CHAPTER 6
SUMMARY OF RESEARCH FINDINGS AND SUGGESTIONS
The basic condition for economic development is the creation of infrastructural facilities and social overhead capital, which require huge investment. The private market economy is unable to create the needed economic infrastructure and social overhead capital in developing countries like India. The creation of economic infrastructure and social overhead capital, therefore, has become the main responsibility of the governments in developing countries. To provide all these facilities the governments have to spend large amount of money through public expenditure policies.

Public expenditure on economic services and social services is termed as developmental expenditure. Public expenditure on economic services such as agriculture, irrigation, electricity, industry, transport and communication is in the nature of investment, which adds to the fixed capital and expenditure on social services is necessary to provide the 'Merit goods' such as primary education, preventive health care, supply of drinking water and sanitation, which augment the stock of human capital in terms of better education, higher degree of skill and improved health. Public expenditure on economic services and social services, therefore, is imperative to enhance the rate of capital formation, because capital formation is a fundamental requirement for economic development.
The present study is a modest attempt to examine the "Growth and impact of developmental expenditure in Andhra Pradesh", one of the 26 States in India. The study takes the following as its objectives:

1. To analyse the trends in the components of public expenditure in Andhra Pradesh.
2. To examine the changes in the structure of developmental expenditure in Andhra Pradesh.
3. To study the impact of expenditure on economic services on the different sectors of the economy of Andhra Pradesh and
4. To study the impact of expenditure on social services on the human development in Andhra Pradesh.

The present study tested the following hypotheses.

1. The growth of developmental expenditure is lower than the growth of per capita income of the State.
2. There are no shifts in the components of developmental expenditure.
3. The expenditure on economic services did not improve the different sectors of the economy and
4. The expenditure on social services did not improve the human development in Andhra Pradesh.

The government of Andhra Pradesh accepted the building of a "Welfare State", based on the planned economic development as one of the basic elements of its public policy. As a result, the responsibilities of
the government of Andhra Pradesh have increased in many fields involving huge increase in public expenditure. The public expenditure in Andhra Pradesh increased from Rs. 1610 crores in 1980-81 to Rs. 14699 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.35 per cent. As population is an important factor influencing the growth of the government expenditure, it is interesting to observe the growth in the per capita public expenditure. Per capita public expenditure increased from Rs. 303 in 1980-81 to Rs.2010 in 1996-97 i.e. increased at an annual compound growth rate of 13.06 per cent during the period of study. As inflation (the growth in general price level) is also an important factor influencing the growth of the government expenditure, it is also interesting to observe the growth in public expenditure at constant (1980-81) prices. The public expenditure at constant (1980-81) prices increased from Rs. 1610 crores in 1980-81 to Rs. 3234 crores in 1996-97 i.e. increased at an annual compound growth rate of 4.16 per cent. The per capita public expenditure at constant (1980-81) prices increased from Rs. 303 in 1980-81 to Rs. 442 in 1996-97 i.e. increased at an annual compound growth rate of 2.09 per cent.

Like population and inflation, which influences the growth of public expenditure, State income (State Domestic Product) is another important factor influencing the growth of public expenditure. The public expenditure as a proportion of State income is, therefore, one of the most convenient indicators of showing changes in the government expenditure over a period of time. This also reflects the participation of the government in economic
activities of the State. The public expenditure as per cent of State Domestic Product (SDP) was 21.97 in 1980-81 and it declined to 20.36 in 1996-97. Further, the expenditure - SDP ratio was 22.39 per cent during the Sixth plan and it increased to 24.60 per cent in the Seventh plan, but it declined to 21.84 per cent in the Eighth plan of Andhra Pradesh. This indicates that the expenditure - income ratio has shown the lowest percentage in the Eighth plan of Andhra Pradesh. This is mainly because the State domestic product increased at a higher rate than public expenditure during the period of the Eighth Five Year plan of Andhra Pradesh.

Public expenditure in Andhra Pradesh has been classified into expenditure on revenue account and expenditure on capital account. Expenditure on revenue account deals with the expenditure on goods and services for current consumption, while expenditure on capital account deals with the expenditure on acquisition or creation of durable assets, as well as certain financial investments. Expenditure on revenue account increased from Rs. 1161 crores in 1980-81 to Rs.12050 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.57 per cent. Expenditure on capital account increased from Rs. 449 crores in 1980-81 to Rs.2649 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.48 per cent during the period of study. It is, therefore, clear that the growth rate of revenue expenditure is higher than that of capital expenditure, which may be considered as an unhealthy sign of public expenditure policy of the government of Andhra Pradesh. Slow growth in capital expenditure has low impact on the overall development of the economy of Andhra Pradesh.
With the inception of economic planning in India, in 1951, the revenue and capital expenditures of the government have come to be classified under plan and non-plan accounts. Since the government sponsored planning involves public investment under capital as well as revenue account, it was thought desirable to segregate plan expenditure from the non-plan expenditure. Thus, all fresh investments during a Five Year Plan under revenue as well as capital account come to be classified as plan expenditure. All other items of public expenditure which do not form part of the plan are included in non-plan expenditure. The economic distinction between plan and non-plan expenditure is that the plan expenditure indicate new investment on developmental programmes implemented by the government, while the non-plan expenditure represents the liability of committed expenditure on the government. The classification of all expenditure into plan and non-plan heads has enabled the government to clearly indicate new investment on various developmental programmes. From the point of view of public policy, the distinction is very crucial to assess the performance of the government in terms of expenditures on the new programmes. On the other hand, the separate classification of non-plan heads gives an indication of the nature and magnitude of maintenance expenditure of the government.

The plan expenditure of the government of Andhra Pradesh increased from Rs. 515 crores in 1980-81 to Rs. 3298 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.33 per cent during the period of study. Non-plan expenditure of the government of Andhra Pradesh increased
from 1095 crores in 1980-81 to Rs. 11041 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.73 per cent. It is, therefore, obvious that the non-plan expenditure increased at a higher rate than plan expenditure in Andhra Pradesh during the period of study.

The percentage contribution of plan and non-plan expenditures to total public expenditure indicate the changes in the structure of public expenditure of Andhra Pradesh. The share of plan expenditure in the public expenditure was 31.6 per cent in the Sixth plan, 30.1 per cent in the Seventh plan and 29.4 per cent in the Eighth plan of Andhra Pradesh. On the other hand, the share of non-plan expenditure in the public expenditure was 68.4 per cent in the Sixth plan, 69.9 per cent in the Seventh plan and 70.6 per cent in the Eighth plan of Andhra Pradesh. It is, therefore, clear that while the share of plan expenditure has been continuously falling, the share of non-plan expenditure has been continuously on the increase during the period of study.

Public expenditure has also been classified according to the way in which the economic resources are allocated by the government to various economic activities. For a better assessment of the impact of the public expenditure on different sectors of the economy, it is imperative to group them in terms of economic magnitudes such as the government consumption expenditure, gross capital formation, transfer payments to the rest of the economy and financial investments and loans to the rest of the economy.

The government consumption expenditure includes expenditure on wages and salaries, pensions and purchase of goods and services. The
consumption expenditure of the government of Andhra Pradesh increased from Rs. 429 crores in 1980-81 to Rs. 4777 crores in 1996-97 i.e. increased at an annual compound growth rate 14.8 per cent during the period of the study. The government consumption expenditure was around one-third of the total public expenditure in Andhra Pradesh during the period of study.

Gross capital formation by the government consists of the expenditure on the construction of buildings for the government departments, construction of roads and bridges and other construction works including machinery and equipment. The expenditure on gross capital formation increased from Rs. 343 crores in 1980-81 to Rs. 1140 crores in 1996-97 i.e. increased at an annual compound growth rate of 10.4 per cent during the period of study. However, its contribution to total expenditure has been declining continuously from 15.8 per cent in the Sixth plan to 12 per cent in the Seventh plan and further to 10 per cent in the Eighth plan of Andhra Pradesh. This indicates the inability of the government of Andhra Pradesh even in maintaining the gross capital formation on par with the growth in public expenditure during the period of study.

Transfer payments to the rest of the economy consist of current and capital transfers. Current transfers are the payments made towards interest on public debt, grants to local bodies and educational institutions, subsidy payments and other current transfers other than interest charges of departmental commercial undertakings. Capital transfers are the payments made to assist capital formation in other sectors of the economy such as local bodies, corporations and private institutions. The expenditure on
transfer payments increased from Rs. 576 crores in 1980-81 to Rs. 6992 crores in 1996-97 i.e. increased at an annual compound growth rate of 17.3 per cent. The share of transfer payments in the total expenditure continuously increased from 42.4 per cent in the Sixth plan to 48.9 per cent in the Seventh plan and further to 50.4 per cent in the Eighth plan of Andhra Pradesh. This enormous increase in transfer payments was mainly due to higher growth in interest payments and payment of subsidies during the period of study.

Financial investments and loans and advances to the rest of the economy include expenditure on investments in the share capital of the government undertakings and other concerns, loans and advances for capital formation and for current consumption. The expenditure under this item increased from Rs. 125 crores in 1980-81 to Rs. 835 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.8 per cent during the period of study. However, its share in the total expenditure of Andhra Pradesh was less than 10 per cent during the period of study.

It is therefore, clear that the expenditure on transfer payments was the largest item in the growth of public expenditure in Andhra Pradesh. Government consumption expenditure became the second largest item in the growth of public expenditure in Andhra Pradesh. On the other hand, expenditure on gross capital formation, financial investments and loans and advances to the rest of the economy lost their importance during the period of study.
Public expenditure can also be classified on the basis of the functions performed by the government. The functional classification of public expenditure would categorise the expenditure under such heads as general administration, social and community services, economic services, repayment of public debt and grants to local bodies and educational institutions.

Public expenditure on general services includes the expenditure on administrative services, fiscal services, interest payments, subsidies and other services. This expenditure increased from Rs. 307 crores in 1980-81 to Rs. 4292 crores in 1996-97 i.e. increased at an annual compound growth rate of 18.29 per cent. The share of this expenditure in the total expenditure increased continuously from 19.1 per cent in the Sixth plan to 21.0 per cent in the Seventh plan and further to 25.1 per cent in the Eighth plan of Andhra Pradesh. The highest growth in expenditure on general services was mainly due to the mounting interest payments and subsidies given by the government of Andhra Pradesh during the period of study.

The expenditure on social and community services includes the expenditure on education, public health, water supply and sanitation, women and child development, social security and social welfare. The expenditure on social and community services increased from Rs. 532 crores in 1980-81 to Rs. 5340 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.53 per cent. The share of this item of expenditure in the total expenditure continuously declined from 37.1 per cent in the Sixth plan to 35.7 per cent in the Seventh plan and further to 32.9 per cent in the
Eighth plan of Andhra Pradesh. It is, therefore, clear than the importance of expenditure on social and community services declined during the period of study.

The expenditure on economic services includes expenditure on agriculture and allied services, rural development, irrigation, power, cooperation, manufacturing, transport and communications etc. This item of public expenditure increased from Rs. 663 crores in 1980-81 to Rs. 4167 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.96 per cent. The share of expenditure on economic services in the total expenditure was 37.1 per cent in the Sixth plan, 37.8 per cent in the Seventh plan and 37.1 per cent in the Eighth plan of Andhra Pradesh. This indicate that the share of expenditure on economic services in total expenditure was almost the same in all the plan periods of the period of study.

Expenditure on repayment of public debt increased from Rs. 85 crores in 1980-81 to Rs. 807 crores in 1996-97 i.e. increased at an annual compound growth rate of 11.18 per cent. The share of this item of expenditure in the total expenditure declined from 5.0 per cent in the Sixth plan to 4.5 per cent in the Seventh plan and further to 3.4 per cent in the Eighth plan of Andhra Pradesh.

Expenditure on grants to local bodies and educational institutions increased from Rs. 23 crores in 1980-81 to Rs. 93 crores in 1996-97 i.e. increased at an annual compound growth rate of 8.12 per cent. The share of this item of the government expenditure in the total expenditure declined continuously from 1.3 per cent in the Sixth plan to 0.9 per cent in
the Seventh plan and further to 0.6 per cent in the Eighth plan of Andhra Pradesh.

It is, therefore, obvious that the expenditure on general services had the highest growth rate followed by expenditure on economic services, expenditure on social and community services, expenditure on repayment of public debt and the lowest growth rate was in relation to grants to local bodies and educational institutions.

As the State Governments in India have been assigned the duty to promote developmental activities, a distinction is made between developmental and non-developmental expenditures. This distinction is based on the broad functional classification of public expenditure adopted in the budget. Expenditure on economic services and social and community services together is called "Developmental expenditure". Expenditure on general services, repayment of debt, and grants to local bodies together is called "Non-development expenditure". The developmental expenditure is presumed to result in economic growth, while non-developmental expenditure is not directly related to growth of capital formation.

The developmental expenditure of Andhra Pradesh increased from Rs. 1195 crores in 1980-81 to Rs. 9506 crores in 1996-97 i.e., increased at an annual compound growth rate of 14.79 per cent during the period of study. However, the share of developmental expenditure in the total expenditure of the government of Andhra Pradesh has been falling from 74.1 per cent in the Sixth plan to 73.5 per cent in the Seventh plan and further to 69.9 per cent in the Eighth plan of Andhra Pradesh.
On the other hand, the non-developmental expenditure increased from Rs. 415 crores in 1980-81 to Rs. 5193 crores in 1996-97 i.e. increased at an annual compound growth rate of 16.72 per cent during the period of study. The share of non-developmental expenditure in the total public expenditure increased continuously from 25.9 per cent in the Sixth plan to 26.5 per cent in the Seventh plan and further to 30.1 per cent in the Eighth plan of Andhra Pradesh.

It is, therefore, obvious that the non-developmental expenditure has been increasing at a higher rate than developmental expenditure, both in absolute terms as well as in percentage terms to the total expenditure of the government of Andhra Pradesh during the period of study.

Developmental expenditure of Andhra Pradesh has been classified as expenditure on revenue account and expenditure on capital account. Developmental expenditure on revenue account increased from Rs. 858 crores in 1980-81 to Rs. 7747 crores in 1996-97 i.e. at an annual compound growth rate of 14.53 per cent. Development expenditure on capital account increased from Rs. 337 crores in 1980-81 to Rs. 1759 crores in 1996-97 i.e. at an annual compound growth rate of 15.40 per cent. It is, therefore, clear that developmental expenditure on capital account increased at a higher rate than developmental expenditure on revenue account during the period of study.

The share of revenue component of the developmental expenditure increased from 77.86 per cent in the Sixth plan to 81.21 per cent in the
Seventh plan, but it declined to 73.82 per cent in the Eighth plan of Andhra Pradesh. On the other hand, the share of capital component of the developmental expenditure declined from 22.14 per cent in the Sixth plan to 18.79 per cent in the Seventh plan, but it increased to 26.18 per cent in the Eighth plan of Andhra Pradesh. Hence, it can be inferred that there was a clear shift in favour of the revenue component of developmental expenditure in the Seventh plan and in favour of the capital component of developmental expenditure in the Eighth plan.

Developmental expenditure of the government can also be divided into plan and non-plan components. Plan component of developmental expenditure comprises the plan expenditure on social and economic services. Non-plan component of developmental expenditure comprises administrative expenditure on the completed plan projects on social and economic services, welfare expenditure, transfer payments and subsidies.

The plan component of developmental expenditure increased from Rs. 510 crores in 1980-81 to Rs. 3260 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.30 per cent. The non-plan component of developmental expenditure increased from Rs. 685 crores in 1980-81 to Rs. 6246 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.04 per cent. It is, therefore, obvious that the non-plan component of developmental expenditure increased at a higher rate than the plan component of developmental expenditure during the period of study.
The share of plan component of developmental expenditure declined from 42.36 per cent in the Sixth plan to 40.13 per cent in the Seventh plan, but it increased to 41.64 per cent in the Eighth plan. On the other hand, the share of non-plan component of developmental expenditure increased from 57.64 per cent in Sixth plan to 59.87 per cent in the Seventh plan, but it declined to 58.36 percent in the Eighth plan of Andhra Pradesh. This indicates that the non-plan component of developmental expenditure not only increased at a higher rate than plan component, but also has a greater share in the total developmental expenditure of Andhra Pradesh during the period of study.

Revenue expenditure on social and economic services is known as the revenue component of the developmental expenditure. The share of the revenue component of developmental expenditure in the total revenue expenditure declined continuously from 74.49 per cent in the Sixth plan to 73.74 per cent in the Seventh plan and further to 66.57 per cent in the Eighth plan of Andhra Pradesh.

Capital expenditure on social and economic services is known as the capital component of developmental expenditure. The share of the capital component of developmental expenditure in the total capital expenditure increased continuously from 72.15 per cent in the Sixth plan to 72.42 per cent in the Seventh plan and further to 82.20 per cent in the Eighth plan of Andhra Pradesh.

It is, therefore, clear that while the share of developmental expenditure in the total expenditure on revenue account declined continuously, the share
of developmental expenditure in the total expenditure on capital account increased continuously over the successive Five Year Plans during the period of study.

Plan expenditure on social and economic services is known as the plan component of developmental expenditure. The share of the plan component of developmental expenditure in total plan expenditure was 99.37 per cent in the Sixth plan, 98.03 per cent in the Seventh plan and 99.06 per cent in the Eighth plan of Andhra Pradesh.

Non-plan expenditure on social and economic services is known as the non-plan component of the developmental expenditure. The share of the non-plan component of developmental expenditure in total non-plan expenditure increased from 62.50 per cent in the Sixth plan to 62.93 per cent in the Seventh plan, but it declined to 57.90 in the Eighth plan of Andhra Pradesh.

It is, therefore, clear that while the plan component of developmental expenditure fluctuated around 99 per cent of the total plan expenditure, the non-plan component of developmental expenditure fluctuated around 60 per cent of the total non-plan expenditure of the government of Andhra Pradesh during the period of study.

Developmental expenditure consists of expenditure on economic services and expenditure on social services. The share of expenditure on economic services in developmental expenditure increased continuously from 49.99 per cent in the Sixth plan to 51.49 per cent in the
Seventh plan and further to 52.98 per cent in the Eighth plan of Andhra Pradesh. On the other hand, the share of expenditure on social services in developmental expenditure declined continuously from 50.01 per cent in the Sixth plan to 48.51 per cent in the Seventh plan and further to 47.02 per cent in the Eighth plan of Andhra Pradesh. This indicates that while the share of expenditure on economic services increased continuously, the share of expenditure on social services declined continuously during the period of the study. Therefore, it can be said that there was shift in favour of expenditure on economic services from the expenditure on social services in Andhra Pradesh during the period of study.

Irrigation projects, power projects, agriculture, industry, transport and rural development have been the important constituents of developmental expenditure on economic services. The expenditure on irrigation projects increased from Rs. 154 crores in 1980-81 to Rs. 1671 crores in 1996-97 i.e. increased at an annual compound growth rate of 17.76 per cent. The share of expenditure on irrigation projects in the total developmental expenditure was 11.03 per cent in the Sixth plan, 17.82 per cent in the Seventh plan and 16.47 per cent in the Eighth plan of Andhra Pradesh. The expenditure on power projects increased from Rs. 94 crores in 1980-81 to Rs. 656 in 1996-97 i.e. at an annual compound growth rate of 21.68 per cent. The share of expenditure on power projects in total developmental expenditure was 5.43 per cent in the Sixth plan, 4.32 per cent in the Seventh plan and 12.17 per cent in the Eighth plan of Andhra Pradesh. The expenditure on agriculture increased from Rs. 165 crores in 1980-81 to Rs. 521 crores in 1996-97 i.e.
increased at an annual compound growth rate of 7.40 per cent. The share of expenditure on agriculture in the total developmental expenditure was 14.16 per cent in the Sixth plan, 7.33 per cent in the Seventh plan and 5.85 per cent in the Eighth plan of Andhra Pradesh. The expenditure on industry increased from Rs. 28 crores in 1980-81 to Rs. 163 crores in 1996-97 i.e. increased at an annual compound growth rate of 14.40 per cent. The share of expenditure on industry in the total developmental expenditure was 2.26 per cent in the Sixth plan, 3.13 per cent in the Seventh plan and 2.50 per cent in the Eighth plan of Andhra Pradesh. The expenditure on transport increased from Rs. 68 crores in 1980-81 to Rs. 395 crores in 1996-97 i.e. increased at an annual compound growth rate of 12.95 per cent. The share of expenditure on transport in total developmental expenditure was 4.64 per cent in the Sixth plan, 2.41 per cent in the Seventh plan and 4.04 per cent in the Eighth plan of Andhra Pradesh. The expenditure on rural development increased from Rs. 28 crores in 1980-81 to Rs. 687 crores in 1996-97 i.e. increased at an annual compound growth rate of 20 per cent. The share of expenditure on rural development in total developmental expenditure was 3.43 per cent in the Sixth plan, 3.04 per cent in the Seventh plan and 5.87 per cent in the Eighth plan of Andhra Pradesh.

It is, therefore, clear that the expenditure on power projects (21.68%), rural development (20.00%) and irrigation projects (17.76%) have higher growth rates, while the expenditure on agricultural (7.40%), transport (12.95%) and industry (14.40%) have lower growth rates than the aggregate/average growth rate of total developmental expenditure (14.79%) in Andhra Pradesh during the period of study.
Education, health, housing and social welfare are the important components of developmental expenditure on social services. Expenditure on education increased from Rs. 231 crores in 1980-81 to Rs. 1862 crores in 1996-97 i.e. increased at an annual compound growth rate of 13.70 per cent. The share of expenditure on education in the total developmental expenditure was 21.48 per cent in the Sixth plan, 22.85 per cent in the Seventh plan and 19.04 per cent in the Eighth plan of Andhra Pradesh.

The expenditure on health increased from Rs. 123 crores in 1980-81 to Rs. 903 crores in 1996-97 i.e. increased at an annual compound growth rate of 13.45 per cent. The share of expenditure on health in the total developmental expenditure was 10.38 per cent in the Sixth plan, 10.33 per cent in the Seventh plan and 9.14 per cent in the Eighth plan of Andhra Pradesh.

The expenditure on housing increased from Rs. 10 crores in 1980-81 to Rs. 97 crores in 1996-97 i.e. increased at an annual compound growth rate of 15.98 per cent. The share of expenditure on housing in the total developmental expenditure was 0.87 per cent in the Sixth plan, 0.78 per cent in the Seventh plan and 0.90 per cent in the Eighth plan of Andhra Pradesh.

The expenditure on social welfare increased from Rs. 34 crores in 1980-81 to Rs. 964 crores in 1996-97 i.e. increased at an annual compound growth rate of 13.07 per cent. The share of expenditure on social welfare in the total developmental expenditure was 11.80 per cent in the Sixth plan, 10.16 per cent in the Seventh plan and 8.08 per cent in the Eighth plan of Andhra Pradesh.
Therefore, it can be said that education, health and social welfare are the major components of developmental expenditure on social services in Andhra Pradesh during the period of study.

The present study measured the impact of developmental expenditure on the economy of Andhra Pradesh in general and the impact of expenditure on different economic and social services on different sectors of the economy in particular.

The following conclusions may be drawn from the impact analysis of developmental expenditure in general and the expenditure on economic services in particular.

1. The developmental expenditure has a positive impact on the selected indicators of economic development i.e. State Domestic Product at current prices and per capita income.

2. Expenditure on economic services also has a positive impact on the selected indicators of economic development i.e. State Domestic Product at current prices and per capita income.

3. Expenditure on agriculture and allied activities has positive impact on State Domestic Product from agriculture and allied activities. However, the expenditure on agriculture and allied activities did not have any significant impact on net cropped area and net area sown.

4. Expenditure on industry and minerals has a positive impact on the selected indicators of industrial development i.e. State Domestic Product.
Product from secondary sector, net value added from industry, number of workers and number of establishments.

5. Expenditure on power projects has a positive impact on installed capacity of power projects and generation of power.

6. Expenditure on irrigation projects has a positive impact on net area irrigated and State Domestic Product from agriculture.

7. Expenditure on transport has a positive impact on total length of roads and State Domestic Product from transport sector.

The following conclusions may be drawn from the impact analysis of expenditure on social services.

1. The expenditure on social services has a positive impact on State Domestic Product, per capita income, State Domestic Product from services sector and on Human Development Index.

2. Expenditure on primary education has a positive impact on the three selected indicators of the development of primary education such as the number of primary schools, number of students enrolled and the number of teachers employed in primary schools.

3. Expenditure on primary health has a positive impact on the selected indicators of health such as the number of hospitals, number of beds and the number of doctors.

4. The expenditure on housing has a positive impact on the number of houses constructed for weaker sections and others.
5. The ratio of public expenditure to the State domestic product of Andhra Pradesh indicates that it is closer to the norm of 25 per cent indicated by UNDP. It ranges between 19 and 29 per cent during the period of study.

6. The ratio of public expenditure on social services to the total public expenditure of Andhra Pradesh indicates that it is lower than the norm of 40 per cent indicated by UNDP. It ranges between 29 and 41 per cent during the period of study.

7. The ratio of expenditure on human priority sectors to the total expenditure on social services of Andhra Pradesh indicates that it is lower than the norm of 50 per cent indicated by UNDP. It ranges between 23 and 48 per cent during the period of study.

8. The ratio of expenditure on human priority sectors to the State domestic product (SDP) of Andhra Pradesh is lower than the norm of 5 per cent indicated by UNDP. It ranges between 2 and 4 per cent during period of the study.

9. Among the important components of the expenditure on human priority sectors, the expenditure on nutrition, water supply and sanitation has higher growth rates than the expenditure on primary education and primary health. This indicates that the government has given priority to the expenditure more on nutrition, water supply and sanitation that on primary education and primary health during the period of study.
The following are the important suggestions to improve the impact of developmental expenditure on the economy of Andhra Pradesh in general and the identified sectors in particular.

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 infrastructural facilities to the economy.

3. The government should increase expenditure on irrigation projects, because they provide irrigation water for the development of agriculture in the economy of Andhra Pradesh. The government should priorities investment on irrigation projects with the highest priority given to rehabilitation of existing schemes and completion of ongoing projects, followed by new minor schemes, ground water and tank irrigation and medium and major irrigation projects. The government should also promote participatory irrigation management practices such as creation of scheme level irrigation committees and water user associations representing all concerned government officials and private parties and empower these committees to take all decisions concerning the use of irrigation water in the State.
4. The government should increase expenditure on power projects, because they provide electricity for the development of agriculture and industry in the economy of Andhra Pradesh. The government should realistically assess the feasibility of the capacity likely to be installed through mini plants and short gestation power projects. The government should also initiate a short-term investment programme to remove critical bottlenecks in transmission and distribution systems and improve the quality of supply.

5. The government should increase expenditure on social services for the development of the economy in general and the level of human development in particular.

6. The government should enhance the expenditure on primary education to obtain hundred per cent literacy among the population of the State. The government should also encourage the involvement of Panchayati raj institutions in the effective operation of primary schools and establish Village Education Committees for all schools in the State.

7. The government should increase the expenditure on primary health to provide more health facilities to the population of the State to improve the Human Development Index of the State. Further, the government should create monetary and non-monetary incentives for the workforce in the primary health centres to work in the remote areas where the needs of their services are acute.
8. The government should enhance expenditure on housing programmes to provide shelter to the houseless population in the State.

Finally, it can be concluded that there is an immense need for restructuring of public expenditure in Andhra Pradesh in favour of the expenditure on economic and social services (especially irrigation and power projects among the economic services and education and health among the social services), in order to promote economic development as well as human development in Andhra Pradesh.