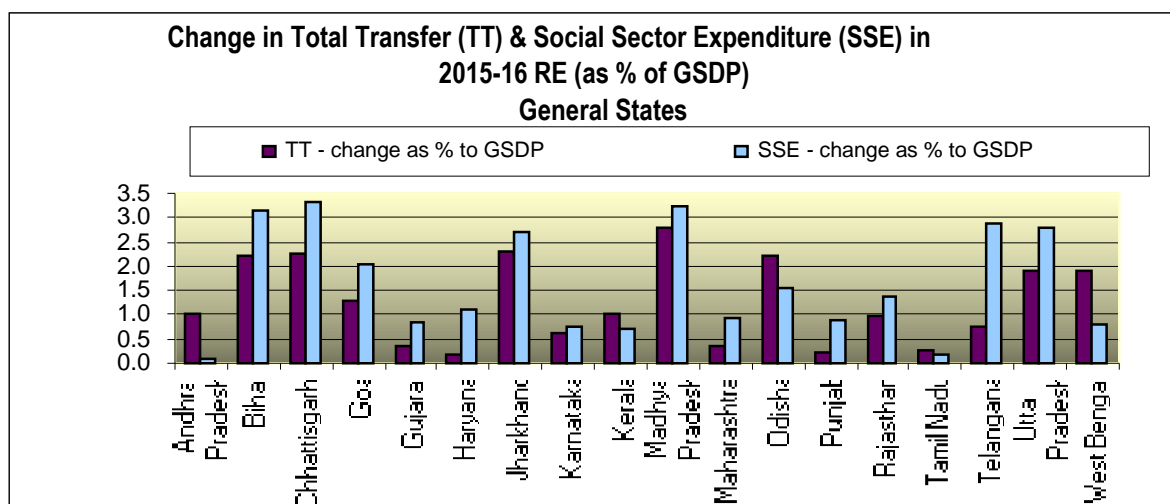
| | | | | | | | |
|----|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 19 | Karnataka | 0.58 | 0.59 | 0.01 | 1.99 | 1.89 | -0.10 |
| 20 | Kerala | 0.74 | 0.80 | 0.07 | 2.52 | 2.43 | -0.09 |
| 21 | Madhya Pradesh | 0.96 | 1.02 | 0.06 | 3.67 | 4.00 | 0.33 |
| 22 | Maharashtra | 0.46 | 0.56 | 0.10 | 0.15 | 0.23 | 0.08 |
| 23 | Odisha | 1.03 | 1.16 | 0.14 | 3.29 | 3.59 | 0.30 |
| 24 | Punjab | 0.59 | 0.71 | 0.12 | 2.07 | 2.27 | 0.20 |
| 25 | Rajasthan | 1.05 | 1.20 | 0.15 | 3.17 | 3.27 | 0.10 |
| 26 | Tamil Nadu | 0.70 | 0.62 | -0.07 | 2.22 | 2.05 | -0.17 |
| 27 | Telangana | 0.49 | 0.75 | 0.26 | 1.34 | 1.78 | 0.44 |
| 28 | Uttar Pradesh | 1.15 | 1.33 | 0.19 | 3.39 | 4.05 | 0.66 |
| 29 | West Bengal | 0.80 | 0.77 | -0.02 | 2.64 | 2.33 | -0.31 |
| | Sub-Total: OS | 0.74 | 0.81 | 0.07 | 2.59 | 2.73 | 0.14 |
| | Grand Total | 0.77 | 0.87 | 0.10 | 2.71 | 2.90 | 0.19 |

For the major States, average expenditure on health & education as percentage of GSDP has increased by about 0.07 & 0.14 percentage point respectively. Maximum increase is witnessed in Jharkhand for health and in Bihar for education.

4. Mapping change in Total Transfer with change in Social Sector expenditure

All NE & Himalayan States, except Arunachal Pradesh, Himachal Pradesh, Meghalaya & Mizoram have witnessed a greater proportion of increase in their social sector expenditure as percentage of GSDP as compared to the change in their total central transfers as percentage of GSDP. Sikkim, Tripura as well as Uttarakhand, despite reduction in their total central transfers have managed to register a positive change in the social sector expenditure.





Among the major States, all others except Andhra Pradesh, Kerala, Odisha, Tamil Nadu & West Bengal have witnessed a greater proportion of increase in social sector expenditure as percentage of GSDP as compared to the change in their total central transfers as percentage of GSDP.

5. Summing up

The above analysis has clarified the doubts hovering in the last financial year that the States might curtail their social sector expenditure in response to increased untied transfers from Union Government. Contrary to this, the actual & revised estimates (RE) of financial years 2014-15 and 2015-16 respectively reveal that all States have registered a positive change in their absolute social sector expenditure. However, there are 3 States, namely Manipur, Andhra Pradesh & Tamil Nadu which have experienced negative growth in social sector expenditure as % of GSDP. It is reasonable to expect this in the case of Andhra Pradesh as the State was re-organized with the bifurcation becoming effective from June, 2014 and thereby, the social sector expenditure of Telangana for April-June, 2014 is reflected in the expenditure of Andhra Pradesh. For similar reason, the growth of Telangana's social sector expenditure appears inflated. In case of Tamil Nadu, their increase in total central transfer has been only around 10% which can be sighted as a probable reason for their decline in allocation to social sector as percentage of GSDP. However, in absolute terms, social sector expenditure of the State has increased by about 3.5%. In case of Manipur, the States' expenditure in the infrastructure sector is observed to have grown by as much as about 36%, which may be a probable reason for the decline in social sector expenditure as % of GSDP. Again, in absolute terms, there has been about 11.7% increase in the social sector expenditure of the State. Another State, amongst the outliers is J&K, which has shown an abnormal 7.5% increase in its social sector expenditure as % of GSDP. One of the reasons found in this regard is that the State Budget 2016-17, does not reflect any expenditure under the Capital Head of social sector expenditure of FY 2014-15 or to say, that the social sector expenditure of the State for that particular year seems underreported causing significant jump in percentage change of expenditure in the next FY.

States' prioritization of expenditure on social sector at any point depends also on the status of its social indicators like literacy rate, enrolment ratio etc. for expenditure in education and infant mortality rate, child sex ratio, availability of health infrastructure etc. for expenditure in health.

It may also be a concern of the stakeholders that in future State may allocate their untied resources to other sector(s) despite their relatively poor social indicator(s). Such a scenario is unlikely to occur believing that States Governments being the elected representatives, are equally responsible to take care of this. Also, a performance incentive driven allocation mechanism of the centrally sponsored schemes can be another step which will ensure self correction path being adopted by the states for sectors specially like health, education etc. In such case, this would require an appropriate intervention to through an amendment in the fund allocation principles.

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