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**Growth** and  
**Human Development** in  
**North-East India**

edited by **P. NAYAK**

# Growth and Human Development in North-East India

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**P. NAYAK**

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## Preface

It took centuries to realize that people are the real wealth of a nation. They produce goods and services for their own welfare. The development and growth of a nation depends upon the proper utilization of natural and cultural endowments available to it. To utilize these endowments, human participation is required. Human participation, on a sustained and autonomous basis, cannot be expected without enhancement in the capability of the population. Thus, self-sustained growth cannot be ensured without human development. Further, since the basic objective of development of a nation is to improve the well-being of the people, every nation strives hard, not only to increase her wealth and productive resources, but also to ensure a better standard of living for its citizens by providing them with adequate food, clothing, housing, medical facilities, education, etc. In fact, governments of various nations, at different levels, take the initiative to create an enabling environment for their people to enjoy healthy, long, and creative lives. However, technical considerations of the means to achieve human development and the use of statistical aggregates to measure national income and its growth have, at times, obscured the fact that the primary objective of development is to benefit the people. Of course, people want higher incomes as one of their options, but income is not the aggregate of human life and, hence, not an end in itself.

The human development approach of looking at development differs from conventional approaches to economic growth, human capital formation, human resource development, human welfare, and basic human needs. Gross National Product (GNP) growth is treated as being necessary but not sufficient for human development. Human

progress may be lacking in some societies despite rapid GNP growth unless some additional steps are undertaken to improve the same. Human welfare approaches look at human beings more as beneficiaries of development processes than as participants in it. They emphasize only the distributive policies rather than production structures. Recent development experience has once again underlined the need for paying close attention to the link between economic growth and human development for a variety of reasons. Many fast-growing developing countries are discovering that their high GNP growth rates have failed to reduce the socio-economic deprivation of substantial sections of their population. Even industrial nations are realizing that high income is no protection against the rapid spread of such problems as drugs, alcoholism, AIDS, homelessness, violence, and the breakdown of family relations. At the same time, some low-income countries have demonstrated that it is possible to achieve high levels of human development if they skillfully use available means to expand basic human capabilities.

Human development also encompasses elements that constitute the critical issues of gender and development. There are four major elements in the concept of human development—productivity, equity, sustainability, and empowerment. People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment to achieve higher economic growth, which is a subset of human development models. Productivity is not the only means to achieve welfare in a society. People must have access to equal opportunities. All barriers to economic and political opportunities must be eliminated so that people can participate in and benefit from these opportunities. These benefits also need to be distributed over generations. Access to opportunities must be ensured, not only for the present generation but for future generations as well. All forms of capital such as physical, human, and environmental should be replenished. Besides, empowerment is a necessity. People must participate fully in the decision-making process that can shape their lives. Human development is impossible without gender equality. As long as women are excluded from the development process, development will remain weak and lopsided (UNDP 1995).

Development should increase peoples' choices. While enhancing the choices of one individual or a section of a society, it should not restrict the choices of another. It calls for equity in human relationships. It should not mortgage the choices of future generations while

improving the lives of the present generation (UNDP 1991). In other words, the development process must be sustainable.

Literature in this regard is vast and varied. It reveals that a large number of studies have been undertaken in India and abroad on various aspects of human development. While some literature dealt with concepts of human development, some have dealt with methods of measurement, construction of Human Development Index (HDI) for various states and sub-states, and for different sections of society. There have been numerous efforts over time to remedy the defects of traditional measures of development, and to create composite indicators that could serve either as complements or alternatives to this. There are studies relating to debates on the selection of variables to be included in HDI and weights to be assigned to different variables under consideration. While some studies dealt with disparities in human development between rural and urban areas and between males and females, some others concentrated on trends of human development. There are some studies that concentrated on finding the two-way relation between human development and economic growth of nations. Available evidence reveals interesting insights relating to the impact of economic growth on human development, and vice versa, with different time lags. Some scholars have also tried to examine the link between poverty and human development. The factors responsible for low levels of human development are also identified in some studies. While some authors prescribed increased allocation of resources on social sectors for improving human development, some others put emphasis on the aspects of implementation of programmes relating to social sector development. There are some authors who believe that high growth could lead to high human development, while some others opine for achieving high growth through the achievement of high human development. There are also some studies that argue in favour of a balanced path of development that combines the strategies of growth and human development with appropriate weights.

Since 1990, United Nations Development Programme (UNDP) has been publishing *Human Development Reports (HDRs)* at the global level for various nations and every year a report is published to this effect with emphasis on a different theme. The Planning Commission of India has also undertaken a similar exercise and has published the *National Human Development Report (NHDR)* for the years 1981, 1991, and 2001. The reports for the years 1981 and 1991 include data on HDI for all the states and union territories of India. But in the 2001

report, the index has been constructed only for fifteen major states due to non-availability of required data for smaller states, including the states in the North-East.

If we take a look at the *NHDR 2002*, we get some idea on the status of human development in the North-East, though data is somewhat dated. The report reveals that the region comprising the eight states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim (the last to be included in the region), and Tripura constitutes a land surface of 262,230 square kilometers with a population of 38.9 million belonging to different ethnic and cultural groups. Topographically, the region is a mixture of hills and plains. While Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, and Sikkim are almost entirely hilly, about four-fifths of Assam is plains. Manipur and Tripura have both plains and hilly tracts. The hills account for about 70 per cent of the area and accommodate about 30 per cent of the population of the region while the plains, constituting the remaining 30 per cent area, hold about 70 per cent of its population. A wide variation in altitude coupled with abundance of rainfall has given rise to a wide variation in climatic conditions within the region, which in turn has endowed the region with rich biodiversity. The richness of biodiversity of the region is almost matched by its ethnic diversity. The region is a meeting place of large number of races, creeds, cultures, and languages. The impingement of the diversity of physical and cultural environment is naturally found in the organization of economic life of the people of the region.

Keeping all this in view, it was thought to bring out a volume on growth and human development for the region by inviting papers from academicians from within and outside the region. The present book is an outcome towards achieving that end. While every effort has been made to bring analysis and discussion on the issues of human development, touching upon various states in the region, the study is constrained due to non-inclusion of the newly included state, Sikkim. It must be borne in mind that although Sikkim has been included in the north-eastern region for administrative and developmental considerations, it is geographically non-contiguous to the rest of the states in the region. Its cultural background is much different from the other states. This sociological, cultural, and geographical difference gives a different character to Sikkim.

The book has been broadly divided into three sections on three different themes:

1. Concept and measurement issues;
2. The national scenario; and
3. The issues at the level of the north-eastern region.

The first section deals with the concept and measurement, and has three chapters. The first chapter titled 'Human Development: Concept and Measurement' contributed by the editor discusses in detail not only the evolution of the concept of human development but also its measurement. The author provides an account of change in the methods of measurement of human development proposed by UNDP, the Government of India, and individual academics.

The second chapter 'Concept of Human Development: A Critique' contributed by P.K. Chaubey, critically examines the literature on the concept of human development and its measurement. He points out that the motivation for UNDP, under the advice of Mahbub-ul-Haq, to bring out a report on human outcomes of economic, social, development, and welfare activities in the public, private, and other spheres in different countries emanated from the fact that wide failures were noticed in terms of reduction in poverty and infant mortality, enhancement in longevity, education, improvement in health, and the like. Contributions from economists like Amartya Sen, on capability approach as against the commodity approach, provided the right kind of theoretical support to define 'human development' in terms of enlarging people's choice through enhancement of capabilities. However, everything is not hunky dory with the idea of human development as it is too individualistic in approach, and shorn of communitarian ethos. Again, when it comes to measuring human development, it is not in terms of capabilities but in terms of attainment and performance, which is possible only when capability space interacts with commodity space. The author, in this connection, tries to delineate the history of evolution of the idea of human development and its contribution in shifting the focus of the development debate, and the weakness it inheres.

The third chapter 'Construction of an Index: A New Method' has been contributed by Sudhanshu K. Mishra. In this paper the author argues that composite indices are often constructed by a linear combination or weighted sum of indicator variables. While constructing indices, weights are either subjectively determined on the basis of expert opinion, or mathematically determined by the Principal

Components Analysis (PCA). By its very logic, such composite indices are elitist—assigning large weights to highly correlated variables and negligible weights to poorly correlated variables. The author proposes to construct a composite index by maximizing the sum of absolute correlation between the composite index and the indicator variables. In the first part of this chapter, the author shows that such a composite index is inclusive—duly weighting the poorly correlated variables. Thus, composite index does not undermine the importance of an indicator variable merely because it is not well correlated with others. In the later part of the paper, the author, by adopting the proposed method, has constructed HDI with equality in income distribution for 125 countries. The study reveals that while the traditional PCA assigns poor weight to the measure of income inequality, the proposed method ameliorates its position by assigning reasonable weight to it.

The second section of the book which deals with growth, human development, and other related issues at the all India level, has seven chapters. In this section, Saundarjya Borbora in the chapter titled 'Economic Growth and Human Development: Chain Relationship' discusses the relationship between economic growth and human development, and opines that they reinforce each other. He argues that development of social sectors, such as education, health, and good governance, is a major precondition for achieving economic growth with the help of effective government policy and appropriate public expenditure. This in turn would help the states to move above the threshold level in human development. He also admits that it is necessary to identify the weak links between growth and human development, and that appropriate policies are required to be formulated and implemented to strengthen the links; and that such policies must be dynamic in nature with changes in the development process. He suggests that in the early stages, priorities might be given to education and health, and at a later stage higher education, technology, and better health facilities might assume a greater role. He concludes by reiterating that the view of *grow first and worry about human development later* is not supported by evidence and, hence, focus on human development must be targeted at the beginning of the growth process.

Santanu Ray, in his chapter 'Transformation of Economic Growth to Human Development: A Long-Run Study of Indian States' states that the role of income growth in determining the level of human

well-being has become a topical issue in recent literature. Indian performance in this regard has been far from satisfactory. Using disaggregated data for the country over a long period of time, Ray examines the relationship between growth and human development. He also addresses the question whether the economic growth achieved by Indian states in the last three decades has any significant influence in determining the level of human development. Using the latest formulation of UNDP, he not only computes HDI for each of the major states of India, but also makes an analysis of HDI over time and across states. His study reveals that per capita income levels of Indian states play a positive role in determining the non-income component of human development in the long-run. He expresses his concern over huge regional variation in income levels and disparity in human development indicators across states.

The chapter titled 'Effect of Structural and Conditional Rigidities: A Case Study of a Poverty Reduction Programme' has been contributed jointly by Arindam Banik and Pradip K. Bhaumik. In their paper, the authors are very critical about the previous studies conducted on poverty reduction programmes, most of which concentrated on evaluation of the effectiveness of government interventions in meeting the stated programme objectives and targets, gaps between desired and actual targeting of beneficiaries, and adherence to programme guidelines. In their paper the authors have made an attempt to analyse the effect of structural and conditional rigidities, on moving a beneficiary of poverty reduction programme from passive to active state, with the help of micro-level field data comprising a fairly large sample of poor beneficiary artisans collected under SITRA programme. Using ordered logistic analysis, they have provided an analytical characterization of the beneficiaries in a situation of structural and conditional rigidity, where all beneficiaries do not move from a passive state to an active state and are able to take advantage of the government intervention despite their having access to the benefit. The authors view that identification of ageing artisans as beneficiaries of the programme might not bear much fruit as they are unlikely to become economically active due to their conditional rigidities. Therefore, they opine that a thorough understanding of the conditional and structural rigidities and their impact on economic behaviour of beneficiary artisans is required, which perhaps would go a long way in helping to design and implement poverty reduction programmes.

The chapter titled 'Public Distribution System: An Instrument for Improving Human Development' has been contributed by R. Gopinath. The author states that the PDS is a major component of public delivery system in India that started functioning during the 1930s and, subsequently, was replaced by the Targeted Public Distribution System (TPDS) in the 1990s. The programmes were mainly designed to play an important role in improving human development, particularly among the rural masses and the poor people. The paper revolves around the discussion on the loopholes in operational mechanism of both PDS and TPDS, and strongly argues for addressing the problems associated with their implementation.

Taking a careful look at the HDI estimates for the various districts in Orissa, P.K. Tripathy and Bhabagrahi Mishra, in the chapter 'Status of Human Development in Orissa', make a few intriguing observations. They point out that the districts of Kalahandi and Deogarh, two of the least developed districts by conventional yardsticks, turn out to be ranked as high HDI districts in the *HDR* of Orissa. Keeping this paradoxical result in mind, they raise some important questions on the suitability of the concept of HDI while assessing the economic status of a region. They observe that the implication of high literacy in developed economies is not the same as that in backward economies. In backward economies, mere literacy without employment opportunities neither turns out meaningful educational attainment nor estimated higher life expectancy, and that lower infant mortality reflects sound health conditions of the majority of the population in general, and agricultural labourers, marginal and small farmers, and poor artisans, in particular. In the light of the above observations, they argue that there is a need for inclusion of alternative variables for health, education, and standard of living in the index that can lead to a more realistic ranking of a region based on such indices. For example, a composite index of property ownership (land and other resources), per capita income obtained on the basis of income accrual method, and the average man days employed for the working population shall capture the standard of living index more accurately than mere per capita income. Similarly, education index could be a composite index of literacy as well as its linkage with employment opportunities and the health index as a composite index of anthropometric measurements and pattern of mortality.

The chapter 'Good Governance: The Force behind Human Development', contributed jointly by Ashutosh Dash and Paohulen

Kipgen, reveals that human development cannot just automatically happen without economic development. The authors argue that growth oriented economic progress alone cannot bring progressive human development without good governance which demands greater transparency. That is why social activists are increasingly paying attention to governance, both at the macro and micro level. The authors conclude by laying stress on the importance of governance in the process of human development.

The last chapter in the section, titled 'Politics of Human Development', has been contributed by Apurba K. Baruah. The author brings out the politics involved in the issues concerning human development. Citing the example of poverty, he explains that in Contemporary Development Theory, poverty has been basically reduced to an issue of measurement, and the important issue of the mechanism of its generation is often overlooked. He also pleads that the economic efficiency is in its top gear only when the state takes control. Whether the state controls or leaves the market in private hands is a matter of politics to which the nature of human development is inalienably connected.

The third section deals with the issues of human development in the context of North-East India and has fifteen chapters. M.P. Bezbaruah, in his chapter 'Socio-political Transition, Growth Trends, and Development Attainment in the North-East in the Post-Independence Period', reviews the development experience of the region in the context of its political-administrative transformation in the post-Independence period. He points out that development experience in the region has been mixed and uneven. While there are periods of high growth for individual states, the region as a whole has been increasingly lagging behind the country in terms of per capita income. He believes that the rapid post-liberalization growth of the country is a far cry for the region. While the recent service sector led growth of the country is propelled by expansion of frontier areas like information technology, public administration and other services are the faster growing services in the region. He argues for enhancement of the rate of economic growth in the region based on its inherent strength and endowed resource base. Though funds required for building up the necessary infrastructure to activate the inherent growth potential of the region are no longer a constraint, disruptions caused by insurgency and the *bundh* culture make deployment of such investments difficult and add to the cost of any business venture, reducing the competi-

tiveness and economic viability. However, he is optimistic about the future of the region in the globalized era.

The editor of the book, in the chapter titled 'Human Development in North-East India' highlights that India, in spite of pursuing the policy of liberalization and globalization since the early eighties and witnessing higher growth rates, has not been able to achieve much on account of human development and welfare in comparison to many countries at the global level. Human Development Index in the country was as low as 0.56 in 2001. While some states in the region have performed better than the national level, some others have lagged behind. Rural-urban disparity, gender disparity, and uneven human development across the states in the region are quite significant. The disturbing trend of increasing gender disparity in Nagaland and the escalating rural-urban gap, particularly in the states of Assam and Meghalaya, is a matter of concern. The author, while highlighting some of these issues, stresses on the urgent need for taking appropriate action in this regard.

Nirankar Srivastav analyses the poverty status in the region using three conventional measures of poverty in the chapter titled 'Severity of Poverty and Status of Public Services in North-Eastern States'. His study reveals that poverty, in most of the states in the region, has declined. It has declined more in the hill states and in urban areas. The access to public services is observed to be very poor in the poverty-stricken states. The author states that there is a positive and strong relationship between poverty levels and access to public services in the region and recommends a target-oriented and region-specific poverty reduction programme.

Bhagirathi Panda, in the chapter 'Economic Growth, Exclusion, and Human Development', studies the mismatch between economic growth and human development in the region using empirical data. He observes and apprehends that the region, which is witnessing continuous low economic growth accompanied by relatively high human development, is susceptible to social tension. This has to be overcome by promoting a policy of high economic growth by taking some concrete measures. He prescribes accelerating industrialization and putting emphasis on greater value addition. The author also identifies some of the obstacles to industrialization, such as poor physical infrastructure, lack of culture of genuine entrepreneurship, security deficit, and poor governance. He suggests that in order to overcome these hurdles the governments in the region should play a proactive

role along with developmental Non-Governmental Organizations (NGOs) and promote Self Help Groups (SHGs), their movement, and effective participation in development programmes. He also emphasizes the role of civil society, academia, and peer groups towards reorientation in the value-systems for inculcating a culture of entrepreneurship.

Biswambara Panda, in the chapter 'Non-Governmental Organizations and Participatory Development' analyses the approaches of the grassroot NGOs and their role in contributing towards participatory development in addressing issues relating to human development, with special reference to the North-East. The author argues that participatory development can ensure integrated development, where all sections of society would be involved and benefited. This would not only bring about economic growth but would also dissipate social inequality. The micro approaches along with people-centred development objectives can bring considerable dividend by resolving conflicts, avoiding programme uncertainties, and evolving synergy among the key actors of society. He further argues that though participatory development may not ensure development for all the people but it certainly creates confidence among them, and most importantly provides them opportunities to share their ideas and knowledge. He believes that a development plan, armed with indigenous practices and native wisdom, can accelerate the developmental process at the grassroots level. Though NGOs are not the only force within the civil society to work towards inclusive growth, they are certainly a force to reckon with in the development domain. They can inch towards this objective through (various) people-centred approaches and strategies despite so much of apprehensions on their accountability and sustainability.

The chapter 'Inter-District Disparities in Meghalaya: A Human Development Approach' contributed jointly by Purusottam Nayak and Santanu Ray highlights widespread variations in the magnitude of human development across all the seven districts and three hills regions representing three different ethnic tribal groups in the state, between rural and urban areas, and between male and female groups of population. The authors also show that there exists a significant level of disparity, both in income consumption and in non-income attainments, among these districts. The inequality in economic attainment (income, as well as consumption expenditure) happens to be very high. However, both measures of variation and inequality indices suggest that few non-

income indicators, namely intensity of formal education and infant mortality rates, have disparities over economic indicators, which, according to the authors, are indeed a cause of considerable concern. In addition, they observe that economic inequality is much higher than inequality in overall HDI. Keeping in view a huge shortfall in HDI, accompanied by the existing level of variation and disabilities, the authors feel the need for a redesign of public policies that directly affect the welfare of the people. The study also reveals that the improvement of human development in Meghalaya, on account of better performance in respect of some socio-economic indicators, has been neutralized because of its laggardness in respect of some other indicators over time.

The next chapter titled 'Does Micro Finance Bring Human Development?' contributed by A.P. Pati, explains the success stories of micro-finance through SHGs in different parts of the country and abroad. The author suggests ways for economic empowerment of women through micro finance in the region. However, he concludes by stating that micro finance endeavour in Meghalaya is still at the nascent stage to make any visible impact at the macro level, so as to measure its contribution in attaining higher human development.

P.S. Suresh and Biswambhara Mishra, in their chapter 'Public Expenditure and Human Development in North-East India: A Case Study of Meghalaya', point out that Meghalaya, in the last few decades, has been witnessing a paradoxical and explosive economic growth because of the mismatch between growth rates of state domestic product and public expenditure. Disproportionate growth of the social sector over the years has not only eaten up most of the public investment in the state, but also given rise to a weaker linkage among different sectors. The study explores the nature, extent, and the degree of interdependence between the level of public expenditure and human development with the aim of understanding the cause and effect relationship and the extent to which the public expenditure on social services gets transformed to the end result of a better level of human development. The study reveals that at the regional level there is a positive functional relationship between public expenditure on social sectors and human development. The authors conclude that per capita spending on education and health has a relatively stronger impact on human development than per capita income growth.

Kishor Singh Rajput in the chapter 'Antenatal Care, Institutional Delivery, and Human Development in Meghalaya' highlights some

of the facts and figures on mothers' health with special reference to institutional deliveries of the child. Further, using logistic regression, he examines the role of certain background variables of women like her education and the spouse, work status, place of residence, etc., along with the role of antenatal care on institutional delivery.

E. Bijoykumar Singh in 'Human Development in Manipur' states that in spite of having a low per capita income, the HDI of Manipur for 1981 and 1991 has been higher than most of the major Indian states. In his chapter, he makes an attempt to examine the change in HDI for the state in the post (economic) reform period with available indicators of development like Infant Mortality Rate (IMR), sex ratio, life expectancy at birth, and literacy rate. He also examines the quality of development through an analysis of data on structural change, occupational distribution of work force, employment, and productivity of workers. He argues that though performance of Manipur in terms of IMR, sex ratio, literacy rate, and life expectancy at birth has been positive, low per capita income and continued dominance of low productivity activities in the occupational structure has weakened the link between employment creation and poverty reduction.

A.K. Agarwal in the chapter 'Human Development in Mizoram: An Overview' not only analyses the status of human development in Mizoram, its strengths and weaknesses, but also suggests a strategy for improvement. Through empirical analysis he claims that Mizoram has shown excellent performance not only in the field of education and health but also on Gross State Domestic Product (GSDP) in which the tertiary sector has been playing a dominant role. He also states that one might not notice the relative inadequacy of the state in terms of HDI, Human Poverty Index (HPI), and gender disparity as compared to other states in the region and the country as a whole, but in-depth analysis points towards the need for better services and for evolving an appropriate delivery mechanism with close interaction of various components of human development in the state.

The chapter 'Facets and Factors of Human Development in Tripura', contributed jointly by Sudhanshu K. Mishra and Purusottam Nayak, synoptically presents an account of different facets and factors relating to human development in Tripura which suffered a brutal blow during partition of the country in the form of maimed infrastructure, severed connectivity, and a debilitating burden of immigrants, with all the needs and no resources. They have also systematically presented the geographical and historical forces that have shaped the resource

base, infrastructure, connectivity, socio-economic milieu, and, consequently, the economy of the state, determining the level of human development. Their study reveals that in spite of a great population burden on her fragile economy, the state has secured an appreciable score in matters of education and health. The authors opine that human development of the state needs to be harnessed to promote economic growth in terms of increased productivity and higher per capita income.

The next chapter, 'Human Development in Assam: An Analysis', is jointly contributed by Hiranmoy Roy and Kingshuk Adhikari. The authors report that the state is lagging far behind other major Indian states in terms of various socio-economic indicators, including the measures of HDI, HPI, and poverty. Their findings also reveal an inverse relationship between human development and poverty on the one hand, and widespread variation of human development across districts, on the other.

Debasis Neogi, in 'Development and Deprivations in Arunachal Pradesh', highlights the extent of development and deprivations in the state of Arunachal Pradesh. While presenting his findings, he states that while some parts of the state are well ahead in terms of socio-economic development, the other parts are lagging behind. He opines that uneven development, across districts and among tribal groups, has given rise to inter-tribe disputes. The large chunk of Net State Domestic Product (NSDP) in the state is observed to be contributed by the tertiary sector, of which public administration constitutes the major component. This type of development trend, as observed by the author, seems to be untenable in the long run. The author also analyses the role of basic education in bringing empowerment to the society and explains how such capacity building can lead to redressal of deprivation of human beings. Besides, he investigates the aspect of gender discrimination and prescribes mass education in order to remove such discrimination from the society.

The last chapter of the book, 'Human Development and its Correlates in Nagaland', has been contributed by Sudhanshu K. Mishra and Purusottam Nayak. The authors have presented a large amount of data relating to human development in Nagaland, and made an attempt to observe regularities in the same that may be meaningful for devising development policies. Their findings indicate that PCI, HDI, and gender-related development index are poorly correlated with health indicators, but appreciably correlate with educational

attainment. The authors conclude that the reliability of data reported by a socio-economic system is dependent on the level of development of the system. Underdeveloped socio-economic systems report highly unreliable data. This is not only regarding the figures of income but also the measures of attainment in matters of health and education. Official data on these variables is thrown up by a system that is administratively motivated and unsupervised with regard to their economic and developmental meaning. Use of such data, whether it pertains to income or any other measure of development, is not dependable for policy decisions meaningful to fostering development.

An overall analysis of various issues discussed in the present volume reveal the following:

1. There is a need to rethink, not only the choice of variables but also the method of construction of HDI. The proposed alternative method, by maximizing the sum of absolute correlation between the composite index and the indicator variables, might be of some use while overcoming the problems associated with construction of composite indices by PCA.
2. In the recent past, the entire region has been experiencing good human development but poor economic growth. There exist widespread variations in the levels of human development across states, regions (rural-urban), among ethnic and other social groups, and between genders. This mismatch probably has given rise to increased disputes among various social groups and tribal populations leading to social tensions reflected in the form of extortions and other secessionist activities. To overcome this, a determined effort is required to harness human development towards achievement of higher economic growth through increased productivity. There is also a need for specific intervention strategies on the basis of sector/group/class/gender/region/state.
3. Human development is positively associated with the quality of governance. Governance, from the human development perspective, demands greater transparency, accountability, participation, and stringent rules and laws. Judged on these parameters, the quality of governance in the region is not satisfactory and, hence, requires improvement. Besides, local democratic institutions like Autonomous District Councils need to be strengthened and their functioning be made more effective.

4. Revolution of SHGs has not made much headway in the region. SHG as a movement and institution ensures, at the micro level, both economic growth and human development. Further, both these objectives are realized through the method of participation, especially of the poor and the marginalized. There is a need to make this movement more widespread in the region.
5. Besides increased inequality, the quality of public services on the basis of access, use, reliability, and satisfaction are worst in the poverty stricken states in the region. To overcome this, the extremely poor households need up-front intervention through measures such as TPDS.
6. Reproductive health care happens to be an important component of human development. The goal to attain satisfactory human development will remain unfulfilled if the reproductive health needs of married women and children are not properly attended. The situation of reproductive health care in some states of the region is worse than many other in the country. Therefore, immediate efforts are to be made to improve this situation.
7. Higher level of human development is a product of the accumulated benefits that accrue to the society from public investments on social service. Per capita spending on education and health has a relatively stronger impact on human development than growth in per capita income. Hence, public expenditure on social services needs to be continued till the time economic growth itself takes care of it substantially.
8. The country, in general, and the north-eastern region in particular, suffer from the politics of human development. The approach of development theory and practice to poverty has been mechanical. It never goes into the question of the mechanism of generation of poverty. Hence, it is suggested that institutions engaged in development practice should analyse the mechanism of generation of poverty, and based on such analysis should come up with programmes to overcome it.

PURUSOTTAM NAYAK

# I

## Concept and Measurement Issues

## Good Governance

### The Force behind Human Development

ASHUTOSH DASH AND PAOHULEN KIPGEN

#### INTRODUCTION

The quickening pace of change in the national economy, with the introduction of economic reforms, has caught the attention of institutions and agencies concerned with development and sustainable growth. Liberalization of the economy, with increasing privatization and globalization, has certainly brought about structural changes resulting in growth of the economy. However, for progressive and constant growth, there is also a need to develop and change the social structure in terms of proportionate growth in various Human Development (HD) indices such as health, education, and so on. Development is seen as a process of change from an underdeveloped stage to a developed stage. It goes beyond the rise or fall of national income to create an environment in which people can develop their full potential and lead productive and creative lives, in accordance with their needs and interests. HD is viewed both as a process of widening people's choice and the level of their achieved well-being, including a healthy life, political freedom, education, etc. However, without eradication of poverty from society, HD remains the same. Apart from this, people should have the freedom of choice. Inequality in status and power restricts one to adopt choices according to one's own preferences. This has created a gap between different levels of hierarchy, which provides more opportunities to the one higher in the ladder in monopolizing power. Development, apart from economic growth, is expanding the people's choice. Looking at the importance of governance, the chapter in the

following pages tries to establish governance as the most dynamic factor in the human development process.

### HUMAN DEVELOPMENT AND ECONOMIC GROWTH

The transformation of economy around the globe from a highly controlled, inward looking, and protected economy, to a liberalized, outward looking, and market-oriented economy, has undoubtedly witnessed faster Economic Growth (EG) than before. The performance of many developing economies including India, over the last two decades, has improved appreciably in terms of per capital income, growth in GDP, export and balance of payment, foreign exchange reserves, and standard of living. Though the economies are growing at a faster rate, several of them are simultaneously suffering from the problems of poverty, inequality, unemployment, mass illiteracy, and lack of basic health facilities. It is surprising to note that India has ranked the 128th position in the world with respect to HD indicator (*Human Development Report 2007–08*, UNDP). HD, the vital instrument for growth and development of an economy, is highly neglected in India, and more so in the tribal dominated areas and states.

But is this EG without HD sustainable? The likely answer is 'no'. HD and EG are inseparable. EG requires growth in HD. When HD cannot progress, it effects EG. History has been witness to the fact that nations with lopsided EG in 1960–70 have moved to the vicious cycle of low EG and HD state. On the other hand, out of nations that were HD-lopsided, half have made an entry into the virtuous cycle and the other half to the vicious cycle (Ranis *et al.* 2000). The result is a prima facie evidence of the fact that a high level of HD, early in a nation's history, can with the right policy decisions, translate into a virtuous cycle of good growth and HD supporting each other.

A deep insight into the association of principal components of HD with EG uncovers their significant and distinct impact on the growth of a nation through their effect on the distribution. Education, an imperative component, is found to have a strong influence on labour productivity, technology adoption, and innovation (Duflo 2001; Deraniyagala 1995). Though, it will not be appropriate to pronounce that education in isolation can transform a country's economy, at the same time it cannot be denied that education creates huge potential in the economy. In the case of Malaysia, Ghana, and Peru, each extra year of a farmer's schooling is associated with an annual increase in output of 2–5 per cent (Birdsall *et al.* 1995). Similarly, improvement in health,

another dimension of HD, can contribute significantly to a country's EG. Many studies conclude productivity enhancement to immediately follow the increased consumption of calories, especially in poor countries (Strauss and Thomas 1998). Though, both education and health have the power to hasten EG, education gets a little higher weight as it can also have a significant impact on health.

The crucial point that emerges in the light of the above discussion is that HD seems to be a necessary prerequisite for long-term sustainable growth. The philosophy of 'growing first and then thinking of human development' has been changed. Countries stuck in vicious cycles or lopsided EG may need to achieve at least the threshold HD level that will lead to later sustainable EG. The effects of EG on HD can be channelized through government budgetary expenditures, central or local. The government must identify the priority sectors, and the expenditures for HD should be distributed predominantly to low-income groups where the highest marginal impact would be felt. Increased public expenditure, devoid of efficient allocation and optimum utilization, does not endow with a meaningful result. It is worth highlighting here that the countries that have made their journey from lopsided EG to vicious cycle were suffering from corruption, low social expenditure, and unequal income distribution (Ranis *et al.* 2000). To put it in other words, an excellent governance mechanism coupled with government accountability is a precondition for effectiveness of public expenditure towards the HD objective. The need of good governance was first felt with the collapse of East Asian financial economy, and it was realized that the presence of corruption leads to disaster in the economy. Good governance needs to be embedded with transparency to curb corrupt practices. A country's progress principally depends on its governance quality in society, and productivity in its operations.

### GOVERNANCE AND HUMAN DEVELOPMENT

At its broadest, governance, that is, the act of governing, refers to the relationship between the governors and the governed, such as that between the government and the people, and has as its basis the decision-making powers ceded by individuals to those in authority so that the common interests of society can be served. Hence, governance primarily deals with exercise of economic, political, and administrative authority in managing the affairs of a nation, and needs to be transparent and accountable. Social activists, recognizing the importance

of governance, advocate for an institutional and political change as HD cannot just automatically happen without economic development, and economic development alone cannot bring progressive HD without good governance. Bad governance is responsible for micro and macroeconomic mismanagement. Studies conducted around the world show that weak governance was to be blamed for the financial crisis in South-East Asia and many parts of this region of the world accompanied by the economic fluctuation, leading to a backward move of human development. The collapse of economies in South-East Asian countries has been attributed to bad governance in both the public and the private sector, mainly due to corruption and lack of disclosure.

Governance, that refers to the exercise of authority in the management of a country's affairs, includes the state, private sector, and civil society. Good governance requires a good balance of power among different actors such as politicians, bureaucrats, and civil society. A proper governance mechanism is supposed to ensure that political, economic, and social priorities are based on social consensus and that of the participation of the poor in decision making over allocation of development resources (as shown in Table 9.1).

Table 9.1: Governance—A Taxonomy

	High EG	Low EG
Better HD	Better Governance (Virtuous)	Vulnerable Governance (Lopsided HD)
Poor HD	Exploitative Governance (Lopsided EG)	Poor Governance (Vicious)

This emphasizes that good governance defines the process and structure that guides political and socio-economic relationships. In the above grid, the existence of a two-way link between HD and EG gives rise to a virtuous cycle of development (better governance), lopsided HD (vulnerable governance), lopsided EG (exploitative governance), and vicious governance (poor governance). EG increases the HD growth. On the other hand, HD growth also contributes towards EG. However, the growth between the two is not equally distributed.

By the late 1990s, the World Bank Institute, from several hundreds of variables measuring perception of governance, had developed six dimensions of good governance—control of corruption, rule of law, government effectiveness, regulatory quality, voice and accountability,

and political stability, with absence of violence. Public opinion research discloses that corruption is among the top concerns of the people and leaders around the world. Prior empirical research has uncovered the detrimental impact of corruption on socio-economic development of various nations. Studies conducted by the Inter-American Development Bank (IADB) indicate that in Latin America as a whole, 20 per cent of funds earmarked for government procurement are lost to corruption (Mora 2004). The African union estimates that approximately 25 per cent of the GDP is lost to corruption each year (Thachuk 2005) and in Latin America about 10 per cent of the GDP is lost to corruption (Mora 2004). A classic study in this field by Mauro (1995) underlines that one standard deviation improvement in corruption index leads to an increase in the investment rate by 2.9 per cent of GDP.

The act of corruption can be in many forms and ways, like that of political corruption (government), social corruption (community), and economic corruption (market). The corruption in these three areas is usually committed through manipulation of accounts, bribery, and fictitious statements in balance sheets. Corruption is well thought out as the use of public office for private gains. It exists at all levels and in all fields. In a state where corruption is high, it is the poor who suffer the most, as the effect of corruption is not equally distributed. The ill-effects of corruption result in distortion of economic growth and hamper the functioning of all agencies for development, and also results in low Human Development Index (HDI).

Corruption is anti-poor, anti-national, and anti-economic. It is anti-poor because the effects of corruption are not equally shared by the masses. The government plans and objective of raising HD by reducing poverty through its various programmes such as public distribution system, subsidy goods, and education for all, cannot be attained as planned. The funds sanctioned for a cause may have been diverted/siphoned off for the benefit of a few and to the black market. The experience of north-eastern states of India has been much worse than other states in this context. It is anti-national because the institutional collapses following corrupt practices have severe economic impact on political or financial institutions, which are responsible for the growth of an economy, and for better living standards of a nation.

Not only corruption at the country level (administrators and bureaucrats), but market corruption can also create severe damage

from the development point of view. The snowballing corporate collapses such as Enron and WorldCom, due to unprecedented large scale failures arising from unethical activities jointly on the part of corporate executives and the auditors, have severely defiled governance in corporate sector. The collapse of Enron has caused about \$ 70 billion loss in market capitalization and the total loss of market capitalization resulting from the deception committed by Enron, WorldCom, Qwest Tyco, and Global Crossing amounts to nearly \$ 460 billion (Rezaee 2005). In India, though, such financial collapses did not happen till the recent swindle of Satyam, one cannot say that it's a corruption-free state.

### CORRUPTION AND HD—THE INDIAN SCENARIO

In the context of India, it is not that the government is silent on its growth policies and human development; rather, many development plans and projects have been framed and duly sanctioned in an increasing number on an year-to-year basis. However, the country could not progress as expected. With regards to the government expenditure on social sector and rural development, there is an increasing trend on both plan and non-plan expenditure. Social expenditure increased from Rs 11,631 crore in 1995–96 to Rs 55,187 crore in 2005–06. With regards to the rural sector, the expenditure increased from Rs 6,609 crore in 1995–96 to Rs 11,503 crore in 2005–06. However, with increase in expenditure on social development, some states such as Uttar Pradesh, Punjab, and Manipur witnessed a declining HDI. Though, there are achievements in some parts of the country, yet all the states do not show proportionate increase with the expenditure. Social and economic pundits do not believe social resources constraint to be the reason, but advocate mis-governance as the source of all tribulations. Thus, it shows that increase in public expenditure for social and rural development cannot contribute for a fast and progressive growth in HDI, if the governance mechanism of the state is not appropriate.

A look at the corruption and human development scores of India in the new millennium is wearisome—even the scores demonstrate an upward trend (as shown in Table 9.2). The increased scores accompanied with the decreasing ranks indicate that India so far has not been succeeded in putting good governance in place as compared to few of its counterparts who have set their places in high human development category from a medium development category. Of

course, corruption in India has dropped marginally over the years, but still poses as the main hindrance in fostering the growth in GDP and FDI in the country. According to the Global Corruption Index, conducted by Transparency International, India stood at 83rd in the ranking of 133 nations (2007). India's Position in 2006 was 71st out of 102 nations. India's score of 2.7 out of 10 is an indication of high corruption rate (higher score denotes low corruption). Still, on an average, 30 per cent of funds sanctioned for HD are being driven away for personal benefit. The politicians, bureaucrats, and not to mention illegal and unlawful militants, all have had a share, with the militants being offered the lion's share. In 1984, the then Prime Minister Rajiv Gandhi, once cited that if Rs 100 is sanctioned by the centre to the state, only Rs 22 reaches its destination, and the rest is lost on the way.

Table 9.2: CPI and HDI Rank of India in the New Millennium

Year	Corruption		HDI	
	Rank	Score	Rank	Score
2001	72	2.7	127	0.590
2002	73	2.7	127	0.595
2003	83	2.8	127	0.602
2004	91	2.8	126	0.611
2005	92	2.9	128	0.619

Source: Transparency International and Human Development Reports.

Apart from being development growth's enemy, corruption also has an impact on the country's security. Politicians having links with militants and other unlawful organizations are a threat to the nation. Moreover, money paid to them, by way of bribes, for installing developmental projects or offer of certain percentage of the funds to enable certain activities to be carried out, is used for procuring arms and is, thus, an anti-national activity. Money collection by the government from the public, to be utilized for the welfare of the society, cannot happen and results in failure in projecting HD growth. Moreover, due to corruption, a huge amount is siphoned off from developmental programmes to some militant groups (as is evident in north-eastern states) by politicians, bureaucrats for their self gain, and this image in the political arena results in creating fear and insecurity among society, and ultimately outcomes in low human development.

## PARTICIPATION—MEANS TO CURB CORRUPTION AND PROGRESS GOVERNANCE

The solutions to the problems should be strengthening of the governance system in the areas of politics, society, and economic institutions. Many reforms have also been made for better growth but did not result in any positive outcome. To make the reforms strong, governance, first, has to be strong. Good governance in the form of transparency, anti-corruption, and accountability can be brought through proper participation that generally refers to peoples' involvement in all spheres of economic, social, cultural, and political processes that affect their lives. In economic terms, this means being able to engage freely in any economic activity. In social terms, it means being able to join fully in all forms of community life regardless of colour, caste, and religion. In political terms, it means the freedom to choose and change governance at every level, from the presidential place to the village council. All these participations are intimately linked.

### Market Participation

Sustainable human development demands more from the markets, as markets are a means for human development. By and large, the markets make no value judgments as they reward those who have either substantial purchasing power or valuable commodities to sell. This market inefficiency is associated with increasing inequality, poverty, and large scale unemployment. They also place little value on environmental concerns and the needs of future generations. Hence, there is an urgent need to build a bridge between markets and the people, to make markets people friendly. As preconditions, to make markets people-friendly, there must be adequate investment in education and health of people, equitable distribution of land in poor agrarian societies, extension of credit to the poor, public access to information, adequate physical infrastructure, a legal framework to protect property rights, and a liberal trade regime to prepare people for the market. A stable macroeconomic environment, accompanied by a comprehensive incentive system and freedom from arbitrary government control and regulations, can make markets run more efficiently and equitably.

The best form of market participation is through productive and remunerative work, and through self-employment and wage employment. It empowers the people socially by offering a productive role that enhances their dignity and self-esteem, and empowers them

politically as they start influencing the decision-making at the work place and beyond. As many parts of the world are witnessing a new phenomenon of jobless growth, the measures that create employment and lead to a people-friendly market, can make a major contribution to employment creation. One of the surest ways of encouraging employment is to promote small business. But to encourage entrepreneurs, the most important factor is the ready access to capital. The capital market is very unfriendly to small enterprises, particularly the poorest ones. Banks often ignore the needs of small entrepreneurs and are generally unwilling to provide credit due to lack of acceptable collateral. This hampers the interest of three groups in the society; small farmers, entrepreneurs in informal sector, and women, in particular. To eradicate this discrimination, the best way is to combine improved availability of credit with measures aimed at enhancing competitiveness. People-friendly markets should encourage and nurture small enterprises for profit, not only of the individual entrepreneurs but for the society as a whole, through a steady increase in output and employment.

The concept of people-friendly markets clearly envisages the State and the market working in tandem. The central fallacy in the old ideological debate was that the State and the market are necessarily separate and even antagonistic, and that one is benevolent and the other not. In practice, both the State and the market are often dominated by the same power structure. This suggests a more pragmatic third option: both the State and the market should be guided by the people, and for that matter people should be sufficiently empowered to extend effective control over both.

### Social (Community) Participation

At times, countries have developed the institutions of civil society—a fair judiciary, a responsive executive, a free press to upkeep the traditions of transparency, accountability, and fair play; but for ensuring that such institutions continue to respond to peoples' aspiration, group action is often necessary. Community participation, as a component of development strategy, gained momentum in the 1980s as a consequence of the failure of public agencies and growing deficiency in the level of basic amenities. The energy of the people who form the group and the creative solutions demonstrated by the group helps in persuading the governments of the value of involving participatory community groups. These community organizations may be in form

of people's organization, that is, Self Help Groups (SHGs) or Non-governmental Organizations (NGOs), voluntary organizations that work with, and very often on behalf of others. These organizations are basically formed in response to a failure by the government to provide infrastructure or services.

It is argued that the community could help not only in social mobilization but also in raising financial resources that the local authorities need very badly. In many cases, it becomes possible to have substantial reduction in project cost as the prospective beneficiaries provide their labour free, or at a wage rate much below that in the market. Further, the pressure of peer groups under participatory arrangement results in better monitoring, more productive engagement of the beneficiaries in the project, and better recovery of development loans sanctioned to individuals. The community is mobilized not merely for making contributions in terms of ideas and labour but also for sharing a part of the capital and current expenditure. Only, there was demand for making credit available outside the formal institutional structure, which was beyond the access of the slum communities. In several cases, attempts were made to build mechanisms at the community level to ensure timely repayment of loans. The most innovative form of community participation in infrastructural projects, which has been hailed as a major achievement in the 1990s, is the neighbourhood and slum networking schemes, launched with substantial financial support from the central or state governments.

People's participation has become a standard rhetoric in India today. Different actors interpret it differently. One view is that participation means getting people to agree to and go along with a project already designed for them, or to get support of a few leaders. The important question is participation for whose benefit, and on what terms? It must, therefore, be understood as a process by which the people are able to identify their own needs and share in the design, implementation, and evaluation of the participatory action. Thus, the various elements of participation are decision making at various stages, control and management of funds and resources, share in usufruct and final produce, and certainly of benefits.

#### SUGGESTED GOVERNANCE MODEL

As rightly pointed out by the Chairman of United Nations Development Programme (UNDP 2008) that if corruption is unchecked, it will make more children go to school without books and also suffer

from lack of clean water, medicines, etc. However, though the corruption level is still high, the country should not be penalized, instead corruption has to be contained as it is an urgent need for development. India's economic and human development would have been worse had the government neglected its governance. Many Indian states have now made a holy approach to administration for human development growth by cleansing up corrupt practices. An organization apart from NGOs such as the Joint Administrative Council in Manipur and many such other types of organizations in different parts of the country have moved forward for strengthening good governance.

Many governments have adopted simplification of laws and procedures, like the government of Tamil Nadu, or adopted information technology like the Andhra Pradesh government. Better governance can be ensured by fostering literacy, and increasing and adopting the use of E-Governance where data of all political leaders, government plans and actions, and all activities can be provided. Moreover, civil organizations have been promoted to play greater roles and media is stronger to despose corrupt politicians and guilty bureaucrats like the experience of *tehelka.com*. Apart from NGOs, other local organizations have played a major role in combating corruption and fostering greater community participation in decision making that affect their lives (Meghalaya—Mait Shaphrang Movement, Manipur—Meira Paibi, Nagaland—Naga Mother Association and also other religious organizations). Financial institutions, especially the micro finance institutions like Gramin Bank, Basics, etc. should be made to focus more on the relationship with civil organizations in terms of their commitment towards poverty eradication. People's participation should be encouraged and decisions on matters affecting their lives should be decentralized, which is profoundly observed in the state of Kerala.

The country achieved slow but progressing growth because of the concern on good governance by the government. Still, it requires providing more economic freedom that would result in better HDI. India's position in world ranking of Economic Freedom is 123 (as per EFI)<sup>1</sup> in 2009, which shows we need to increase economic freedom as this is correlated with HDI. Hence, the need of the hour is good governance and the country is not silent in this regard, though corruption cannot be fully contained. A good governance model (as one shown in Figure 9.1), in democratic countries like India, must be designed

to promote judicial and the civil society to come together for restoring public trust. The judiciary along with the civil society can enforce and control the executive. The judicial process should not be soft to any wrongdoer or any executive, and should take timely action without any delay in its justice. This will create a self-check and make the executive ethically driven in its action.

Mass media and civil society should play a major role in developing and thinning out public awareness and controlling corruption. Corruption is easily committed as the corruptor can easily escape without being caught through different routes due to lack of transparency and disclosure. The civil society can control the spread of this disease by making the public aware of their opportunities and rights. Moreover, the media should spread the importance of clean society and should stress more on developmental journalism rather than its general journalism. It can bring out more disclosures of public works that are already undertaken and others that are yet to be undertaken.

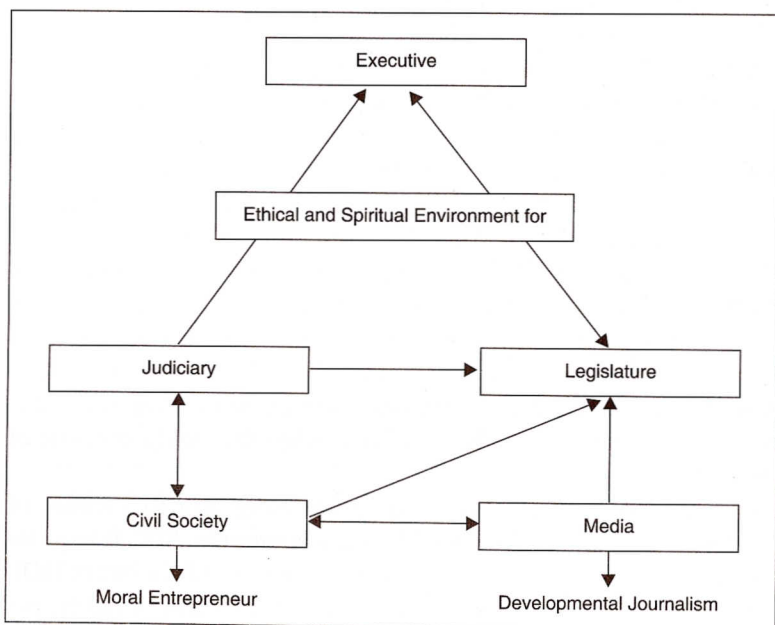


Figure 9.1: Governance Model

For sustainable human development, the governance model requires ethical and spiritual leadership to give highest value to public services with a drive of sacrifice, zeal, and truthfulness. In India, as we have

unity in diversity with a culture inspired by spiritualism, society can be brought back to a clean and harmonious form through benevolent and charismatic leadership. Apart from these qualities, the need of the hour is a pious leader to bring change to the degrading society. Hence, to change the present system of our governance, there is a need to change the types of leaders. Leaders who lack basic leadership qualities and who are money chasers and selfish should be replaced by spiritual and effective leaders with strong and strategic vision for a better society. Corruption, which is a biggest challenge to good governance and enemy to democracy, needs to be controlled, even though it cannot be eradicated fully because of human weaknesses. However, if not controlled, it can lead to financial disaster of the economy and slowdown human development. Therefore, there is a need to change the public management system from its present system by adopting the technique of corporate management system. Thus, a corruption-free society will promote a class of entrepreneurs with good morals and will result in higher development.

## CONCLUSION

One would agree that good governance is the most important factor in achieving the plan objectives. It is also a factor that could bring a collapse of the economy of a nation like the fallen economies of the South Asian Tigers. The study finds that despite having natural advantages and government initiatives, some states have been witnessing low HD due to poor governance. Even some of the relatively developed states with poor governance are facing the problems of scarcity of food and threat to life and personal security in the face of inadequate state controls on law and order, as in the case of Nagaland, Manipur, and so on. The presence of corruption in the economy has been instrumental in fluctuation of the magnitude of HD as reflected through HDI. Thus, the need of the hour is, apart from achievement of higher economic growth, to bring good governance in all facets of government, public, and markets. One example that can be cited to conclude this study is that as a surgeon requires sharp surgical tools, necessary for the surgery for the betterment of the patient, the same is the case of economic growth, which requires good governance for better human development.

## NOTE

1. Economic Freedom Index (EFI) was prepared by The Heritage Foundation and Wall Street Journal. <http://www.heritage.org/Index/Ranking.aspx/>

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