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GOVERNANCE TRANSFORMED

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Governance Transformed

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Chapter 15. Development in Public Administration and Governance

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On India's 75th Independence Day, Prime Minister Narendra Modi introduced the concept of *Amrit Kaal* or "The Era of Elixir" to the entire nation. Amrit Kaal is the Prime Minister's vision for a "New India" in the year 2047, when a new dawn for the country will bring with it the chance to fulfil the nation's aspirations. Expanding on the vision, the Finance Minister,[157] in her budget speech, cited the "saptarishi" priorities as: inclusive development, reaching the last mile, infrastructure and investment, unleashing the potential, green growth, youth power, and the financial sector. Laudable targets indeed. The scale of growth and change being envisaged has already made India the fifth-largest economy in the world, and it is racing to become the third in the near future. The stepping stones for such growth have already been laid. We are the most populous nation of young persons with a healthy demographic profile. With a GDP (gross domestic product) growth rate often exceeding 6–7% annually (Ministry of Statistics and Programme

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[157] ET Online. (2023, February 02). The Economic Times. Read more at: https://economictimes.indiatimes.com/magazines/panache/amrit-kaal-saptarishi-a-guide-to-the-esoteric-terms-used-by-finance-minister-nirmala-sitharaman-in-budget-speech/articleshow/97518367.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

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Implementation, n.d.), the country has emerged as a formidable player in the global market. The overall increase in production and consumption of goods and services has catapulted the economy to an estimated GDP of more than US$4.1 trillion. The productivity of Indians has enabled the nation to be one of the topmost “start-up” nations by 2023. Nevertheless, there are some disturbing issues. According to the World Bank, India has a low rank of 91 with a score of 50.7 in 2023 in the Global Governance Index (WGI). This is hotly debated by India. The WGI ranking needs to be analysed as it undermines not only the image of the country but also its credit worthiness.

Another disturbing issue is the glaring difference in development outcomes from one state in the country to another. Many of the so-called backward states in India (BIMARU—Bihar, Madhya Pradesh, Assam, Rajasthan, and Uttar Pradesh) have failed to record commensurate improvements in various dimensions of development. For example, even in 2019–2021, the infant mortality rates (deaths of infants below 1 year of age per 1,000 live births) have varied widely across the states: from low levels of 4.4 in Kerala to high levels of 41.3 in Madhya Pradesh and 50.4 in Uttar Pradesh.[158] The levels of female literacy rates in 2023 have varied from 89.4% in Mizoram and 95.2% in Kerala to as low as 60.5% in Bihar and 57.6% in Rajasthan.[159] Such inequalities are detrimental to economic growth and social cohesion. It is feared that in a polarised society, poor people with talent, ability, and drive will be consigned to substandard education and unproductive employment. Such uneven growth not only harms the citizenry but also inhibits economic development and social betterment.

The idea that the quality of governance contributes to improved human well-being and sustained development has gained widespread recognition in the past two decades. There is

[158] *Economic Survey 2022–2023*, Statistical appendix, Ministry of Finance.
[159] National Statistical Office (NSO) survey: the state-wise literacy rate in India in 2023.

an urgent need to identify key governance capabilities that will help developing countries accelerate economic development and thus eventually improve governance more generally on a sustainable basis. India has taken numerous steps in this direction; yet, in the World Bank's assessment, it scores dismally low. This paper seeks to critically examine the rankings assigned to it by the World Bank in the WGI and to study the efforts of Indian government to tackle uneven growth. If India is to achieve Amrit Kaal and aimed at enhancing the quality of life for citizens through inclusive development and bridging the development gap between states' performance, it is essential to analyse governance readiness which will be required to enable us to achieve the era of elixir.

A Conceptual History of Governance

Vedic literature, Buddhist treatises, Jain literature, Dharmasastras, Puranas, the *Ramayana*, the *Mahabharata*, Manusmriti, Sukraniti, *Arthashastra*, etc. are treasure houses of a lot of information on the organisations and functions of Indian administration in ancient India—the most important being Kautilya's *Arthashastra*, a treatise on statecraft, governance, and military strategy, which outlines a detailed administrative structure. Kautilya recommended mainly a "four-fold path of dealing with internal strifes and external threats: sāman, appeasement, non-aggression pact; dāna, gift, bribery; bheda, divide, split, separating opposition; and daṇḍa, strength, punishment" (Basu, 2005). The most noticeable aspect of the *Arthashastra* is its emphasis on dharma (righteousness and justice) and well-being of all the subjects as the main goal of the king. Public Welfare even in an autocratic agrarian State—that is where its timelessness lies. *Arthashastra* advocates the prudent use of Danda–Dharma duality of governance (Mundle et al., 2012) and can be considered the first guideline for good governance.

Periods of foreign conquests and the need for establishing control and consolidation over the conquered lands gave rise to the appointment of followers as controllers (*mansabdars*), revenue collectors (*jagirdars*), and *kotwals*, under the strict supervision of the Centre. This gave rise to a system of civil services characterised by stringent rules, hierarchy, permanency, and stability. The colonial rule saw the rise of such a centralised service with no noble aspirations for the welfare of the public in mind. At the time of Independence, the Constitution of India declared India to be a sovereign, socialist, secular, and democratic republic. The objectives stated by the Preamble are to secure justice, liberty, and equality to all citizens and promote fraternity to maintain the unity and integrity of the nation. However, 200 years of British rule over the country continued to cast its dark shadows on Indian governance and administration for quite some time even after independence.

Trends in Governance

With time, the rapid growth of globalisation and communication, as well as the technological boom, rendered the traditional rule-bound, static bureaucratic system of governance and public administration cumbersome and ineffective. The information-based economy saw the rise of **neoliberalism**, where, in the "organisational society," many important services are provided through multi-organisational programmes(Ewalt, 2001). In turn, it paved the way for the **welfare state**, crediting a broader role for the state. The overwhelming centralising role of the State became so burdensome that, in the early 1990s, resentment arose against the "overload of government." The failure of the welfare state to deliver, non-performance in economic and fiscal sectors, red tape, and rising corruption raised doubts about the role of the state. It triggered the quest for efficiency and for cutting the cost of delivering public services.

To solve the problem of "government overload," global efforts for privatising or contracting out public services and commercialising the public sector gained ground. **New Public Management (NPM)** reforms shifted the emphasis from traditional public administration to public management. Key elements included various forms of decentralising management within public services (e.g., the creation of autonomous agencies), increasing the use of markets and competition in the provision of public services (e.g., contracting out and other market-type mechanisms), and increasing emphasis on performance, outputs, and customer orientation. Foster and Plowden (1996) termed NPM as a "movement"—"Separating Provision from Production." This is the logic of "contracting-out." The state provides, but it does not produce anything; that is the task of the private sector.

The adoption of the NPM practices proved beneficial in some cases; however, there are limitations in resorting to privatisation in all cases—the greatest being the presence of poverty, illiteracy, and lack of capacity to implement the practices.

> *The capacity concerns include the ability to manage a network of contracts, the development of monitoring and reporting systems, and the difficult governance and institutional environment at all levels. It was, therefore, felt that the new public management approach may not be a panacea for all problems of the public sector. However, a careful and selective adaptation of some elements to selected sectors may be beneficial. (Mongkol, 2011).*

Countries which adopted the NPM techniques on a large scale faced the problem of an increasingly fragmented public sector. Privatising, contracting out, and devolution resulted in compartmentalisation of the departments, leading to a lack of coordination and inter-action amongst units. This led to duplication of efforts and waste of resources. This gave rise to the concept of **governance as networks**:

> *New forms of joined-up government, relational contracts between public purchasers and private providers, public–private partnerships and governance networks were typical responses to the call for crosscutting coordination and multilateral action "governance" referred to "governing in" and "through" distributed networks of agencies and contractors. (Rhodes, 2000)*

In the field of development, the concept of governance acquired a broader qualitative hue. In the late 1980s, the World Bank evolved the concept of **good governance**. It was felt that the investments and fiscal adjustment programmes being implemented in some African countries, were not resulting in the expected outcomes because of poor implementation, which the World Bank termed as a "crisis of governance." Good Governance is characterised by managerial techniques of transparency, accountability, encouraging people's participation, and reducing corruption.

The Unfolding Concept and Practice of Governance

Today, "governance" is one of the most fashionable and frequently used social science terms in the world. According to the academic approach, "governance" denotes a complex set of structures and processes, which are generally associated with national administration. The elements of good governance and their relation to development have been reflected in a plethora of works undertaken by a number of scholars and multilateral organisations, both national and international.

According to the World Bank (*Governance: The World Banks' Experience,* The Word Bank, 1992), governance is defined "as the manner in which power is exercised in the management of a country's economic and social resources for development."

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) includes social aspects in addition to political and economic aspects in the concept of governance. Governance is thus "the use of political authority and exercise of control in society in relation to the management of its resources for social and economic development" (Development Assistance Committee, 1993, p. 18). The Asian Development Bank focuses primarily on the social and economic aspects of governance and identifies accountability of the public sector, participation of the private sector, predictability of the legal framework and public policy, transparency of information, and clarity of regulations and policies as its basic components. The Bank sees governance as being synonymous with the effective management of development.

The United Nations Development Programme (UNDP) relates the concept of governance to sustainable human development. Thus, "All societies have to meet the challenge of creating a system of governance that promotes, supports and sustains human development—especially human development for the poor, the vulnerable and the marginalized" (UNDP, 2010). In the context of India, the term "governance" gained currency during the liberalisation of the Indian economy in the 1990s (Mathur, 2015). Subsequently, the Tenth Plan (2002–2007) in India made explicit mention of the term "governance," whereby it was stated that "governance has in the recent times merged at the forefront of the development agenda and good governance is one of the most crucial factors required if the targets of the Tenth Plan are to be achieved." According to the Tenth Plan, governance relates to:

> *the management of all such processes that, in any society, define the environment which permits and enables individuals to raise their capability levels, on one hand, and provide*

> *opportunities to realize their potential and enlarge the set of available choices, on the other. (Planning Commission, 2002)*

Governance and Development

"Governance" has become the sine-qua-non for all development schemes and is considered a must for successful policy outcomes. Poor countries are considered poor because their governance quality is bad, and rich countries are those that have better governance quality (Besley and Persson, 2011). The poorly governed countries do not reap the benefits of public spending on various public sectors such as health and education (Rajkumar and Swaroop, 2008). Sen (2000) sees development as expanding real freedoms, such as escaping morbidity, being nourished, being literate, and being able to participate in social functions. The means to these developmental outcomes depend on the nature and state of governance, such as the provisioning of public services, maintaining law and order, and participation of citizens in democratic franchising. Thus, for Basu (2005),

> *governance is a multifaceted concept, it can be examined along different dimensions. The ability to provide basic law and order (stressed by everybody, particularly libertarians), the ability to provide social services to build up human capital (stressed by endogenous theorists), provide physical infrastructure (stressed by traditional growth theorists) or economic management. are all within the framework of governance.*

It has been agreed that in developing countries, political corruption and poor governance inhibit economic development and social betterment (Kurtz, 2007a). A better level of governance has its impact on improvements in infrastructure, productive activities, health, and education facilities and reduction of corruption (Banerjee and Iyer, 2005).

Many studies have empirically examined the relationship between different aspects of governance and economic development and wellbeing at different points in time and space. What becomes evident is that governance matters for economic and social development.

Measures and Indicators of Governance: Measuring the Quality of Governance

While governance is seen as an important variable to mitigate many problems of the public sector system, the discussion becomes particularly vague and ideological when identifying the exact reforms that are required for improving the quality of governance (DARPG, 2009). Governance is a complex, multidimensional phenomenon, and the dimensions could include the "processes" of governance or the "outcomes" of governance. Indicators of the "processes" of governance examine the way governments are selected, monitored, and replaced. Processes capture the extent to which the citizens may participate in the political sphere and the level of freedom of expression and press. Indicators of "outcomes" of governance measure the ability of policy makers to govern society. Examples might include the state's ability to raise revenue, the strength of the legal system, the success rate in implementing policies, the realisation of policy goals and the extent of poverty, the level of freedom, or the rate of participation (Mark Bevir, 2009). The process is further complicated as governance dimensions could have several additional sub-dimensions, each represented by one or more different variables. Moreover, there are some dimensions that are not directly observable. Particularly challenging is the task of combining all the indicators and sub-indicators into a single aggregate index of the quality of governance that can capture the multi-dimensional features of a government in all its complexity.

Studies conducted by La Porta (1999), UNDP studies (2007–2009), and Besley and Persson (2011) adopted different approaches to quantify governance. La Porta (1999) studied governance from the perspective of promoting development through government interventions, assessing the size of the government, public sector efficiency, quality of provision of public goods, perception of corruption, and political freedom. Data on some outcome measures such as infant mortality, school attendance, illiteracy, and infrastructure quality were also collected and correlated to the indicators. The UNDP (2007) assessed characteristics of good governance in terms of participation, rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic vision. Besley and Persson (2011) based their study on three pillars of good governance: fiscal capacity, judicial capacity, and peace. According to them, effective state institutions, absence of political violence, and high per capita incomes give rise to development clusters.

World Governance Index

The most influential and widely used governance indicators have been developed by the World Bank and have been the criteria on which international assistance is provided. Since 1996, the data on the indicators developed by the World Bank have been published for over 212 countries and are based on some 310 variables, derived from 33 different agencies—public, private, and NGOs—totalling some 10,000 plus data points. The World Bank defines “governance” as the traditions and institutions by which authority in a country is exercised. It then breaks down this broad definition of governance into three components. These are:

1. The processes by which governments are selected, held accountable, monitored, and replaced;
2. The capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and
3. The respect of citizens and state actors, for the institutions that govern economic and social interactions among them (Kauffman, Kraay, and Mastruzzi, 2007).

Each of these three dimensions was measured in two "functional areas" as shown in Table 1.

Table 1: World Governance Index (WGI)

Dimensions	The process by which governments are selected, held accountable, monitored and replaced	The capacity of governments to manage resources efficiently	The respect for the institutions that govern economic and social interactions among them.
Functional areas	Voice and accountability	Government effectiveness	Rule of law
	Political Stability and absence of violence	Regulatory Quality	Control of Corruption

1. Voice and accountability (VA): Evaluates the extent to which a country's citizens are able to participate in selecting their government, as well as the freedom of expression, freedom of association, and media freedom.
2. Political stability and absence of violence (PS): Assess the likelihood of political instability and politically motivated violence and terrorism.
3. Government effectiveness (GE): Gauges the quality of public services, the quality of the civil service, and the degree of its independence from political pressures.
4. Regulatory quality (RQ): Examines the ability of the

government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. Rule of law (RL): Evaluates the extent to which agents have confidence in and abide by the rules of society and, in particular, the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.
6. Control of corruption (CC): Measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption.

The data relating to each of these "functional areas" was compiled from records of various international bodies on government functioning, such as the World Bank (WB), Asian Development Bank, African Development Bank, and the International Monetary Fund (IMF). The WB also derives data from polls answered by experts or from surveys answered by the citizens/NGOs of a state, the names of whom are not disclosed.

The variables are converted into appropriate indicators and given appropriate weights to create an index for each functional area, with an estimated governance performance score ranging between –2.5 and +2.5. Percentile rankings of countries are given on the basis of these scores. The ranking of the countries on the basis of such percentile scores has elicited a lot of criticism.

India's Reservations with Regard to the WGIs

India's ranking in the WGI 2023 is at 91st position. India's percentile ranking in WGI has shown minimal progress from 2014 to 2022 (see Table 2).

Table 2: Worldwide Governance Indicators

Indicator	*Year*	*Number of sources*	*Governance (−2.5 to +2.5)*	*Percentile rank*	*Standard error*
Voice and accountability	2014	13	0.05	60.1	0.13
	2022	12	0.41	49.28	0.13
Political Stability and absence of violence	2014	9	−1.00	13.81	0.19
	2022	8	−0.57	24.53	0.22
Government effectiveness	2014	9	−0.22	45.19	0.21
	2022	8	0.37	63.21	0.24
Regulatory quality	2014	10	−0.48	33.65	0.2
	2022	9	−0.05	50.94	0.2
Rule of law	2014	13	−0.07	55.77	0.16
	2022	11	0.11	55.19	0.16
Control of corruption	2014	13	−0.46	39.9	0.13
	2022	12	−0.32	44.34	0.15

Source: https://www.worldbank.org/en/publication/worldwide-governance-indicators

Despite the minimal change in ranking, it is intriguing to note that within the same timeframe, India has ascended to become the fifth-largest economy globally, significantly reducing poverty and considerably expanding its middle class. It would be fitting here to enumerate the various innovations and reforms that have taken place in the country in the last decade, having a direct effect on governance.

Good Governance Initiatives in India

The greatest revolution in modern times has been brought about by the rapid and unprecedented advancement in communication technology. The widespread use of mobile phones, personal computers, and the penetration of Internet services have empowered the common man not merely by making life easier for him but also by providing greater access to information about various things and conditions which affect him. In 2015, the Government of India launched the Digital India programme with the vision of transforming India into a digitally empowered society and a knowledge-based economy by ensuring digital access, digital inclusion, digital empowerment, and bridging the digital divide (PIB Delhi).[160] The rapid ramp-up of Aadhaar, the national biometric digital identity programme, and its subsequent linkage to the payment of welfare benefits helped in the effective implementation of welfare schemes. Digital platforms have brought a systemic change as they enable Direct Benefits Transfer (DBT), under which cash transfers are directly made to the beneficiaries. It also eased the challenges of dubious inclusion and exclusion of beneficiaries and has made the process of welfare delivery remarkably faster and more targeted. In Andhra Pradesh and Telangana, through Aadhaar seeding alone, around 13–15 lakh dead, duplicate, or migrated beneficiaries have been weeded out under NREGS[161]. Digitising has brought about more transparency in the functioning of the government. E-tendering, e-procurement, and e-Auctions have helped to bring more transparency, efficiency, and cost reductions in government procurements.

Banking reforms have been made to make banking services inclusive and efficient. India's Pradhan Mantri Jan Dhan

[160] Ministry of Electronics and IT. (2022, December 23). PIB, New Delhi.
[161] DBT Mission Cabinet Secretariat, website:
http://cabsec.nic.in/dbt/origin.html

Yojana is an initiative of a digitally driven financial inclusion scheme making banking activities accessible to the poor, entitling them to several credit, loan, and savings facilities. "More than 50 crore beneficiaries banked under PMJDY since inception. Total deposit balances under PMJDY accounts stand at Rs. 2,03,505 crore. PMJDY accounts grew 3.4-fold from 14.72 crore in March 2015 to 50.09 crore as on 16-08-2023. Around 56% Jan-Dhan account holders are women and around 67% Jan Dhan accounts in rural and semi-urban areas" (PIB, Delhi),[162] enabling them to avail of MUDRA loans for grassroots enterprises. "Bank Mitras" (agents facilitating people in banking related services) have been appointed in remote areas. The deep penetration of Jan Dhan accounts has acted as a catalyst behind India's enthusiastic adoption of digital payment platforms such as the Unified Payments Interface (UPI) and debit cards, with 31 crore RuPay cards being issued till 2022. The UPI has onboarded 376 banks and has facilitated 74.5 billion transactions (by volume) worth ₹126 trillion till 2022 (India's Digital Payment, Annual Report, 2022). Measures like the recapitalisation of public sector banks, the merger of weaker banks with stronger ones, and initiatives to address NPAs have strengthened the banking sector.

The government has also transitioned to a trust-based governance model, introducing reforms such as the Insolvency and Bankruptcy Code, the Real Estate (Regulation and Development) Act, the decriminalisation of minor economic offences under the Companies Act of 2013, the repeal of over 1,400 outdated laws, grievance redressal portals, video recording of the property registration process, extensive use of Aadhaar cards, tax reforms in the form of tax deduction at source (TDS) and faceless income tax assessment, voluntary disclosure schemes, making PAN numbers mandatory for real estate and bullion purchases, installation of CCTV cameras in

[162] Ministry of Finance. (2023, August 28). PIB, New Delhi.

government offices, especially in local police stations, etc. All these steps put trust and responsibility on people to cooperate with the authorities and lead to transparency and accountability in governance.

The government has also undertaken a wave of structural and regulatory reforms: rationalising the indirect tax system with a single, unified tax under the Goods and Services Tax (GST); "Make in India" initiative to transform India into a global manufacturing hub; amendments to the Companies Act to improve corporate governance standards, enhance transparency, and ease compliance requirements; the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015; the Fugitive Economic Offences Act, 2018, to tighten the noose on corruption; and the opening of Common Services Centres offering government and business services in digital mode in rural areas through Village Level Entrepreneurs (VLEs). Over 870 digital services are being offered by these CSCs. So far, five and a half million CSCs are functional (including urban and rural areas) across the country (Common Service Centre, 2023, July 15–31); Unified Mobile Application for New-age Governance (UMANG) has been operationalised for providing government services to citizens through mobile. Liberalised foreign direct investment across various sectors such as railways, defence, insurance, and retail, to attract foreign investment and spur economic growth; Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission) to boost local manufacturing, infrastructure, and technology-driven systems to make India self-reliant; Start-Up India to foster innovation and entrepreneurship; Skillup India for increasing employability, etc., have all revolutionised the pace of governance, making it more effective and transparent.

Moreover, India has emerged as a major destination for foreign investment, with total Foreign Direct Investment (FDI) inflows reaching US$71 billion and equity inflows at US$46 billion for FY23. The introduction of several schemes to promote the domestic manufacturing sector, such as the

Production Linked Incentive scheme, has also resulted in firms scaling up their investments within the country. Educational attainment in India has increased substantially, resulting in the country now having the third-largest pool of scientists and technicians worldwide. Huge expansion in infrastructure development, like roads, highways, educational institutes, universities, airports, medical centres, and metros, has transformed the drab, poor image of the country into a bright, vibrant country on the move.

The gains emerging because of these reforms have been captured through India's progress in the **Global Competitiveness Index**. The Global Competitiveness Index integrates the macroeconomic and the micro/business aspects of competitiveness into a single index. The report assesses the ability of countries to use available resources. The report is published by the World Economic Forum. India improved its position in the Index from 71st rank in 2014–2015 to 39th in 2023.[163] The **Logistics Performance Index** (LPI) is an interactive benchmarking tool created by the World Bank to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance. India improved its position in the Index from 54th in 2014 to 38th in 2023.[164] The **Global Innovation Index** is an annual ranking of countries by their capacity for, and success in, innovations, published by the World Intellectual Property Organization (WIPO). India improved its position from 81st in 2015 to 40th in 2023.[165] The **Doing Business Report (DBR)** is the flagship publication of the World Bank Group that benchmarks business regulations in 191 economies. The Report measures regulations that enhance business activity and those that constrain it. In the DBR 2020, published in October 2019

[163] IMD World Competitive Center. https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/)

[164] Ministry of Commerce and Industry (2024, February, 7). PIB, New Delhi.

[165] NITI Aayog (2023, September 28). PIB, New Delhi.

before its discontinuation by the World Bank, India's rank improved from 142nd in 2014 to 63rd in 2019, registering a jump of 79 ranks in a span of 5 years.[166] In 2023, the World Bank itself acknowledged that India has brought 416 million people out of the poverty line. None of the reforms and outcomes would have been possible without good governance. Yet, the WGIs show that Indian governance has hardly improved over the last decade. This scenario throws up two possibilities: either the World Bank's indicators are not capturing relevant variables of governance, or good governance is not required for development. Let us examine the views of some scholars on the two aspects.

Criticism from Across the Globe

India is not alone in having reservations against the perception-based WGIs. The widely used WGIs have come under severe criticism from researchers across the globe on methodological and conceptual grounds for their inability to measure traits of good governance.

1. Any index of governance should take into account the existing political system as given within a country at the national or sub-national levels and develop the indicators accordingly. Andrews (2008) argues that the WGIs are "context-neutral" in the sense that they do not take into account country-specific challenges and environments which could be quite different from each other. Implementation of even welfare schemes is very difficult in a multi-dimensional democratic set up, but can be strictly foisted on the citizens in any autocratic set up. Viewed from this angle, having similar indicators for "voice and accountability" for all the countries is preposterous. Also, these indicators should take a secondary place in the

[166] Ministry of Commerce and Industry. (2024, February, 7). PIB, New Delhi.

development of the governance index than the effectiveness of programme implementation.

2. Differences in the nature and quality of institutions and customs across countries give rise to the possibility that the same policy may have different effects in different countries (Virmani, Sahu, and Tanwar, 2006). Strict implementation of anti-corruption measures in developed countries with strong institutions leads to greater transparency and efficiency in government operations, but may fail to have any effect in developing countries due to limited enforcement, weaker institutions, and possibly exacerbate corrupt practices as those in power may find ways to circumvent the regulations.
3. Thomas, Melissa (2010) points out that there is a substantial difference between measuring something and measuring perceptions of it. She argues that in the context of governance, perceptions of crime risk have been shown to be quite different from actual crime levels. Likewise, perceptions of corruption differ from actual corruption levels, and trust in government does not necessarily match administrative performance.
4. According to Langbein and Knack (2008, p. 3), the six indicators seem to say the same thing with different words and hence amount to tautology. They have limited use as guides for policymakers and for academic studies of the causes and consequences of “good governance” as well.
5. Kurtz and Schrank (2007) state that the measurement of governance developed by Kaufmann, Kraay, and their various collaborators at the World Bank is riddled with systematic biases due to selection problems, perception biases, as well as survey design and aggregation problems. This most widely used data set, and the conclusions derived from it on government effectiveness, are, at best, partial and, at worst, misleading because they often measure initial conditions and ostensible effects of governance reforms, rather than the direct consequences of governance reform efforts on growth rates.

6. Huge effort is utilised in collecting the available data on the six indicators of governance. The huge data base is a boon but also a weakness, as about half the variables are objective data from secondary sources, while the rest are based on perception surveys of varying quality and reliability across data sources. Data collected from perception surveys can be subjective and imperfect, especially if the perceptions are from an unrepresentative set of observers. "With such heroic aggregation of huge volumes of data, some objective and others subjective, some reliable and others not so reliable, it is not clear in the end what exactly the KKM[167] measures are capturing. Reliability apart, there is also a question whether, with such large data overload, the aggregate indicators reasonably accurately reflect the actual quality of governance in a country." (Mundle et al., 2012)
7. Another problem is that the variables used by KKM are national-level variables, and sub-national data would not be available for most of them.

To sum up, the WGIs are being questioned on the very basis of their formulations. Reliance on indicators based on such shaky grounds is difficult. India's reservations have been communicated to the World Bank.

Is Good Governance Necessary for Development?

The second scenario that "good governance is not a prerequisite for development" is gaining ground amongst thinkers:

[167] KKM: a set of indicators developed by the Malayasian Government for measuring performance in the health sector, known as Kementerian Kesihatan Malayasia.

> *the good governance agenda has defined policy reform goals for developing countries that are widely supported in many developing countries and, especially, internationally. These goals include strengthening protection of property rights, rooting out corruption, achieving accountable and democratic governments, and imposing the rule of law. However, the empirical evidence conclusively shows that countries have only improved governance with development, and that good governance is not a necessary precondition for development. (Khan 2009, 2010)*

Citing examples of China, Vietnam, and some Latin American countries, where performance on the governance level, as per the World Bank's Indicators, is much below the standards, yet they have performed very well on the economic front, the scholars argue that it is development that improves governance and not the other way around. The direct result of such an argument is that there is an urgent need to identify key governance capabilities that will help developing countries accelerate economic development and thus eventually improve governance more generally on a sustainable basis.

According to Meisel and Ould-Aoudia (2007), the universal "good governance" prescription has actually had modest or even no impact on growth. They see this as an attempt by the developed countries to impose their idea of governance on the developing countries. Such an imposition is often opposed. Hence, although "good governance" is unobjectionable, if not desirable, reforms inspired by this approach have not been and cannot be successful for accelerating economic growth.

Kurtz and Schrank (2007) note that a number of developing countries, especially in East and South-East Asia, have fallen short on the most widely used World Bank good governance benchmarks, yet have performed well in terms of growth, equity, and structural transformation. Amongst the various reasons for their growth are the higher levels of education, social equality, the capacity of the government to manage change, and the free play of market interventions.

Fukuyama (2008) acknowledges the likelihood of two-way relationships between various aspects of governance and economic development. According to him, states with "just enough" governance may lead to economic growth which in turn may accelerate governance improvements. Citing the example of Bangladesh, where problems of corruption and democratic accountability are matters of concern, Fukuyama points out that the economy has been growing impressively since the early 1990s.

From the above discussion, it is apparent that current understandings and measures of governance, especially in relation to economic development, are not only imperfect but also problematic. China, South Korea, Vietnam, Bangladesh, and now India have belied the orthodox view of good governance that since good governance accelerates growth, comprehensive governance and institutional reforms are a prerequisite for development. These countries have proved that growth accelerations can and have occurred under a wide variety of institutional and policy regimes. Fukuyama states that "good enough governance" implies a more realistic, pragmatic, nuanced, better-prioritised, and sequenced understanding of the evolution of institutions and governance capabilities. Hence, good enough governance may be more realistic for countries seeking to accelerate growth, development, or poverty reduction (Fukuyama, 2008). Among the multitude of governance reforms deemed necessary for economic growth, there is very little consensus on what is essential, what should come first, what should be the short-term methods, or what can only be achieved over the longer term. And if certain institutional and policy reforms matter more for development, these should probably receive the most support. All desirable things cannot be pursued simultaneously. It is essential for developing countries to analyse their unique position, assign priorities, recognise current capabilities, establish what is most important and achievable, and design customised policy reforms for themselves, rather than trying to fill all supposed governance shortfalls or gaps at the same time. Targeted reforms to improve governance rather than wholesale reform may be more effective in accelerating economic growth.

In spite of WGIs being criticised as opinion-based indices, they are widely used due to a lack of alternatives. It is, therefore, all the more imperative that the World Bank acts in a transparent manner and puts in the public domain the sources from which it collects its data. Instead of hiding behind privacy matters, it should disclose the names of its experts and NGOs who act as its think tank. It would be in the fitness of things if suitable modifications in the indicators are made for different countries to suit their unique circumstances. This would lend a greater credibility to the Index.

Great Indian Divergence: Uneven Growth

A serious problem being faced by India is with regard to its uneven growth—geographically, sectorally, and at the household level. Some states have suffered greatly because of historically limited access to education, employment, investments, industrial and commercial development, and health opportunities. As a result, socio-economic development, encompassing income, education, health, infrastructure, and employment, varies significantly amongst states. The southern and western states have done much better than the others. The following table of growth in some sectors for the years 2021–2022–2023, for some big states, brings home the point of unequal development. (The first seven states are the southern and western states.)

Table 3: Comparative Table of Growth

	1) State domestic product (in INR)	2) Growth of population in 2022–23	3) Literacy rate	4) Graduate unemployed rate	5) Persons living below poverty line
Kerala	228,767*	0.40%	96.2%	26.9%	0.7%
Tamil Nadu	273,288	0.30%	82.9%	18.7%	4.8%
Andhra Pradesh	219,518	0.35%	66.4%	22.8%	12.3%
Karnataka	301,673	0.62%	77%	12.5%	13.2%
Telangana	308,732	0.48%	72.8%	20%	13.7%
Maharashtra	242,247	0.77%	84%	9.4%	14.85%
Gujarat	250,100*	1.20%	82%	6.1%	18.6%
Uttar Pradesh	70,792*	1.01%	73%	11.3%	37.08%
Bihar	49,470	1.44%	70.9%	20%	33.74%
Madhya Pradesh	140,583	1.19%	73%	11.1%	36.07%
Rajasthan	156,149	1.07%	69.7%	22%	29.5%
West Bengal	141,373	0.48%	80%	9.7%	21.43%

*Source: 1. Per capita net state domestic product at current prices; base year 2011–2012. Ministry of Statistics and Programme Implementation, PIB Delhi Press release dated July 24, 2023 (*data relates to the year 2021–2022); 2. https://statisticstimes.com/demographics/india/indian-states-population.php#google_vignette; 3. Based on the National Statistical Office (NSO) survey the state-wise literacy rate in India in 2023; 4. Based on Rajya Sabha Unstarred Question 2487, answered on 10/08/23.; 5. Department of Social Justice and Empowerment.*

The stark unevenness of growth is very apparent. The GDP of the first seven progressive states is much higher than that of the other states, whereas their rate of population growth is much lower. The percentage of poor in these states is also comparatively much lower. Unemployment seems to be a universal problem. If the pace of development remains the same, it is feared that the developed states will move far ahead of the not-so-developed states. This uneven growth mars the overall progress made in the country. The divide between the developed and not-so-developed states is taking on dangerous proportions. This situation came to stark reality during the lock down of the pandemic, when thousands of migrant labourers from Bihar, UP, MP, and Rajasthan, who had gone to the southern states and Mumbai for better earnings, were seen trekking back home in pitiable conditions. State-wise uneven growth has to be tackled quickly.

Studies in India

Fortunately, in India, a number of state-wise systematic studies are available to quantitatively evaluate various dimensions of governance and to monitor them over time to examine the progress. The studies by Basu (2002), Virmani (2006), and Mundle et al. (2012) for various states, in which they fixed different dimensions of governance to be measured by indicators, have become dated as much water has flowed since these were formulated. In 2009, DARPG formulated an Index with five dimensions and 123 indicators. Being too copious, the same has been revised.

Good Governance Index

DARPG launched the Good Governance Index in 2019. The GGI framework has been formulated to assess the state of governance across the states and union territories (UTs) and rank their performance accordingly. The objective is to create a tool which can be used uniformly across the states/UTs to assess the impact of various interventions taken up by the central and state governments/UTs. It has been kept flexible for incorporating any improvements/revisions based on the need. It includes not only the outcomes and output-based indicators but also inputs and process-based indicators. For example, in the public health sector, it monitors not only the number of beds per 1,000 population and number of doctors available but also monitors the outcomes in the form of changes in maternal mortality rate and infant mortality rates. The GGI 2021 encompasses 10 sectors and 58 indicators. Each sector carries equal weightage and is composed of indicators carrying different weightages. The sectors of GGI 2020–2021 are: (a) Agriculture and Allied Sectors, (b) Commerce & Industries, (c) Human Resource Development, (d) Public Health, (e) Public Infrastructure & Utilities, (f) Economic Governance, (g) Social Welfare and Development, (h) Judicial & Public Security, (i) Environment, and (j) Citizen-Centric Governance.

Unlike the World Bank which treats all the countries of the world on one platform, India's GGI has categorised the states into four groups considering the variations in size and diversity: (i) North-East and Hill States (11), (ii) Union Territories (7) (iii) Other States—Group A (10) and (iv) Other States—Group B (8). Collection of data is on a biannual basis. As per the PIB report of the Ministry of Personnel, Public Grievances and Pensions dated 25th December 2021, Gujarat, Maharashtra and Goa top the composite score of 10 sectors under the GGI 2021 assessment. Uttar Pradesh has shown an 8.9% increase over the GGI 2019 performance. The GGI 2021 states that 20 states have improved their composite GGI scores over the GGI 2019 scores. This indicates that the overall governance in the States of India is moving in a positive direction (PIB Delhi)[168]. GGI works as a

[168] Ministry of Personnel, Public Grievances and Pensions. (2021, December 25). PIB, New Delhi.

multidimensional tool for monitoring the progress of all sectoral initiatives taken by the governments. It is hoped that rigorous implementation of the same will provide the necessary support to the languishing states to improve their performance as well as aid in policy reformulation wherever required.

Recommendations and Conclusions

1. To sum up, this paper has tried to highlight the dichotomy between India's meteoric rise in the economic field and the low, more or less minuscule improvement in the ranking accorded to it by the WGIs in the field of governance. India has highlighted its reservations to the World Bank. Some suggestions to improve WGIs are as follows:

- In order to expand the acceptability of the Index, the WB will have to revise the indicators and the variables used for measuring the functional areas. For example, the indicator "political stability and absence of violence" assesses the likelihood of political instability and politically motivated violence and terrorism in the country. Data for this metric is collected through surveys and is entirely perceptive. Likewise in the metric "Control of Corruption," it is difficult to measure the extent to which public power is exercised for private gain, and data collected for this will be subjective in nature. There should be appropriate methods for validating perception data with hard facts and merging them with indicators of governance.
- The WB should be transparent in its assessment and disclose its sources of data collection, especially those collected through surveys.
- Considering the vast differences in the status of historical experiences, and the level of growth of their institutions, it would be pragmatic to categorise countries into groups according to their existing level of growth and formulate indicators accordingly. No one-size-fits-all approach works.

- The governance indicators are directed more at improving the effectiveness and efficiency of the market system. For example, the Regulatory Quality dimension of the WGIs examines the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. India is yet to come to this stage of development. We need to focus more on the governance indicators that will contribute to the strengthening of the government system and development. The WB should consider making amends accordingly.
- Indicators have to be developed not only at the state and central levels but also at the third tier of governance, viz. the panchayats in the rural areas and nagar palikas in the urban areas.
- The governance indicators should serve a dual purpose. Not only should they measure the level of governance quantitatively, but they should also help to monitor the improvements in governance over time. They should not be an instrument to criticise countries; rather, they should be supportive of the efforts.

2. It is felt that the DPARG's GGI is more appropriate for India as not only is it multidimensional, but it also carried out at different layers and divisions of the government. Not only does it assess the quality of governance, but it also helps in monitoring the various programmes initiated by the governments. The main problem with the implementation of the Index is the inability of the administration to put its reports which are to be prepared biannually, in the public domain. At the time of writing this paper, the report available in the public domain was only for the year 2021.
3. A large number of schemes have been launched in the country in the last decade. The most widely talked about are Swachh Bharat Abhiyan, Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Pradhan Mantri Ujjwala Yojana, UJALA Yojana, Deendayal Antyodaya Yojana,

Pradhan Mantri Awas Yojana, Direct Benefit Transfer, Mission Indradhanush, Beti Bachao, Beti Padhao Yojana, Make in India, Digital India, and Startup India, etc. The major problem is the lack of their timely execution. In the implementation of programmes, there are large gaps in timelines, differentials in quality, areas and effectiveness and efficiency. The dimension of identifying the various critical "gaps" in programme implementation should be a major dimension of governance.

4. Despite consistent high growth, India still struggles with low Human Development Indicators. India ranks 134th in the Global Human Development Index, says the UNDP report of 2022. The country moved up a rank compared to 2021, but still falls behind Bangladesh (129th position), Sri Lanka (78th), Bhutan (125th), and China (75th). It is generally agreed that "governance is one of the critical factors explaining the divergence in economic performance across developing countries" (Khan, 2010). India needs to make concerted efforts in the fields of public health and education not only to improve the rankings, but also to improve the quality of life of its citizens.

India's governance readiness to become the third-largest economy hinges on its ability to address the existing challenges of corruption, bureaucratic inefficiency, judicial backlog, social and regional inequalities, poverty, and health-care deficiencies effectively and urgently. Continuous improvements in institutional quality, infrastructure, and social development are crucial. Strong political will and effective policy implementation will play a significant role in driving sustainable economic growth. The trajectory so far indicates positive momentum, but concerted efforts are required to overcome systemic inefficiencies and ensure that economic growth is inclusive and sustainable. If these areas are addressed effectively, India is well positioned to achieve its goal of becoming the third-largest economy in the near future.

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