

## An Analysis of Expenditure on Relief on Account of Natural Calamities in India with Special Reference to Health Sector

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### Abstract

A **disaster** is a serious disruption occurring over a short or long period of time that causes widespread human, material, economic or environmental loss which exceeds the ability of the affected community or society to cope using its own resources. **Disaster Management** can be defined as the organization and management of resources and responsibilities for dealing with all humanitarian aspects of emergencies, in particular preparedness, and recovery in order to lessen the impact of disasters. Disaster management occupies an important place in this country's policy framework as it is the poor and the under-privileged who are worst affected on account of calamities/disasters. Under the Constitution of India, provision of immediate relief to the victims of natural calamities is the primary responsibility of the States. However, often the scale of a natural calamity combined with the economic and infrastructural abilities of the State Government create such a situation where assistance from the Central Government towards meeting the relief expenditure becomes necessary. Almost all the countries of the world incur expenditure on Health Sector. Social infrastructure is as important for the sustainable development as physical infrastructure. There is an increased divergence in terms of expenditure and development of health sector among India States. But the inter-state variations in the expenditure and development of health sector are not due to variations in Gross State Domestic Product. State Governments allocate small amount of funds to meet their social obligations because they need to strictly stick to Fiscal Responsibility and Budget Management Act. This requires rethinking about the criteria used for the devolution of resources from centre to state where a significant importance should be given to human development indicators. Even the status of special category states needs to be revisited. Efforts should be made by the Centre and State Governments collectively to ensure qualitative improvement in imparting medical facilities in both private and government medical institutes.

**Keywords:** relief, natural calamities, health sector

### Introduction:

A **disaster** is a serious disruption occurring over a short or long period of time that causes widespread human, material, economic or environmental loss which exceeds the ability of the affected community or society to cope using its own resources. Developing countries suffer the greatest costs when a disaster hits – more than 95 percent of all deaths

caused by hazards occur in developing countries, and losses due to natural hazards are 20 times greater (as a percentage of GDP in developing countries than in industrialized countries. No matter what society disasters occur in, they tend to induce change in government and social life. They may even alter the course of history by broadly affecting entire populations and exposing mismanagement

or corruption regardless of how tightly information is controlled in a society. **Disaster Management** can be defined as the organization and management of resources and responsibilities for dealing with all humanitarian aspects of emergencies, in particular preparedness, response, and recovery in order to lessen the impact of disasters. India has been traditionally vulnerable to natural disasters on account of its unique geo-climatic conditions. Floods, droughts, cyclones, earthquakes, and landslides have been a recurrent phenomenon. About 60% of the landmass is prone to earthquakes of various intensities; over 40 million hectares is prone to floods; about 8% of the total area is prone to cyclones and 68% of the area is susceptible to drought. In the decade 1990-2000, an average of about 4344 people lost their lives and about 30 million people were affected by disasters every year. The loss in terms of private, community and public assets has been astronomical. Disaster management occupies an important place in this country's policy framework as it is the poor and the under-privileged who are worst affected on account of calamities/disasters. Against this background, an attempt has been made in this paper to analyse the expenditure on calamity relief in India. Specifically, the study would focus on the following objectives:

**Objectives of the study:**

- 1 To examine the importance of Calamity relief Fund Scheme.
- 2 To analyse the expenditure on relief on account of natural calamities in India.
- 3 To analyse the expenditure of health sector in India.
- 3 To study the response of SDRFs and NDRF to Disasters.

**Database and Methodology:** The study has been conducted with the help of secondary sources of information as provided in the books, journals and newspapers. The secondary data available from various government and institutional resources like Central Government Receipt Budget; Indian Public Finance Statistics; Finance Account of State Government; Central Statistical Organization-Government of India; Economic Survey-Government of India; Reserve Bank of India – Bulletins were collected for the purpose of analysis, and results were tabulated.

**Calamity Relief Fund (CRF) Scheme:**

Under the Constitution of India, provision of immediate relief to the victims of natural calamities is the primary responsibility of the States. However, often the scale of a natural calamity combined with the economic and infrastructural abilities of the State Government create such a situation where assistance from the Central Government towards meeting the relief expenditure becomes necessary. Before the setting up of the CRF scheme (in 1990), during the occurrences of calamities, the State Governments used to approach the Centre with a claim for immediate financial assistance for meeting the expenditure on relief. The amount of assistance released from the Centre, however, was based on an assessment of the damage caused by the calamity and extent of help required by a Central Team which visited the calamity affected area for this purpose. As this whole process was cumbersome and time-consuming, the State Governments faced many hurdles in providing immediate relief to the victims of natural calamities. Also, under the Margin Money Scheme (meant for helping the States in meeting

expenditure necessitated by natural calamities) that was in operation all through the recommendation periods of II to VIII Finance Commissions, the amount of assistance given from the Centre was far short of what the State Governments actually needed. All these problems led the Ninth Finance Commission to recommend for setting up of the Calamity Relief Fund scheme for financing relief expenditure of States in the wake of natural

calamities. The main objectives of this initiative were to ensure that:

- 1 the assistance extended to the States is in accordance with their needs
- 2 the provision of relief to the victims is quick
- 3 the States have greater autonomy in the relief operations and
- 4 that the States are more accountable as well for their activities in providing relief to the affected people

Table 1: Expenditure on Relief on account of Natural Calamities:

Combined Revenue and capital expenditure of centre and state- (Rs. Crore)

Year	Relief on account of natural calamities	Total Expenditure	Total Non-Development expenditure
2011-12	7431	2105695	922761
2012-13	13760	2381434	1045650
2013-14	10933	2649263	1156287
2014-15	16595	2953311	1349620
2015-16	17047	3192794	1499758
2016-17	32538	3783712	1762643
2017-18	31387	4505509	2029986
2018-19	21067	4861640	2212064

Source: Indian Public Finance Statistics 2018-19

Table 2: Expenditure on Relief on account of Natural Calamities:

(As percentage of total)

Year	Relief on account of natural calamities as percentage of total expenditure	Relief on account of natural calamities as percentage of total non- development expenditure
2011-12	.35	0.80
2012-13	0.57	1.31
2013-14	0.42	0.94
2014-15	0.56	1.23
2015-16	0.53	1.14
2016-17	0.86	1.85
2017-18	0.7	1.55
2018-19	0.43	0.96

Source: Based on Table 1

As shown in table 1 and 2 it is clear that in last 10 years expenditure on calamity relief

fund varies from 0.35 to 0.86 as percentage of total revenue and capital

expenditure of centre and state government combined and 0.80 to 1.85 as percentage of total non-development expenditure of centre and state government combined.

### SDRFs and NDRF: Responding to Disasters

So, in India, states and the Centre share the responsibility of disaster risk financing, with states playing the main role in responding to such situations through relief, rehab and reconstrue. The allocation to SDRFs is decided by the Finance Commission, and the contribution is made by the Centre and states in a 75:25 ratio. For hilly areas, the Central government's contribution is 90 per cent. The allocation to SDRFs depend on factors, including expenditures incurred by states on disaster management, and area, population and risk people of individual states. The total allocation to SDRFs is Rs 28,983 crore for 2020/21, according to the 15th Finance

Commission, of which the Centre's share is Rs 22,184 crore. The Centre's share of SDRFs comes from home and finance ministries as part of their Budget allocations under the head - Relief on Account of Natural Calamity.

### National Disaster Response Fund:

The National Disaster Response Fund (NDRF), constituted under Section 46 of the Disaster Management Act, 2005, supplements SDRF of a State, in case of a disaster of severe nature, provided adequate funds are not available in SDRF.

### Expenditure on Health in India:

Expenditure on health sector is the most important indicator of the commitment of the Government regarding development of social sector of the country. Table 3 represent the trends in expenditure on health in India by General Government from 2014-15 to 2019-20 (BE)

Table 3: Trends in Expenditure on Health by General Government (Centre and State Government Combined)

Year	Expenditure on Health (Rs. Lakh Crore)	Expenditure on Health as % to GDP	Expenditure on Health as % to Total Expenditure	Expenditure on Health as % to social sector expenditure
2014-15	1.49	1.2	4.5	19.4
2015-16	1.75	1.3	4.7	19.1
2016-17	2.13	1.4	5.0	20.5
2017-18	2.43	1.4	5.4	21.4
2018-19	2.92	1.5	5.3	20.2
2019-20	3.24	1.6	5.3	20.5
2020-21	3.17	1.6	5.0	21.5
2021-22	5.14	2.2	6.9	26.6
2022-23 (BE)	5.48	2.1	6.9	25.7

Source: Government of India, Economic Survey, 2019-20, Volume 2, Ministry of Finance, New Delhi.

As is clear from Table 3 Expenditure on health has shown increasing trend since 2014-15. It has increased from 1.49 lakh crore in 2014-15 to 5.48 lakh crore in 2022-23(BE). Expenditure on health as percentage of GDP shows marginal increasing trend. Expenditure on Education as % of Total expenditure has increased from 4.5% in 2014-15 to 6.9 % in 2022-23(BE). Expenditure on Education as percentage of social sector expenditure has also increased from 19.4 % in 2014-15 to 25.7 % in 2022-23(BE).

#### **What to do next:**

Almost all the countries of the world incur expenditure on Health Sector. Social infrastructure is as important for the sustainable development as physical infrastructure. The above discussion shows that there is an increased divergence in

terms of expenditure and development of health sector among India States. But the inter-state variations in the expenditure and development of health sector are not due to variations in Gross State Domestic Product. State Governments allocate small amount of funds to meet their social obligations because they need to strictly stick to Fiscal Responsibility and Budget Management Act. This requires rethinking about the criteria used for the devolution of resources from centre to state where a significant importance should be given to human development indicators. Even the status of special category states needs to be revisited. Efforts should be made by the Centre and State Governments collectively to ensure qualitative improvement in imparting medical facilities in both private and government medical institutes.

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