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The Governance – Growth Nexus

By:

Kaushik Bhattacharyya

Email:

81148@foreian.com

b.kaushik.86@gmail.com

Ph: +91-9891671147

FORE School of Management

B-18, Qutab Institutional Area

New Delhi - 110016

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Executive Summary

India grew at a rapid pace in the recent past and drew the attention of the whole world. While we, as a nation, bask in the glory of achieving such a tremendous feat, we also need to introspect and find out if this growth is sustainable or not with the rampant failure in governance and loss of public faith in institutions.

We need to answer if it is possible for a sustained growth in such a scenario. What are the inherent problems in the system? What are the possible remedies and how urgent is it to bring about sweeping governance reforms? What are the risks and challenges in bringing about those reforms?

For answering these questions, the analysis of governance is done under three dimensions:

- a) Public Administration
- b) Economics – Policies and Implementations, and
- c) Institutions

There has been widespread failure throughout and it is difficult to sustain such a rapid growth without reforms across the board. Lack of accountability and corruption has seeped deep into our system and it is imperative to empower the citizens with decision making and evaluative responsibilities.

Only when the governance improves, we will truly be able to realise our potential. The government has to act fast, so that this time we are able to grab the opportunity the world has provided us.

There are many bright dreams to be dreamt about India, and many bright deeds to be done in India, if only you will do them.

----- Friedrich Max Müller, 1882

More than a century after these words were spoken, the people of India are dreaming realistically of being a world leader, a driver of world growth. It is the deeds that need to be done now, to realise those dreams.

India of Today

The country has emerged as a potential superpower in the last decade. It has gone a long distance from a country perceived as ‘cannot be saved’ to one which is the second fastest growing economy (8-9% in the recent past) in the world. The rapid spread of ideas in the recent years and a major paradigm shift from viewing entrepreneurs as ‘devious capitalists’ as said by Nandan Nilekani¹, to engines of growth has led this country into the dawn of a new era.

But we need to remember we still are the country where 28.5% (2004-05)² of the country’s population is below the poverty line; infrastructure is creaking under pressure; more than 20% of the population are illiterates³ and we still lag behind in achieving almost each and every target in whatsoever sector the government sets. So, in this nascent and delicate stage, where we as a nation stand at the cusp of glory, it is the government that needs to provide the necessary support through appropriate steps and policies, so that, there is minimal impediment to growth. Unfortunately, our system is mired in corruption, politicized bureaucracy, overburdened and inefficient judiciary, power and coalition politics and a number of other malice. Such a situation not only impedes growth but also has the potential of causing internal unrest, which is not an ideal situation for the growth of business. It is high time the government ensures reforms in governance and plugs the holes of failures of administration.

¹ Nilekani, N. (2008), *Imagining India*, p-61

² According to The Planning Commission based on the estimate provided National Sample Survey Organisation (NSSO) survey’s finding

³ India Census data, http://www.censusindia.gov.in/Census_Data_2001/India_at_glance/literates1.aspx, on 09/11/09

This paper intends to examine:

- The prime areas where we are lacking in good governance
- If high growth is sustainable with the rot in the system
- Solutions we can have to tackle the existing problem, and
- The risks and challenges ahead in bringing about the required changes in governance

Defining Governance

Before going into further analysis, it is imperative to know what good governance is.⁴

Governance has a broader meaning than government where government encompasses the principal elements of the constitution - legislature, executive and judiciary; governance involves interaction between these formal institutions and those of civil society. It is the degree of legitimacy, representativeness, popular accountability and efficiency with which public affairs are conducted.

Dimensions of Governance and Performance

In this study, the governance in India is to be analysed under three dimensions⁵ –

- a) *Public Administration*
- b) *Economics – Policies and Implementations, and*
- c) *Institutions*

This analysis will tell us where we lack in governance and whether the negative impact as a consequence of it can impede our growth prospects.

⁴ The definition of governance provided by the World Bank in Governance: The World Bank's Experience is: "Good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs.", *Understanding the Concept of Governance*, <http://www.gdrc.org/u-gov/governance-understand.html>, 09/11/09

⁵ As per The Governance Working Group of the International Institute of Administrative Sciences, 1996, there are three dimensions of governance which are political, economic and institutional, Three Dimensions of Governance <http://www.gdrc.org/u-gov/3-dimensions.html>, 09/11/09

A) Public Administration

The high level National Commission to review the Working of the Constitution⁶ observes on the subject of governance that *there is a loss of faith in the government and governance and citizens are losing faith in institutions. Society is unable to cope with current events.* This more or less sums up the pitiable situation our whole political and administrative system is in.

A survey by the Public Affairs Centre found that, in Delhi, the average slum dweller needs to make six trips to a government agency to resolve a problem, and in only 6% of the cases his problem is attended to.⁷ Today not even 15 paise per rupee spent on the poor reaches them and is absorbed by the bureaucrats and politicians midway.

The gap between the upper and lower strata of the society has widened. Such a gap, combined with the colossal rot of the administrative system is bound to bring unrest in a society. The recent spurt of extremist activities of Naxalites and Maoists is just a pointer to the latent dissatisfaction and frustration of a particular section of people. This does not bode well for the business environment and economy of the country.

A number of schemes are running for the development of the rural poor, unfortunately, the implementation is extremely poor and target achievements are rarely high.

⁶ Venkatachaliah Commission, 2002, p-50

⁷ Jalan, B. (2005), *The Future of India*, p-108

The table below shows the achievement percentage of targets of major government schemes under the 20-point programme⁸ (subject to availability of target achievement data):

Programme	Target Achievement (Utilisation) Percentage (year 2008-09)
Village Electrification	72%
Scheme for Economically Weaker Section/Low Income Group Houses in Urban Areas	55%
Pumpsets Energised	137%
SC Families Assisted	92%
Pradhan Mantri Gram Sadak Yojana	88%
Accelerated Rural Water Supply Programme	9% (2007-08)
Pulse Polio Immunisation	23% (2007-08)

Some of these programmes have achieved a high percentage of the target while some have done extremely poor. Irrespective of that, the government is not doing enough. Whatever expenditure is achieved, a large chunk of it is absorbed within the administrative system because of rampant corruption. This is a drain of public money and does add to the fiscal burden of the country. The money thus spent is lost in unproductive misuse. This loss can act as a double whammy:

- The money spent fails to serve the purpose it is meant for, and
- In an effort to improve the conditions of the poor, the government has to spend more, thus increasing the fiscal burden, which, in turn may cause a downgrading of the country's credit rating which will further increase the cost of debt for foreign loans

Incidentally, India dropped 2 places to 12th rank in Eurasia Group's latest ranking of 24 countries on Global Political Risk Index (GPRI) for the month of October.⁹ This index gives a composite measure of a country's government, society, security and economy. The fall in

⁸ Source: www.indiastat.com, Social Welfare Schemes,

<http://www.indiastat.com/socialandwelfareschemes/27/stats.aspx>, on 09/11/09

⁹ Mint, 09/11/09 Edition, p-15

the rank does not bode well for the country's economy as it indicates that the overall atmosphere for business has deteriorated.

This shows how governance can directly impact the economic growth sustainability of the country

Reforms in Politics and Administration

It is extremely urgent for an overhaul of the political and administrative system of the country. The broader issues are mentioned below:

- **Accountability**

- a) *Parliament* –lately the performance of our MPs here is far from what is expected.¹⁰
 - On an average only 173 MPs in the 14th Lok Sabha actually spoke on legislative issues
 - The House passed nearly 40% of the bills with less than an hour of debate.
 - The average working hours in the parliament was not even 50% of the allotted time.
 - The 11th Lok Sabha lost 5.28% of its time due to disruptions which went up to 22% by the 14th Lok Sabha.
 - Each minute of Parliament costs the exchequer Rs 26,035

Such non performance is a colossal waste of public money. Accountability is a must and committees must be set up to review the performances of the MPs and MLAs in the respective Houses of our country.

- b) *Public Servants* – effective implementation of the Right to Information Act (RTI), which unfortunately has remained toothless till date, is necessary for bringing accountability. *E-governance*¹¹ can be used to bring accountability through RTI.

¹⁰ Celebrity MPs among top absentees from Parliament, Times of India, 07/04/09 Edition, <http://timesofindia.indiatimes.com/news/india/Celebrity-MPs-among-top-absentees-from-Parliament/articleshow/4367239.cms>

¹¹ “E-Governance” refers to the use of information technologies by government agencies for improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective.

The challenges are of increasing accessibility for such a service and making people aware of their rights.

- c) Local bodies and Panchayats need to be involved and given some power of deciding how to spend the money allocated to the concerned projects. That way, accountability can be brought in to the implementation and expenditure for a number of public schemes.

- *Regional Small Parties* – these parties, sometimes, hijack the government with their unjustified demands. Such an environment harms the healthy process of decision making. We need to come up with amendments to curb this tendency, like, curtailing outside support for a majority government or making it mandatory to have atleast 30 seats in the parliament for a party to join a coalition.
- Candidates with pending criminal cases should not be allowed to contest an election so that entry of anti-socials in the system can be prevented.

The major challenge for such reforms will be, to handle the opposition from various political quarters of our country as their interests will be hampered. We can also run into the risks of impeding the voice of opposition by implementing too much control on adjournments and disruptions in the parliament. A fine balance has to be maintained between accountability and efficiency, and too many restrictions.

B) Economics – Policies and Implementation

The importance of sound economic policies and its proper implementation, on the overall growth and development process of a country cannot be overestimated.

What we need now is more social preparedness so that we can grab the opportunities provided to us through reforms.

Below are some of the issues which if not addressed, will not help us sustain growth.

- *Infrastructure* – there are massive shortages in rail, road transport & highways, shipping & ports, airports, power & energy, schools and colleges, hospitals and urban infrastructure. Developing infrastructure for sustaining a high growth is extremely important. The government plans to spend an estimated \$567.2 billion over the next 5

years on infrastructure developments¹², but what needs to be ensured is proper implementation of the projects and reduction of time and cost overruns. Public-Private Partnership under Built-Operate-Finance-Transfer model is a way forward, but the government must ensure clarity in policy matters regarding the tendering process and must simplify the chain of command within the various departments, committees and ministries.

- *Energy Security* –to sustain a high growth this is what we need. Unfortunately, we are not doing well. ONGC Videsh¹³ invariably fails to acquire oil and gas fields abroad and it is China which acquires them. What we need is an aggressive stance from the government and a serious bid to ensure energy security. The nuclear deal with the US is a positive step in this regard.
- *Clear FDI Policy* – our economy is cash starved one and needs foreign investment badly. But what is impeding investments is a lack of clear policy in this regard. The government needs to standardise the policies quickly to shore up foreign capital.
- *Clear Pricing Strategies* – oil and gas pricing policies in the country is very complex.¹⁴ Simplifying and standardising the process is imperative to bring competition and foreign companies in the foray.
- *Policies for Trickle Down* – prosperity from high growth needs to be passed on to the downtrodden as well. A forward looking Land Acquisition Policy keeping in mind the needs and concerns of the land holders (mainly farmers) is imperative for further industrialisation. This will bring prosperity to backward, underdeveloped areas and will ensure lesser dissatisfaction among the lower strata of the society.

The challenge is to beef up the administration to ensure proper implementation of the policies.

¹² Infrastructure Investment World, <http://www.terrapinn.com/2009/iiindia/>, on 10/11/09

¹³ ONGC Videsh Limited (OVL) is a wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC). The primary business of OVL is to prospect for oil and gas acreages abroad, including acquisition of oil and gas fields, exploration, development, production, transportation and export of oil and gas.

¹⁴ Different gas pricing through Administered Price Mechanism, Production Sharing Contract, New Exploration Licensing Policy (NELP), and for imported liquefied gas

C) Institutions

It is the process by which the citizens and the state itself respect the public institutions.¹⁵ But what we see today is widespread disregard and loss of faith in the institutions.

- *Judiciary* - Nearly 30 million cases are pending in Indian courts.¹⁶ Millions of accused rot in the cells waiting for justice. This has led to complete loss of faith in the judiciary. Corporate cases take years to be decided. The recent Ambani brothers' gas pricing feud is a case in point. This does not give positive signals to global investors, which ultimately hamper the economy. The system if not reformed fast can lead to further distress among citizens and corporates. Bringing about sweeping change is a big task though and will face a lot of opposition.
- *Police System* – the police has become the mafia and corruption has become a part of it. There is widespread neglect and apathy to public needs. Criminals do not fear the police anymore as the gravity of the system has vaporized, and citizens many a times resort to violence themselves. The government must take steps immediately to prevent further loss of faith.
- *Educational Institutions* – without quality education we cannot dream of a holistic development. Our higher education is not upto global standards and needs to be revamped both quantity and quality wise. But what is more disturbing is our primary education. Teacher absenteeism in government schools is so rampant that parents have to send their wards to private schools where the fees are high, which many of them cannot afford. Therefore, many kids remain uneducated. We need to empower the common man by the system of payment through the Panchayats. This will bring more accountability to the teachers. En-cashable Coupon System can be implemented to help poor parents educate their wards in private schools as well.
- *Health* – the problem is similar to educational institutions. Doctor absenteeism and rampant misuse (sell in black market) of subsidised medicines available in government hospitals and dispensaries have to be controlled.

¹⁵ Three Dimensions of Governance <http://www.gdrc.org/u-gov/3-dimensions.html>, 09/11/09

¹⁶ RTI community portal of India, <http://www.rtiindia.org/forum/2385-nearly-30-million-cases-pending-courts.html>, on 11/11/09

Conclusion

From the above discussion we conclude that we are facing a crisis of governance at present. Corruption has become a way of life and there is colossal delay in every project of the government. There is massive drain of public money which does not find way to the intended use. With this continuing situation we cannot have a sustained growth. A short burst of prosperity and growth will remain a short burst, until and unless, we revamp our social and structural infrastructure. We need to work hard as a nation to ensure that this opportunity the world has provided us does not go in vain and we capitalise on it to become the true world leaders.

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Participant's Profile**Kaushik Bhattacharyya**E-mail: b.kaushik.86@gmail.com

Date of Birth: 16/09/86

ACADEMIC PROFILE

Degree/ Certificate	Specialisation	School / College/ Board/ University	Year of Passing	Percentage
PGDM	Finance/Marketing	FORE School of Management, New Delhi	2010	3.11/4
B.Sc (H)	Chemistry	Hindu College, Delhi University	2008	76.22
12 th	Science	Burnpur Riverside School	2005	90.8
10 th	----	Burnpur Riverside School	2003	85.2

SUMMER INTERNSHIP DETAILS

Project Title: Investment Process in SAIL and Project Appraisal and Feasibility Report for Expansion at IISCO Steel Plant, Steel Authority of India Limited

AWARDS & ACHIEVEMENTS

- Won the first prize in school in Arya Bhatta Mathematics competition.
- Won the third prize in sub-divisional yoga competition along with other prizes in yoga.
- Passed the Financial Markets : A Beginner's Module of the NSE's Certification In Financial Markets with 89% marks
- Represented School and was Team Lead in CBSE-Intel Regional Level Science Exhibition held at Lucknow, 2004

EXTRA CURRICULAR ACTIVITIES

- Reading books and articles
- Blogging and writing stories
- Cooking
- Occasional angling