

Human Development in Madhya Pradesh: the role of fiscal policy and governance¹

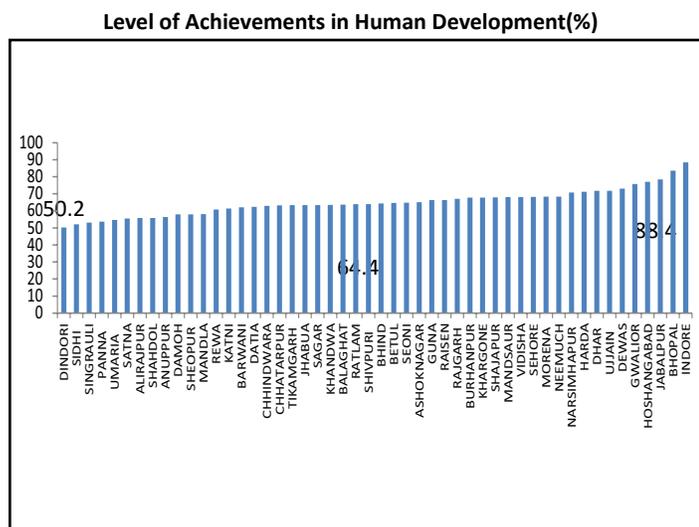
NIPFP team: N R Bhanumurthy, HK Amar Nath, Manish Prasad, Shiney Chakraborty and Richa Jain

Email for correspondence: nr.bhanumurthy@nipfp.org.in

In spite of massive economic growth, Madhya Pradesh has been classified as 'off-track' in most of the Millennium Development Goals (MDGs) along with a wide divergence between the growth and human development indicators across different districts within the state.

Divergences in Human development Achievements

At the district level, Dindori, Sidhi, Singrauli, Panna, Umaria are at the bottommost and Indore, Bhopal, Jabalpur, Hoshangabad, Gwalior are the topmost districts in human development achievements. Human development is not only dependent on public expenditure, but also on other factors such as governance. For example the public expenditure on health and health achievements, many districts are performing better in spite of lower expenditures and some are lagging behind even though expenditures are higher.



Source: NIPFP-UNICEF (2016), Madhya Pradesh State MDG Report: 2014-15

Health achievements are found to be better in 16 districts in spite of lower per capita expenditures. The districts are Katni, Chhindwara, Seoni, Harda, Sehore, Ratlam, Mandsoor, Khargone, Rajgarh, Morena, Dhar, Bhind, Dewas, Betul, Shajapur and Neemuch.

Five districts are lagging behind in health outcomes in spite of higher per capita expenditures. The districts are Shahdol, Sagar, Mandla, Rewa and Raissen. Other 21 districts are lagging behind in health outcomes due to lower expenditures and other reasons.

These trends could suggest that public expenditure alone may not result in better human development outcomes. Sectoral public expenditure could be just a necessary condition and may not be sufficient enough to bring improvements in human development outcomes. In addition to public expenditure, other factors such as governance could also influence the human development.

Divergences in Governance Index

Governance is analyzed through five broad dimensions viz. political, legal & judicial, administrative, economic and social (including environment). Various indicators influencing these dimensions have been used to construct an index for each of these dimensions and by aggregating all these dimensions, *District Governance Index* is constructed. It is found that there are huge variations across the districts in each of these dimensions. There are some districts, lagging behind in all the dimensions of the governance.

- Five districts (Satna, Alirajpur, Anuppur, Mandla and Rewa) with poor human development achievements need to focus on all the five dimensions of the governance.
- Some districts (Dindori, Singrauli, Umaria, Katni and Jhabua) are performing poorly in four of the five governance dimensions with administrative, social and economic dimensions being common among the four districts.
- Among the governance dimensions weak administrative index is the main logjam in improving the human development outcomes in less developed districts.

¹This One pager is an outcome of the detailed technical analysis, "Divergences in Human Development Outcomes in Madhya Pradesh: The role of Fiscal Policy and Governance", carried out at NIPFP, New Delhi with the financial support from UNICEF, Bhopal.

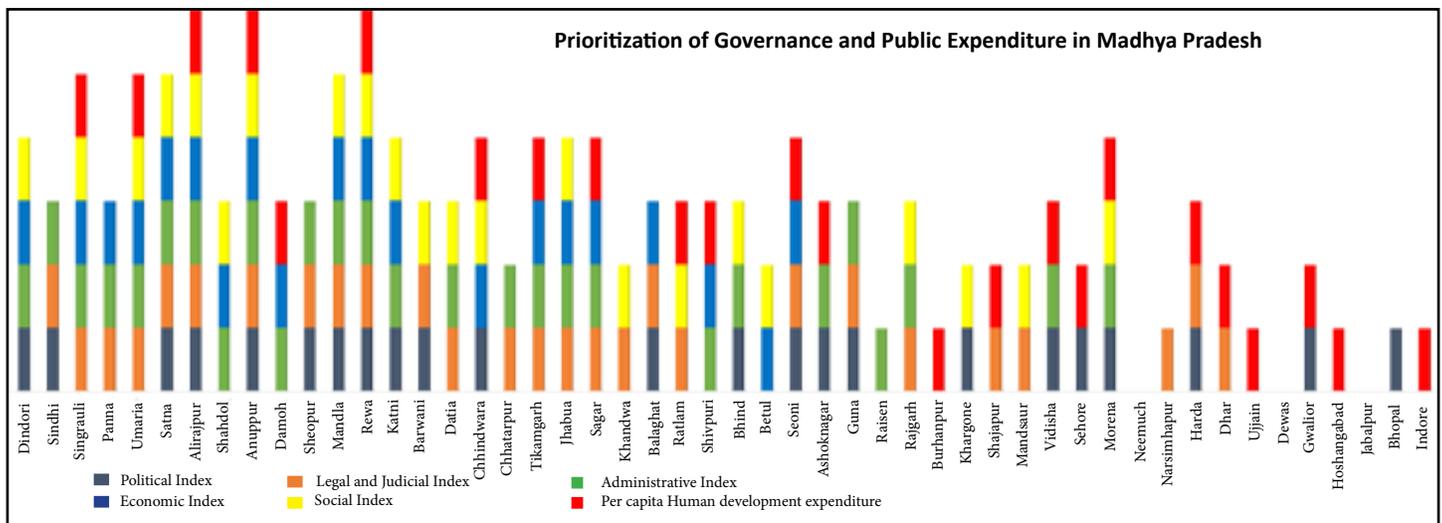
Governance, Public expenditure and Human development Achievement linkages

- In spite of lower per capita expenditure, the districts such as Burhanpur, Ujjain, Hoshangabad and Indore are performing better in human development due to better administrative index.
- The districts with lower human development achievements need to prioritize only in one or two dimensions of governance particularly administrative index.
- The districts such as Neemuch, Dewas and Jabalpur have better human development outcomes due to both better governance index and higher per capita human development expenditure.
- On such linkages, an increase in the expansion of rural road under Pradhan Mantri Gram Sadak Yojana could lead to an increase in institutional delivery, thereby, improving health outcomes such as Infant Mortality Rate and Maternal Mortality Rate.

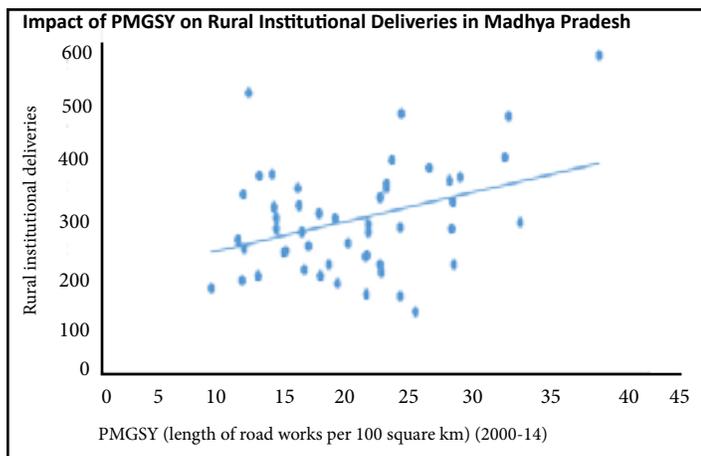
- The prioritization of specific dimensions of governance should help in reducing the divergences in developmental outcomes across the districts.
- Overall development of infrastructure like expansion of rural roads and improving telecommunications could increase the usage of health and education facilities. More access leads to better human development outcomes.

In Madhya Pradesh, at the district level efficiency of human development expenditure could be improved by improving governance. In understanding what determines performance in education sector, only per capita district domestic product was found to be significant. However, in case of health outcomes, public spending along with governance was found to be significant in achieving health outcomes.

Thus, it suggests that at the district level, Madhya Pradesh government should focus not only on increasing public spending, but also on improving the quality of governance that could enhance the efficiency of public expenditure.



Note: Districts are arranged in ascending order based on MDG achievement index taken from NIPFP-UNICEF report, 2016



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 NIPFP-UNICEF. (2016), Madhya Pradesh State MDG Report 2014-15. New Delhi: National Institute of Public Finance and Policy.
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