CHAPTER - 5

SUMMARY AND CONCLUSIONS
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The basic condition for economic development is the creation of infrastructural facilities and social overhead capital, which requires huge investments. 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 became the main responsibility of the Governments in developing countries.

Economic infrastructure includes generation of electricity, development of irrigation facilities and transport facilities etc. Social overhead capital includes provision of Education, Medical and Public health and Social security to the people of a country. All these facilities will need huge amount of capital long period of time and they also less profit oriented. Therefore, the Governments have to spend more amount of money through Public expenditure policies to provide all these facilities.

Public expenditure is one of the most effective measures whereby different economic and social objectives of the country are sought to be realised. Public expenditure on economic and social overheads asserts the productive process in the economy and helps in raising the national output.

Government expenditure can be effective in bringing prosperity to the backward areas through the allocation of greater proportion of Public expenditure on different socio-economic upliftment programmes and there by ensure balanced regional development.

The present study, therefore, is a modest attempt to examine the growth of Public expenditure in Andhra Pradesh.

The primary objective of the study is to examine the growth of Public expenditure in Andhra Pradesh State and to identify the changes that have come about in the growth of Public expenditure. The following are the objectives of the study.
i. To analyse the growth of Public expenditure in Andhra Pradesh.

ii. To examine the growth and changes in the structure of plan and non-plan expenditures.

iii. To examine the growth and changes in the structure of developmental and non-developmental expenditures.

iv. To identify the determinants of the growth of Public expenditure in Andhra Pradesh.

The present study also tries to test the following hypothesis.

1. There is no change in the growth of plan and non-plan expenditure.

2. There is no change in the growth of developmental and non-developmental expenditure.

3. The growth of Public expenditure is not responsive to the changes in its determinants.

Public expenditure of the Government of Andhra Pradesh increased from Rs. 1610 crores in 1980-81 to Rs. 12459 crores in 1994-95. The growth rate of Public expenditure is 15.54 per cent during the period of study. It is observed that the growth rate of Public expenditure is nearer to the growth rate of State domestic product (15.80) during the same period. It is, therefore clear that the growth in State domestic product is marginally higher than the growth in public expenditure. This indicates that the Government of Andhra Pradesh tries to maintain that the growth of Public expenditure as proportional to the growth of State domestic product and it indicates the applicability of Wagner’s theory of Public expenditure.

The percentage of Public expenditure in State Domestic product indicates the level of Government activity in the economy of a State. The ratio of Public expenditure to the State domestic product is 21.97 per cent in 1980-81 and it increased to 22.55 per cent in 1994-95. It is also observed that the ratio of Public expenditure to State domestic product is higher than 22 per cent during the period from 1983-84 to 1989-90 and it is less than 22 per cent, during the remaining period of the study. The main reason for this
higher share of public expenditure in between 1983-84 and 1989-90 is due to the implementation of populist schemes such as subsidised Rice scheme and subsidised Power supply for agricultural formers in rural areas.

Public expenditure can be divided into plan and non-plan expenditures. Expenditure on fresh investments during the period of Five Year Plan both under revenue as well as capital accounts is known as “Plan Expenditure”. All other items of expenditure which do not form a part of plan expenditure came to be included in non-plan expenditure.

Plan expenditure increased from Rs. 515 crores in 1980-81 to Rs.3927 crores in 1994-95. The growth rate of plan expenditure is 14.93 per cent during the period of study. Non-plan expenditure increased from Rs.1095 crores in 1980-81 to Rs.8539 crores in 1994-95. The growth rate of non-plan expenditure is 15.89 per cent during the period of study. Therefore, it is clear that the growth rate of non-plan expenditure (15.89) is higher than the growth rate of plan expenditure (14.93) in Andhra Pradesh.

Plan expenditure is divided into Revenue account and capital account. Plan expenditure on Revenue account increased from Rs.208 crores in 1980-81 to Rs.1469 crores in 1994-95. The growth rate of plan expenditure is 14.27 per cent during the period of study. On the other hand, plan expenditure on Capital account increased from Rs.307 crores in 1980-81 to Rs.2458 crores in 1994-95. The growth rate of plan expenditure on capital account is 15.47 per cent during the period of study. It is, therefore, obvious that plan expenditure on capital account has higher growth rate than plan expenditure on Revenue account.

Non-plan expenditure is also divided into Revenue account and Capital account. Non-plan expenditure on Revenue account increased from Rs.953 crores in 1980-81 to Rs.8045 crores in 1994-95. The growth rate of non-plan expenditure on Revenue account is 16.34 per cent during the period of study. Non-plan expenditure on capital account increased from Rs.142 crores in 1980-81 to Rs.487 crores in 1994-95. The growth rate of non-plan expenditure on capital account is 10.26 per cent during the
period of study. It is therefore, clear that non-plan expenditure on Revenue account has higher growth rate than non-plan expenditure on capital account.

Expenditure on Medical, Health and Family welfare programmes, expenditure on Agriculture and Rural development and expenditure on welfare of SC, ST and BCs' are the important factors for the growth of plan expenditure on Revenue account. Among these items expenditure on Rural development (20.23) and expenditure on medical, health and family welfare programmes (15.97) have higher growth rates than plan expenditure on Revenue account (14.27).

Expenditure on Energy and Irrigation projects, expenditure on Transport and Loans and advances by the Government of Andhra Pradesh are the important factors for the growth of plan expenditure on capital account. Among these items, expenditure on Energy and Irrigation projects (24.50) have higher growth rate than total plan expenditure on capital account (16.34).

Expenditure on Interest payments, Education, Civil supplies, Irrigation, flood control and administrative services are the important contributors to the growth of non-plan expenditure on Revenue account. Among these items expenditure on interest payments (22.25), Civil supplies (41.45), Irrigation and flood control (22.09) have higher growth rates than that of non-plan expenditure on Revenue account (16.34).

Expenditure on Repayment of loans to the Centre and loans and advances given by the Government of Andhra Pradesh are the two important factors for the growth of non-plan expenditure on capital account. Expenditure on Repayment of loans to the centre (11.01) and expenditure on loans and advances by the Government of Andhra Pradesh (12.84) have higher growth rates than non-plan expenditure on Capital account (10.26).
State Governments in India have been assigned the developmental activities to perform and to develop the economy. Therefore, a distinction is made between developmental and non-developmental expenditures. They are included in both Revenue and Capital accounts of the budget.

Developmental expenditure includes items of expenditure such as, Education, Medical care, Public health, Family planning, Labour and employment, Agriculture, cooperation, Rural and Community development, Irrigation and power projects, Transport and Communications.

Non-developmental expenditure includes item of expenditure such as, Administrative services, collection of taxes and duties, Interest payments, subsidies and General services.

Developmental expenditure of Andhra Pradesh increased from Rs. 1195 crores in 1980-81 to Rs. 8917 crores in 1994-95 i.e. at an annual compound growth rate of 15.22 per cent during the period of study. On the other hand, Non-developmental expenditure increased from Rs. 391 crores in 1980-81 to Rs. 3465 crores in 1994-95, i.e., at an annual compound growth rate of 16.76 per cent during the period of study. Therefore, it is concluded that the growth rate of non-developmental expenditure is higher than that of developmental expenditure during the period of study.

Developmental expenditure on capital account is increased at a higher growth rate of 16.21 per cent than that of developmental expenditure on Revenue account of 15.14 per cent.

Non-developmental expenditure on Revenue account increased at a higher rate (18.54 per cent) than that of non-developmental expenditure on Capital account (9.15 per cent) during the period of study.
The present study tries to identify the determinants of Public expenditure in Andhra Pradesh. Per capita State domestic product, population, the ratio of interest payments to the revenue receipts and the ratio of Revenue expenditure to Revenue receipts are the important determinants of Public expenditure. The present study estimated the influence of the above determinants on per capita expenditure, per capita plan expenditure, per capita non-plan expenditure, per capita developmental expenditure and per capita non-developmental expenditure through Multiple regression analysis.

A one unit change in per capita State domestic product influences 0.16 units change in per capita public expenditure, 0.06 units change in per capita plan expenditure, 0.10 units change in per capita non-plan expenditure, 0.10 units change in per capita developmental expenditure and 0.05 units change in per capita non-developmental expenditure. This indicates that the changes in per capita State domestic product have marginal influence on the selected categories of Public expenditure in Andhra Pradesh.

The regression coefficients of population indicates that a one unit change in population leads to negligible influence (less than 0.01) on the all selected dependent variables of expenditure.

The regression coefficients of the ratio of interest payments to Revenue receipts indicates that a one unit change in this ratio leads to 25.96 units change in per capita public expenditure; 18.41 units change in per capita non-plan expenditure; 13.84 units change in per capita developmental expenditure; 9.99 units change in per capita plan expenditure and 6.49 units change in per capita non-developmental expenditure.

The regression coefficients of the ratio of Revenue expenditure to Revenue receipts indicates that a one unit change in this ratio leads to 4.98 units change in per capita public expenditure; 3.78 units change in per capita developmental expenditure; 3.11 units change in per capita non-plan expenditure; 2.14 units change in per capita plan expenditure and 1.16 units change in per capita non-developmental expenditure.
In the light of the present research work, the following conclusions have been drawn.

1. The growth rate of non-plan expenditure is higher than that of plan expenditure.
2. The growth rate of plan expenditure on capital account is higher than that of plan expenditure on Revenue account.
3. The growth rate of non-plan expenditure on Revenue account is higher than that of non-plan expenditure on capital account.
4. Expenditure on rural development programmes and expenditure on Medical, Health and Family Welfare programmes are important factors for growth in plan expenditure on Revenue account.
5. Expenditure on Energy, Irrigation, Transport and Loans and Advances by the Government of Andhra Pradesh are the important factors for growth in plan expenditure on capital account.
6. Expenditure on Civil supplies, Interest payments, Irrigation and Flood Control and Education are the major factors for the growth of non-plan expenditure on Revenue account.
7. Expenditure on Repayment of loans to the Centre and loans and advances by the Government of Andhra Pradesh are the important factors for the growth of non-plan expenditure on capital account.
8. The growth rate of non-developmental expenditure is higher than that of developmental expenditure.
9. The growth rate of developmental expenditure on capital account is greater than that of developmental expenditure on Revenue account.
10. The growth rate of non-developmental expenditure on Revenue account is greater than that of non-developmental expenditure on capital account.
11. Expenditure on Economic Services and Social and Community services are the major contributing factors to the growth of developmental expenditure.

12. Expenditure on Interest payments, Pensions and other retirement benefits and fiscal services are the major contributing factors for the growth of non-developmental expenditure.

13. Among the determinants of Public expenditure, the ratio of Interest payments to Revenue receipts is the major influencing factor for all types of Public expenditure categories used in regression analysis.

14. Among the determinants of Public expenditure, the ratio of Revenue expenditure to Revenue receipts is the second important determinant for all types of Public expenditure categories used in regression analysis.

15. Per capita State Domestic Product influences the growth of Public expenditure marginally and the influence of population is negligible for the growth of Public expenditure, because all the dependent variables on expenditure were taken in per capita terms.