To achieve the Sustainable Development Goals: Agenda 2030, the government of India has taken several steps to improve healthcare services. Public expenditure plays a crucial role in achieving the agenda of good health and well-being. While the public expenditure on healthcare in India has been quite low around 2.1% of GDP, various financial reforms have been made to improve the fiscal capacity of the states. However, the healthcare expenditure in India has neither been sufficient nor sustainable. The paper highlights that the centralized fiscal federal design in the Indian Constitution poses challenges to revenue generation and mobilization by the States. There has been a huge decline in the revenue-generating ability of the states from 1998-99 to 2020-21 which has reduced the fiscal autonomy of the states by making them dependent for 47% of their resources on the Centre. This declining fiscal autonomy of the states and increasing dependence on the centre for resources affect the public expenditure on healthcare which primarily is the subject matter of the state list. Thus, the paper suggests the need and ways for sustainable healthcare financing in India.

Keywords: SDG, Good Health and Wellbeing, Public expenditure, Healthcare financing, Agenda 2030, Prioritizing Healthcare.

1 Introduction

The members of the United Nations have adopted the agenda to achieve sustainable development goals by 2030. The 2023 report of the UN on Achieving SDG (The Sustainable Development Goals Report 2023) suggests that the universal growth in achieving the SDGs has slowed down due to the Russia-Ukraine war and economic crisis throughout the world. This calls for urgent action by member states. The rescue plan as suggested in the report puts an onus on the government to improve and strengthen the capacity, and accountability of the National and Subnational governments to achieve accelerated progress towards achieving the Sustainable development goals. This can be achieved by focusing on achieving SDG in the domestic budget however, the developing countries have fewer resources to make these goals a reality. It calls for strengthening the fiscal capacity. Peter Heller has found five ways to expand the fiscal capacity to improve public health expenditure by raising revenue, reprioritizing expenditure, borrowing, using seigniorage, and mobilizing external grants (Barney & Gupta, 2021). Governments need to prioritize and manage public expenditure effectively to maximize its impact on achieving the SDGs. This involves transparent and accountable budgeting, efficient allocation of resources, monitoring and evaluation of outcomes, and involving relevant stakeholders in the decision-making process. Additionally, aligning public expenditure policies with the specific targets and indicators of the SDGs helps ensure that financial resources are directed toward the most critical areas for sustainable development. Sustainable Development Report, 2022 suggests that India’s position has declined in achieving the SDG for three years consecutively. (ref. Fig 1) The decline of the rank is further attributed to the decline in the performance of states whose scores have dipped in the last 2 years. With only 7 years left to achieve the 2030 agenda, the trends indicate that the country is off-track (India’s SDG preparedness ranking continues to decline, 2022).
Figure 1 shows India’s score vis-à-vis government efforts and highlights the low commitment of the Indian Government towards attaining SDGs. One of the reasons that can be attributed to such a decline is the non-reflection of SDGs in the National Budget of India.

The Sustainable development goals are interconnected with each other which means that one cannot be achieved in isolation to another and the achievement of one will lead to improvement in another target. As SDGs 3 i.e. Good health and well-being have high synergies with other goals like good health leads to savings and a better employment rate thereby reducing poverty (SDG 1), further, good health reduces drop rates from schools thereby ensuring Quality education (SDG 4), Good Health and well-being also has synergy with SDG5 i.e. Gender equality, SGD 6 i.e. Provision of clean water and sanitation, SDG10 i.e. Inequalities reduction which means prioritizing good health and well-being (SDGs 3), achieving SDG8 (Grover and Singh, 2023) and will substantially help the advancement of other SDGs (Wong, 2021). The significance of good health and well-being has been identified in the Rio Declaration wherein Principle 1 states “Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.”, which was reaffirmed in Johannesburg 2018 (UN General Assembly Resolution, 2019). It has been affirmed by international precedents that an increase in public spending on health care to around 6% of GDP reduces out-of-pocket payments to 20% of total health expenditure. At present, India has low healthcare spending despite notable changes in the healthcare financing system (Sodani, Nair & Agrawal, 2023). Thus, India needs to spend more and spend better on the health of its people providing them with basic health services by increasing public health spending, which results in a corresponding reduction in out-of-pocket expenditures. Various studies have been conducted on the healthcare financing system in India however the correlation with the fiscal federalism design is understudied. The paper highlights the recent changes in the healthcare financing system in India in light of fiscal federalism. The paper further seeks to explore the role of public expenditure in achieving SDG 3 i.e. Good Health and well-being. The paper also delves into evaluating the government's priority in spending on the factors to achieve the 2030 Agenda. The paper finally provides a way to achieve the goal of sustainable healthcare financing.

2 Literature Review

The UN Agenda 2030 addresses multidimensional development however lacks the tools to attain the agenda due to many challenges. One of these is the issue of budgeting for the SDGs, in which policymakers have to decide how to allocate their resources among different government programs so that a set of predefined objectives can be attained within a certain time frame (Guariso, Castañeda & Guerrero, 2023). It is further affirmed by international organizations like the World Bank and IMF that development finance will lead to achieving sustainable development goals and sustainable financing plays a key role in implementing SDGs (Ziolo, Bak & Cheba, 2021).
The author highlights that the important factor behind South Asia’s mediocre performance in achieving the 2030 Agenda is limited fiscal resources and mobilization of domestic resources in achieving public spending on health and education (Asadullah, Savoia, & Sen, 2020). The scarcity of public health resources can be seen as a significant reason behind the poor health indicators in India which can be affirmed by India’s rank at the bottom among the BRICSAM (including Indonesia) countries in terms of the level of per capita public health spending (Mitra, 2014). Good Health and wellbeing have been considered central to the 2030 Agenda and therefore financing healthcare services and their sustainability is of utmost importance. Public spending on health facilitates preparedness for health emergencies and enables sustainable health and investment in health capital to ensure a more efficient allocation of resources (Sánchez, Chico & García, 2021). It was further observed by the author that there are countries whose health spending per GDP is increasing and studies suggest that health expenditure is positively correlated with a reduction in infant mortality rate (Barenberg, Basu & Soylu, 2017), maternal mortality (Akinkugbe & Mohanoe, 2009), chronic diseases (Becchetti, Conzo, & Salustri, 2017), and improvement in life expectancy (Jaba, Balan, & Robu, 2014).

A report by the OECD on the fiscal sustainability of health systems has discussed a challenge that most federal nations face while financing health care. The report highlights that in most of the OECD countries, the second level of the government or sub-national government has been entrusted with the responsibility to spend on public health where the health expenditure is 30%. However, India had a different experience when it came to spending on healthcare. The per capita expenditure on health increased however the expenditure on health as a percentage of GDP decreased from year 2000-01 to 2014-15. Similarly, the five-year plans also showed substantial variation in health expenditure thereby showing the decreasing priority given to the health sector (Sathanalakshmi & Malthi, 2017).

While the Government of India has acknowledged low spending on healthcare time and again, it becomes necessary to understand the pattern of subnational financing and financing on different factors of healthcare due to the vast diversity in India. The data shows that the state government incurs around 60% of the total health expenditure however continues to remain dependent on the Centre for the revenue (Rao & Choudhury, 2008). This dependency is high in the case of low-income states (Reserve Bank of India, 2020).

The literature review has very well established the proportional relationship between public expenditure and achieving sustainable development goals however, mere financing of the goal is not sufficient as there are various issues in financing the goals sustainably. Furthermore, every country's domestic fiscal policy is the reason for revenue generation and mobilization. The fiscal relationship between the Centre and the State is unique in its sense and has undergone various changes in the recent past due to the abolition of the Planning Commission and its replacement with NITI Aayog, the passing of the Fiscal Responsibility and Budget Management (FRBM) Act, with all the States forced to fall in line, the Goods and Services (GST) Act with the GST Council holding the controlling lever, the extensive use of cess and surcharges which affect the size of the divisible pool and so on have altered the fiscal landscape with varying consequences on India’s federalism. (Oommen, 2023) With these reforms, while the fiscal space of the states has shrunk, its impact on public expenditure especially from the perspective of achieving SDG is understudied. Furthermore, the existing literature review covers the impact of public expenditure on healthcare and suggests ways to improve the same, however, ways for sustainable healthcare financing are understudied.

### 3 Methodology and Main Content

**Fiscal federalism, Revenue generation and Mobilisation in India**

In India, Health is a subject matter of State List (Entry 6, List II, Indian Constitution) which means that the states have a primary responsibility to invest in the improvement of quality of healthcare services. Despite this, the Centre considers the subject matter of health as a matter of national importance and therefore has introduced various schemes to improve the same. There have been instances where the centre has been very influential in setting the state health agenda (Prinjia & Muraleedharan, 2022).

India is a centralized federation and therefore more revenue-generating power vests with the Union while more responsibilities have been given to the states. At the same time, the constitution of India has given a framework for fund transfers through tax devolution or in the form of grants however, the financial autonomy of the states remains crucial in discharging their responsibilities effectively (Vinodan & Kurian, 2022).

Since 2014, various fiscal reforms have taken place to increase the fiscal space and fiscal capacity of the states. The recent fiscal reforms in intergovernmental transfers by way of Finance Commission recommendations, the introduction of GST, and the restructuring of the centrally sponsored schemes make it pertinent to study its impact on healthcare services. The fiscal reforms were brought to improve the fiscal capacity and fiscal autonomy of the centre as well as states however the below figure suggests a different picture.
Fig 2: Percentage of Centre and State Revenue to total State Revenue


Fig. 2 compares the revenue generation of the centre and the states in 1998-1999 to that of 2020-2021 and shows an increase in revenue at the Central level however, the states have faced a decline in the state's own sources of generating revenue. The graph further highlights that around 47% of the state's revenue is generated from the centre in the form of tax devolution or grants. Furthermore, A significant transfer of grants to the states is in the form of centrally sponsored schemes thereby making the states dependent on the centre significantly. It is observed that the states with the highest per capita income can seek advantages of these schemes while the poorer states have lower institutional and fiscal capacity to meet the conditions attached to these transfers (State of state finances 2022-23). Due to the differing constitutional assignment of functions between the union and the states and with limited sources to generate revenue and increasing fiscal deficit, a contraction in public expenditure composition and fiscal priorities is likely to arise.

Public Expenditure and Healthcare Financing in India

Aligning its objective with SDG 3 of good health and well-being, India introduced the National Health Policy in 2017 which envisages “the attainment of the highest possible level of health and well-being for all at all ages, through a preventive and promotive healthcare orientation in all developmental policies, and universal access to good quality healthcare services without anyone having to face financial hardship as a consequence. This would be achieved through increasing access, improving quality, and lowering the cost of healthcare delivery.”

The Indian health system faces a major challenge of inequalities in health outcomes in different states which have been explored in a study supported by Oxfam India. However, the public expenditure (Union and State) combined as a percentage of the total GDP of the country is very low. A huge decline in public spending on health in the last 20 years with a slight increase in expenditure that can be observed after 2019, which can be attributed to the COVID-19 pandemic. (See Fig.3)
Instead of looking at healthcare spending in isolation, it is important to look at healthcare spending as a total expenditure. The percentage of expenditure to total expenditure incurred on healthcare services highlights the priority given to improving healthcare services in India. Though health spending has increased over the years but is substantially low when compared to other social services. Fig 4 clearly demonstrates the low priority given to the health sector as compared to all other social sectors.

Furthermore, the challenge to the Indian Healthcare sector is not only less expenditure but also interstate spending disparity in healthcare. The uneven distribution of resources between the states is an important cause of uneven health status. (ref. Fig. 5) This uneven distribution of resources can be attributed to the improper devolution of funds.
The disparity in health expenditure can be attributed to the distribution of tax revenues across states. Lower public spending on health is observed amongst states with lower fiscal capacities. The reason can be the inability of the central government to equalize the vertical and horizontal financial imbalances arising out of the constitutional design (Choudhury & Kumar, 2011).

Since 2014, the central government in India has launched various health-related schemes to prioritize the healthcare services in India like Swachh Bharat Abhiyan, FREE Drug and Free Tests Scheme, Pradhan Mantri Jan Arogya Yojana covering over 100 million people with health coverage, Pradhan Mantri Garib Kalyan Yojana and Atma Nirbhar packages provided during COVID-19 pandemic in the form of Centrally sponsored schemes to achieve the 2030 Agenda. However, despite the devolution of funds for these schemes to states, states have not been able to spend them well. Irrespective of the local requirement, the states are somewhat bound to spend on the nationally defined program reducing the state's efficiency because of the restrictive flexibility provided to states in spending their resources. This can be observed in the case of the National Health mission where lack of state autonomy led to low expenditure and the budgeted amount remains unutilized. The exclusion of states in setting down national priorities and decision-making leads to lower policy outcomes. Bringing in the state's perspective will fulfill local needs as well as national priorities and thereby translate the objectives of the schemes into on-ground results (Gangwar, 2020).

Health being a state subject, states must be able to formulate their policies to cater to their local needs. However, the Union plays an influential role in setting up a health agenda for states as well. The interference of the centre in state policies is to the extent that the centre funds only those schemes which align with the centre's priorities. One example can be the Indira Bal Swathy Yojana introduced by the government of Haryana where the state could not get funding for their scheme since the Central Government had conceived and planned the introduction of Rashtriya Bal Swasthya Karyakram (RBSK).

This clearly shows that the states require a strong political commitment towards the centre to generate revenue for their policies to run effectively. Still, there is less evidence of health-related political commitment to an increased share of health expenditure to total budgetary allocation.

Apart from health financing, another major challenge faced in India is budgetary allocation to healthcare. Around 9.6% of health expenditure is made on preventive healthcare out of which 63% is on health condition monitoring programmes. This means that there is little spending on the prevention of non-communicable diseases which accounts for 60% of deaths and 55% of the overall disease burden (Maurya & Asher, 2021). Despite health insurance schemes targeting the poor, the Indian government failed to reduce the out-of-pocket expenditure on health (Bowser, Jha, Bhawalkar & Berman, 2019).

Over the years, major public spending has been on tertiary and curative healthcare however, there is a need to strengthen primary healthcare. The combined spending of central and state governments is on health insurance programs that do not cover OPD care which is inherent to the primary healthcare services (Brundland, 2018). The funding programmes of healthcare are not sustainable as it is financed majorly through taxes. In this manner, the idea of increasing public expenditure is either not long-term or will increase the burden on the
people. This signifies sustainable financing of healthcare services by reprioritizing good health and well-being in government spending aligning it with national priorities and a stronger health system.

4 Result and Discussion

The government in India has played an important role in helping the states prioritize health and increase expenditure on healthcare services. National Health Mission has played a complementary role in enhancing state budgets on Health. The increased devolution by the 14th Finance Commission recommendation has increased the fiscal space for prioritizing health expenditure. The Central transfers to states have also enhanced with efficiency in transfers. However, such transfers will not automatically increase health spending and need a system in place. Fiscal space is essential to improve the outcomes in the healthcare sector but prudence in spending is more essential. The states still suffer from fiscal autonomy to achieve their local needs and thereby achieve the national and international agenda.

The healthcare sector as a whole requires political and governmental attention. Evidence suggests that the countries with lower GDP as compared to India spend more on public healthcare services. This demonstrates a clear political de-prioritization of health, relative to other social sectors. Therefore, a greater share of the total GDP is required to be invested in healthcare services. An increase in public expenditure on health care with in turn lead to more affordability of the healthcare services.

Another challenge that the state government faced was a lack of revenue and utilization autonomy due to the involvement and influence of the central government. Lessons can be taken from other jurisdictions and examples of imposing sector-specific taxes like clean energy fund, and education cess. Similar sector-specific cesses can be charged or a similar super fund for health can be made which can consist of contributions from the private sector and health cess levied by the state and utilized accordingly to cater to local needs and national agenda. Another way to boost the revenue can be the issuance of Health bonds by the state governments, which can be used to implement the state schemes on healthcare. This will create an additional fiscal space for the states which can be mobilised to prioritize healthcare. Moreover, fiscal autonomy to states can be granted while implementing centrally sponsored schemes by making flexible guidelines to suit the state requirements.

It is argued that merely increasing the financing for healthcare will not be sustainable until efficiency in spending is achieved. The evidence in India suggests that the biggest challenge is faced by the primary healthcare system in India and 95% of hospital cases can be easily treated at the primary healthcare level. The current lack of focus on preventive-promotive health has overburdened secondary and tertiary hospitals and led to inefficient and expensive health care (Financing Universal Health Coverage in India, 2016). Although the National Health Mission focuses on primary health care, primary healthcare services are inequitable in the country due to constraints about many factors like unavailability of human resources, unequipped infrastructure, etc. Therefore, government spending must focus on addressing these issues. As primary healthcare focuses on the prevention of diseases, spending on primary healthcare will fulfill the dual agenda of prevention and treatment of diseases will be fulfilled. Thus, prioritizing immunization and thereby prevention needs more focus.

Decentralization of function can help in better identification of the factors which require more attention and targeted financing can be achieved. Furthermore, another reason for high out-of-pocket expenditure on health is a lack of awareness and lack of trust in public healthcare services. Therefore, there is a need to create awareness and provide tax benefits towards health check-ups. Thus, financing for healthcare is insufficient to attain the 2030 agenda but sustainable financing of healthcare should be the goal. It is thus argued that there is a need for the government to focus on more equitable policy regarding increasing spending on healthcare services (Hasan & Pal, 2023) with proper targeting (Ruzima & Veerachamy, 2023).

5 Conclusion

Good Health and wellbeing of the citizens is a major driver of economic development of the country. In a developing country, the government plays a key role in keeping their people healthy by providing them with affordable and accessible healthcare services. Public expenditure on healthcare plays an important part in making government policies effective. The study shows that the healthcare spending in India is far below compared to other countries to achieve the sustainable development goals agenda of 2030. Therefore, the need of the time is to prioritize healthcare services and increase public expenditure on the same.

This thorough work has studied the impact of fiscal federalism on public expenditure on healthcare. It can be concluded that the fiscal reforms have led to budget constraints for the states and therefore, there is a huge decline in the autonomy of the states which ultimately impacts healthcare spending, health being a subject matter of the state. Sustainably financing healthcare is important therefore merely increasing the budget for healthcare services won’t be sufficient but expenditure must be increased on the right factors. The study, furthermore, suggests ways to improve healthcare not merely quantitatively but also qualitatively by targeting
specific sectors and prioritizing them as per the local needs. This can be achieved only when the states are given financial autonomy and flexibility to spend on the factors that require more attention in their states which will ultimately help in achieving the national agenda. As the one-size-fits-all approach is not yielding the desired and improved results there is a need for more precise techniques to achieve sustainable development goals (Singh, Sharma & Yadav, 2023).

This study also paves the way for future studies on the impact of fiscal reforms in achieving other sustainable development goals which can in turn help in achieving the 2030 agenda.

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28. UN General Assembly Resolution, A/RES/73/235, 2019


### List of Abbreviations

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<tr>
<td>UN</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GSDP</td>
<td>Gross State Domestic Product</td>
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<tr>
<td>BRICSAM</td>
<td>Brazil, Russia, India, China, South Africa and Mexico</td>
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<tr>
<td>IMF</td>
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<td>GST</td>
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