**Governance and Its Impact on Socio-Economic Development in India**

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**Abstract**

A country’s development is influenced, to a significant extent, by the quality of governance. Socio-economic development, as a concept, encompasses a wide range of indicators. This study aims to assess India's socio-economic development and governance levels. The socio-economic development and governance quality are evaluated using a composite index developed with the help of the Wroclaw Taxonomic Technique. A simple regression analysis is also employed to determine the relationship between the study area's governance quality and socio-economic development. The findings suggest a positive correlation between the levels of socio-economic development and the quality of governance.

***Keywords:*** Socio-Economic Development, Governance quality, Composite Index, Wroclaw Taxonomic Technique, India.

# Introduction:

Socio-economic development is a multifaceted process aimed at enhancing the quality of life for individuals, either directly or indirectly. Gunnar Myrdal argued that socio-economic development involves fulfilling economic rights, political and cultural freedoms, equitable distribution of development benefits, access to dignified living conditions, gender equality, and empowerment of the people **(Ohlan, 2013).**

In the current era, the quality of governance has emerged as one of the most significant challenges in the development process. Poor governance can be a major barrier to the development of a nation, especially in poorer countries, while good governance tends to foster rapid development in wealthier nations. There is a growing emphasis on the effectiveness of state policies and programs to improve the functioning and performance of governance **(Besley & Persson, 2011).**

The economic impact on the country was indirectly influenced by its partition, with several development initiatives taken by both the central and state governments. While these policies and programs contributed to the development process, the benefits were not evenly distributed across the nation. Issues such as political instability, insurgency, ethnic conflicts, and migration periodically hampered development. These internal and external challenges hindered the country’s progress. Therefore, this paper aims to examine the levels of socio-economic development and governance in India and investigate whether there is any relationship between the two. By creating and carrying out policies meant to promote economic growth, lessen poverty, and maintain social fairness, the government plays a crucial part in socio-economic development. It makes investments in vital infrastructure that supports economic activity and raises living standards, like power, roads, and medical facilities. The government improves human capital through education and skill development programs, which increases employment and production. Social welfare initiatives also assist vulnerable groups and reduce inequality. The government promotes social cohesion and sustainable development, which propels societal advancement, by guaranteeing sound governance and fostering a climate that encourages private sector involvement.

# Literature Review:

# Several studies have been conducted worldwide to assess the role of governance in socio-economic development. For instance, Khan (2007) found that governance in developing countries was a critical factor in their divergence. Other notable studies by Huther & Shah (1998), Shah et al. (1998), Kaufmann et al. (1999, 2009), Campos (1999), Basu (2002), and Pradhan & Sanyal (2011) explored the relationship between governance and economic development. While numerous studies have examined governance from various perspectives globally, few have focused specifically on India. This paper, therefore, aims to assess the levels of socio-economic development and governance in India and to explore whether a relationship exists between the state of governance and the level of socio-economic development in the country.

# Objectives:

The objectives of this study are-

1. To evaluate the overall level of socio-economic development and current governance situation in India.

# To investigate whether a relationship exists between the level of socio-economic development and governance in India.

# Research Questions:

# How has governance and socio-economic development in India evolved over the years?

# Is there a relationship between the level of socio-economic development and the state of governance in India?

# Data and Methodology:

* 1. **Source of Data -** The study relies entirely on published secondary data sourced from various organizations, including the Directorate of Economics and Statistics, Government of India, Ministry of Statistics and Programme Implementation, Government of India, Census Reports, Central Electricity Authority, Ministry of Power, Government of India, Quarterly Statistics on Deposits and Credits of Scheduled Commercial Banks from the RBI, Ministry of Human Resource Development, Government of India, Election Commission of India, South Asian Terrorism Portal and Indiastats.com. The data covers the period from 2001-02 to 2016-17.

# Selection of Indicators-

* + 1. **Indicators of Socio-Economic Development**- The 18 selected variables are listed below-

# Agriculture-

* + - * 1. Percentage of Net Sown Area to total geographical area
        2. Cropping Intensity (percentage)
        3. Productivity of Rice (kg/ha)
        4. Productivity of Wheat (kg/ha)
        5. Percentage of Net Irrigated Area to Net Sown Area
        6. Per Capita Net State Domestic Product at factor cost(Agriculture)

# Social Indicators-

* + - * 1. Literacy Rate(LR)
        2. Infant Mortality Rate(IMR)
        3. Percentage of population below the poverty line(BPL)

# Infrastructure-

* + - * 1. Population per bank branch
        2. Credit-Deposit Ratio
        3. Road length per 100 sq. Km
        4. Total registered vehicles per lakh of the population
        5. Per capita availability of Power(kilowatt hour)
        6. No. of schools (per ‘0000 population)
        7. No. of colleges (per ‘0000 population)
        8. No. of government hospitals (per lakh of the population)
        9. No. of government beds per (per lakh population)

# Indicators for State of Governance:

1. Percentage of Polling in the last State Assembly Election
2. Conflicts and Terrorism related deaths (in numbers)
3. Ratio of Population-Police
4. Own Tax Revenue Generation (in percentages)
5. 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.

# Method for Analysis-

# The composite development index is constructed using the Wroclaw Taxonomic Method, which was developed by Florek et al. (1952). In 1967, this method was recommended to UNESCO as a tool for ranking and comparing the development of countries. The method has been previously employed by Arief (1982) and Khan & Islam (1990). The Wroclaw method applied in this study is outlined below.

# Measuring the Level of Development:

Let,[Xij] be the data matrix giving the values of the variables of ith state and the jth indicator where i=1,2,….,n(no. of States) and j=1,2,3…,k(no. of indicators). Since the unit of measurement of the variables considered are not uniform, for combined analysis [Xij] is transformed to the matrix of standardized indicators *[Zij]* as follows:

*[Z ]=*𝑋𝑖𝑗−̅X̅̅j

*ij* 𝑠𝑗

Where ̅X̅j̅= mean of the jth indicator and 𝑠𝑗 = the standard deviation of the jth indicators.

From [Zij], 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 (Ci) of the ith 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 Pij as:

Pij =( ZiJ-Z0J )2

Where, Z0J =optimal value.

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

𝒌

1/2

𝐶𝑖

= ⟦∑ 𝑷𝒊𝒋 (𝑪𝑽)𝒋⟧

𝒊=𝟏

⁄

Where, (CV)j = coefficient of variation of Xij for jth indicators.

Therefore, Composite index of development is given by-

Di=Ci/C

Where, C= 𝐶̅+3si

Where 𝐶̅= mean of Ci and si = standard deviation of Ci.

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

# Findings and Discussions:

* 1. **The Levels of Socio-Economic Development in India:**

# The level of socio-economic development is evaluated using the composite development indices presented 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:*** Author’s computations.

# The composite index for overall socio-economic development has shown improvement over the years, as evident from the index value, which was 0.83 in 2001-02 and increased to 0.48 in 2016-17 in India.

# State of Governance in India:

# The governance status in India is outlined in Table 2 below, which illustrates the state of governance in the country over the years. Since governance plays a crucial role in the country's development process, we have constructed governance indices to provide a comprehensive overview.

# 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:*** Author’s Computations.

In Table 2 above, it is observed that there has been gradual progress in governance in the country over the years. The composite index value was 0.69 in 2001-02, improved to 0.61 in 2009-10, and further increased to 0.43 in 2016-17.

**6.3 Relationship between Governance and Socio-Economic Development in India**

# Table 3 presents the results of the regression analysis examining the relationship between governance and socio-economic development in India.

# Table 3: Linkage between Governance and Socio-Economic Development in India

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 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: Author’s Computations.

# The regression results show a low R-Square value, with the state of governance having a positive coefficient of 0.51. This indicates a positive relationship between the level of socio-economic development and the state of governance in India.

# Conclusions:

# The analysis reveals that both socio-economic development and governance have improved over the years. The study also found a positive relationship between economic development and the state of governance in India. This suggests that effective governance contributes to socio-economic progress, meaning that development is achievable in a country with better governance, and vice versa. Therefore, improved governance can significantly contribute to the country's overall progress and development.

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