The creation of infrastructure facilities and social overhead capital are the pre condition for economic development. The private market economy is unable to provide them in developing countries like India. It is, therefore, become the main responsibility of the governments in developing countries. To provide all these facilities the governments have to spend large sums of money through public expenditure policies.
Economic and social objectives of the country are sought to be realized through appropriate approaches adopted in Public Expenditure. In fact, public expenditure has a multiplicity of objectives. The objectives of the public expenditure mainly consists of the acceleration of the rate of economic growth, equitable distribution of income, improving the living standards, stabilization of economic activity, balanced regional development in addition to the orthodox classical objectives of defence, maintenance of law and order.

Through Public Expenditure the Government aimed to achieve regional balance. In every State, there are some underdeveloped regions. Government Expenditure can be effective in bringing prosperity to such depressed areas through the allocation of greater proportion of public expenditure on different socio economic upliftment programmes and thereby ensure balanced regional development.

Public Expenditure programmes have large effects on the distribution of income. It re-distributes income both vertically and horizontally. Expenditure on the transfer payments (i.e. expenditure incurred on various Social Security Schemes, such as, Old age pensions, Veterans benefits, Unemployment compensation/relief, Sickness and invalidity benefits, Family allowances, Scholarships, Subsidies on Food and Housing etc) redistributes income vertically. All these expenditures add to the income of the recipients directly. The Government’s expenditure on infrastructure, drinking water supply and other social economic services affect the income distribution horizontally. Such Government expenditure provides benefits to the Society at large. In particular, expenditure on Education and Health services improves the educational and health standards of the people and makes them more active agents of production. Public expenditure can, thus, be used for augmenting production, reducing income inequalities, improving living standards, ensuring balanced regional development, maintaining law and order and for stabilization purposes.
Attainment of a “Welfare State”, has been the serious concern of the developing countries world over. The egalitarian objective is explicitly emphasized in their development programmes. The egalitarian objective seeks for equalization of opportunities to all. In the developing countries, therefore, public expenditures are assigned the role of not only accelerating rate of growth of the economy through appropriate resource allocation but also ensuring better distribution of income. While accelerating of the rate of economic growth the social and distributional aspects of public expenditure have also emerged as major policy objectives.

The lack of consumption levels is not only developing countries but of low levels of saving and investment. Increase in the levels of expenditure, especially, the investment expenditure is imperative to enhance the rate of capital formation, without economic development gets adversely affected. Private savings are very low in the earlier stages of development and hence the Governments usually must play a major role in accumulating capital. Investment in infrastructure, particularly during the early stages of development, is of crucial importance as it sets the framework for subsequent investments by both the private and public sectors. Furthermore, even in the later stages of development the private sector may not be able to generate the massive funds required to establish certain industries, despite their long-run profitability. The Government may also to create certain “Linkages” which allow the private sector flourish in the future. Lastly, the Government must often assist in the creation of human capital formation through education and training the labour force as it promotes higher productivity levels.

**Pattern of Public Expenditure**

In the federal structure of the country, revenue sources and the expenditure responsibilities between the Central government and the State governments have been well demarcated by the Constitution. It is recognised that the state major portion of expenditure responsibilities spanning over social and economic sectors. The revenue sources accruing to States not being sufficient to meet the expenditure
responsibilities and the consequent constitutional provision of devolution of resources from the centre and the issues like vertical and horizontal imbalances are well known and are not pursued here. Over the years the State governments have created plethora of public sector enterprises and have also the mandate in a democratic set up to create employment opportunity and are responsible for overall development of the State economy. Expenditure incurred by the States in India during 2000-01 accounted for 56.62 per cent of the combined total expenditure of the Centre, States and Uts. States play large role in providing basic services in the field of health, education, water supply and sanitary services, housing, electricity, transport and communication, agriculture etc. They have also the responsibility of maintaining law and order providing wide range of judicial services. Over the years, the Central government has intruded into State objectives by directly spending through Centrally Sponsored Schemes and Central Sector Schemes. These schemes have affected the resource allocation decision of States. The requirement of matching grants from the States for some of the schemes also put financial pressure and distorts the state priorities.

Concept of Social Sector

One of the main objectives of our planned development is to improve the quality of life of its citizens. Quality of life is multi dimensional, encompassing not only the economic opportunities available to the people but also the ability to take advantage of these opportunities, and the existence of living conditions, which permits the productive and healthy of life (K.C.Pant, 2003). The United Nations Social Summit held in Copen- Hagen in 1995, made a commitment to improve the quality of life of the people in all the regions of the World and India is one of the signatories to that commitment.

It is increasingly realized that the Human Development is a function of growth in Social Sectors Expenditure. For without there being an adequate budgetary provision to various social sectors to provide the basic facilities, such as, Education, Medical and Health facilities, Roads and Building, Nutrition, Rural
Infrastructure etc development is well-nigh impossible. It clearly underscores the importance of the development of Social Sectors in a Country/State/Region.

Social sector is gaining significance day by day after it has been accepted as a vital determinant of human development. Provision of primary education and basic health care facilities definitely increase productivity and in turn improve the living standard of the common men. So there has been always a case for increasing investment in human beings. Further, the UN agencies emphasize on social indicators such as life expectancy at birth and educational attainment of the individuals while calculating the Human Development Index for different countries of the world. Therefore, the development of human resources requires adequate investment in health care facilities, primary education, water supply and sanitation, housing, nutrition etc., and the State has a higher responsibility in providing these services to its citizens. But in the present liberalization era the role of state intervention is limited and policy changes at the Marco level support the case for minimal state intervention, which affect the quality of basic services. The budgetary constraints also put a serious pressure on allocations of higher resources to the development of human capital.

Social services include expenditure on education, sports, art and culture, health, water, sanitation, welfare of SC’s, ST’s etc. Expenditure in social services creates entitlements for the people and the poor people are the largest beneficiary when there is more investment on primary education, health and sanitation facilities and housing. Economic services constitute irrigation projects, agriculture and allied activities, power project, and rural development activity etc. Investment on economic services creates physical infrastructure such as roads, transport and other faculties as well as makes ground for establishing industries in the economy.
IMPORTANCE OF SOCIAL SECTOR

Since the late 1980's the development debate has witnessed repeated calls for restructuring of public expenditure in favour of social and physical infrastructure. The demands for reallocation came partly in response to the stabilization-driven efforts to capital deficit-financed public expenditure. In part the emphasis on budget reallocations in favour of the social sectors, especially, health and education came in response to greater recognition of human development, in its instrumental role in economic growth, as well as for its intrinsic value.

The trend was further reinforced by the World Bank's social conditionality with regard to public expenditure. In turn, a response of the critique of the failure of the international financial institutions to protect vulnerable groups and social spending during the stabilization process in the first half of the 1980's. In its expenditure reviews, the World Bank has repeatedly argued that governments should restructure their spending patterns in favour of the social sectors and more specifically in favour of basic social services.

The sole aim of the Indian planning since its inception in 1951 was to achieve human development. The emphasis during the First Five Year Plan was mainly on programmes such as community development, primary education and provision of basic health facilities such as primary health centres. This thrust, however, was not maintained in the subsequent two plans as maximization of growth took precedence over other goals. The Fourth Five Year plan (1969-74) focused attention on the poor and asset distribution as well as employment generation. So programmes were implemented to improve their income levels. It was only in the Fifth Five Year Plan (1974-79) that the Minimum Needs Programme (MNP) was incorporated into the plan document. The main elements of the MNP were provision of universal elementary education, minimum medical
facilities, safe drinking water to problem villages and several other aspects concerning housing electricity, transport and environment. The Sixth Five Year Plan (1980-85) laid down minimum norms for the elements included in the MNP, besides adding Adult education as an additional component.

In 1983, the goal of was aimed to achieve “Health for all” by 2000 AD and the National Health Policy adopted in the Seventh Five Year plan reiterated it. With regard to education, the main thrust of the Seventh Five Year Plan (1985-90) was on the implementation of the National Policy on Education (NPE) which was formulated in 1986. The National Literacy Mission was launched in 1988 in pursuance of this policy. The aim of the Mission was to impart functional literacy to 80 million illiterate people in the age group of 15-35 by the year 1995.

The 8th Plan laid a considerable emphasis on Social Sectors. In fact, the plan document states, “Human development will be the ultimate goal of the Eighth plan. It is towards this that employment generation; population control, literacy, education, health; drinking water and provision of adequate food and basic infrastructure are listed as the priorities. The provision of the basic elements which help development of human capital will remain the primary responsibility of the government.

The importance of social sector is gaining significance day by day after it has been accepted as a vital determinant of human development. Provision of primary education and basic health care facilities definitely increase productivity and it turn improve the living standard of the common men. So, there has been always a case for increasing investment in human beings. Further the UN agencies emphasize on social indicators such as life expectancy at birth and educational attainment of the individuals while calculating the human development index for different countries of the world. Therefore, the development of human resources adequate investment in health care facilities, primary education, water supply and sanitation, housing, nutrition etc and the State has a higher responsibility in
providing these services its citizens. But in the present liberalization era the role of state intervention is limited and policy changes at the macro level support the case for minimal state intervention, which affect the quality of basic services. The budgetary constraints also put serious pressure on allocations of higher resources to the development of human capital.

**OBJECTIVES OF THE STUDY**

To review the pattern of public expenditure on social sectors in Andhra Pradesh in order to assess the importance of state government in the development of social sector.

To examine trends in the social sectors expenditure in Andhra Pradesh during the pre and the post reform periods;

To assess the impact of social sectors expenditure on the human development in respect of Education, Health and Medical facilities and Rural Housing in Andhra Pradesh;

To evaluate the performance of various housing schemes implemented to assess the actual having requirement in the State; and

To suggest suitable measures to improve Human Development through social sectors expenditure in Andhra Pradesh.

**HYPOTHESES OF THE STUDY**

The share of Indian states in the expenditure on social sector in India has not been increasing.
The share of social sector expenditure in the total expenditure of Andhra Pradesh has not been increasing. The expenditure on social sector in Andhra Pradesh does not have any impact on the social indicators.

The state government has not provided adequate educational opportunities, medical and health facilities to promote fast growth of human capital formation in the state. The performance of the rural housing schemes implemented in the state has not been satisfactory in meeting housing needs of the people.

The study could prove that all the hypotheses as positive.

The following are the summary of observations that have been drawn from the present research study;

a. The growth rate of total public expenditure is lower during the post-reform period than that of pre-reform period, but it is higher than the growth rate of State Domestic Product at current prices in both periods.

b. While the growth rate of revenue expenditure declined, the growth rate of capital expenditure increased during the post-reform period.

c. The growth rate of non-plan expenditure is higher than that of plan expenditure during pre-reform period, but the reverse is true in post-reform period.

d. The growth rate of plan expenditure on capital account is lower than that of plan expenditure on revenue account during pre-reform period, but the reverse is true in post-reform period.
e. The growth rate of non-plan expenditure on capital account during pre-reform period was relatively lower when compared to the post-reform period.

f. Expenditure on rural development programmes, expenditure on Medical, Health and Family Welfare programmes are important factors for growth in plan expenditure on revenue account during pre-reform period, but their growth has declined during post-reform period.

g. Expenditure on Economic services and Social and Community services are the major contributing factors to the growth of development expenditure. While the growth rate of Social and Community Services marginally increased, the growth rate of Economic Services declined during post-reform period.

h. Per capita State Domestic Product, per capita State's Own Revenue and per capita transfers from the Center are the major determinants of public expenditure. These three determinants together determine more than 75 per cent of the variations in case of majority of the selected items of public expenditure during the period of the study.

i. The growth rate of public expenditure on Social services marginally increased during the post-reform period. However, while the growth rate of expenditure on primary health increased, the growth rate of expenditure of primary education declined during the post-reform period.
Specific observations on the basis of the data presented for the study period pertaining to the topic as such:

❖ Per annum growth rate in total expenditure of Andhra Pradesh on social services (Rev.Acc) was 2 per cent during pre-economic reform (1980-91) period, which has fallen latter on and was noted at 1.32 per cent during post economic reform (1992-2004) period.

❖ Per annum growth rate in total expenditure of Andhra Pradesh on social account (Cap.Acc) was 14.92 per cent during Pre-Economic Reforms (1980-91), which has reduced and stood at 13 per cent during Post-Economic Reforms (1992-2004). Total expenditure on social account has registered 14.65 per cent per annum growth during (1980-91) which has been almost the same even during post-economic reform period.

❖ Total expenditure of Andhra Pradesh Government on Education (Cap. Acc) has registered 16.91 per annum growth during 1980-91, which has declined sharply and was noted at 11.21 per cent during post-economic reform 1992-2004 period.

❖ In social services per capita, revenue and capital account expenditure of government of Andhr Pradesh stood at 12.93 and 12.65 per cent during pre-economic period while declined, marginally, and stood at 10.60 per cent and 14.60 during post-economic period respectively.
❖ Per capita expenditure (Rev. and Cap. Acc taken together) of Andhra Pradesh social services stood at almost same 12.91 per cent annual compound growth during pre and post economic reform period.

❖ Annual growth of per capita revenue expenditure of Andhra Pradesh on education was 14.19 during pre-economic reform period, while its sharply declined to 10.57 per cent during post economic reform period.

❖ Total per capita expenditure (Rev. and Cap.Acc taken together) of Andhra Pradesh on education stood at 14.23 per cent during 1980-91, while it has declined to 12.28 per cent during 1992 – 2004, i.e., post economic reform period.

The average values of Public expenditure ratio and Social Allocation Ratio have declined while those of Social Primarily Ratio and Human Priority ratio have increased during post-reform period

HUMAN DEVELOPMENT INDEX

The concept of Human Development throws light on total development of human beings by considering within its fold the improvement of economic, social, cultural, educational, health and civic conditions of human beings residing in a definite territory. Mere consideration of economic development and neglect of non-economic promotion of human beings cannot be regarded as development in true sense.

Per capita income is most widely used method for measuring economic development. Per capita income as an index of development has been widely criticized by Baur (1973) and as such is not a fit indicator for measuring human
resource developments. One important measure of human resource development is Human Development Index (HDI). The HDI has been constructed to reflect the most important dimensions of the human development. The HDI is developed following the UNDP methodology based on three indicators: longevity, as measured by life expectancy at birth; educational attainment as measured by a combination of adult literacy and combined primary, secondary enrolment ratio; and standard of living, as measured by GNP per capita (UNDP, 1995). Countries are ranked with PCI and human development index and the ranks are then compared with each other.

After examining the impact of selected items of expenditure on Social Services on different indicators of Human Development in Andhra Pradesh, it is useful to compare the expenditure ratios for human development used by United Nations Development Programme (UNDP).

An overriding priority of the Government of Andhra Pradesh since 1980 was to expand physical facilities to provide basic social services like Education, Health and Nutrition to all sections of the people, particularly the poor. Over the years, the physical infrastructure in terms of schools, primary health centres, and other facilities has expanded enormously and a variety of social and anti-poverty programmes have been introduced. An effort has also been made by the government to improve the design of this programme in the light of experience and to make social policies more responsive to the needs of the poor. There is no doubt that the access of the poor to social services has improved enormously and an average person in Andhra Pradesh is, at present, significantly better off than he was in 1990's. The best-known and internationally recognized measure of socio-economic progress is Human Development Index (HDI), which is computed annually by the United Nations Development Programme (UNDP).

The Human Development index is based on three indicators; longevity, as measure by the life expectancy at birth, educational attainment, as measured by
combination of adult literacy (two-third weight) and combined primary, secondary and tertiary enrolment ratios (one-third weight) and standard living, a measured by real State Domestic Product per capita.

For the construction of this index, fixed minimum and maximum values have been established for each of these indicators:

- Life expectancy at birth: 25 years and 85 years
- Adult Literacy: 0% and 100%
- Combined gross enrolment ratio: 0% and 100%
- Real State Domestic Product per capita: Rs. 900 to Rs. 4400

For any component of the Human Development Index, individual indices can be computed according to the general formula

$$\text{Index} = \frac{\text{Actual } X_i \text{ Value} - \text{Minimum } X_i \text{ Value}}{\text{Maximum } X_i \text{ Value} - \text{Minimum } X_i \text{ Value}}$$

The Human Development Index is a simple average of the life expectancy index, educational attainment index and adjusted real State Domestic Product per capita index, and so is derived by dividing the sum of these three indices by 3.

The UNDP’s Human Development Report 1991 introduced four expenditure ratio's which were considered necessary to analyze how public spending on human development can be designed and monitored. The four ratios' are:

- Public Expenditure Ratio (PER) - the percentage of National Income that goes in to public expenditure.
- Social Allocation Ratio (SAR) – the percentage of public expenditure earmarked for social services;
- Social Priority Ratio – the percentage of Social Expenditure devoted to human priority concern such as elementary education, preventive health care, nutrition, water supply and sanitation; and
Human Priority Ratio (HPR) – the percentage of National income devoted to human priority concerns. The HPR can also be expressed as the product of the other three ratio’s.

The Human Development Report 1991 provides norms for these ratio’s, the fulfillment of which is expected to lead to higher levels of Human Development. The norms are based upon the experience of a number of developing countries with respect to Human Development. According to the Report, the Human Priority Ratio may need to be around 5 per cent if a country or state wishes to do well in Human Development. This may be achieved in an efficient manner by keeping the Public Expenditure Ratio (PER) moderate (~around 25 per cent), allocate much of this to the social sectors (more than 40 per cent) and focus on the social priority areas (giving them more than 50 per cent). The fulfillment of these ratios is expected to lead to the higher levels of Human Development.

**Human Development Index for the State of A.P., an Inter-district comparison**

Investing in people is the Prime Motive behind various development and poverty alleviation initiatives. The United Nations Millennium Declaration of September, 2000 in its various development goals has well recognized that education, health and other sectors which offer and support social services, such as, housing, agricultural infrastructure and industrial infrastructure are the crucial components of development. Mere increase in the GDP growth rate does not always ensure enrichment of the quality of life. As such, concerted efforts are to be made to strengthen the social sector in order to promote sustainable development to empower the under privileged sections and weaker sections of population by increasing their access to education and health. The level of infrastructure attained in respect of the vital sectors, such as, agriculture, industry, economic, social and demographic have been examined to arrive at a Compressive Composite Development Ranking or HDI for the state of Andhra Pradesh as a whole. The Composite Development Ranking/HDI help in understanding the relative
development position of each district, excluding the Hyderabad district, in the state, vide Table:5.4. The ‘Rank’ here refers to the HDI.

As many as nine districts of the total 22 districts of Andhra Pradesh are lying below the state average HDI in respect agricultural infrastructure for the development agricultural in the state. From Table: 1, it is clear that 13 districts of Andhra Pradesh are placed above the State average rank. Surprisingly, three out of four backward districts of Rayalaseema – Kadapa (16), Kurnool (18) and Anantapur (20) are lying below the State average rank. The first rank is being occupied by West Godavari district and Prakasam, the last rank.

With regard to the industrial sector it is only five districts, including Chittoor district from Rayalaseema, are laying above the state average rank while 17 districts, including 3 out 4 districts of Rayalaseema – Aanantapur (12), Kadapa (15) and Kurnool (20) laying below the State average rank in respect of industrial infrastructure and industrial development in Andhra Pradesh, implying the fact that a vast geographical area remained as an industrially backward one in the State of Andhra Pradesh, vide Table:5.5. In this regard the first rank is being occupied by Nizamabad district and Ranga Reddy district, the last rank.

It is a matter of satisfaction to note that 13 districts, including three districts from Rayalaseema – Chittoor (5), Kadapa (7) and Kurnool (9) are laying above that State average rank in respect of the provision of economic infrastructure while 9 districts laying below the State average rank in this regard, vide Table:5.6. The very first place is being occupied by Ranga Reddy district and Adilabad district, the last rank. The provision of Social infrastructure is impressive as 14 districts in the State have laying below the State average rank while only 8 districts, including three districts of Rayalaseema – Anantapur (4), Chittoor (6) and Kurnool (7) are laying above the State average rank in respect of Social infrastructure, vide Table:5.7. The first rank is being occupied by Krishna district and Vijayanagaram district, the last rank.
The size of population has been steadily increasing in the State. As such, as many as 9 districts are laying above the State average Rank while 13 districts, including all the four districts of Rayalaseema – Kurnool (11), Kadapa (14), Anantapur (17) and Chittoor (18), are laying below the State average rank, vide Table:5.8. Here again as in the case of economic infrastructure, the first rank is being occupied by Ranga Reddy district and Adilabad district, the last rank.

Based on all the five Development rankings in the sectors of Agriculture, Industry, Economic infrastructure, Social infrastructure and Population, State’s Compressive Composite Development ranking has been arrived at, vide Table:5.9. From the table it is evidently clear that nine district including one district from Rayalaseema – Chittoor (6), are placed above the State average Development rank while 13 districts, including 3 out of 4 districts of Rayalaseema – Kadapa (16), Kurnool (18) and Anantapur (19), One laying below the State average Development rank in Andhra Pradesh. The very first composite rank is being occupied by West Godavari district and Mahabubnagar district, the last rank of 22 districts in Andhra Pradesh.

Nearly, 41 per cent of the districts are laying below the State average Development rank in Andhra Pradesh, implying the fact that there is an uneven development, leading to regional disparities in the development in the State.

The Social sector expenditure did not significantly resulted in the improvement of HDI in the State; there is a lot to aspire and achieve in this regard through the patronage of the Governments concerned.

The present study offers the following suggestions to hike measure in the component of expenditure on Social Sectors to improve HDI in Andhra Pradesh.
1. The Government of Andhra Pradesh should increase the developmental expenditure in order to develop the economy, because the developmental expenditure has a positive impact on the State Domestic Product and per capita income.

2. The Government should increase the expenditure on economic services, because it generates the required infrastructure facilities to the economy.

3. The Government should increase expenditure on Social services for the development of the economy in general and for the improvement of Human development in particular.

4. A serious thought is needed in Andhra Pradesh for continuation of the present policy and pattern of spending in the education.

5. The Government should increase the expenditure on primary health so as to provide more health facilities to the population of the state to improve the Human Development Index in the State. Further, the Government should create monitory and non-monitory incentives for the workforce in the primary health department to work in the remote areas where there is an acute need for their services.

6. The Government should enhance expenditure on housing programmes to provide shelter to the houseless population in the State.
CONCLUSION

Finally, it can be concluded that there is an urgent need for restructuring of public expenditure in Andhra Pradesh in favour of the expenditure on economic and social services - especially, irrigation, power projects, rural roads and transport among the economic services and education, health rural housing among the social services - in order to promote fast rate of economic development which directly results in the improvement of HDI, the prime need of the participating Country under the regime of LPG.