

PUBLIC EXPENDITURE ON CHILDREN IN INDIA:

**An analysis of union
and state government
budgets**

A Policy Brief



Introduction

Children are a very important part of any country's population. Child refers to all individuals aged 0-18 years, which is the legal definition of children in India and as defined by the Convention on the Rights of the Child (CRC). The rationale for adequate and well-directed public spending for a child's well-being can be drawn from both national and international commitments and principles that govern a democratic world committed to people's well-being, freedom, and development. The Constitution of India recognises the child as a citizen and, therefore, they have their legal rights, and considering that they need special protection due to their age and the consequent vulnerability, special provisions also exist for that purpose. International commitments such as Sustainable Development Goals (SDGs) and CRC on one

hand and our own constitutional rights on the other, make it imperative for India to ensure that adequate public expenditure is made in the right direction for children's well-being. The National Policy for Children in 2013 explicitly highlights the importance of child budgeting exercise by stating that it is important to 'track allocation and utilization of resources and their impact on outcomes for children with regard to budgets and expenditures on children by all related Ministries and Departments'. The Government of India started publishing a separate statement since 2008-09 (Statement 22, which is now Statement 12) within the Expenditure Budget- Volume I, which summarises the Budget Provisions for Schemes for the Welfare of Children across all sectors that 'substantially benefit children'¹.



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Definitions and concepts used

Child Specific Expenditure (CSE)

Child refers to all individuals aged 0-18 years which is the legal definition of children in India and as defined by the CRC. Public expenditure on children includes components of education, health, nutrition, and child protection including legal and institutional provisions. **The Child Specific Expenditure Analysis (CSEA) is confined to the expenditures that are exclusively for children, either by the Head of Account or by the 'Description of Expenditure'**². It also covers both Union and State expenditure on programmes and initiatives that are targeted exclusively to children. The CSE includes allocations and expenditures of the entire gamut of Early Childhood Care and Education (ECCE); School Education (both primary and secondary); the Health and Nutrition (H&N) supplement programmes that targeted children; the Social Welfare component including the residential schools, hostels, fee concession for the children belonging to marginalised communities; the juvenile justice; concessions for travel (e.g., bus pass); and capital expenditure relating to the ECCE and school education. It also includes all relevant centrally sponsored schemes, central sector schemes, and state schemes such as: Integrated Child Development Services (ICDS), National Creche scheme, National Nutrition Mission (NNM), Beti Bachao Beti Padhao (BBBP), Integrated Child Protection Scheme (ICPS), Janani Suraksha Yojana, Pradhan Mantri Matru Vandana Yojana (PMMVY), Scheme for Adolescent Girls, Sarva Shiksha Abhiyan (SSA), Mid-Day Meals, Rashtriya Madhyamik Shiksha Abhiyan (RMSA), and National Health Mission (Maternal and Child Health). The CSE based method was used to understand the public expenditure on children across 16 states (Centre for Budget and Policy Studies, 2019)³.

Child Inclusive Expenditure (CIE)

The Child Inclusive Expenditure Analysis (CIEA) includes the expenditures that are partially meant for children, either by the Head of Account or by the 'Description of Expenditure'. Child Inclusive Expenditure (CIE) is essentially public expenditure wherein part of it is attributed to children (aged 0-18

years). For instance, a state-run hospital meant for all age groups is CIE and only a part of this can be considered as public expenditure on children. When all such expenditure is added to CSE, it is likely to give a complete picture for the entire public expenditure on children; we refer to this as Full Public Expenditure on Children (FPEC).

Full Public Expenditure on Children (FPEC)

The exercise of extending the CSEA to include CIEA and arrive at FPEC was undertaken for six Indian states: Assam, Jharkhand, Kerala, Maharashtra, Odisha, and Rajasthan. State governments spend large sums of money on providing public health care, food grains at subsidised prices, insurance coverage, and several other services that cover the child population as well. Ignoring these huge costs that are partly meant for children would provide an underestimate of the public expenditure on children. However, the task of identifying these expenditures along with their proportions that can be attributed to children is challenging in terms of conceptual clarity regarding what and how much should be included, and demanding in terms of rigour and time for carrying that exercise for hundreds of budget heads. While any public expenditure meant for public welfare can be partly attributed to child welfare such as building of roads or irrigation structures, it may not be wise to include all such heads. A good rule would be to use the essential services (core) and the supporting services (core plus—not essential but helpful) for drawing the boundaries for the exercise⁴.

While the source of data in CSE-based analysis has been only the budget documents, the CIE-based analysis also relies on the data received from the directorates, departments, and scheme documents for determining the proportion attributable to children and to arrive at assumptions based on the existing data and literature. This also provides an opportunity to obtain a deeper perspective of how the child expenditure has been spread over the departments and to understand the complexity of extracting child related expenditure across different budget line items.

¹ Expenditures/allocations that substantially benefit children and are not exclusive for children.

² Expenditures that are partly for other age groups as well such as food grains under public distribution system. Post-matric scholarships that would also cater to undergraduates along with classes 11 and 12 are not considered in this analysis.

³ For more, see the report Public Expenditure on Children in India: Trends and Patterns here: <http://cbps.in/wp-content/uploads/Public-Finance-for-Children-PF4C-across-16-Indian-States.pdf>. As a follow up, United Nations Children's Fund (UNICEF) together with National Gender Centre in Lal Bahadur Shastri National Academy of Administration (LBSNAA), Mussoorie conducted the national consultation on child budgeting (24-26 June 2019) and a common framework was devised to facilitate the child budgeting at the state level and was circulated to states to initiate the process.



Child Specific Expenditure based Analysis in 16 Indian states

The study focusing on analysis of child specific public expenditure for children was conducted for 16 major states including Government of India, using the budget data for a period of seven years (2012-13 to 2018-19) to understand the role of public spending on child development and well-being. In specific terms, the analysis attempted to answer the following questions:

1. What is the size of total public expenditure on children and what is the Per Child Expenditure (PCE)? Have these increased over the years, and if yes, has the increase been in real terms?
2. Is the child a priority for the state as revealed by expenditure patterns? Do we see any particular shifts pre- and post-implementation of the recommendations of the 14th Finance Commission (FC)?
3. What are the shares for capital and revenue, and wage and non-wage components? What proportion is spent on direct transfers to children and allied purposes?
4. Is there an association between the per capita expenditure and the child's well-being or development? If so, what are the constraints that states with adverse indicators for children face in enhancing their expenditure for children? What are the lessons learnt from this analysis with respect to enhancing the size and efficiency of public expenditure for children?

Before going to the analysis of budgets and expenditure, we needed a reference point for child development status, and for that purpose, we constructed a new Child Development Index taking adolescents into account (CDIa).

Child Development Index (CDIa)

The CDIa was constructed using child-specific indicators covering across aspects of education, protection and empowerment, and health and nutrition. These indicators have been grouped into two sub-indices, namely Education and Empowerment (E&E) and Health and Nutrition (H&N)⁵. This classification in combination with the analysis of public expenditure on children enabled an identification of policy areas that called for greater attention and investment by respective states.

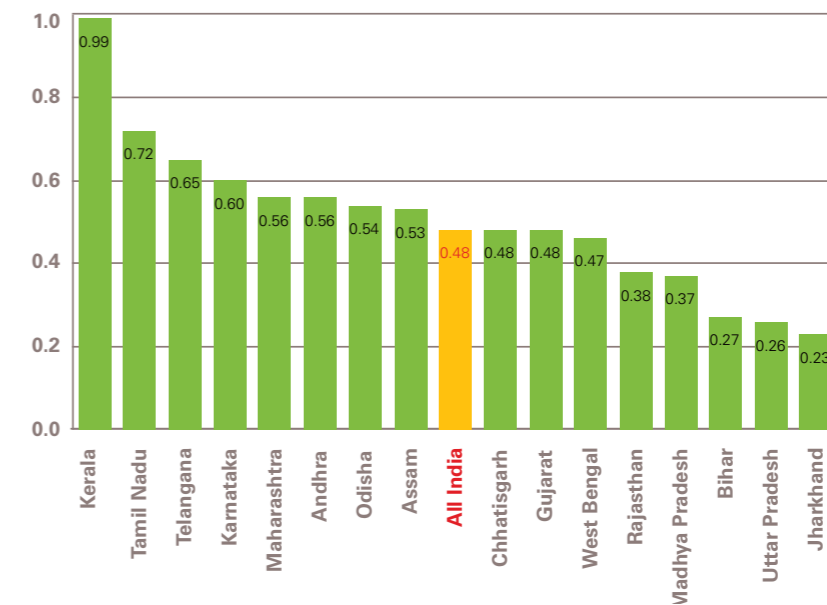
The inter-state comparison for CDIa shows the five southern states and Maharashtra in top five positions, with Kerala on top. Tamil Nadu is a distant second in terms of index value followed by Telangana, Karnataka, Maharashtra, and Andhra Pradesh in that order. Odisha, Assam, and Chhattisgarh are the next three, and this needs further examination as these states have long been considered less-developed states. Gujarat, an economically advanced state, figures low at the tenth rank with 0.48 index value, which is same as the all-India average. West Bengal is a little behind Gujarat but the remaining five states of Rajasthan, Madhya Pradesh, Bihar, Uttar Pradesh (UP), and Jharkhand have a long way to go. Education and Empowerment (E&E), and H&N changes for all states except for the top two states of Kerala and Tamil Nadu, and for UP, which maintains its 15th rank for the sub-indices as well. Karnataka and Maharashtra are ranked high (third and fifth, respectively) with high index value for E&E but have lower ranks (ninth and eighth, respectively) for H&N.



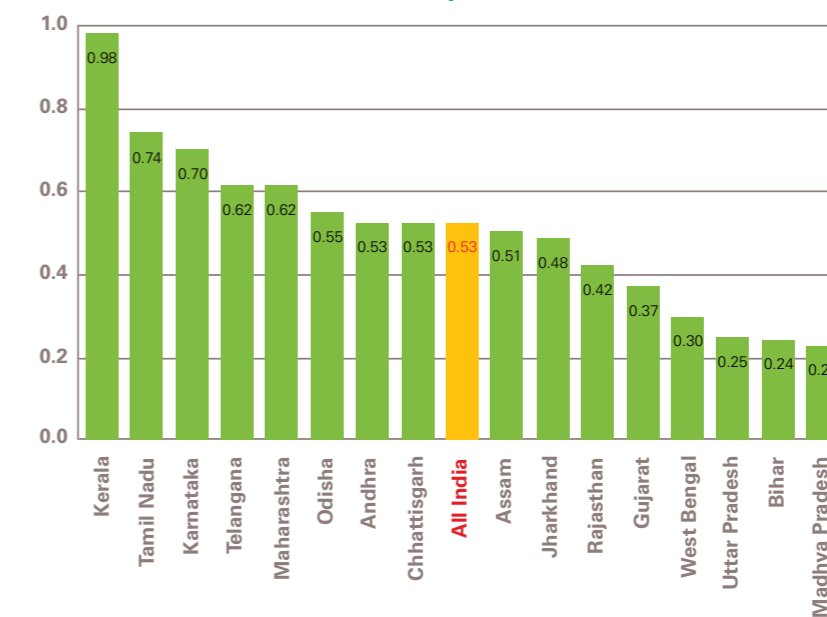
⁴In health, while maternal and child health is core expenditure, water and sanitation relating to health is considered as core plus. A detail in the distinction and its application was done in the analysis of public expenditure on children in Karnataka. For more, read the report here: http://cbps.in/wp-content/uploads/2015/11/CBPS_Final_PubExpOnChildren_28-Feb-2014.pdf.

⁵The sub index Education and Empowerment (E&E) was constructed using six indicators. The first four indicators were Net Attendance Ratios (NAR) for primary, upper primary, secondary, and higher secondary categories sourced from National Sample Survey Office (NSSO) 71st round census (2014). The other two indicators were women aged 20-24 years who were married before 18 years of age and sex ratio at birth for children born in the last five years sourced from National Family Health Survey (NFHS) NFHS-4 (2015-16). The sub index Health and Nutrition (H&N) was constructed using four indicators sourced from NFHS-4 (2015-16), namely under-5 mortality rate, children under five years who are stunted, children under five years who are wasted, and pregnant women aged 15-49 who were anaemic. All the indicators were given equal weights.

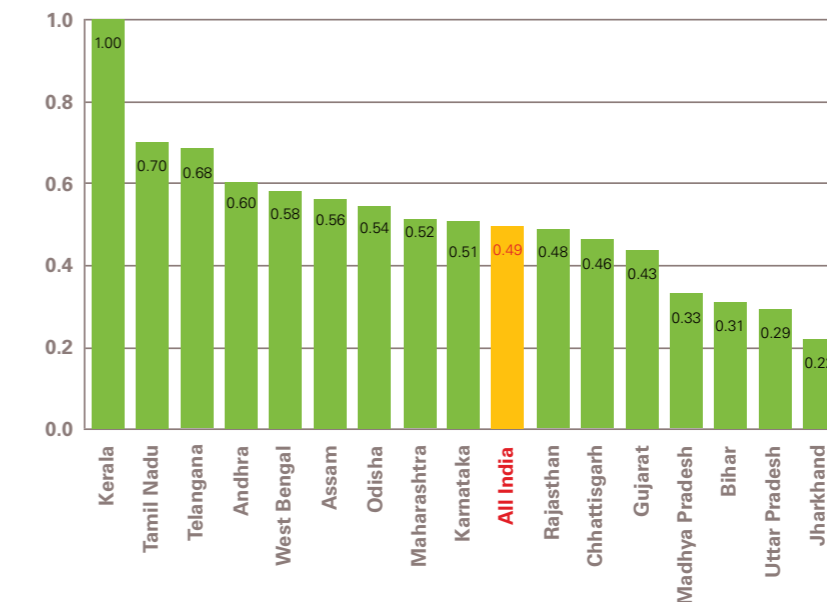
Child Development Index



Education and Empowerment Index



Health and Nutrition Index

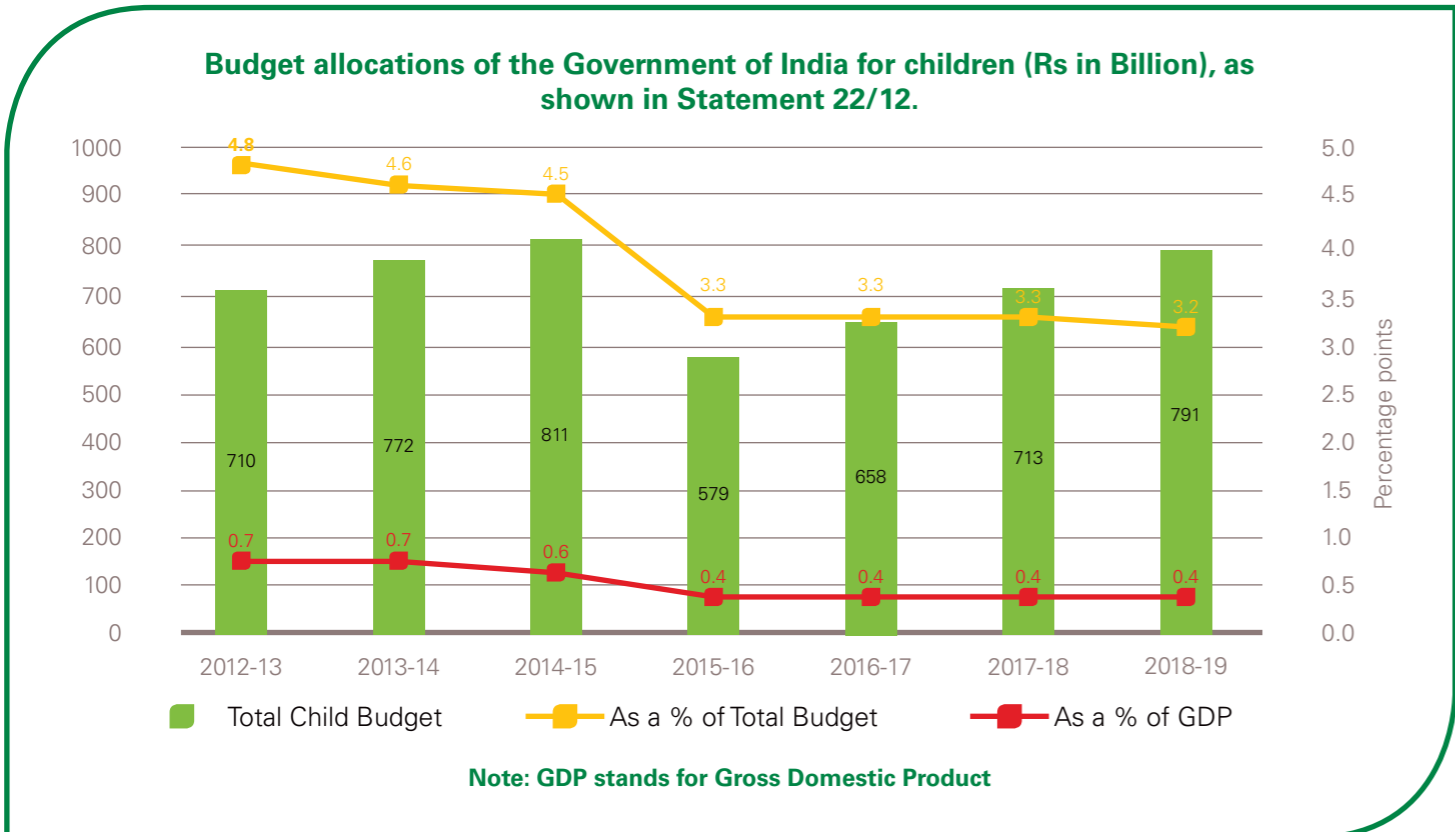




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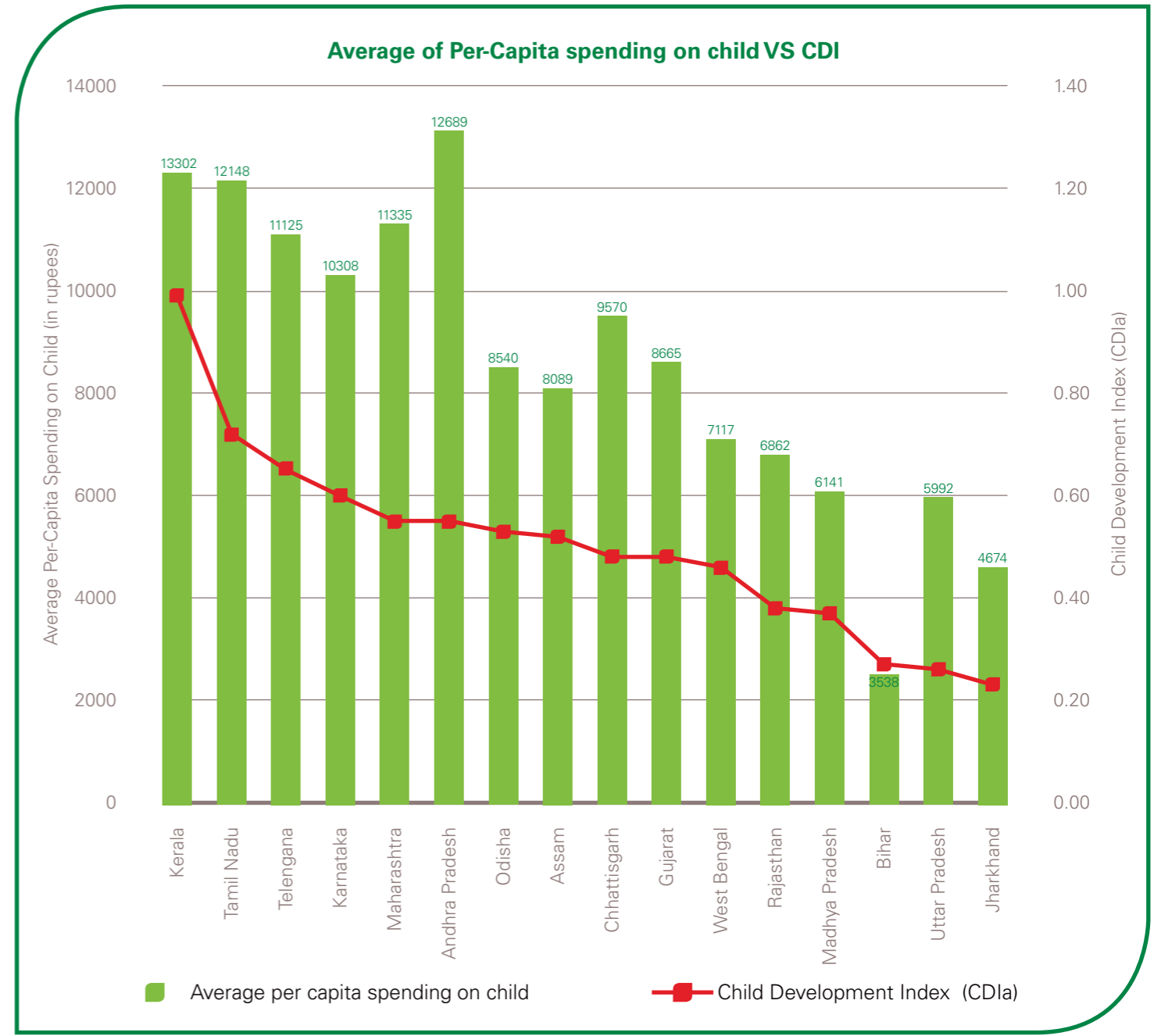
Analysis of expenditure: union government (2012-13 to 2018-19)

The Government of India budget allocations⁶ (Statement 22/12) increased from Rs 710 billion in 2012-13 to over Rs 810 billion in 2014-15, which then dipped to Rs 579 billion in 2015-16 before reaching Rs 791 billion in 2018-19. The changes in the fiscal transfers brought out as per the recommendations of 14th FC resulted in the lowering of the central share in the centrally sponsored schemes from 2015-16, which gets reflected in the reduced allocations for children as well. The allocations for children as a percentage of the total budgeted allocations decreased from 4.8% in 2012-13 to 3.2% in 2018-19. Similarly, this allocation as a percentage of Gross Domestic Product (GDP) also decreased from 0.7% to 0.4% for the same period.



Analysis of expenditure: state governments (2012-13 to 2018-19)

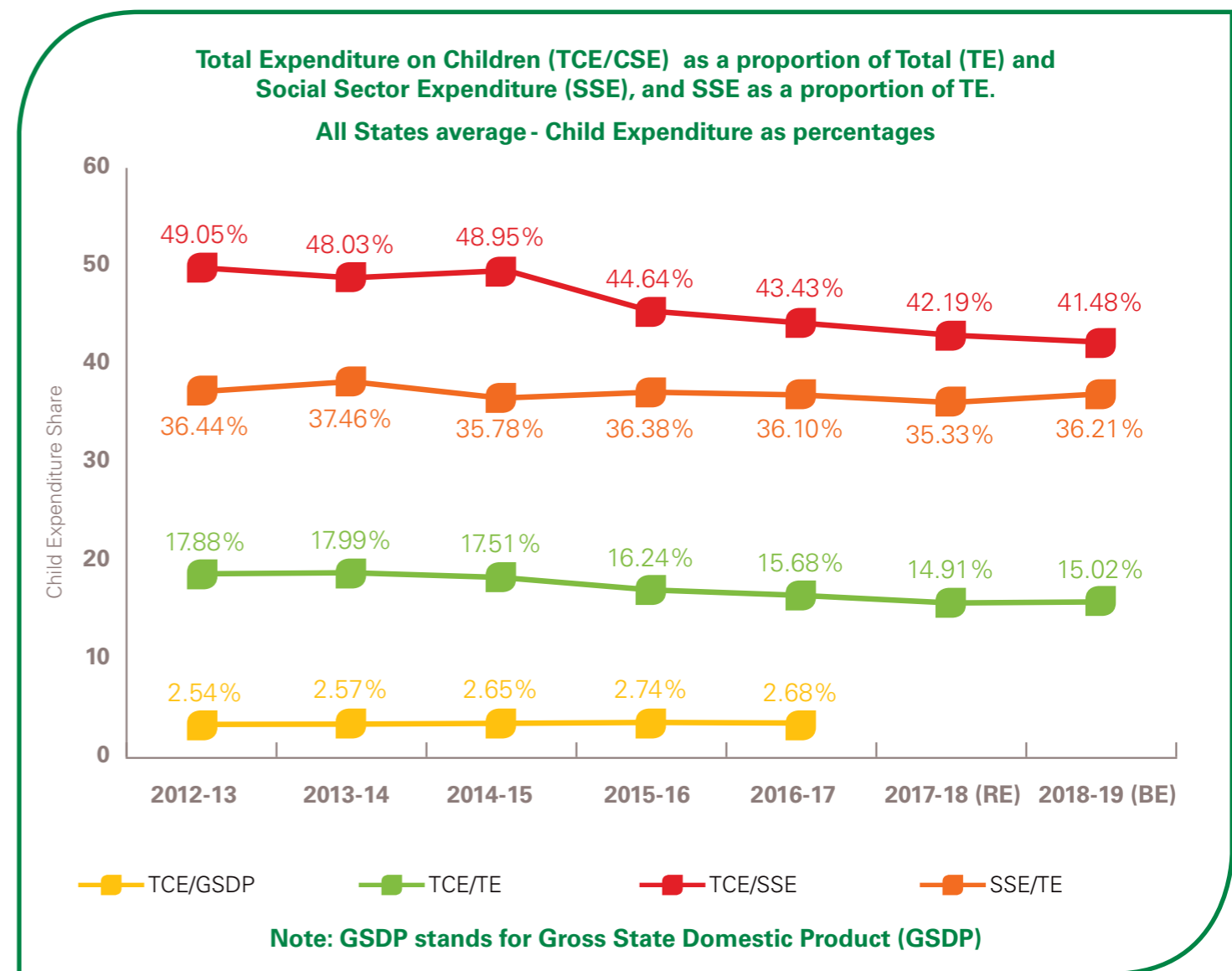
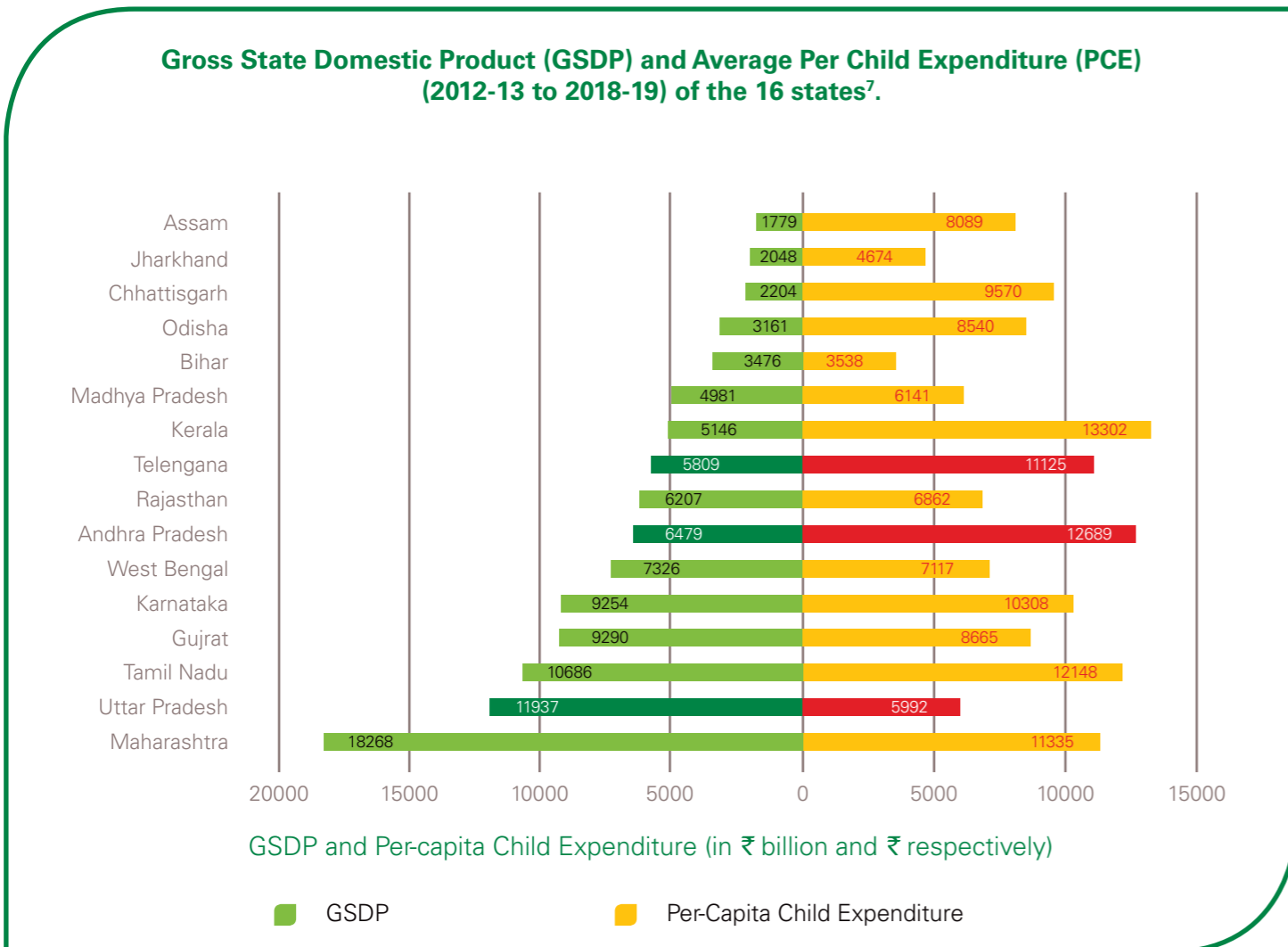
1. **Public spending on children (per-child expenditure in rupees/annum) is closely linked with the child development Index (CDIa) status in a state.** States with higher PCE were also the states that have achieved better status in terms of child development. The average PCE (2012-13 to 2018-19) and the CDIa (2015) show a very high correlation (at $r=0.89$) indicating the need for greater public investment on children for improved level of child development.



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⁶Only allocations that were substantially meant for children were provided. Only in 2018-19, the expenditure figures against allocation were provided (for 2016-17) for the first time.

2. Economic capacity of the state matters but prioritisation is even more critical. States with similar capacity (size of economy) spend differently on children. For governments to spend, the size of the budget which is dependent on the size of the economy and its growth potentials matter the most. However, the size of Gross State Domestic Product (GSDP) offers only the necessary condition and not a sufficient one for ensuring higher spending on children. The comparison across the states indicates the importance of prioritisation for spending on children to be equally critical. Some states with higher capacity are not necessarily spending relatively higher on children and in fact this correlation is rather weak ($r=0.39$).



3. Public spending on children is universally rising but patterns vary across states. High population states spend, more but it does not necessarily mean that it translates itself into a high PCE. Five southern Indian states and Maharashtra top the list with Kerala having the first position, and Bihar the last. While PCE has shown an increase in all the 16 states during the seven-year period, Bihar, Jharkhand and UP have consistently been the lowest.

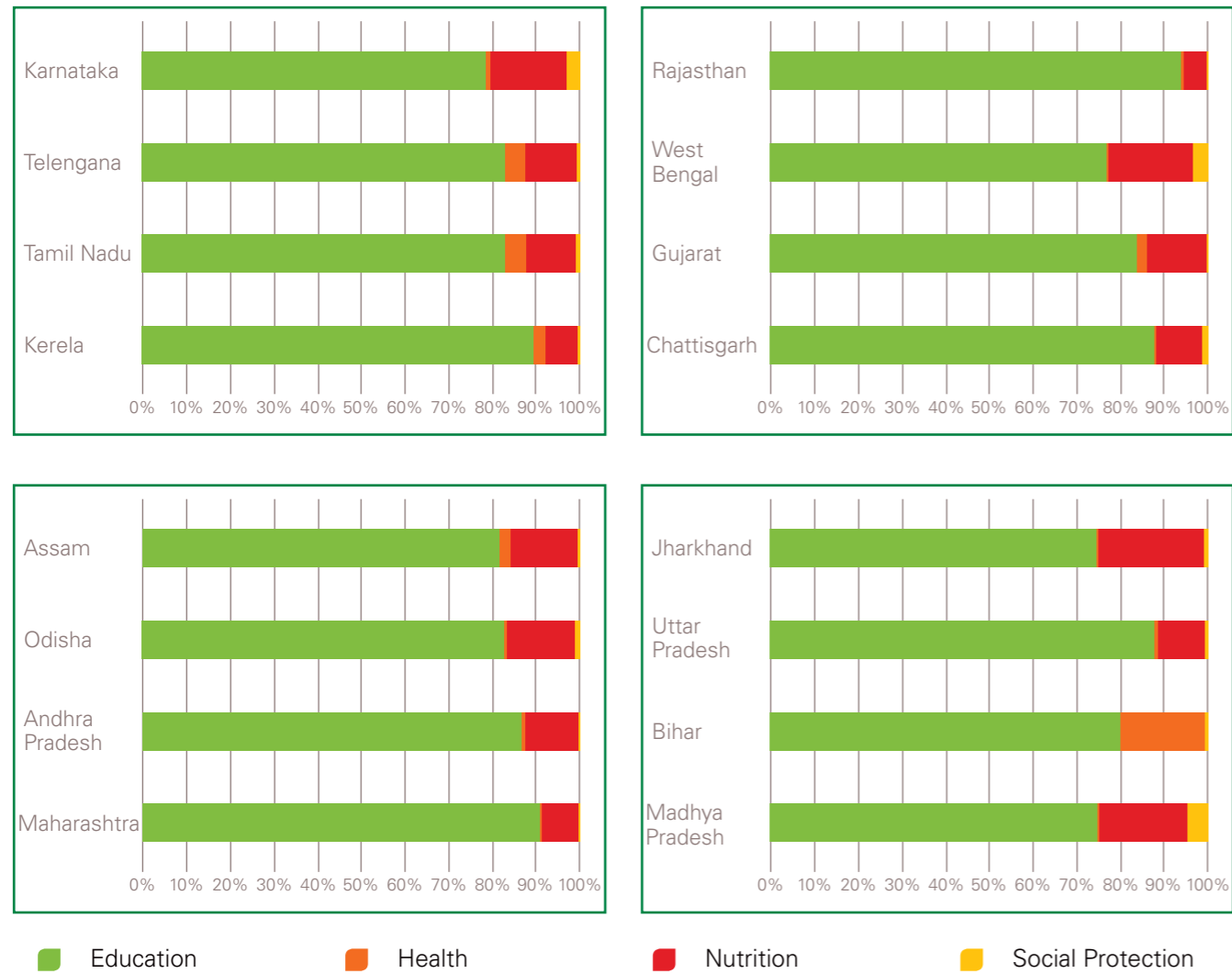
4. Share of public spending on children experienced a decline in a number of states during post 14th FC recommendations phase. The average Total Child Expenditure (TCE) as a percentage of GSDP of the states have increased steadily from 2.54% in 2012-13 to 2.74% 2015-16 before dipping to 2.68% in 2016-17. The TCE as a percentage of both Total Expenditure (TE) and as a percentage of Social Service Expenditure (SSE) of the states, however, has shown a steady decline over the years.

5. Education covers a higher share; health and nutrition deserve greater attention. Majority of the child-related expenditure is incurred in education sector (74% to 93% of TCE), followed by nutrition (5% to 20%). The health and social protection form very less and together they constitute only about 1% to 5% of TCE, this percentage being much less in certain states.



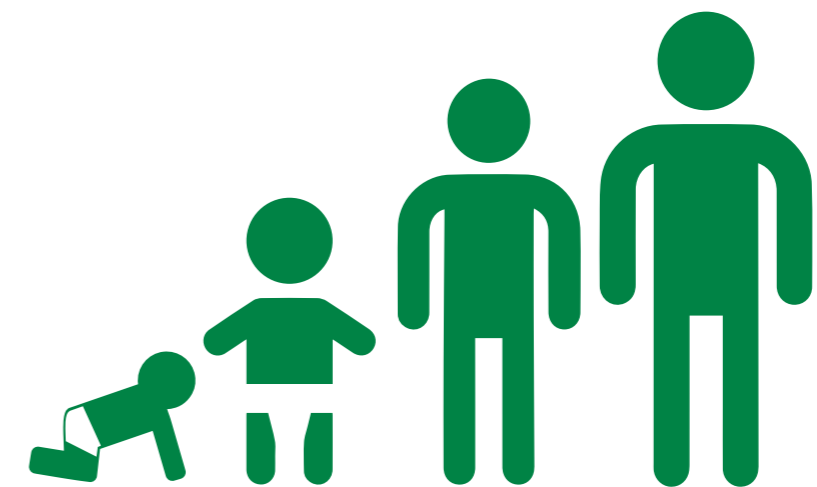
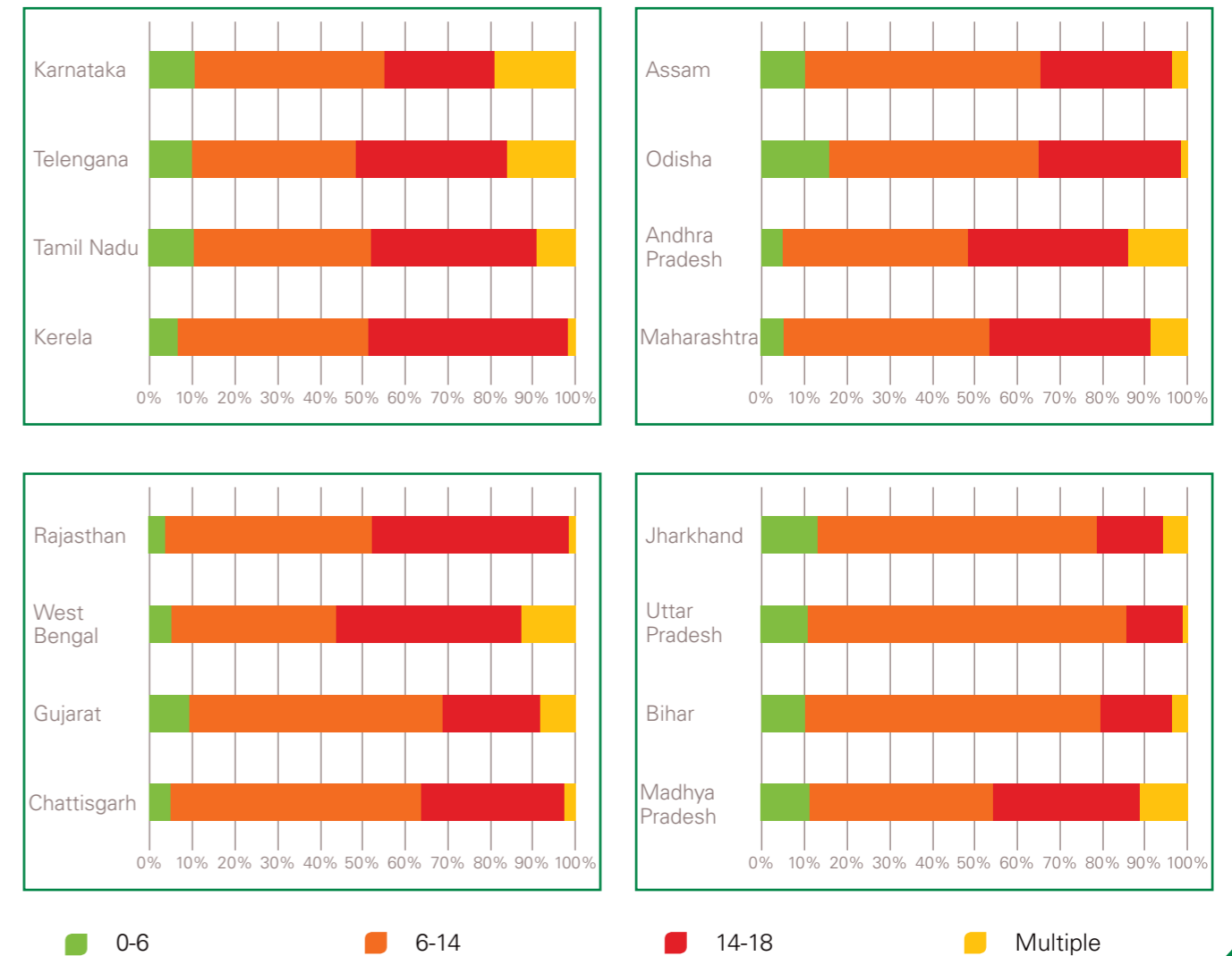
⁷ The states of Telangana, Andhra Pradesh and Uttar Pradesh data is less than seven years

Distribution of Total Child Expenditure across sectors



6. Children aged 0-6 years are facing under-investment and deserve higher public spending; adolescents also deserve greater attention in a few states. The highest share of child-related public spending goes to the age group 6-14 years, followed by the age group 14-18 years. The age group 0-6 years receives a relatively lower share of TCE and states like West Bengal, Rajasthan, Chhattisgarh, Maharashtra and Andhra Pradesh spend below 5% of TCE on this group despite their population share (within children aged 0-18 years) being much higher (nearly 28%).

Distribution of Total Child Expenditure across age-groups.





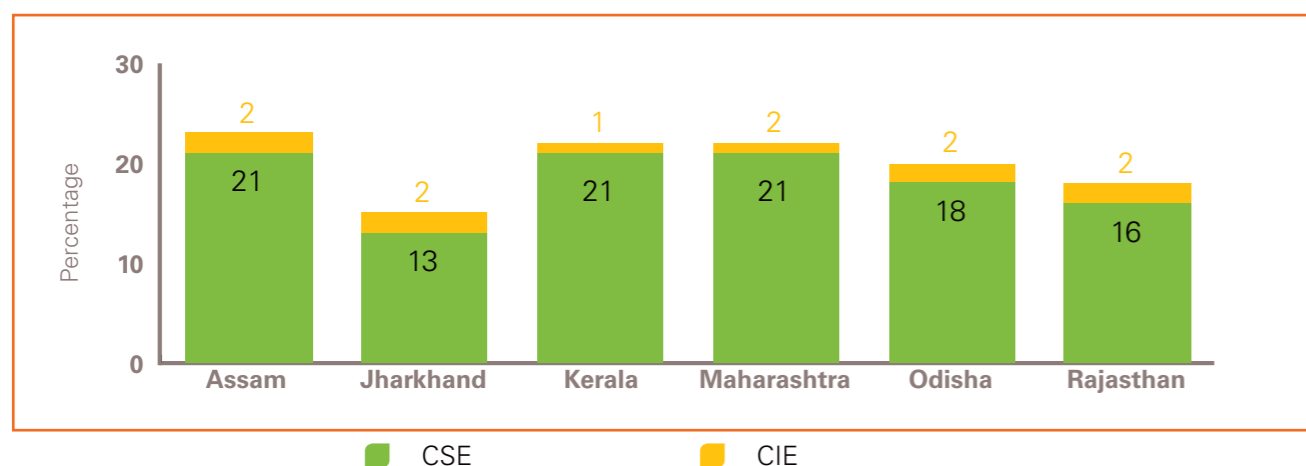
Analysing Full Public Expenditure on Children in six states: adding Child-inclusive expenditure to Child-specific expenditure

Adding CIE to CSE brings in some changes to the effort-level, trends, and patterns in the analysis of public expenditure for children. The analysis covered the period 2012-13 to 2019-20, with the last two years being revised estimates and budget estimates, respectively. The major changes that emerge are discussed below:

1 Increase in the expenditure as a proportion of TE of the state

The average CIE added was about 2% of TE for six states, which added to the CSE at 18% leads to FPEC at 20% of TE. The increase by way of CIE was 2% of TE for all states except for Kerala, where it was about 1%.

CSE and CIE as proportion of TE

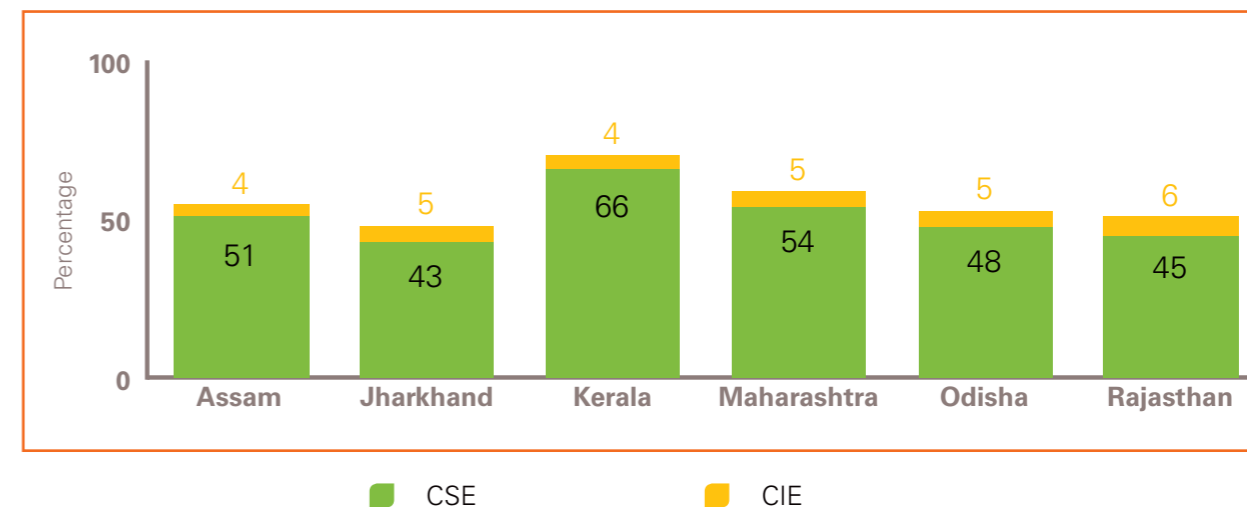


Note: CSE stands for Child Specific Expenditure, CIE stands for Child Inclusive Expenditure, and TE stands for Total Expenditure.

2 Increase in the expenditure as a proportion of Social Services Expenditure (SSE)

The increase by way of CIE was 5% of SSE for Jharkhand, Maharashtra, and Odisha while it was 4% in Kerala and Assam. Rajasthan recorded 6% addition by CIE.

CSE and CIE as a proportion of SSE

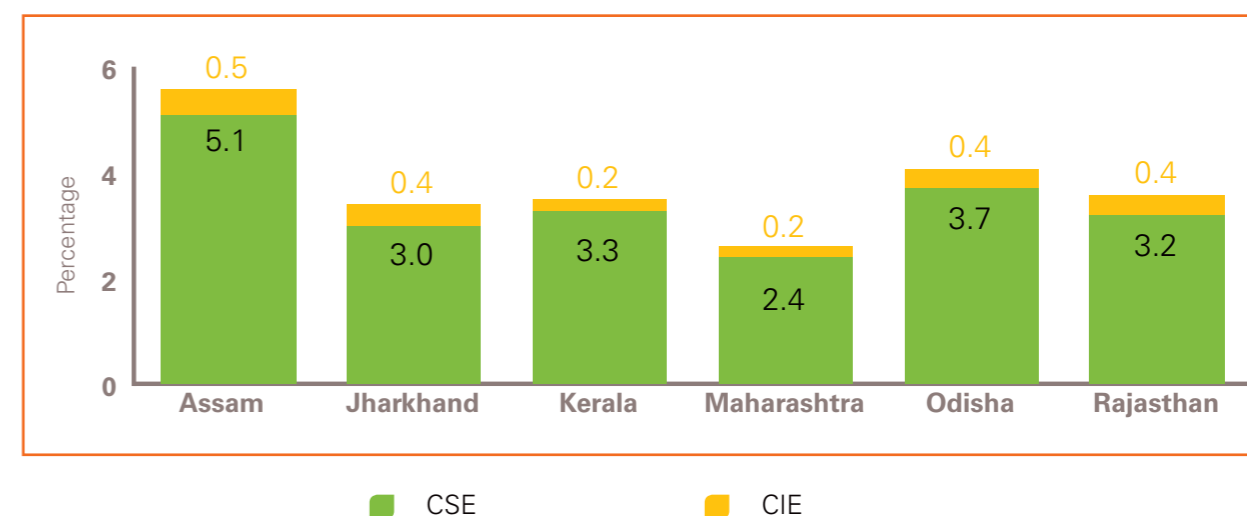


Note: CSE stands for Child Specific Expenditure, CIE stands for Child Inclusive Expenditure, and SSE stands for Social Services Expenditure.

3 Increase in the expenditure as a proportion of Social Services Expenditure (SSE)

The average CIE added was about 0.4% of GSDP for six states. The increase by way of CIE was 0.2% of GSDP for the states of Kerala and Maharashtra, while it was 0.4% for Jharkhand, Odisha, and Rajasthan. The state of Assam recorded 0.5% (of GSDP) addition by CIE.

CSE and CIE as proportion of GSDP

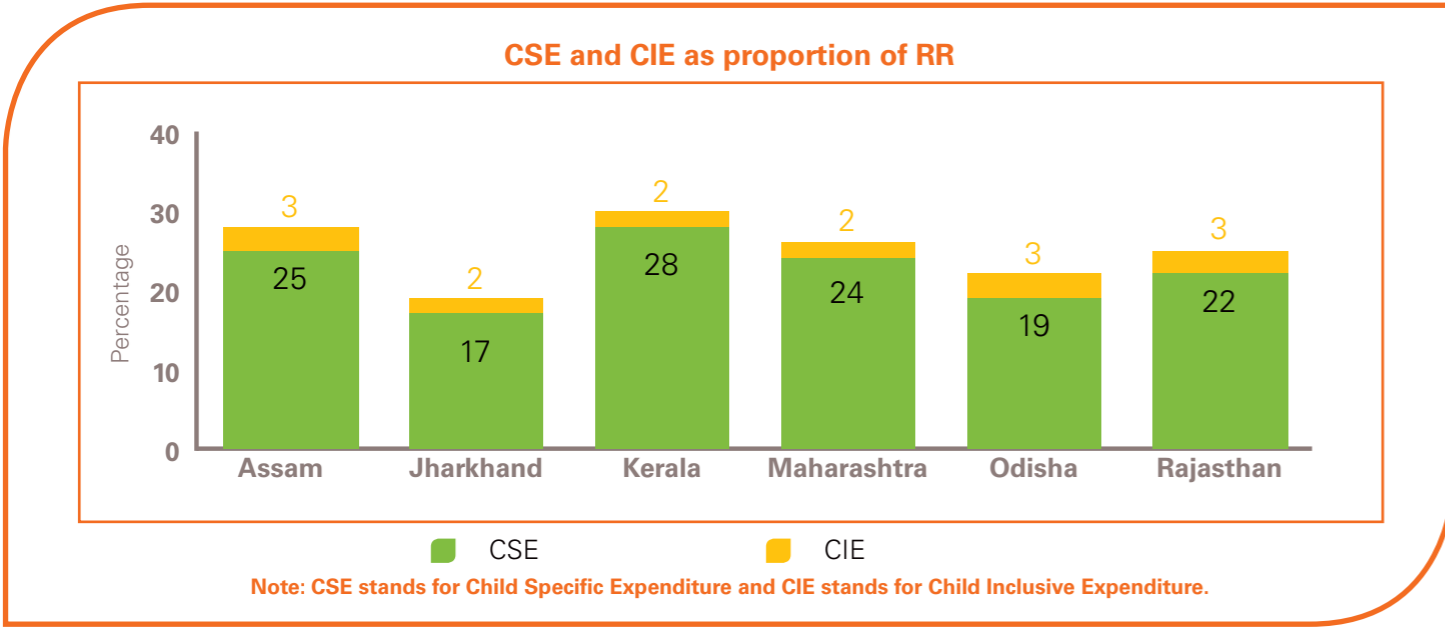


Note: CSE stands for Child Specific Expenditure, CIE stands for Child Inclusive Expenditure, and GSDP stands for Gross State Domestic Product (GSDP).



4 Increase in the expenditure as a proportion of Revenue Receipts (RR) of the State

The average CIE added was about 3% of RR for six states, which added to the CSE at 23% to arrive at FPEC which was 26% of GSDP. The increase by way of CIE was 2% of RR for Kerala, Maharashtra, and Jharkhand while it was 3% for Assam, Odisha, and Rajasthan.



5 Increase in the per capita expenditure

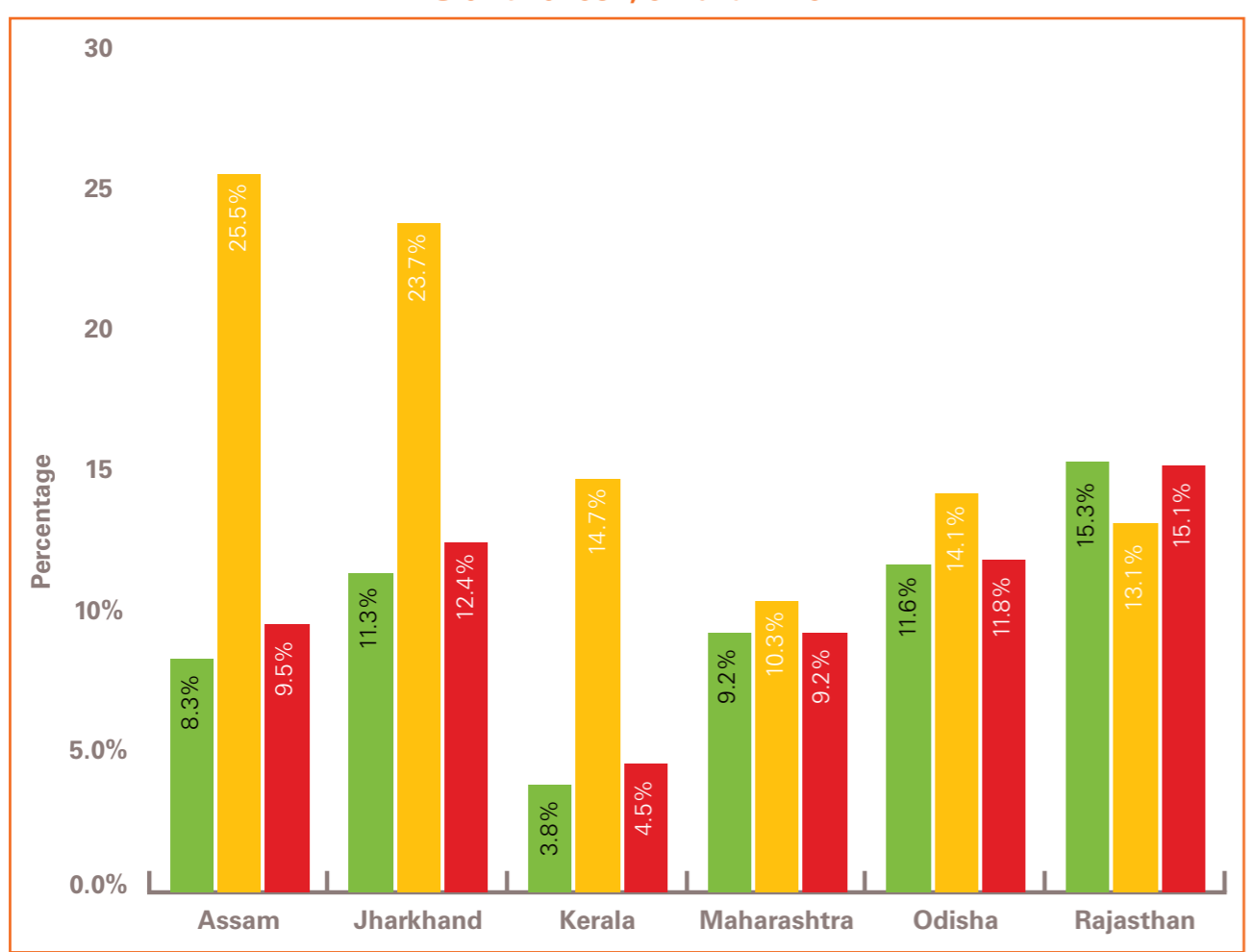
The average per-capita addition by way of CIE added was found to be about Rs 1,000 (rounded to nearest hundred) for all the six states. The addition of CIE as a proportion of CSE was highest in Rajasthan, followed by Jharkhand and Odisha, while the state of Kerala recorded the lowest. The per capita addition was highest in Kerala by absolute terms, which added Rs 1,300 by way of CIE. Maharashtra and Odisha added about Rs 1,100, while Rajasthan, Assam and Jharkhand added about Rs 1,000, Rs 900, and Rs 600, respectively. The per-capita FPEC was highest in Kerala at Rs 22,000 followed by Maharashtra (Rs 14,100), Assam (Rs 10,600) and Odisha (Rs 10,300), respectively. The per-capita FPEC of Rajasthan and Jharkhand stood at Rs 8,700 and Rs 5,200, respectively.



6 Growth of CSE, CIE and FPEC over years

The Compound Annual Growth Rates (CAGR) of CSE, CIE and FPEC for the period 2012-13 to 2019-20 was analysed. The growth of CSE was highest in Rajasthan at 15.3%, followed by Odisha and Jharkhand, while it was lowest in Kerala at 3.8%. The growth of CIE was highest in Assam at 25.5%, followed by Jharkhand and Kerala. The growth of FPEC was highest in Assam at 25.5%, followed by Jharkhand and Kerala. The growth of FPEC was highest in Rajasthan at 15.1%, followed by Jharkhand, Odisha, Assam, and Maharashtra, while the state of Kerala recorded the lowest growth at 4.5% which also has the highest per capita FPEC.

Growth of CSE, CIE and FPEC



Legend: CAGR CSE (Green), CAGR CIE (Yellow), CAGR FPEC (Red)

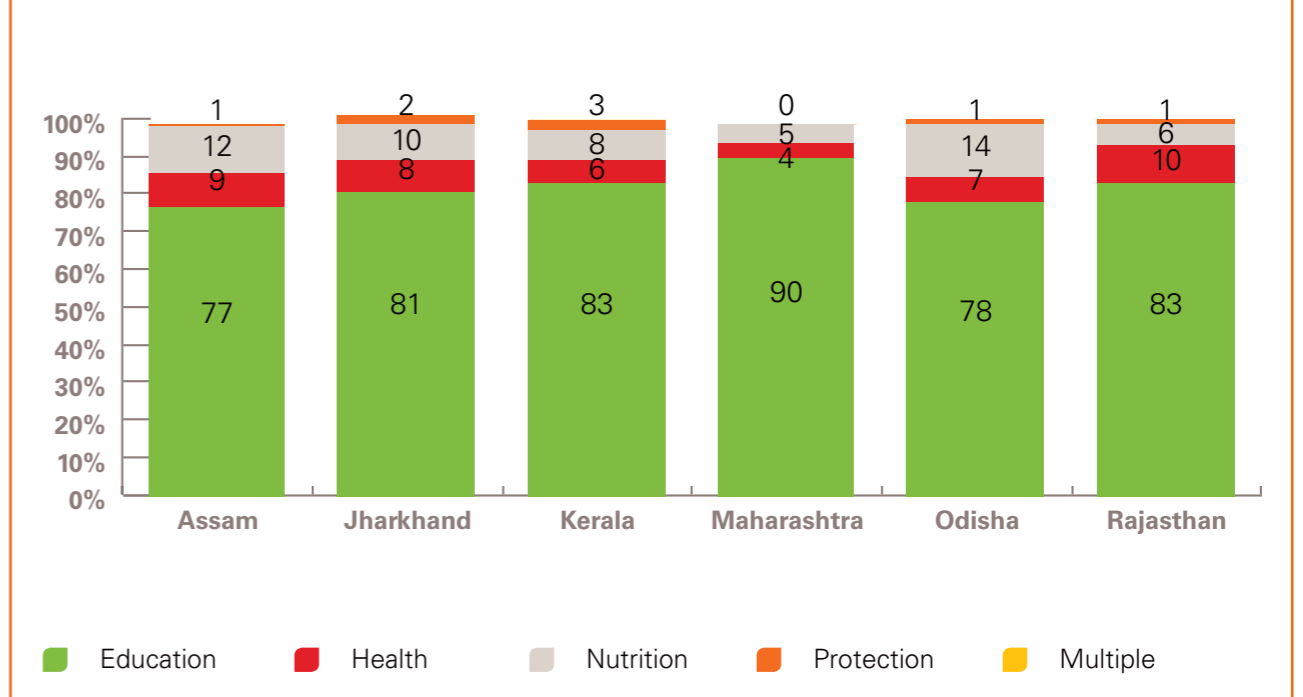
Note: CAGR stands for Compound Annual Growth Rates, CSE stands for Child Specific Expenditure, FPEC stands for Full Public Expenditure on Children, and CIE stands for Child Inclusive Expenditure.



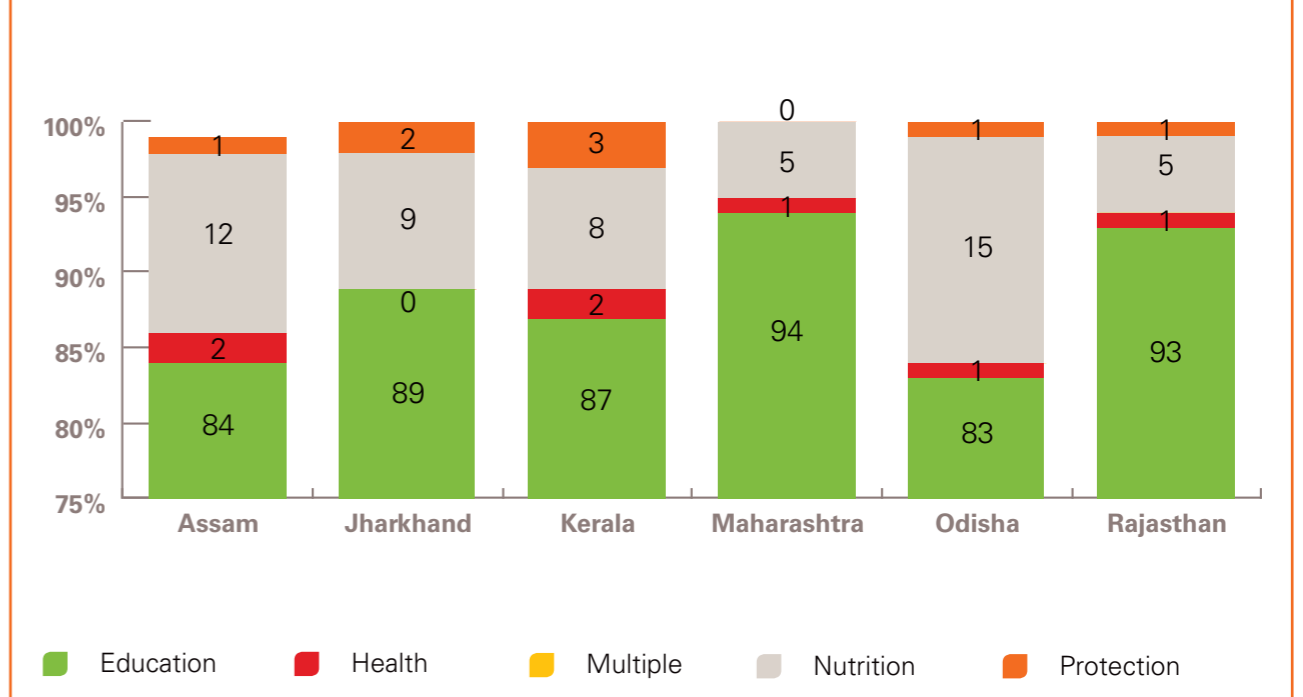
7 Share of sectors in CSE and FPEC

The share of sectors such as education, health, nutrition, and protection in CSE changed with the addition of CIE. The sectoral share in CSE and FPEC is presented below for comparison. The sectoral share of education and nutrition gets reduced owing to the increase of health sector share in FPEC. Health sector gets added in a big way through CIE. The share of protection and multiple sectors form miniscule proportions.

Sectoral share in FPEC



Sectoral share in CSE



Legend: Education (Green), Health (Red), Multiple (Yellow), Nutrition (Grey), Protection (Orange)

Note: CSE stands for Child Specific Expenditure, FPEC stands for Full Public Expenditure on Children.

8 Share of different age groups in CSE and FPEC

The age-group wise expenditure was highest for the age group 6-14 years, and the same trend continued in four states except for Kerala and Rajasthan, where the expenditure for the age group 14-18 years became either equally or more prominent. The other important impact through CIE was an increase in the expenditure under multiple age groups. This is largely owing to the increase in the health and education components of the CIE that largely fall under multiple age group category.

Share of expenditure by age groups in CSE and FPEC (CSE + CIE) (in %)

CSE	Age groups	Assam	Jharkhand	Kerala	Maharashtra	Odisha	Rajasthan
	0-6	10	13	7	5	16	4
	6-14	56	65	44	48	49	48
	14-18	31	15	46	38	33	46
	Multiple	3	6	2	8	1	1
FPEC	Age groups	Assam	Jharkhand	Kerala	Maharashtra	Odisha	Rajasthan
	0-6	8	6	4	5	14	3
	6-14	47	65	28	41	46	40
	6-14	29	16	53	39	29	42
	Multiple	16	13	14	15	12	15

Note: CSE stands for Child Specific Expenditure, FPEC stands for Full Public Expenditure on Children, and CIE stands for Child Inclusive Expenditure.

Other key policy implications emerging from Child Specific Expenditure (CSE) and Full Public Expenditure on Children (FPEC) analysis

1 Strategic and sustained investments on children needed; states need differential approach.

States like Odisha, Assam, and Chhattisgarh have managed to strike a balance across sectors and have strategically invested on children to achieve better indices. The analysis of the child development across states by E&E and H&N Index provides a clearer insight of the focus or lack of focus on a particular sector in a state. Karnataka stands third in E&E index but ninth in H&N index, clearly revealing the need for greater attention to the latter.

2 Historical under-investment calls for immediate attention.

Poorer states like Jharkhand, Bihar, UP, and Madhya Pradesh, despite spending a higher share of GSDP (up to 4%), have lower PCE, which also means they have low CDIA ranks. The relatively richer states like Maharashtra, Karnataka, Gujarat, Telangana, and Tamil Nadu have been spending only about 2% to 2.2% of GSDP but their PCE is much higher than the poorer states.

3 States with higher child population have lesser economic capacity, and vice versa

States with lower CDIA also have a relatively higher child population both in absolute and in proportion to total population. These states are also poor in terms of their capacity and also exhibit a higher dependency on the receipts from Government of India (e.g., Bihar, Jharkhand).

4 Investments in other sectors enable absorption and efficient utilization.

Apart from direct investments on children, certain other enabling factors also play a critical role in the absorption and efficiency of public expenditure on children. These enabling factors are water supply, sanitation, roads and transport, electricity, and communication. Water and sanitation are critical for nutrition absorption while road, transport, and electricity access are critical for education and empowerment.





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The brief has been prepared by Madhusudhan B. V. Rao and Jyotsna Jha. It is based on two research projects carried out by the Centre for Budget and Policy Studies (CBPS), Bangalore with support of UNICEF, New Delhi: (i) Child Specific Expenditure Analysis (CESA/ PF4C*) across 16 states and (ii) Full Public Expenditure Analysis (CESA + CIEA) across 6 of the 16 states.

The research team included Madhusudhan B. V. Rao, Jyotsna Jha, Siddarth, S., Sowmya, J., Lekshmi, P. T., Susmitha, M. V., Deepa, K. S., Shiboni S. and Abraham, S. M.

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*Public Finance for Children–Trends and Patterns: <https://cbps.in/wp-content/uploads/Public-Finance-for-Children-PF4C-across-16-Indian-States.pdf>