

Role of Governance in Socio-Economic Development in India

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Abstract:

A country's development depends to some extent on the quality of governance. Socio-Economic development as the term itself represents a broader conception which includes in its canvas a larger many indicators. The Socio-Economic development of any country depends to a large extent on the quality of governance prevailing in that country. Thus, in this study an attempt is made to examine the level of socio-economic development and governance in India. The level of Socio-Economic development and governance quality is assessed with the help of a composite index. A simple regression analysis has been carried out in this analysis to find out whether there is linkage between the quality of governance and socio-economic development in the study area. The results from the study reveal that the level of socio-economic development and governance are positively related to one another.

Keywords: Socio-Economic Development, Governance, Composite Index.

1. Introduction:

Socio-Economic development is a process which comprises of a wide many dimensions which helps in improving the quality of life of the people either directly or indirectly. Gunnar Myrdal stated that socio-economic development requires the satisfaction of economic, rights in the sphere of political as well as cultural, benefits of development in an equitable manner and opportunities, living environment in a dignified standard, equality in context of gender and empowerment among the people (Olhan, 2012, p. 842).

Governance quality in the present era has come out to be one of the most challenging aspects in the development process. Bad governance may be one of the major obstacles which retard the development process of a poor nation. While, on the other hand, prevalence of good governance promotes rapid development in the developed or rich countries. More importance is given on effectiveness of programmes and policies of the State which can help in enhancing the functioning and performance of the governance quality (Besley & Persson, 2011).

An adverse impact was indirectly visible on its economy after the country's partition. Many initiatives for development were taken by the government both central and State. The policies and developmental programmes taken up by the government no doubt helped in development process in the country to some extent but the fruits of those benefits were not uniform across the country. Various issues related in the sphere of political, insurgency, ethnic conflicts, migration, etc were visible from time to time. The development process was hindered by these internal and

external factors. Thus, an attempt was made in this paper to examine the level of socio-economic development and governance level prevalent in India and whether there exists any sort of relationship between the level of socio-economic development and governance in India.

2. Literature Review:

A few studies were already conducted to assess the governance role in socio-economic development in different parts of the world. Some of these studies are mentioned below:

Khan (2007) in his study found that one of the critical elements in the developing countries to diverge was the governance prevailing in those countries. Huther & Shah (1998), Shah et al. (1998), Kaufmann et al. (1999, 2009), Campos (1999), Basu (2002), Pradhan & Sanyal (2011), etc. conducted studies to examine the linkage between governance and economic development. Many studies were done in assessing the governance role considering different perspectives in different parts of the world but it must be noted that only a few studies were conducted in India. Thus, in this paper an attempt is made to assess the levels of socio-economic development and governance in India and to find out whether there exists any relationship between the level of socio-economic development and the state of governance in India.

3. Objectives:

The objectives of this study are-

1. To assess the level of overall socio-economic development in India.
2. To assess the governance status prevailing in India based on selected.
3. To examine whether there exists any relationship between the level of socio-economic development and governance in India.

4. Research Questions:

1. What is the status of governance and socio-economic development in India over the years?
2. Does the level of socio-economic development and the state of governance are related to one another in India?

5. Data and Methodology:

5.1 Source of Data - The study is based entirely on published secondary data collected from different sources such as Directorate of Economics and Statistics, Government of India, Ministry of Statistics and Programme Implementations, Government of India, Census Reports, Central Electricity Authority Ministry of Power, Government of India, Quarterly Statistics on Deposits and Credits of Schedule Commercial Banks, RBI, Various issues, Ministry of Human Resource Development, Government of India, Election Commission of India, South Asian Terrorism Portal, Indiastats.com and Comptroller and Auditor General of India. The time period for this study is 2001-02 to 2016-17.

5.2 Selection of Indicators-

5.2.1 Indicators of Socio-Economic Development- The 18 selected variables are listed below-

5.2.1.1 Agriculture-

- i. Percentage of Net Sown Area to total geographical area
- ii. Cropping Intensity (percentage)
- iii. Productivity of Rice (kg/ha)
- iv. Productivity of Wheat (kg/ha)
- v. Percentage of Net Irrigated Area to Net Sown Area
- vi. Per Capita Net State Domestic Product at factor cost(Agriculture)

5.2.1.2 Social Indicators-

- i. Literacy Rate(LR)
- ii. Infant Mortality Rate(IMR)
- iii. Percentage of population below the poverty line(BPL)

5.2.1.3 Infrastructure-

- i. Population per bank branch
- ii. Credit-Deposit Ratio
- iii. Road length per 100 sq. Km
- iv. Total registered vehicles per lakh of the population
- v. Per capita availability of Power(kilowatt hour)
- vi. No. of schools (per '0000 population)
- vii. No. of colleges (per '0000 population)
- viii. No. of government hospitals (per lakh of the population)
- ix. No. of government beds per (per lakh population)

5.2.2 Indicators for State of Governance:

- i. Percentage of Polling in the last State Assembly Election
- ii. Conflicts and Terrorism related deaths(in numbers)
- iii. Ratio of Population-Police
- iv. Own Tax Revenue Generation(in percentages)
- v. Revenue Expenditure to Total Revenue in Debt Servicing and Interest Payments(in percentages)

It must be noted that these indicators may not depict a comprehensive list of socio-economic development and governance but are selected because of the lack of data availability.

5.3 Method for Analysis-

The composite index of development is constructed applying Wroclaw Taxonomic Method. This method was developed by Florek et al. (1952). In 1967, this method was proposed to UNESCO as a means of ranking and comparing countries development. This method was used by Arief(1982) and Khan & Islam(1990). The Wroclaw method used in this study is presented below.

5.3.1 Measuring the Level of Development:

Let, $[X_{ij}]$ be the data matrix giving the values of the variables of i^{th} state and the j^{th} indicator where $i=1,2,\dots,n$ (no. of States) and $j=1,2,3,\dots,k$ (no. of indicators). Since the unit of measurement of the variables considered are not uniform, for combined analysis $[X_{ij}]$ is transformed to the matrix of standardized indicators $[Z_{ij}]$ as follows:

$$[Z_{ij}] = \frac{X_{ij} - \bar{X}_j}{s_j}$$

Where \bar{X}_j = mean of the j^{th} indicator and s_j = the standard deviation of the j^{th} indicators.

From $[Z_{ij}]$, identify the optimal value of each indicator. The optimal value will be either the maximum value or the minimum value depending upon the direction of the impact of the indicator on the level of development. For example, increase in literacy rate would positively affect the development while population density may adversely affect the development. For obtaining the level of development (C_i) of the i^{th} state, first calculate the square root of the deviations of the individual value of a transformed variate from the best value. In other words, we calculate P_{ij} as:

$$P_{ij} = (Z_{ij} - Z_{0j})^2$$

Where, Z_{0j} = optimal value.

For each i and j , Pattern of Development (C_i) is given by

$$C_i = \left[\sum_{j=1}^k P_{ij} / (CV)_j \right]^{1/2}$$

Where, $(CV)_j$ = coefficient of variation of X_{ij} for j^{th} indicators.

Therefore, Composite index of development is given by-

$$D_i = C_i / C$$

Where, $C = \bar{C} + 3s_i$

Where \bar{C} = mean of C_i and s_i = standard deviation of C_i .

The closer D_i is to 0 the more developed the State is and closer it is to 1 the less developed the State.

6. Findings and Discussions:

6.1 The Levels of Socio-Economic Development in India:

The level of socio-economic development is assessed with the composite indices of development shown in table 1 below.

Table 1: Composite indices of Socio-Economic Development in India (2001-02 to 2016-17)

Years	Composite Index
2001-02	.83
2004-05	.79
2007-08	.77
2009-10	.67
2012-13	.66
2014-15	.65
2015-16	.63
2016-17	.48

Source: Authors own computations.

The composite index for overall socio-economic development over the years is improving which is quite visible from the index value which was 0.83 in 2001-02 which improved to 0.48 in 2016-17 in India.

6.2 State of Governance in India:

The state of governance in India is constructed in the table 2 below which represents the prevailing governance status in the country over the years. As the state of governance plays an active role in the development process of the country therefore to represent the comprehensive picture we constructed indices of governance below.

Table 2: Composite Index of Governance in India (2001-02 to 2016-17).

Years	Composite Index
2001-02	.69
2004-05	.68
2007-08	.67
2009-10	.61
2012-13	.55
2014-15	.50
2015-16	.49
2016-17	.43

Source: Authors own Computations.

In the above table 2, we found that over the years there was a gradual progress in context of governance in the country. The composite index value was 0.69 in the year 2001-02 which improved to 0.61 in the year 2009-10 and further to 0.43 in the year 2016-17.

6.3 State of Governance and Socio-Economic Development linkage in India

Table 3 shows the results of the regression analysis between state of governance and socio-economic development in India.

Table 3: Relationship between State of Governance and Socio-Economic Development in NER.

Regression Statistics						
Multiple R	0.41					
R Square	0.22					
Adjusted R Square	0.02					
Standard Error	0.20					
Observation	8					
	Co-efficient	Standard Error	t Stat	P value	Lower 95%	Upper 95%
Intercept	0.79	0.33	2.140	0.076	0.116	1.738
Index	0.51	0.35	1.062	0.329	2.077	0.819

Source: Authors Computations.

The result of the regression represents that R-Square is very low and State of governance is having a positive coefficient of 0.51. The result of the regression represents that a positive relationship exist between the level of socio-economic development and state of governance in India.

Conclusions:

Thus, from the analysis we found that over the years the level of socio-economic development and governance is improving. The study also found that there exist a positive relationship between economic development and state of governance in India. This represents that governance of a country leads to socio-economic upliftment i.e. development is possible in a country with better governance and vice-versa. Thus, better governance can go a long way in the progress and development in the country.

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