Structural Adjustment: Economic Panacea or Development Ailment?

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Abstract

In the year 1991, India was on the brink of an economic collapse. Policies devised to maximise welfare through a 'direct attack' approach had raked up in conjunction with fiscal mismanagement, large debt to Gross Domestic Product ratios and ultimately a balance of payments crisis so cataclysmic that the nation's economy was on the verge of a collapse. It is out of this fiscal "nightmare" that the Government of India secured loans to the tune of $605 Million from the Bretton Woods institutions, with certain caveats. It is these caveats bannered under the name of "Structural Adjustment Programs" (SAP) that this paper has sought to examine. This paper, through a review of prevalent literature examines how SAPs have come to have a negative impact on social sector outlays. Yet, questions the degree to which these programs can be faulted in this regard, given that they intend to secure long-term economic health despite short-term losses. This paper examines the Kenyan experience of structural reform, using it to highlight the potential consequences of economic mismanagement coupled with adjustment programs. Through an analysis of social-sector outlays and outcomes, this paper raises questions about the extent and necessity of social-sector spending cuts in 1990s India.

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Context of reforms

During the years 1947 to 1991, India was renowned the world over for its staunch "Non-Aligned" approach to politics. However, revisionists, with the benefit of hindsight now clearly note that it was a nation with strong leftward ideological inclinations and a "socialist flavor" (Gupta and Sarkar 1994) to its policymaking. Eminent economist Jagdish Bhagwati illustrates this when he says India's economic planning "reflected…a socialist program" in which there existed "a dominance of the public sector" (Bhagwati). The policies of Jawaharlal Nehru, and the political class in general during the years 1947-1989 all focused on the issue of people's welfare through an extremely direct approach. As he lays out in his 1947 speech "Tryst with Destiny", made on the cusp of independence, Nehru pledges that he will strive to focus on "the service of India and her people and to the still larger cause of humanity." It is out of this pervasive ideological atmosphere, that policies devised to tackle human development and welfare in general through a direct approach became the norm and India began to descend into a period of profligate spending that was coupled with economic mismanagement and ultimately a colossal budgetary and balance of payments collapse circa 1989-1990.

Out this fiscal atmosphere India had to appeal to the IMF and World Bank for a loan in order to course correct what appeared to be an economy heading for a crash landing. Rather than standard procedure, India's foreign reserves had dwindled to such an extent that foreign financial institutions simply could not take the risk of leaving the collateral in India. With sixty-seven tonnes of gold being transferred to the Bank of England and Union bank of Switzerland, India was ultimately able to raise a total of 605 million United States dollars in order to replenish the nation's parched coffers. The case for this is certainly not peculiar, since India's central government fiscal deficit as a percentage of Gross Domestic Product was rising steadily, from 6.10% in the years 1980-81 to 8.4% in the years 1990-1991. In isolation, these figures are not perturbingly large. But since the government had to borrow money to correct these imbalances, it raked up an internal debt that grew from 35% in the years 1980-81 to a much larger 53%

of Gross Domestic Product by the year 1990.

Table 1

Year	Gross Deficit of Central Government	Percentage of GDP	GDP at Current Market Prices (Crore Rupees)
1980- 1981	8,299	6.10%	1,36,013
1984- 1985	17,416	7.53%	2,31,387
1987- 1988	27,044	8.13%	3,32,616
1988- 1989	30,923	7.80%	3,96,593
1989-1990	35,632	7.85%	4,53,986
1990-1991	44,650	8.14%	5,30,865

With such large gross debt to GDP ratios, foreign investors became pessimistic about India's future and ultimately began to withdraw investments in India during the late 1980s. The results are quite staggering with Foreign Direct Investment falling from $ 212,320,000 in the financial year 1986- 87 to 73,537,640 in the year 1991; a total decrease of 63% over the course of 4 years. Moreover, India's economic issues were further exacerbated as her "current account position also worsened" (Ghosh 2006) and the country's current account deficit as a percentage of gross domestic product averaged at 2.2% in the financial years 1985-1990 due to greater reliance on "foreign oil imports, vulnerability to oil price fluctuations, declining remittances from abroad, strong domestic demand (a result of public sector wage increases in the mid-1980s), and rising debt service payments" (Ghosh 2006).

This gloomy situation meant that the newly elected P.V. Narasimha Rao government needed to usher in a set of fundamental structural reforms in the economy. This was realised when in July of 1991 the government decided to restructure the economy and ultimately put in place a set of reforms that looked to deregulate the economy through the reduction of the "license raj". The effects of these programs has been well documented both in academic as well as the public circles. It is well known that welfare in general, through an analysis of common development and human development parameters such as gross domestic product per capita, the Human Development Index and literacy rates

have improved during the post reform years. What is not as well known is the effect that this ‘major shift’ in the economy had, in the short-term on the social-sector. Following in the steps of (Mooji and Dev 2004) this paper defines the social sector as the section under what is referred to as “Social Services” under the annual budgets. “Basically this means health, education, water and sanitation, housing, anti-poverty programs, employment programs” (Mooji and Dev 2004). This paper traces the effects that the IMF’s Structural Adjustment Programs in India had on the Social Sector during the years 1991-1998. Central to this question is the idea that whether cuts in the short-run even if they are beneficial in the long run, are justified as they leave out a certain section of society for a period time from breaking socio-economic barriers and improving their standard of living, thus resulting in less equity in the distribution of income. The paper will first look at the nature of structural adjustment by reviewing the prevalent literature on the topic. It shall then derive conclusions look using Kenya’s experience as a case study. After doing so this paper will look at the effects of the SAP on two key aspects of the social sector, education and health.

Methodology

This paper was primarily written on secondary data or in some cases raw data collected from various government web pages. The paper relied heavily on the annual budgets for indicator as to social sector outlays both plan and non-plan during the period in question. After the collection of this data, if it was unprocessed, it was tabulated and analysed. In the case of data that had already been processed the task was easier as the data just had to be analysed and no tabulation was required. The data was tabulated using Microsoft Excel. The same software was used to draw graphs for data analysis.

Introduction and a Review of Literature

The nature of structural adjustment has been well documented in peer review and academic journals after there was a sudden surge of such programs being implemented by the IMF in the late 1980s and early 1990s. "Structural adjustment programs consist of a set of economic policies designed to generate rapid and sustainable economic growth with macroeconomic stability" (Rono 2002) and became a prevalent instrument adopted by notable financial institutions such as the International Monetary Fund and World Bank to assist nations to develop rapidly. As Lawrence Summers notes in the American Economic Review, "the design of structural adjustment programs" have been "directed at the four '….ations' privatisation, stabilisation, liberalisation and deregulation". According Lawrence Summers structural adjustment has been "assisted and encouraged by the international community". This has lead certain economists to say that adjustment programs are a part of a global initiative to corner slowly growing, crisis ridden and debt distressed developing economies into following 'right wing' policies. Indeed, most often these are countries which are suffering "medium-term deficits that would jeopardise the attainment of development objectives" (Shams 1988)

SAPs constitute "a set of macro and microeconomic reforms" (Summers and Pritchet 2001). "Macro reforms are aimed at achieving price stability and sustainable internal and external balance" (Summers and Pritchet 2001). However, one of these without the other is incomplete as without the necessary "institutional reforms" to induce "efficient resource use" (Summers and Pritchet 2001) the full beneficial effects of the structural adjustment program cannot be harnessed. Adjustment programs focus on aiding the governments of ailing economies through the often-turbulent development process. Essentially structural adjustment programs aim to provide loans – much needed capital to the exchequer of slowly growing or poorly performing developing nations in return for money, to pay off debt. Such reforms have mostly included "the dismantling of price controls, the liberalisation of foreign trade and the reform or privatisation of state enterprises", "the reform of interest rate ceiling and the

reform of the financial sector". This is done with the hope of "better capital utilisation, higher public and private sector saving and hence higher investment" (Shams 1988). SAPs also often entail, "export promotion" which makes it possible to convert "domestic savings into foreign exchange" and "institutional reforms in the fields of debt management, central banking and taxation in the financial sector" (Shams 1988). All of the aforementioned measures intend to create a less regulated economy that performs with greater efficiency.

Previous research has highlighted that SAPs lead to either a reduction in social sector budgetary outlays or reductions in human development according to prevalent parameters such as infant mortality, gross domestic product per capita, the human development index and so on and so forth (Cornia, Jolly and Steward 1987; Kakwani, Makennen and der Gaag 1990; Steward 1995.) The global trend that has been noticed amongst countries that have adopted SAPs is that countries in the nascent stages of the development transition model cut spending in key areas of welfare and human development such as health and education. Many position papers on this issue contend that a decrease in welfare goes hand in had with the implementation of SAPs. The reason that is as Amartya Sen and Jean Drèze "have pointed out, is that India's central and state governments are surprisingly indifferent to primary education; therefore it is not politically difficult for them to cut social sector expenditures" (Tsujita 2005). Even the IMF and the World Bank have realised that SAPs had to be revised. "The IMF and World Bank both stressed that they introduced conditionality to social policies and programmes which they both said would be effective for increasing social sector expenditures in developing countries. (Jayarajah, Branson and Sen 1996; Gupta et al. 2000). This new conditionality indicated that a new generation of SAPs had emerged (Van der Geest 2001) which no longer overlooked the social cost of structural adjustment for targeted countries" (Tsujita 2005). However, a majority of SAP countries implemented programs that were before this phase. India, for example, was done with its structural adjustment in 1993 and therefore this development is not directly related to the topic under study. Economists Lawrence Summers and Lant Pritchett conclude that "adjustment lending lacks a

human face" as the poor have "suffered disproportionately from contraction", "government spending cuts have fallen on programs that help the poor that should have been protected" and thus "reforms have exacerbated income inequalities" (Summers and Pritchet 2001). While the two economists observe that in some respects the poor have benefitted namely due to changes in "relative prices", they realise that "insufficient attention has been paid to the quality of deficit reduction". World Bank economist William Easterly attempts to talk about the views opposing SAPs when he says "when the International Monetary Fund (IMF) and World Bank arrive in southern countries, corporate profits go up, but so do poverty and suffering. Decades of promises that just a little more "short-term" pain will bring long-term gain have exposed the IMF and World Bank as false prophets whose mission is to protect those who already control too much wealth and power" (Easterly 2003). A report published by the World Development Movement (WDM) says that "many developing countries suffered…sustained increases in prosperity, accompanied by dramatic increases in inequality and child poverty…under the auspices of IMF and World Bank adjustment programs"(Easterly 2003). The report further goes on to state "In country after country, structural adjustment programs (SAPs) have reversed the development successes of the 1960s and 1970s, with…millions sliding into poverty every year. Even the World Bank has had to accept that SAPs have failed the poor, with a special burden falling on women and children. Yet together with the IMF it still demands that developing countries persist with SAPs" (Easterly 2003). Undeniably there are extremely polarised views about the effects of adjustment lending on human development. To look at this issue in greater depth this paper will now examine the Kenyan experience as a case study.

Case Study: Structural Adjustment in Kenya

Structural Adjustment Programs in Kenya were ushered in 1988 and after 1991. After attaining Independence in the year 1963, Kenya, due to high prices of commodities and large foreign reserves saw rapid economic growth. Thus, Kenya in the first decade of independence seemed to be on the ascent and its population reasonably prosperous and optimistic (Swamy 1994). Gross Domestic Product was growing at a swift 6.6% a year. Moreover, the number of primary schools doubled between 1963 and 1983 while their enrolment rose almost five times (Rono 2002). "In secondary school education, the number of schools expanded by almost 14 times between 1963 and 1983, while the number of students rose from 30,100 to 493,700 in the same period" (Rono 2002). "Following independence, the government pursued a policy of attracting foreign investors to produce for the domestic and regional market. Multinational corporations such as Union Carbide, Firestone, United Steel, Del Monte, Schweppes, and Lonrho began producing in Kenya" (Gertz 2009). This success however, was going to be short lived as series of severe crises ended the period characterized by high economic growth and economic development that became known as the "golden years" (Rono 2002). As was the case with India the "thirst" (Were, Ngugi and Makau 2002) for policies of liberalisation was preceded by a series of economic crises. The first of these was the financial crisis that ensued from the 1973 oil crisis. Scoiologist Joseph Kipkemboi Rono notes that "since the increase of oil prices in 1973, the living conditions of the Kenyan people, as those of most African countries, have moved from bad to worse. In addition to the increase of oil prices the 1970s presented Kenya's economy with challenges and hardships as a result of the world recession that followed the economic crisis of 1970s" (Rono 2002). This economic crisis proved extremely harmful, due to Kenya's policies of import substitution, which, in conjunction with drought, famine and high levels of price fluctuation for key exports, resulted in low living conditions. Economic Mismanagement during this period also exacerbated the issue, since "instead of liberalising the economy, policymakers imposed policy controls that were characterised by controls on domestic prices, foreign exchange

transactions, interest rates and importation licensing" (Were, Ngugi and Makau 2002). This translated into "a balance of payments crisis in 1970–1971, which was exacerbated by the first oil shock two years later. In response to these challenges the government intensified import-substitution policies; tariffs increased and import licensing became more severe" (Gertz 2009). Like India would have to ten years later, Kenya needed to reform its economy, and went to the IMF for a loan.

"Kenya signed its first Structural Adjustment Loan with the World Bank in 1980, which was conditional on the government adopting more liberal trade and interest rate regimes as well as a more outward-oriented industrial policy. A number of government documents outlined a new direction toward openness and liberalisation in Kenya's trade policy; however, in practice few of these changes were actually adopted" (Gertz 2009). However, despite a lot of pressure from the World Bank and the International Monetary Fund, Kenya still practiced high trade barriers and thus was not adopting the necessary laisez-faire policies required to compliment structural adjustment. In the Kenyan context SAPs were applied in two ways: "the short run or microeconomic adjustment, which means basically adjusting to living within your means; and structural adjustment, which means changing the structure of our economy to enable your means to grow more rapidly" (Rono 2002). "The key ingredients of structural adjustment programs are based on an economic model of private ownership, competitive markets and an outward-oriented development strategy. Developing free and competitive markets and liberalising the price systems are necessary for allocation efficiencies" (Rono 2002). As mentioned previously, the SAP programs rely on the idea that if a nation cuts its spending as to live within its means in the short-run, it should gain in the long run. The issue is that in between these two phases social sector spending is often cut, due to its perceived lack of importance in the eyes of the electorate of a young, developing nation. Many papers (Rono 2002, Ikiara 1990, Mwega and Ndulu 1994, World Bank-UNOP 1993, Swamy 1994) have illustrated how structural adjustment has had a negative impact on the economy as a whole, for Kenya. These effects have been extremely detrimental

have led to the disenfranchisement of the poor through a skewed allocation of education, inflationary pressures and a reduction in employment (Rono 2002). But this view presented above is certainly not the consensus amongst economists and the situation that has come to develop cannot be solely attributed to Kenya's adoption of the Structural Adjustment, even though there is a correlation between the two.

From the Kenyan Experience many fundamental aspects of the necessary requirements for applying structural adjustment come to light. What happened in Kenya with Structural Adjustment in the early 1980s is almost the archetype of what not to do. The fact is that Structural Adjustment has to be applied in economies that have to have the necessary structural imperatives in place and if not the quality of human development should not be reduced, even if it is in the short run. There must be a "quality of structural adjustment", which (Summers and Pritchet 2001) must be focused on trying not to detract from such crucial areas of welfare and human development as education and healthcare. The second important point is that structural adjustment requires us to not only 'live within our means', that is, deficit reduction, but also to improve the delivery and quality of services. "Within Kenya, the impact of these programs has been a matter of controversy… they continue to be unpopular because they were accompanied by a series of conditions that were harsh and rapid. These conditions are based on economic models that do not fit the Kenyan social structure and conditions" (Rono 2002). This brings to the fore the notion that Michael Chussodovsky does in his book the "Globalization of Poverty" (Chussodovsky) which deals with adjustment in countries including the former Yugoslav republic. Many people feel that the SAPs did not take into account regional issues, tastes and preferences that is something that is required for any program to be success in a region, especially if it is ethnically diverse. Moreover, diving in 'head first' into reforms, many not be a prudent idea. In fact, it is important to remember that "quality" rather "quantity" is something policymakers should always keep in mind when trying to reduce expenditure, although in the best case both would be done. The Kenyan example leads into what happened in

the Indian sub-continent, an area, which suffered from many parallel development ailments and economic hindrances in the nascent stages of its development process.

Effects of Structural Adjustment on the Indian Social Sector

India was able to secure a loan from international financial institutions and the IMF in July of 1991 and started to rebuild her economy. The prevalent manner to study the effects of the IMF adjustment on the social sector is to look at social outlays and relate them to various alterations in social sector outlays. As highlighted in "Social Sector Priorities – An analysis of Social Sector priorities in India (Jos and Mooji 2001) "There are three ways of examining trends in social sector expenditures. The first is to look at social sector expenditure as a proportion of GDP, the second is to calculate it as a percentage of overall government expenditure, and the third option is to look at real per capita social sector expenditure" (Jos and Mooji 2001).

Table 2 (As used in Jos and Mooji 2001)

Table 2: Social sector (social services + rural development) expenditure by Centre and States, 1987-2001

Year	Social Sector Expenditure (Revenue + Capital)		
	As % of GDP	As % of aggregate public expenditure (revenue + capital)	Per capita expenditure (in Rs.), in 1993-4 prices
1987-8	7.74	25.29	562
1988-9	7.40	25.22	583
1989-90	7.64	25.19	633
1990-1	6.78	24.85	623
1991-2	6.58	24.28	599
1992-3	6.39	24.06	594
1993-4	6.46	24.58	623
1994-5	6.41	25.01	633
1995-6	6.40	25.95	675
1996-7	6.48	27.22	739
1997-8	6.60	26.95	789
1998-9	6.94	27.36	890
1999-2000 (R)	7.55	27.69	1027
2000-01 (B)	6.97	26.61	959

Notes: R = revised; B = budget.
Source: Estimates based on data from *Indian Public Finance Statistics*, GoI, 1995 and 2000-01.

The table above shows reductions in overall social sector expenditure both per

capita and as a percentage of GDP. Many pundits (Joshi 2006, Jos and Mooji 2001 and Gupta and Sarkar 1994) note the downsides of such outlays. In fact according to such arguments "any economic reform package that especially relates to compression in public expenditure will adversely affect the vulnerable sections of the society as this will lead to reduction in social sector spending" (Joshi 2006). From Table 2, we observe a consistent drop until the financial year 1995-96 when there is a gradual increment until 2000-2001 when the expenditure on the social sector final equals the pre-reform percentage.

Health sector expenditure break up as a percentage (Jos and Mooji 2004)

Health and Family Welfare											
Public health	13.0	12.9	16.6	16.6	18.0	17.7	19.7	18.9	16.4	14.1	14.8
Medical education	13.5	12.9	13.6	12.4	12.3	12.2	12.3	13.1	15.2	13.1	13.9
Rural family welfare	16.2	15.0	17.2	15.8	13.2	13.7	12.4	13.9	15.3	21.4	16.2
Maternal and child health	6.9	7.2	5.4	60.	6.3	11.0	11.9	13.6	15.3	13.6	15.2
Other services and supplies	21.8	21.9	21.1	26.2	28.5	23.1	19.5	17.6	16.5	17.9	20.2
Others[a]	28.6	30.1	26.1	23.0	21.7	22.3	24.2	22.9	21.3	19.7	19.6

The above table demonstrates that even in the key sector of Health and Family Welfare in "medical education" there is a steady fall but then there is a "U" shape in the graph as the percentage begins to pick up again. As a result structural adjustment seems to working for this sector in that short term falls (for as long as 3 to 4 years) are being experienced but larger long tern gains are also being made. For example in the case of "Rural Family Welfare" the percentage of total health sector expenditure increases to 21.4% thus even exceeding the pre-reform amount that is being spent. However such is not the case with the "Other services and supplies" section of the budget on health and as a result there is no parity, when it comes to increases and decreases in social sector expenditure in health. While there are increases past the pre-reform level there are decreases too.

Table 3 (As used in Joshi 2006)

Table 1: Government's Revenue and Capital Expenditure, Pre- and Post-Reform Periods
(as per cent of aggregate expenditure)

Period	Revenue Expenditure			Capital Expenditure			Aggregate Expenditure as Per Cent of GDP*
	Plan	NP	Total	Plan	NP	Total	
Pre-Reform (1981-82 to 1990-91)	13.16	53.96	67.12	20.98	12.41	33.39	21.1
Post-Reform (1991-92 to 2000-01)	14.02	63.78	77.80	10.80	9.87	20.67	20.36

Note s: (i) *The data on GDP at current prices is available till 2001-02. Provisional estimates of GDP at current prices have been used for 1996-97 and 2000-01 and quick estimates for 1989-90 and 2001-02.
(ii) **The percentages have been calculated by taking sum of absolute figures.

Sources:(i) Centre for Monitoring Indian Economy, *Public Finance*, Economic Intelligence Service, March 2002.
(ii) Government of India, *Economic Survey*, various issues.

Note that there is a "U" shaped trend in the data, which is compliant with the ideas of structural adjustment in the sense that, losses in the short are being recovered, but in the case of this period, it is not being exceeded. But as for the benefits of structural adjustment go, they are being received, as the economy has been deregulated and liberalised and is still being able to match the amount spent on the cusp of the reform period. But these figures show SAPs as having a weaker effect, whereas per capita expenditure on the social sector seems to have almost doubled. On the other hand, from table 3 we can observe that "the overall trend has been one of reducing capital plan and non-plan expenditure which does not augur well both for raising production capacity of the economy and for maintenance of existing schemes" (Joshi 2006).

Table 4 (As seen in Joshi 2006)

Table 3: Pattern of Public Sector Plan Outlay on Social Services*

(Rs crore)

	Outlay	Actuals
Pre-reform period		
Sixth Plan (1980-85)	14035.0	15917.0
	(14.4)	(14.5)
Seventh Plan (1985-90)	31545.0	34959.7
	(17.5)	(16.0)
Post-reform period		
Eighth Plan (1992-97)	79011.0	88806.7
	(18.2)	(18.3)
Ninth Plan (1997-2002)	183273.0	175214.8
	(21.3)	(22.9)**

Notes: (i) Figures in brackets indicate percentage to the total plan outlay.
(ii) *Social services include education, medical and public health, family welfare, housing, urban development and other social services.
(iii) **The actual outlay for the ninth plan has been arrived at by summing up actual annual plan outlays for some years (i e, 1997-98 to 2000-01) and budget estimates for others (i e, 2001-02).

Source: Planning Commission.

Table 4, "brings out the disturbing trends from plan outlay on social-services during the sixth and seventh plan period (coinciding with pre-reform period) and the eighth and ninth plan periods (coinciding with the reform period). Along with the above trend is also observed a tendency of shortfall in actual plan expenditures from approved outlays during the seventh plan period (Joshi 2006). The fact that "actuals" are exceeding outlays demonstrates the possible under allocation of resources under plan expenditure and the resulting requirement to spend more money on the social sector. To understand however, the larger implications of this action we must look at key areas of the Social Sector such as education.

Effects of Structural Adjustment on the Indian Education Sector

Education is a sector that is one of the primary determinants of precisely how well development human resources in a nation are. It is not unbelievable that many studies (UNDP 1990) have been able to correlate human development and education. Following the examples of a lot of the miracle tiger economies of Eastern Asia, people have come to develop different thoughts regarding the manner in which the state has played a role in the sectors. The true success of the tiger economies lies not in their ardent capitalism but in their steely resolve to carry through with economic reforms and economic targets (Summers and Pritchet 2001). Such is the basis upon which many papers (Jos and Mooji 2004, Joshi 2006, for example) contend that Indian spending on social sectors specially education has been far too low.

Table 5 (As seen in Jos and Mooji 2004)

Table 4: Central government expenditure on social sector (plan and non-plan) (as % of GDP)

	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97	1997 -98	1998 -99	1999 -00	2000-01 (R)
1. Education, sport, youth welfare etc.	0.30	0.27	0.25	0.28	0.28	0.31	0.29	0.33	0.38	0.34	0.36
2. Health and family welfare	0.22	0.21	0.23	0.25	0.24	0.22	0.20	0.21	0.23	0.24	0.25
3. Water supply, sanitation, housing and urban development	0.15	0.14	0.11	0.15	0.13	0.15	0.22	0.22	0.23	0.22	0.21
4. Information and broadcasting	0.08	0.06	0.05	0.05	0.05	0.05	0.04	0.06	0.06	0.06	0.06
5. Labour and employment	0.05	0.05	0.05	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04
6. Welfare of SC, ST and BC	0.06	0.06	0.07	0.07	0.07	0.07	0.06	0.05	0.05	0.05	0.05
7. Other social services	0.09	0.10	0.11	0.10	0.10	0.15	0.14	0.15	0.14	0.19	0.12
8. Total social services (1 to 7)	0.95	0.90	0.86	0.95	0.91	0.98	1.00	1.04	1.12	1.14	1.15
9. Rural Development	0.47	0.35	0.43	0.54	0.57	0.56	0.37	0.37	0.33	0.24	0.19
10. Basis Minimum Services (BMS)							0.18	0.19	0.21	0.21	0.23
Total (8+9+10)	1.42	1.25	1.29	1.49	1.49	1.54	1.56	1.60	1.67	1.59	1.58

Source: *Expenditure Budgets of GoI*, Vol. 1.

Much like with the figure under the general social sector outlays the figures for education are also decreasing and then increasing again, like the shape of an upward parabola. For example, expenditure on Education in 1990-91 is 0.30% of GDP but then hovers around 27% of GDP in 1991-1994 (rough estimate). "Education received 0.30% of GDP in 1990-91. This percentage declined marginally in the first two years of the reform period, and increased significantly in 1998-9 to 0.38. In the case of health, there were no significant changes in the percentages" (Jos and Mooji 2004). Some might believe that no change in expenditure is not a bad thing, especially since the economy is growing and therefore the actual outlay on health is increasing, but in fact this is not correct. It is only logical to deduce that with an increase in GDP per capita and economic growth (percentage increase in GDP per financial year) populations are likely to increase, especially in a nation like India was in the second stage of the development transition model at the time of the current economic reforms. Thus, with more and more people to cater to the economy/government must allocate more money to services that are catering to those people, to ensure a higher quality of standard of living and human development.

Table 6 (Jos and Mooji 2004)

Table 5: Percentage shares of major heads in social sector expenditure (Central government)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 (R)
1. Education, sport, youth welfare etc.	20.92	21.47	19.55	18.53	18.63	19.90	18.81	20.58	22.55	21.48	22.88
2. Health and family welfare	15.80	16.91	17.92	16.74	16.06	13.94	12.97	13.30	13.63	15.23	15.78
3. Water supply, sanitation, housing and urban development	10.28	11.43	8.20	9.84	8.99	9.63	13.94	1.57	13.91	13.60	13.29
4. Information and broadcasting	5.41	5.10	3.86	3.06	3.19	3.27	2.80	3.69	3.54	3.78	3.89
5. Labour and employment	3.59	4.37	3.61	4.10	2.93	2.78	2.77	2.31	2.42	2.74	2.65
6. Welfare of SC, ST and BC	4.32	5.13	5.08	4.40	4.95	4.39	3.93	2.98	3.13	1.18	2.94
7. Other social services	6.45	7.68	8.36	6.86	6.64	9.87	9.20	9.11	8.25	11.75	7.88
8. Total social services (1 to 7)	66.77	72.07	66.58	63.52	61.38	63.77	64.41	65.27	67.43	71.75	73.25
9. Rural Development	33.23	27.93	33.42	36.48	38.62	36.23	23.96	22.93	19.99	15.21	12.19
10. Basic Minimum Services (BMS)							11.63	11.80	12.58	13.04	14.55
Total (8+9+10)	100	100	100	100	100	100	100	100	100	100	100

Source: Ibid.

Apart from the anomalous year of 1992-93, outlays as a percentage of central social sector expenditure fell. From table 6 one can clearly see that outlays were only able to equal the quantity of the pre reform period eight years after the reforms. Though to any reader or researcher for that matter, these appear to be mere numbers, they are in fact representative of the quality of education that a person is receiving.

Graph 1 (As appeared in Panchmukhi 2000)

Chart 2: Average Annual Growth Rate of Per Pupil Expenditure on Education

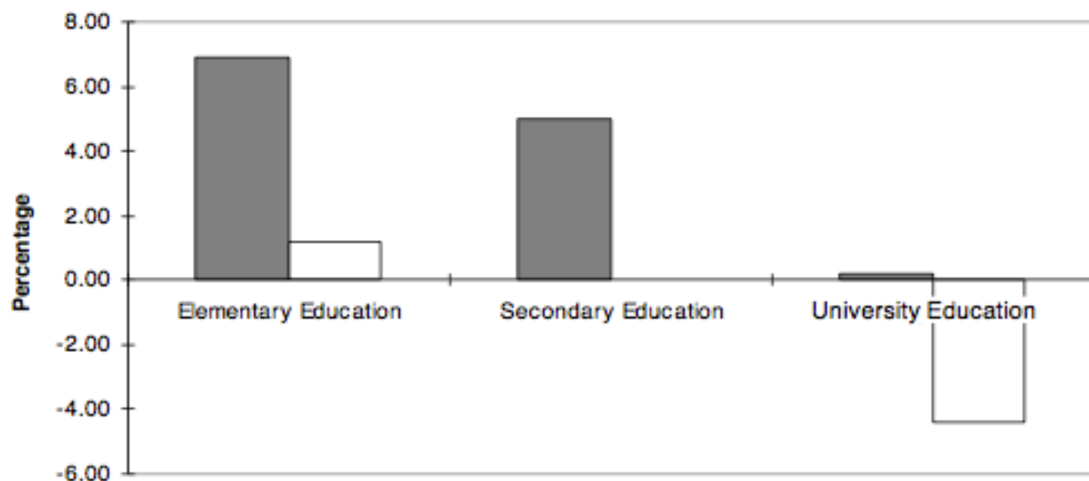

Table7 (Jos and Mooji 2004)

Table 1: Frequency of terms used in budget speeches

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Poor/poverty	7	22	7	4	3	30	20	9	3	12	15	7	6
Employment	23	10	12	6	12	18	5	8	14	19	8	4	7
Human development	0	2	0	1	2	2	1	2	1	7	5	2	1
Self-help (groups)	0	0	0	0	0	0	0	0	3	6	3	3	2
Empower (women, youth etc.)	0	1	0	0	0	0	0	1	0	8	2	3	3
Macro Credit/Finance	0	0	0	0	0	0	0	0	2	0	3	2	2
Equity/Inequality/ Distribution of income	5	7	1	0	0	1	1	0	0	0	0	0	0

Note: This table is based on a simple word count. In the case of 'poor', only references to 'the poor' were counted, and not references to 'the poor quality of our infrastructure', etc. In the case of 'employment', all uses of the word 'employment' are included. In the case of 'human development', we checked for the word 'human', and included all references to investment in (or enhancing) human resources, etc. In the case of 'empowerment', references to empowered committees etc. were not included. In the case of equity, only references to social/income equity were counted.

Graph1 demonstrates the average annual growth of expenditure on education per student. The grey bar represents the pre-reform and the white bar represents the post reform period. From this graph we can see serious falls in the growth rate of expenditure. This trend is in fact worrisome as it illustrates a fall in annual growth on per pupil expenditure in the post reform period, in the most vital part of the education sector, in terms of getting the populous at large ready for jobs, which is university education. Table 7, which notes the number of times phrases were repeated in budget speeches in the years 1990-2001, also shows the lesser value that had been put on the development of human capital, as the phrase "human development" has barely been mentioned, except in 1999. The fact that the word "employment" has been repeated so many times demonstrates the focus of the government being on jobs requiring lower skill levels such as those in manufacturing or agriculture. Purely, viewed in isolation, table seven suggests that there was greater focus

Table 8 (As seen in Joshi 2006)

Table 9: Percentage Allocation of Total (Centre+State) Budget for Education by Subsectors (Revenue Accounts)*

Years	Percentage of Total Budget Allocated for						
	Elementary Education	Secondary Education	Adult Education	University Education	Technical Education	Other Educational Programmes	Total
1991-92	46.3	33.1	1.2	13.0	4.3	2.1	100.0
1992-93	45.2	34.3	1.0	12.9	4.3	2.3	100.0
1993-94	46.2	33.1	1.2	13.3	4.4	1.8	100.0
1994-95	46.4	33.2	1.2	1.0	4.4	1.8	100.0
1995-96	48.3	32.8	0.8	12.3	4.1	1.7	100.0
1996-97	49.1	32.3	0.6	11.8	4.0	2.2	100.0
1997-98 (RE)	49.7	30.9	0.6	11.9	4.0	2.9	100.0
1998-99 (BE)	48.7	30.1	0.5	13.5	4.2	3.0	100.0

Note: *A large percentage of public expenditure on education is incurred on revenue account and the share of capital expenditure is negligible in education.

Source: Central Statistical Organisation, *Selected Socio-Economic Statistics for India*, 2000, Department of Statistics, Ministry of Finance, government of India, p 64.

on the attainment of a 'functional literacy' by which elementary education was valued most. Table 8, which demonstrates the break up (in percentages) of the total budget for education by subsectors, demonstrates this as in all the years for which the data has been collected the greatest percentage share is that of elementary education which has always maintained a share of the total education budget for both state and central government expenditure on education that is greater than 45%. On the other hand university education remains only at a 10% share of the entire budget for both states and the center. From the above graphs it is possible to note that "from the foregoing it is quite obvious that not only the educational sector but some of its subsectors too have suffered during the reform period so far as financial allocations to them are concerned" (Joshi 2006). Thus, according to many scholars the education sector on the whole has suffered as a result of adjustment. The issue for such claims however, will be the responses regarding outcomes in the education sector, by which people will discuss the fact that "literacy rate has increased from 43.57 per cent in 1981 to 65.38 per cent in 2001" (Joshi 2006). However, despite this perceived success, which can only be explained due to greater wealth in the economy as a whole and thus greater incentive for private players to enter, the fact remains that "we have 296 million illiterates in the age group of seven years and above. Gross enrolment ratio was 55 per cent in 1999 in India, but the high dropout rates which stood at 38.7 per cent for boys and 2.3 per cent for girls at the primary level in 1999-2000 (CSO 2000) make a mockery of the high 'gross enrolment ratios' reported" (Joshi 2006). Papers such as (Joshi 2006), highlight the fact that despite the suggestions of the Kothari commission (1966) and the New Policy on Education (1986) that education expenditure as a percentage of GDP should be 6%, the government has refused to act on this policy. Despite the fact that in the long run (post areas that this paper covers) literacy and other parameters that measure outcomes in the education sector increased, this is less than the potential that could have been attained through a greater emphasis of the "quality" (Summers and Pritchet 2001) of deficit reduction rather than reducing expenditure on such a vital merit good.

Summary, Conclusion and Recommendations

The aim of this study was to look at the effects of Structural Adjustment Programs in India. From the prevalent literature on the issue it is clear that there has been a negative impact on social sector performance for certain sections of the Indian populous. The Kenyan example demonstrates that haste in implementing economic reforms can have harmful effects. In particular disenfranchisement of the poor through a skewed allocation of education, inflationary pressures and a reduction in employment. It was noted, that nations have to exercise caution while cutting expenditure so as not to impinge upon the civic liberties of individuals reliant on government services for survival.

Yet, in the Indian scenario statistics provide no means of delivering a decisive verdict on the effect of structural adjustment. It can clearly be seen that if the data from most of the tables provided in the previous section were plotted, the curve would take the shape of an upward parabola. This provides evidence for the narrative that short-run budgetary cuts were necessary for long-term benefits. Nonetheless, such an absolute statement cannot be made. To some, it is still an injustice that individuals from less economically privileged backgrounds had to suffer at all with regards to their ability to break socio-economic boundaries, irrespective of the benefits of their loss to posterity. However, it can also be said that economic decisions always have opportunity costs and that each stakeholder cannot emerge better off after an economic policy has been implemented. This debate will continue until a fundamental question can be answered. Was it necessary for the government to cut funding for the social-sector? If further research is to be carried out on the issue, it must seek to understand how and why Indian policy makers came to implement adjustment in the way that they did.

Until an answer to these questions is presented it is hard to ascertain whether the Indian experience suggests Structural Adjustment Programs are an economic panacea or a development ailment.

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