ABSTRACT

The composition of public expenditure has implication for the growth and poverty reduction in south Asian countries and in Pakistan. This document has applied Panel ARDL model to determine the relationship between the composition of public spending and growth for the Panel countries, and ARDL bound test procedure to cointegration for Pakistan. The results of PMG, MG has shown that there is a negative relationship among expenditure on education and transportation and communication and economic growth in south Asian countries and positive relation between health expenditures and total spending by the government. The document has also investigated the relationship between current and capital component of public spending and concluded the positive impact of current spending on economic growth along with the implication for poverty reduction in case of south Asian countries. The bound testing approach to Pakistan has also shown the total expenditures have implication for growth in Pakistan and poverty reduction. The expenditures on education and physical infrastructure have positive impact on economic growth. In case of Pakistan the expenditures on education health and GDP growth has been found to have negative correlation with the poverty. Therefore, the results have shown that there is strong evidence that the composition of public spending impact economic growth and it has implication for the poverty reduction.