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Welfare Expenditure

Why in news?

The Union Budget 2023 was criticised over a decline in allocations for welfare schemes in real terms, at a time of post-COVID-19 recovery.

What is welfare expenditure?

- Welfare expenditure is expenditure on social welfare programmes that provide a social safety net to citizens and ensure basic rights, including livelihoods, health, nutrition and education.
- The budget 2023 indicates that it is the first time since 2009, that social sector spending is less than 20% of total government expenditure.
- The reduction in welfare expenditure is mainly due to *increased capital expenditure spending*.

What is the trend of welfare expenditure?

Hunger and malnutrition

- **Saksham Anganwadi and Poshan 2.0** - Aims to address child malnutrition and hunger.
- The expenditure on Saksham Anganwadi and Poshan 2.0 went down from 0.13% of GDP in 2014-15 to 0.07% in 2023-24.
- **Mid-day meal (MDM) scheme** - For improvement in class attendance, learning as well as nutritional outcomes and reduced stunting in children.
- The Budget allocation for mid-day meal scheme decreased by 50% as a share of GDP compared to 2014-15.
- **National Food Security Act (NFSA)** - Provides subsidised grains to over 80 crore people.
- For NFSA, expenditure as a share of GDP went to 0.65% this year from 0.94% in 2014-15.

According to National Family Health Survey (NFHS)-5, the percentage of anaemic is 67%, underweight is 32% and stunted children is 36% in India.

Healthcare

- The share of central health expenditure in GDP went up from 0.25% in 2014-15 to 0.30% this year but it is too little in a post-COVID world.
- **PM Matru Vandana Yojana (PMMVY)**- Provides maternity benefits as a conditional cash transfer of Rs. 5,000 to women in the unorganised sector
- The PMMVY Budget is yet to cross Rs 3,000 crore against the need of Rs 14,000 crore.
- **Out-of-pocket expenditure** - India's out-of-pocket expenditure on health remains much higher than the global average, pushing millions into poverty each year.

According to State of the World's Children report by UNICEF, India has the lowest vaccination rates in South Asia.

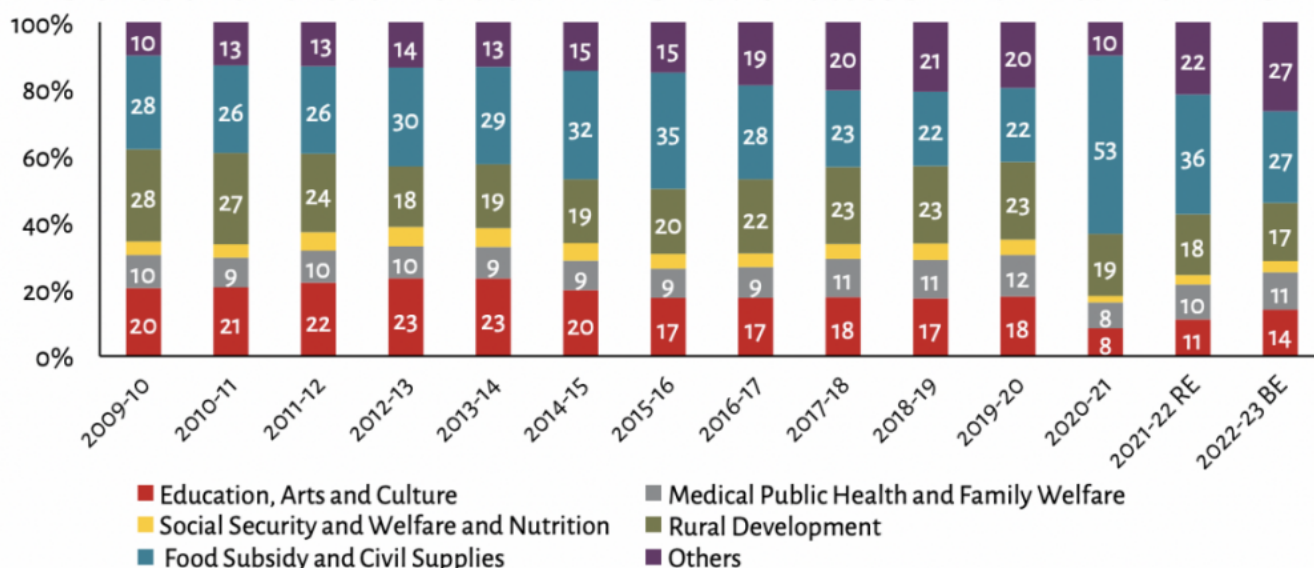
Education

- **School education** - As a share of GDP, central expenditure on school education (primary and secondary) has steadily declined from 0.37% in 2014-15 to 0.23% 2023-24.

Working class

- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** - Guarantees 100 days of employment to every rural household
- Expenditure of MGNREGA as share of GDP went from 0.26% in 2014-15 to 0.20% in 2023-24.
- However, since 2020-21, NFSA and MGNREGA allocations have declined rapidly as a share of GDP.
- **National Social Assistance Programme (NSAP)**- Provides pensions to elderly, widows, and disabled individuals below the poverty line and monetary assistance to families that have lost a breadwinner.
- Expenditure on NSAP as a share of GDP went down from 0.06% in 2014-15 to 0.03% in 2023-24.
- **Real wages** - Real wages of casual workers grew at less than 1% per year from 2014-15 to 2021-22 according to RBI data.

DISTRIBUTION OF SOCIAL SECTOR EXPENDITURES ACROSS DIFFERENT COMPONENTS



What are the impacts of reduced welfare expenditure?

- Major effects of reduced welfare expenditure includes
 - Lower economic growth
 - Lower rate of people coming out of poverty
 - Low human development index
 - Reduced economic activities
- Its result can be clearly seen in India's stagnant [Human Development Index](#) rank at 132 and rising malnutrition levels.

References

1. [The Hindu | Welfare Expenditure](#)
2. [The Wire | Trends Of Welfare Expenditure](#)



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