

# Development as a measure of governance

While the best and worst performing states have remained the same a decade apart, sharp changes appear when rankings are adjusted to account for the impact of development, write **Sudipto Mundle, Samik Chowdhury and Satadru Sikdar**

There are widely varying conceptions of governance. These range from a simple, statist interpretation that governance is what governments do, to a much wider interpretation of governance as the way in which individuals, groups and institutions, both public and private, manage their affairs and resolve conflicts of interest in an orderly manner. In a recent study (Mundle, Chowdhury and Sikdar, 2016), we adopt the statist interpretation and develop a measure of the quality of governance as service delivery.

## Measuring the quality of governance

The choice of service delivery outputs as the measure of governance quality implies that they have been given priority over inputs such as governance capacity, institutions, and processes. This should not be taken to imply that capacity, institutions and processes are unimportant.

On the contrary, such inputs are arguably the key determinants of the quality of governance. However, the purpose of this exercise is to rate the quality of governance, defined as service delivery, across Indian states, not identify the determinants of governance quality. Hence, this question is not addressed here. The only exception is the interaction between governance and development, which is discussed below.

## Ranking governance performance of major Indian states

The quality of governance as service delivery is measured using the overall Governance Performance Index (GPI).

## GOVERNANCE PERFORMANCE INDEX AND DEVELOPMENT ADJUSTED GOVERNANCE INDEX

GPI 2001		
1	Gujarat	0.66
2	Tamil Nadu	0.6
3	Punjab	0.6
4	Kerala	0.57
5	Haryana	0.55
6	Andhra Pradesh	0.53
7	Karnataka	0.51
8	Maharashtra	0.5
9	Himachal Pradesh	0.5
10	Chhattisgarh	0.48
11	West Bengal	0.44
12	Assam	0.43
13	Madhya Pradesh	0.38
14	Uttarakhand	0.36
15	Odisha	0.35
16	Rajasthan	0.34
17	Jharkhand	0.27
18	Uttar Pradesh	0.19
19	Bihar	0.16

GPI 2011			
1	Gujarat	(0)	0.65
2	Tamil Nadu	(0)	0.61
3	Andhra Pradesh	(+3)	0.59
4	Kerala	(0)	0.59
5	Punjab	(-2)	0.58
6	Karnataka	(+1)	0.57
7	Uttarakhand	(+7)	0.56
8	Chhattisgarh	(+2)	0.54
9	Haryana	(-4)	0.53
10	Maharashtra	(-2)	0.5
11	Himachal Pradesh	(-2)	0.5
12	Rajasthan	(+4)	0.5
13	Madhya Pradesh	(0)	0.49
14	Assam	(-2)	0.35
15	West Bengal	(-4)	0.34
16	Odisha	(-1)	0.31
17	Jharkhand	(0)	0.3
18	Bihar	(+1)	0.29
19	Uttar Pradesh	(-1)	0.29

DAGI 2011			
1	Chhattisgarh	(+7)	0.64
2	Madhya Pradesh	(+11)	0.63
3	Karnataka	(+3)	0.62
4	Tamil Nadu	(-2)	0.61
5	Andhra Pradesh	(-2)	0.61
6	Gujarat	(-5)	0.6
7	Punjab	(-2)	0.58
8	Rajasthan	(+4)	0.58
9	Kerala	(-5)	0.57
10	Bihar	(+8)	0.55
11	Uttarakhand	(-4)	0.5
12	Haryana	(-3)	0.5
13	Maharashtra	(-3)	0.46
14	Himachal Pradesh	(-3)	0.46
15	Uttar Pradesh	(+4)	0.45
16	West Bengal	(-1)	0.43
17	Odisha	(-1)	0.42
18	Assam	(-4)	0.41
19	Jharkhand	(-2)	0.41

Note: Figures in parentheses indicate "the change in ranks under 2011 is with respect to 2001, while the change in ranks under DAGI 2011 is with respect to GPI 2011".

The GPI is used to rate and rank the governance performance of major states in India in 2001-02 and 2011-12. It uses a common scaling technique to aggregate a set of 14 indicators that are based exclusively on official factual data, not perceptions or opinions drawn from samples of respondents. The literature points out the strong correlation between the level of development and quality of service delivery, which biases the GPI towards more developed states. We correct for this bias by using an alternative Development Adjusted Governance Index (DAGI). The GPI and DAGI

indices and ranks are presented in the table.

Two main features that stand out from composite GPI and DAGI ranks are the relative stability of the composition of the best- and the worst-performing states, and the sharp changes that appear when the rankings are adjusted to control for the impact of development. Five of the six best-performing states in 2001 remained the best performing in 2011: Gujarat, Tamil Nadu, Andhra Pradesh, Kerala and Punjab.

At the other end, four of the six worst-performing states in 2001

remained the worst performing in 2011: Odisha, Jharkhand, Uttar Pradesh and Bihar.

Adjusting the rankings for development impact (DAGI) results in some sharp changes in relative ranks. Madhya Pradesh, Bihar and Chhattisgarh are the biggest gainers, going up by 11, eight and seven ranks respectively.

Conversely, Gujarat and Kerala drop by five ranks each, and Uttarakhand and Assam, by four ranks each. Thus, in addition to the quality of administrative inputs, a positive or negative development legacy seems

to have a strong cumulative impact on the quality of service delivery.

## Two distinct paths of development

This has led to the emergence of two quite distinct paths of development in the more and less developed states. In the former, state governments mainly play an enabling role, providing good infrastructure, efficient administrative processes, etc, for private enterprise-led development.

In the other path, seen in less developed states such as Bihar, governments play the dominant role in development since private enterprise is quite weak. Governments need to drive both public investment-led growth as well as social development. It is a moot question whether this government-led path of development will enable these less developed states to "catch up" with the developed states; whether there will be convergence or divergence across Indian states in the years ahead.

The central government and Finance Commissions have a key equalising role in this context. But whether such equalising interventions will be sufficient for catch-up is not clear. If not, regional disparities will continue to widen, with potentially severe political consequences.

*This is an abridged version*

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