

GOVERNING INDIA'S MANY SPACES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Demographic Economics & Various Indexes

As the general elections approach, it would be politic to take stock of the progress made by the incumbent party and look out for the areas that call for particular attention by the one that gains power. Without anticipating complete agreement on the indicators that ought to be used, I look at the changes since 2014 in three indices for India. These are the indices of the 'Ease of Doing Business' (EDB), 'Human Development' (HDI) and 'Environmental Performance' (EPI). They are self explanatory, and their importance unlikely to be contested, even though they may not exhaust all concerns. Published by separate international bodies, they are used to rank the world's countries according to their performance in the related sphere. Rankings by themselves do not reveal the level of attainment but they do convey how far a country is from the global frontier.

The EDB, an indicator put out by the World Bank, is meant mainly as an index of the effect of government regulations on running a business. It is also meant to reflect the extent of property rights in a society. Responses are sought from government officials, lawyers, business consultants, accountants and other professionals involved in providing advice on legal and regulatory compliance. A country's ranking is based on the extent to which government regulations facilitate the following: starting a business, obtaining construction permits, getting an electricity connection, registering property, accessing credit, protection of investors, paying taxes, trading across borders, enforcement of contracts and resolving insolvency. The Narendra Modi government has set much at store by India's improved ranking in terms of the EDB index. Actually, the improvement is considerable. From a rank of 134 in 2014, India's rank improved to 77 in 2018. As 190 countries were ranked in 2018, India was in the top 50%. The position is not spectacular but the improvement is, as said, noteworthy.

It is important to note that the use of the EDB has not been without controversy, with the World Bank's Chief Economist, a Nobel Laureate, suggesting in an interview that in the past political bias may have crept into the ranking of countries. Let us for a moment overlook this episode and assume that in the case of India the ranking reflects reality. Perhaps a bigger problem with the EDB is that it measures the effect of government regulations alone. While it is important to take this aspect into account, in any situation the ease of doing business is dependent upon other factors too. One of these is the availability of 'producer services', with electricity, water supply and waste management coming to mind. There is little reason to believe that this infrastructure has improved in India in the last five years. The Planning Commission used to release data on infrastructural investment, but we have had none since its demise. Despite all these shortcomings, it is yet important to be concerned with the ease of doing business in India, an aspect that has been given little or no importance in public policy for over 50 years, and to note that the EDB ranking for the country shows significant improvement since 2014.

We may turn next to the better known Human Development Index. It is the result of a rare India-Pakistan collaboration in the global discourse on public policy, having been devised by Amartya Sen and Mahbub ul Haq for the United Nations Development Programme. The HDI is a combination of indicators of income, health and education in a country. Its conceptual basis has been critiqued. First, it has been pointed out that the index combines incommensurate categories, as income, health and education are not substitutes. Second, while it does go beyond purely economic measures of progress, in that it looks at the health and education achievements in a population, it can say little about the 'quality' of development. As pointed out by Selim Jahan of the UNDP, data can "[tell] us only a part of the story about people's lives. For

instance, it is increasingly clear that it is not enough simply to count how many children are in school: we need also to know whether they are learning anything.” He could have had India in mind!

Nevertheless the HDI has now gained reasonable acceptance globally as indicative of the development strides a country has taken. When we turn to the HDI, we find that India’s ranking has not altered since 2014. India was ranked 130 in 2014, and has remained in the same place out of 185 countries in 2018. It is of relevance here that India’s HDI ranking has not improved despite it being the world’s fastest growing major economy in recent years, as the government often points out in its assessments. This despite income being a component of the index. What this reveals is that an economy can grow fast without much progress in human development. Also, India’s HDI position in the bottom third of countries points to how much it needs to progress to earn the label ‘the world’s largest democracy’.

Finally, we may look at India’s recent record on the Environmental Performance Index. The EPI is produced jointly by Yale and Columbia Universities in collaboration with the World Economic Forum. The index ranks countries on 24 performance indicators across several ‘issue categories’, each of which fit under one of two overarching objectives, namely, environmental health and eco-system vitality. The issue categories are air quality, water and sanitation, water resources, agriculture, forests, fisheries, biodiversity and habitat, and climate and energy. These metrics are meant to serve as a gauge at a national level of how close countries are to accepted environmental policy goals. In 2018 India ranked 177 out of 180 countries, having slipped from an already very low rank of 155 in 2014. The country is today among the worst performing on the environmental front and its ranking has worsened over the past five years.

We now have indicators of the progress India has made in the past five years in the three crucial spheres of business, human development and the natural environment. A clear picture emerges. The government has aggressively pursued an improvement in the business environment. This appears to have yielded fruit in terms of an improvement in the EDB index. However, at a time when it has been the fastest growing economy in the world, India’s rank on human development has remained unchanged and on environmental performance has slipped close to the last place.

These outcomes would not surprise anyone familiar with public policy since 2014. The Narendra Modi government has marginally lowered health and education expenditure as a share of national income and distinctly lowered environmental standards. An instance of the latter would be the Coastal Regulation Zone Notification of 2018 which allows construction and tourism development on land earlier considered inviolable due to its ecological value. This de-regulation is a setback for India. It is only one instance of the failure to recognise the plunder of India’s natural capital taking place at an accelerated pace. Political parties now fervently making a pitch to govern India must indicate how they will reverse it. Ill fares the land where wealth accumulates and nature frays.

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