

# Government Effectiveness and Development: South Asian Perspective

Md. Masud Ahmed<sup>1</sup>

<sup>1</sup> Bangladesh Public Administration Training Centre, Savar, Dhaka

Correspondence: Md. Masud Ahmed. E-mail: mahmedbpatc@gmail.com

Received: April 22, 2022

Accepted: May 12, 2022

Online Published: August 1, 2022

doi:10.5539/ass.v18n8p35

URL: <https://doi.org/10.5539/ass.v18n8p35>

## Abstract:

This paper examines the impact of government effectiveness on the socio-economic development of eight South Asian countries by employing balanced panel data from 1999 to 2018. Random effects, ordinary regression, general trends are used to understand the impact of government performances. The empirical study confirms the insignificant effect of government effectiveness on the Human Development Index (HDI) as a measurement of socio-economic development. Conversely, good governance as a whole has a positive impact on HDI as well as per capita GDP growth rate. The study also indicates a puzzle of how a country or region having poor governance performs better in different socio-economic indicators.

**Keywords:** Government effectiveness, HDI, Development, South Asia and Good Governance.

## 1. Introduction

With the process of globalization, the concept of governance has become a very crucial, especially for developing countries while most of them are in a pendulum situation with huge prospects (significant human capital, emerging markets and technological adaptations and innovations) and problems (corruption, misallocation of resources, lack of accountability and transparency and freedom of voice) of development. Government effectiveness is defined as the overall performance of the government in providing public service, arrangement and implementation of sound policies and attaining public support or credibility through the execution of such policies. According to the definition of World Bank, government effectiveness refers perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (2019). So, the role of effective government is beyond bargaining in developing economies to reap the real benefits of development.

In many developing countries like South Asia, government effectiveness plays a vital role in the way of development. If we look at the world's developing states, we find that many of them are suffering for effective government to take off on the highway of development while in contrast some of them are performing so well in terms of different socio-economic indicators. Does government effectiveness really matter for economic development in developing countries? Does it exert any impact on achieving higher development status of a country? Do government effectiveness always maintains a smoother relationship on the route of economic development or something ambiguous? The hypotheses presented here based on the questions as mentioned above are theoretical but possible to explain through empirical data. The whole procedure is a deterministic mechanism that simplifies the underlying factor of achieving the higher economic standard by the assurance of effective government.

Traditional development theories focus on the nexus between economic factors and socio-economic development. However, exploration of non-economic variables such as institutional factors on development is gaining more interests. While institutional factors play an essential role in economic growth and development, different implementation capabilities, in the same way, lead to varied economic performance. Government performance may have a desirable impact on development aspects of a country. It may facilitate development by creating a favourable policy environment and competent implementation of the policies, especially in providing public goods. To transform the people's quality of life, the role of effective government knows no bounds.

Figure 1 shows that only Bhutan in South Asia maintains a positive track record in government effectiveness index value. India also made good progress, and in 2018, only India and Bhutan have positive GEI value of 0.28 and 0.36 even though it indicates weak government performance. All other six countries also have made some

zigzag progress over the period but remain in a weaker position. Diversely, if we look at the Human Development Index (HDI) value, all the South Asian countries have shown remarkable progress. From figure 4, we notice that in 1999, the average HDI value for the region was 0.494(low), but in 2018 it reached to 0.626(medium) which is far above the lower benchmark of medium level human development. We also observe that throughout the study period, the average HDI value maintained an increasing trend. At the same time, we observe a downward trend in government effectiveness index.

How the whole region has maintained significant progress in human development amid weaker government efficacy is mysterious? The relationship is puzzling in a general sense that for the last two decades, the overall good governance condition of the region exhibits an increasing trend but remains in a weak position. These results are significant because, how the South Asian countries are displaying a significant advancement in different socio-economic development indicators amid delicate governance is a big question. What would happen of its development scenario if the region has had a reliable and effective government? Other development dimensions like FDI, foreign exchange, remittance as well as corruptions perception among people, government agencies and politician's accountability and people's freedom in a real sense might be strongly impacted if the region could ensure sufficient as well as quality government performances. The paper is concerned with the impact of government effectiveness on the development pathways of a country more specifically in South Asia. In general, improvement in government performance contributes to a country's process of development, but the possible impact expected differs over times and countries. This inquisition aims to investigate the causal relationship between government performance and socio-economic development in eight South Asian countries. The analysis conducted based on the yearly data of last 19 years throughout 1099-2018 were collected from the World Bank database. The findings are significant to understand a country's policy deficiency and poor implementation mechanism and also to find out an appropriate avenue of intervention towards expected development pathways.

The region-specific analysis of government effectiveness along with the overall impact on development measured by HDI for South Asian region implies the originality of this research. The most exciting literature review provides the impact of government performance on development, especially in developing countries. Primarily ordinary least square (OLS), regression and usual trend analysis are run to have the impacts. F test also conducted to get the significance of the interaction. Regression results show no significant co-relation alone government effectiveness on HDI. Nevertheless, when considering good governance as a whole, then it represents positive co-relation.

The remaining part of the paper is structured as follows. "Literature review" briefly discusses the literature on the relationship between government effectiveness and development. "Data and methodology" explains the variables, data sources, relevant models and practical implementation of this study. "Result and discussion" represents the empirical facts through proper estimation. Finally, "conclusion" provides the closing remarks and recommendations.

## **2. Methodology and Analytical Framework**

The empirical implementation of the statistical tools used in this research and related tests are discussed in this section. Most of the studies on panel data regression based on developing economies show the average impact of government effectiveness on socioeconomic development measured by HDI but do not show individual country effects. Few other studies show the impact on an individual country using time series data. The objective of this research is to understand the scale of the average impact of government performance on eight South Asian countries on HDI and per capita GDP growth. A comparison of the impact among different types of government will also make later. The joint significance of individual effects will be done using F-test. The whole research work is based on secondary data. I have taken the last 20 years average (from 1999 to 2019) of government effectiveness index published by World Bank every year. Here I use the government effectiveness indicator developed by Kaufmann et al. (2008) at the World Bank. This unique index measures the government effectiveness that reflects insights regarding the character of public services, the trait of the civil service and the degree of its sovereignty from federal pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to its policies. The indicator ranges from -2.5 to +2.5, with -2.5 representing the lowest (weakest) level of government effectiveness and +2.5 the highest (strongest) level of government effectiveness. Here the development of a nation or the region is not measured by traditional per capita income or merely the GDP growth rate. Instead, here, I used the Human Development Index (HDI), which is still the most comprehensive measure of development published by the United Nations Development Programme (UNDP) for that particular period. HDI consists of three components longevity or life expectancy at birth, education (adult and children), and income per capita. One-third weight is provided on each index, and its

values usually range from 0 to 1.

Calculating the Human Development Index					
Human Development Index (HDI)	DIMENSIONS =	Long and healthy life	Knowledge		Standard of living
	INDICATORS =	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP \$)
	DIMENSION INDEX =	Life expectancy index	Education index		GNI index

HDI classifications are based on HDI fixed cut-off points, which means if HDI is less than 0.550, then it is low human development, 0.550–0.699 for medium human development, 0.700–0.799 for high human development and 0.800 or greater for very high human development. The inequality-adjusted Human Development Index (IHDI) situation is also perceived to look beyond the average achievements of a country in longevity, education, and income. The IHDI value can be interpreted as the level of human development when inequality is accounted for, and the difference between IHDI and HDI values is the loss due to inequality in the distribution of the HDI within the country.

I have also observed the situation of the growth pattern of GDP per capita of these countries over the period to understand economic development as an alternative measure. Furthermore, the paper will put particular focus to find out whether there is anything that is intervening the relationship between dependent and independent variables. Data analyzed and presented by tabulations and graphs. One way ANOVA, simple regressions will also run and unbiasedness in data carefully controlled while interpreting the mean value and its square (covariance) also take into consideration to explain the future trends.

### 3. The Data and Scope of the Study

The paper represents data collected from several secondary sources like the World Bank, Human Development Report published by UNDP, World Social Development Report and so on. The data and critique in this study cover eight South Asian Countries. Due to the limitation of primary data, there is no country-specific analysis in the paper.

### 4. Review of Previous Studies

The purpose of the endeavor is to investigate the correlation between government effectiveness and development in South Asia. In particular, the eight South Asian countries have approximately 200 years of exploitative colonial history and most of its institutions, laws, bureaucracy and parliamentary system inherits colonial legacy. Like many developing states, South Asian countries are also suffering for effective government to take off on the highway of development while in contrast some of them are performing well in terms of different socio-economic indicators having weak government commitments. There are many types of research on the impact of government effectiveness. Many of them focus on good governance and economic growth; there also some papers try to spotlight on governance and poverty reduction. However, the relationship between government effectiveness and development hardly touched. Since the paper tries to postulate the mechanism of how the quality of public policy formulation, government credible commitment to such policies and its implementation through quality public services independence from political pressures affects the process of development over the years in South Asia, this section reviews only the relevant and related issues to have a better idea of the selected topic.

Ingraham and Moynihan (2000) analyzed the impact of government effectiveness on both the public and the private sectors. They find that in public administration and management and public policy, government performance or effectiveness has intensified with numerous and widely adopted reforms over the last century. In particular, studying government effectiveness or performance helps us to understand the role of government in development better. According to Dahl (1947), in the theory of public administration, a valid government automatically entails an environment that is conducive for development. Likewise, Jalilian, Kirkpatrick, and Parker (2006)'s study suggests that regulatory quality and government effectiveness have a significant positive impact on the GDP per capita in developing countries. Arusha (2009) also suggests that the quality of government is essential for economic growth. So development has been linked to governance both directly and indirectly (Adams & Mengistu, 2008; Ndulu & O'Connell, 1999; Pradhan & Sanyal, 2011).

Furthermore, government performance is affected by economic crises (Furubotn & Richter, 2005; Smith, 2007).

During economic crises, most governments focus more on economic growth than on government effectiveness (Kaufmann et al., 2010; Reinhart & Rogoff, 2009). In general, governments typically respond to crises with short-term remedial plans, potentially resulting in a harmful long-term economic prospect. Therefore, the relationship between government effectiveness and development may be different from the short-term to the long-term as the relationship may change over time. The World Bank's Government Effectiveness Index constructed from a broad array of surveys that extracted responses from individual elites, analysts, firms, or agencies with first-hand knowledge of the governance situation in the country (Lee & Whitford, 2009).

For many reasons, the measures of government effectiveness on development are essential. First of all, the concept is socially-constructed and encompasses multiple stakeholders, and it captures the complex and multiple dimensions of an entire government's performance (Delaney & Huselid, 1996; Dollinger & Golden, 1992; McCracken et al., 2001; Pearce et al., 1987; Powell, 1992). Another study by Bergh and Karlsson (2010) shows that institutions play a moderating role in government size-growth relationship. The public sector size orchestrates the connection between institutions and economic growth (Dzhumashev, 2014).

According to Hall and Jones (1999), the competent government creates a complimentary economic environment within which individuals accumulate skills, and firms build up capital and produce output by efficiently providing social infrastructure, quality services that protect against diversion, can enhance development. In a typical economic system, many factors such as geography, trade, population, culture, governance, and institutions have been identified as causing differences in the development pattern across countries. The performances of the government highly depend on the quality of public service, civil servants commitment to people and the institutions and administrative system. By promoting bureaucracy's quality, placing right person to the right place, more productive investment and pro-people policies and faster implementation of these social and economic policies can lead to the higher stage of development (UN, 2005). Government performance matters for a country's way of development; that is why since 1996, the World Bank has been publishing worldwide governance indicators. Specifically, there are strong causal relationships between effective government and development outcomes such as higher per capita income, low infant mortality and higher literacy (Kaufmann et al., 1999).

Our dependent variable socio-economic development (HDI) has a strong relationship with government effectiveness that comes from the World Bank Governance Indicators. The discussion here mainly focuses on the government effectiveness and how it captures the attitude of the state to implement sound policies by measuring public services quality, the feature of the public service and its freedom from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. To be very specific that this indicator exerts a substantial impact of socio-economic development in different countries, especially in South Asia. Empirical evidence shows that good institutions and governance stimulate economic growth (Acemoglu et al., 2001, Acemoglu & Robinson, 2010; Barro, 1998; Knack & Keefer, 1995; Kaufmann & Kraay 2002; Kaufmann et al., 2008).

The literature, as mentioned above, mainly focuses on the effects of government effectiveness on development in the developing economies. Researchers found a different level of contribution of GE like positive, negative and mixed. While most of the papers in this arena focus on good governance and economic growth, there are also some papers try to spotlight on governmental effectiveness and poverty reduction. They did not analyze the impacts of government effectiveness on socio-economic development, especially measured by HDI. Further studies should focus on the puzzle of how having a deficient level of government effectiveness or overall scrawny governance the countries in this region are performing well. This paper provides the collective impact of government effectiveness as well as good governance on HDI as an indicator of development and also provides an inequality-adjusted human development scenario to have a comprehensive idea about the impacts.

## 5. Results and Discussions

This part attempts to discuss different tests, the estimated coefficients, endogeneity and sensitivity of core analysis. The results show insignificant evidence of the impact of government effectiveness on HDI as a yard stick of development which is quiet puzzling. In particular, throughout the whole period government effectiveness value reduces by 11% but the HDI value increase by 16% on an average for the eight South Asian countries. These findings correspond with those of Kurtz et al. (2007) as they did not find a significantly positive effect of government effectiveness on development.

On the other hand, a statistically significant positive effect of good governance found on economic growth and HDI in South Asia. Due to 1% increase in the indicator of good governance, the GDP per capita growth rates increase by 3.10%, and 1% increase in good governance increases HDI by 0.21% points for the South Asian

countries respectively for the studied period. The impact of good governance on GDP per capita growth and HDI is also statistically significant.

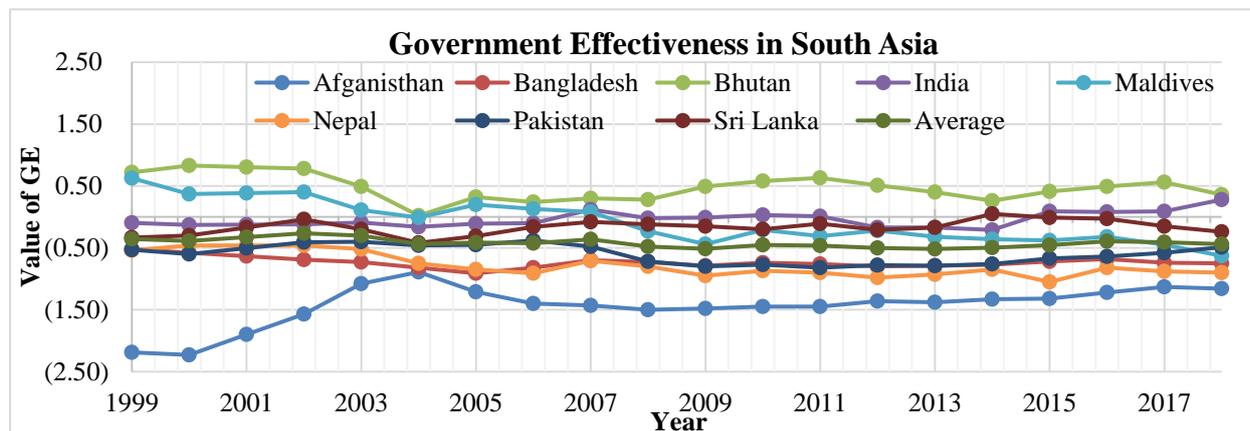


Figure 1. Trends of government effectiveness in eight South Asian countries. Source: Author’s compilation using World Bank Data

The overall government effectiveness for South Asia for the last 19 years period is not satisfactory at all. If we look at the fig-1, we find them throughout the period the countries of this region facing weaker governance in terms of its quality. Among eight countries only two countries had a positive value (slightly above 0, means weak) in 1999 and in 2018 only Bhutan(0.36) and India(0.28) has a positive government effectiveness index values. Nevertheless, on average, the whole region is maintaining a negative index value of (-0.44) for the last two decades, which is quite poor and dissatisfactory. What does it indicate? It means over the years the people's perceptions of the quality of public services, the degree of its independence from political pressures, the quality of policy formulation and implementation and the government credible commitment to the implementation of such policies is very fragile. Reliable and effective government policy and its efficient implementations would bring more prosperity for the people of the region, which will reflect it other socioeconomic dimensions also. So due to lack of or weaker pro-people effective public policies and bureaucracy's commitment to its practical implementations, the region is still lingering. In fig-2, we observe an increasing trend of per capita GDP growth rate for the region in the last two decades. Throughout the period the South Asian GDP has increased on an average 5.57 percentage. For the period Bhutan experienced the highest average growth rate of 7.26%, contrarily, Nepal maintained an average growth rate of 4.31%, which is lowest in the region. In 1999, where the average GDP per capita for the whole South Asian region was 748.31 USD, and it becomes 3,067.35 USD.

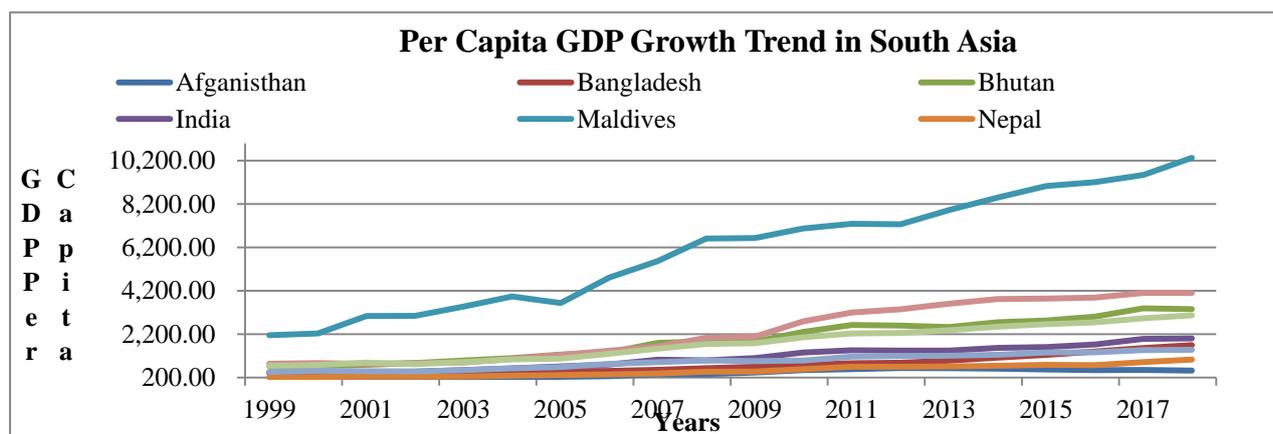


Figure 2. Trends of GDP per capita in eight South Asian countries. Source: Author’s compilation using World Bank Data

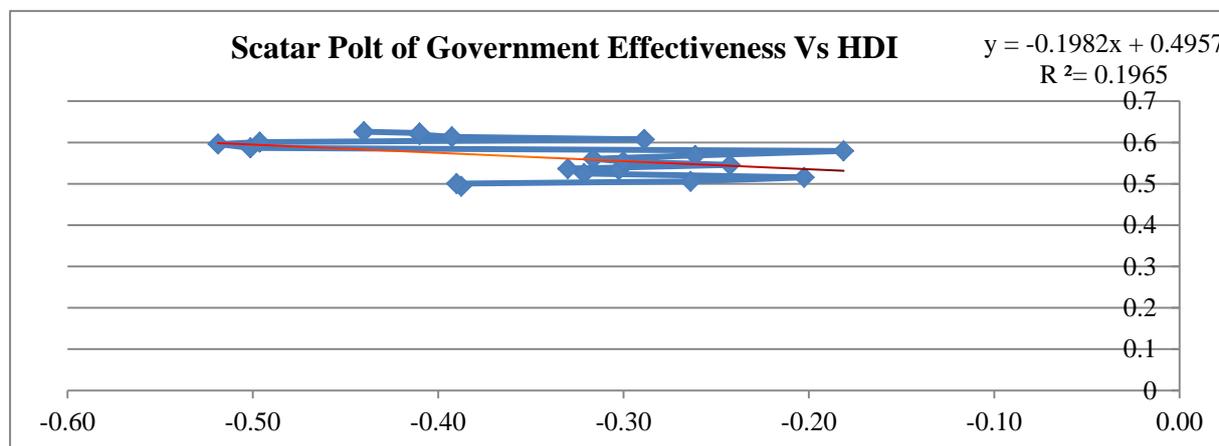


Figure 3. Government effectiveness as a predictor of HDI. Source: Author’s compilation using World Bank Data

In 19 years the GDP per capita for the region has increased by almost 310 times and increases more than 16% per year on an average. In a closer look, we notice that there is divergence among countries in percapita GDP growth rate. So there existis inequality in development among countries. From table-1 we observe that during the last 19 years the region has made a sea change in socioeconomic development parameter measured by HDI. Almost all countries in the region achived remarkable progress in human development index. Except Afganisthan all seven countries reached the medium level HDI land mark.

Table 1. Loss in HDI points due to Inequality

Name of Countries	19 years Avg. of HDI	HDI value in 2018	Loss in HDI value	IHDI value in 2018
Afghanistan*	0.458	0.496	-	-
Bangladesh	0.564	0.614	24.3	0.465
Bhutan	0.576	0.617	27.1	0.450
India	0.599	0.647	26.3	0.477
Maldives	0.697	0.719	21.0	0.568
Nepal	0.537	0.579	25.8	0.430
Pakistan	0.537	0.560	31.1	0.386
Sri Lanka	0.776	0.780	12.1	0.686

\*For Afghanistan loss in HDI value is not available.

Source: Author’s compilation using HDI report Data-2018

But it is also apparent from Table 1, that the loss of the human development index due to inequality in developing countries like South Asia is very high. On an average the loss of the region almost 24 index points only for existing inequality in a particular year. The loss is highest in Pakistan, followed by Bhutan, India, Nepal and Bangladesh. If we consider the loss in HDI or inequality adjusted HDI then we finds that all the south asian countries are remaining bellow the 19 yars average of their HDI value and which is very close to their HDI value in 2000. So if we consider the IHDI the whole region did not make any progress over the period. Again this is a policy failure of the government as people at the top having more, differently, a large share of population living at bottom becoming destitute day by day. Existing policies are bringing unequal opportunities for the poor and the rich, and this distorts the social harmony and impedes the core values of development in the region.

From the Figure 4, a clear picture observed that throughout the whole study period, the Human Development Index for South Asia shows a gradual upward trend, and the movement is almost linear. Else ways, government effectiveness values show a downward approach with multiple ups and downs. While the HDI value starting from a low level reached to higher medium stage, the government effectiveness index from weak to weaker position. However, while the relationship between HDI is compared with Good Governance both show an

upwards trend for the period on an average for all South Asian countries (Figure 5).

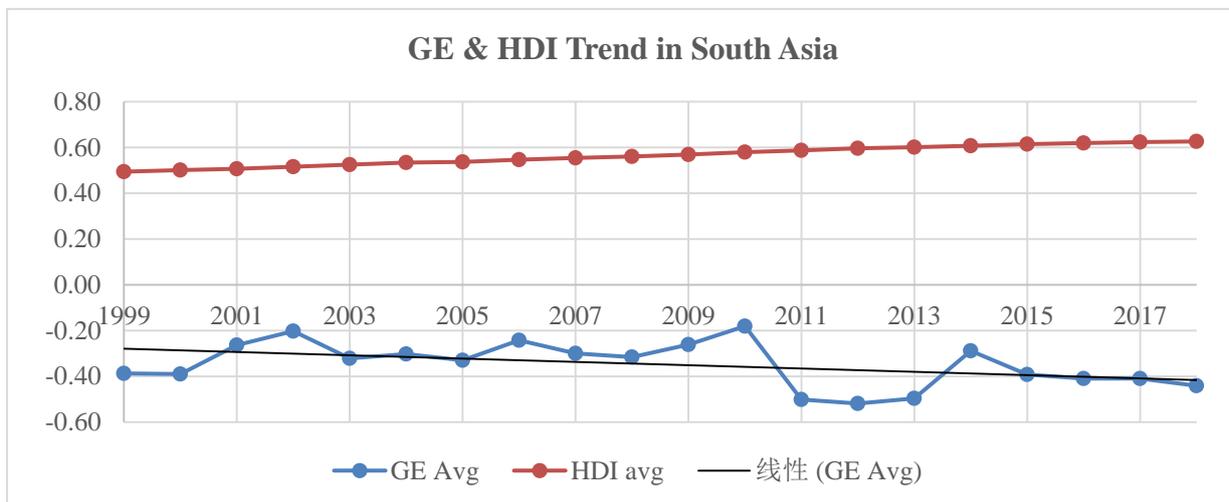


Figure 4. Relationship between government effectiveness and HDI. Source: Author’s compilation using World Bank Data

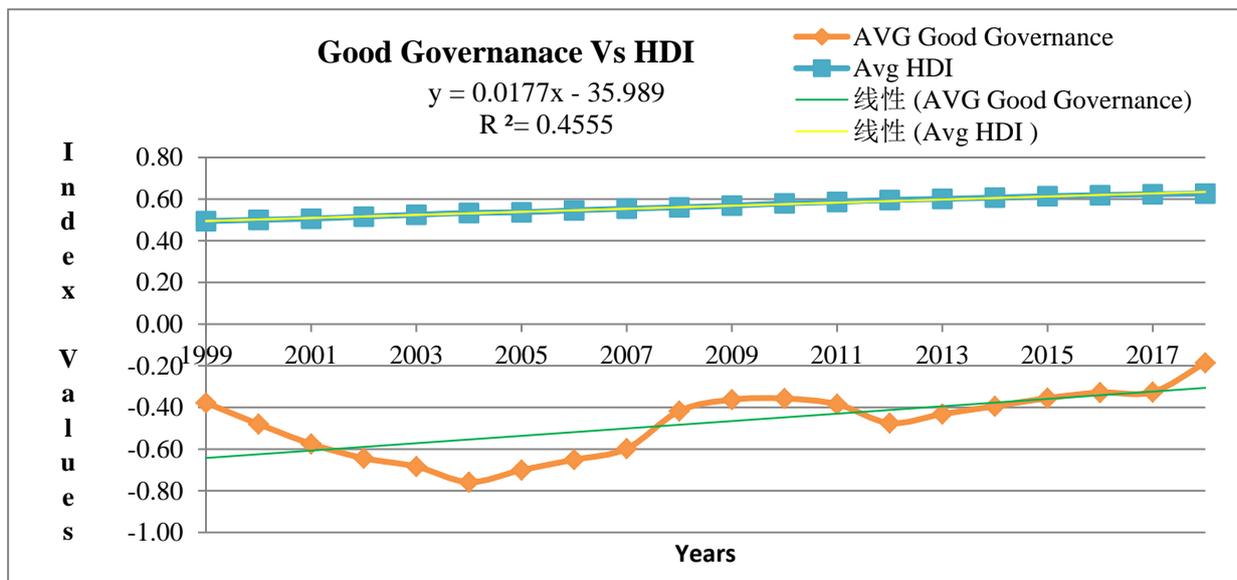


Figure 5. Relationship between good governance and HDI. Source: Author’s compilation using World Bank Data

Table 2. Relationship and impact significance level test between government effectiveness and HDI. Source: Author’s compilation using World Bank Data

Regression Statistics	
Multiple R	0.44332
R Square	0.196533
Adjusted R Square	0.151896
Standard Error	0.040154
Observations	20
ANOVA	

	<i>Df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.007099	0.007099	4.40291	0.050256373			
Residual	18	0.029022	0.001612					
Total	19	0.036121						

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.495673	0.034056	14.55469	2.13E-11	0.424124127	0.567222	0.424124	0.567222
GE	-0.19819	0.09445	-2.09831	0.050256	-0.396618652	0.000247	-0.39662	0.000247

From the regression Table 2 and the Figure 5 we observe that both the Government Effectiveness and Good Governance are not a good predictor of higher level of HDI in South Asia. Government Effectiveness only explain only 19% variance in HDI while Good Governance 45%. So from the above scenario it is not justifiable to conclude that the higher level of human development in south asia have attained due to better governance. So the whole region has attained higher level of HDI value, per capita income, GDP growth rate in spite of poor or an average governance which is quite puzzling. So what could be the probable answer of this puzzle? Does the governance really matter for development or not?

### Importance of Good Governance and how it Impact Government Effectiveness

Governance is directly involved with the management of the development process, which contains the functioning ability of the public sector and the rules and institutions that create the framework for both. Overall, governance is the institutional setting in which citizens respond among themselves and to government agencies. Good governance means quality management and orientation of development policies that has a positive influence on economic performance (MIRA & HAMMADACHE, 2017). Good governance is too broad a concept, and the crucial factor underpinning effective governance is how decisions are made and exercised. The state should be accompanied by responsibility and commitment to ensure good governance, which is a must to enrich people's satisfaction. A country fails to steer its economic growth and development to enhance citizens' lives without having quality governance and a healthy policy environment. It is vital to secure efficient and equitable resource appropriation, and nations should respond to their citizen's needs via a diaphanous process that is truly participatory. Good governance sufficiently insulates shareholders' rights by managing the principal-agent problem. It hinges on the legal and regulatory system, which articulates and develops the interaction dynamics among stakeholders.

Though democracy is preferred for good governance, but sometimes even a well-established political system does not guarantee it. Lack of transparency results in seemingly legitimate authorities which are exercised for personal or vested stakes in many developing countries. Unofficial authorities sometimes exercise unwarranted influence over the political or administrative system. As a result, it is sometimes difficult to hold people or organizations in power accountable. Maintaining a legal and regulatory environment and implementing a more transparent system to secure good governance are essential which cannot take root without confirming procedural transparency and accountability. Founding an active political system is one thing, but ensuring the governance functions effectively is another.

The level of governance is a crucial issue in any development argument because of its robust association with economic growth. Governance quality and economic growth are positively related (Kaufmann et al., 2010). According to Jones and Rodgers (2011), "per capita incomes and the quality of governance has intense positive correlation across countries". The studies of the World Bank (2018) show a strong affinity between good governance and per capita national income.

### Probable Explanation of the Puzzle

Table 3. Changes in Governance and others Important Indicators

South Asia in 2000 and 2020			
	<b>2000</b>	<b>2020</b>	<b>Change in (%)</b>
Avg. Good Governance	(-0.48)	(-0.19)	60.42
Avg. GNI/Capita	445.12	1,820.60	309.01
GDP Growth Rate	5.11	5.44	6.46

HDI Value	0.501	0.626	24.95
Poverty Rate	38.60%	14.70%	61.92
Gini Coefficient of National Income*	0.56	0.63	3.92
Women Representation at Parliament	8.80%	26.00%	195.45
Political instability index			

\*<https://fsolt.org/papers/solt2020>

Source: Author's Compilation Using World Social Development Report, Human Development Report-2020 Data

According to the World Bank, Good Governance is vital for development. Only by implementing policies and institutional reforms is it hardly possible to develop for a nation; rather, state-building requires good governance (Conable, 1989). A group of economists called neo-institutionalism also advocates good governance for development. According to them, without good governance achieving sustainable development is not possible (Douglas North, Ronald Coase, James Buchanan, Robert Elson, Gordon Tullock, and Daren Acemoglu). However, here in South Asia over the last 20 years, average per capita income has increased more than four folds, transitioned medium to high human development status, more importantly, the average poverty rate has decreased from 38.60% to 14.70%, in contrast, governance conditions remain still low (below average). This apparent paradoxical relationship between economic development and good governance can be explained in several ways.

First of all, such kind of development may not be sustainable. According to Fernandes and Krray, "institutional quality (governance) does matter for economic development, around the world and for countries in the South Asia. Currently relatively high level of income given its weak governance quality are more likely to be Unsustainable". This explanation is incomplete as the region has been growing amid natural calamities and bad governance manufactured by people for the last few decades.

Secondly, having weak governance, the region has seen some crucial reforms like (i) expansion of private sectors, (ii) creation of skilled human resources and its export, (iii) partnership with NGOs and private organizations to extend services to people's doorstep, (iv) expansion of the area of social safety net programs focusing the poor and (v) enhancement of the state capacity in controlling disasters. All these economic reforms undoubtedly impacted development but are not consistent with the World Bank's holistic approach to good governance. At the same time, we should consider the feasibility of a holistic approach to good governance in developing country perspectives. As the holistic governance approach is related to the state's overall performance and capacity (legislative, administrative, and judiciary), it may not always be possible for the developing countries to ensure good governance; rather, they can go good enough governance (Grindle, 2004). Because advocating good governance raises a host of questions about what needs to be done, when it is to be done, and how?

Thirdly, when a country needs good governance, this question is still unsettled. According to Pritchett, "one in fact does not need a great deal of institutional capacity to attain a semi-industrial level of income" (Rodrik, 2012). When a country or region remains at the lower stages of development, it does not require a substantial level of good governance for development, but the importance of good governance increases with income increases. Gradually income reaches such a level that it is impossible to ensure a higher level of growth without good governance. At present, South Asia is considered a low income (per capita GNI \$1820.60) region; soon, when it tries to reach middle or high-income status, the governance problem may come forward with severity.

Forth and finally, lack of good governance may not stagnate the process of development; rather, it reduces the quantitative and qualitative standard of development. Due to poor governance, the growth path of South Asia has not stopped, but it could be possible to accelerate growth process and attain a high-income status if good governance is ensured. In addition to that, the benefits of growth do not reach all people equally, especially to the poor, due to weak governance.

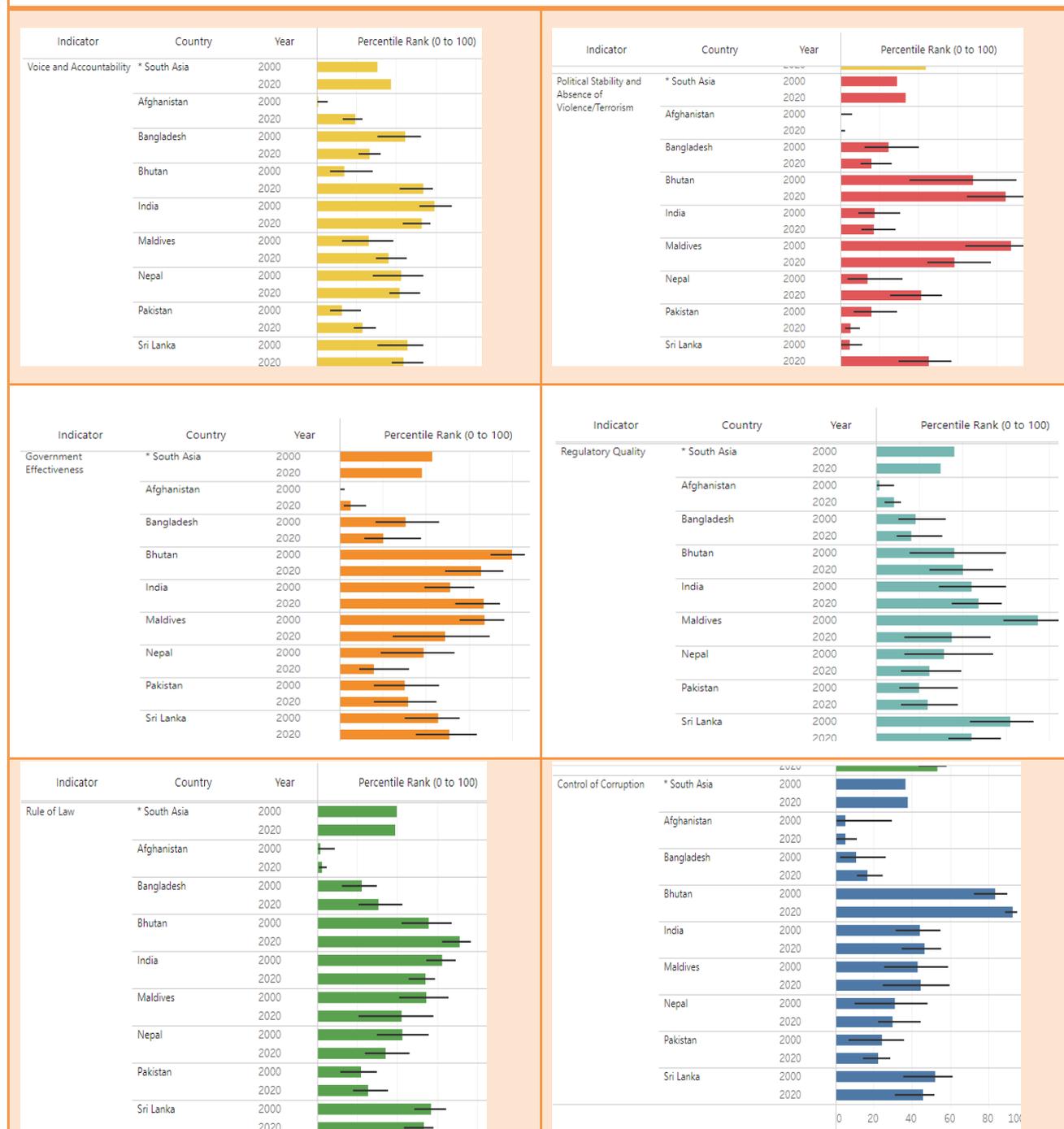
From the above discussion, it may be concluded that good governance is not a precondition for development; it is the objective of development. Without good governance, economic growth is possible, but it may not be possible to reach the benefits of development to every doorstep equally.

Table 4. Changes in Good Governance, National Income, Growth Rate and Human Development; Source: Author's Compilation using World Social Development Report

South Asia in 2000 and 2020

2000				2020			
Avg. Good Governance	Avg. GNI/Capita	Avg. GDP Growth Rate	Avg. HDI Value	Avg. Good Governance	Avg. GDP/Capita	Avg. GDP Growth Rate	Avg. HDI Value
-0.48	445.12	5.11	0.501	-0.19	1,820.60	5.44	0.626

South Asia's Governance Indicators in 2000 and 2020



6. Conclusions and Recommendations

With the process of globalization, the concept of development has become more diverse, and simultaneously governance has become a very crucial and challenging especially for developing countries. Because, currently

most of the developing economies are in a pendulum situation with huge prospects (significant human capital, emerging markets and technological adaptations and innovations) and problems (corruption, misallocation of resources, lack of accountability and transparency and freedom of voice) of development. So, the role of effective government is beyond questions for developing countries to reap the actual benefits of development. Many a time the region in discuss has become the news of international communities for its massive bureaucratic and legislative corruption, weaker political commitment to mass people and administrative system. After 50 to 70 years of its independence, the region is still suffering for a people-centric cohesive bureaucratic system, groundbreaking public policy and quality public service. Besides the political instability, military and international interference to domestic policy and ethnic conflicts is still an issue for the region. For all these reasons, the region is suffering a lot to combat against most fundamental issues of development like poverty, inequality and corruption.

The primary purpose of this study examines the impact of government effectiveness on the development of a panel of 8 countries in South Asia. South Asian countries have experienced rapid growth in economic development in recent years, prompting researchers to explore the relationships between government effectiveness and socio-economic development. This study finds that government effectiveness has an insignificant impact on socio-economic development. The regression results express an insignificant relationship between government effectiveness and socio-economic development. This study adopts the GEI of governance and utilizes the twenty years of panel data to examine the causal relationship between government effectiveness and development between 1999 and 2018 in eight South Asian countries. As to good governance, there exists causality from governance efficiency to socio-economic development in South Asia. If we carefully look into the as current values of good governance on an average, it is still in a weak position.

Even the institutional development of the region has thus lagged far behind its achievements in socio-economic progress. The situations are also apparent in different economic and political governance indicators of the region. If we look into the present rule of law, inequality and corruption status of the region, we still observe the delicate condition. While the integral association between the excellence of institutions and economic performance highly recognized, the unsettled question is: how far the region can step forward and sustain devoid of the corresponding institution-building towards the quality government? So how the whole region is growing astonishingly in different socio-economic dimensions especially in per capita GDP growth rate, HDI, remittances, women empowerment and many other related issues, having poor governance condition over the years, is ambiguous. Though investigating all those aspects is not the objectives of the article it may be due to population momentum or demographic dividends, the flow of FDI, remittances, the role of NGOs, women participation in workforces, grater literacy rate, social awareness, and adaptation of modern technology at the different sphere of life of the population of the region. The findings of the study are vital to understand the shortcomings of the authority and to put into action the appropriate strategies for the long-term development of the region. The policymakers of the region must rethink about the existing institutional setup and capacity of bureaucracy. Whether the institutions inherited through long historic colonial legacy will carry on or reform to meet the challenges of the 21st century and look forward.

The region is one of the fastest-growing regions of the world. If closer attention is given to the government performance especially in pro-people and development-friendly policy prescriptions to its efficient implementation the quality of life of the people might be changed positively and drastically which is here the primary concern of the author. To move towards a sustain and balanced path of development which is a must. However, the study is not without limitations. If the endogeneity issues are carefully solved with appropriate estimation and modeling mechanism the results would be more robust.

Finally, it is essential to investigate the underlying facts behind these achievements of the region are due to the ingenuity and entrepreneurship of the mass people. If so, then there is no alternative to ensuring government effectiveness in the region.

## References

- Afghanistan GDP per capita, current dollars - data, chart | TheGlobalEconomy.com. (2020). Retrieved February 1, 2020, from [https://www.theglobaleconomy.com/Afghanistan/GDP\\_per\\_capita\\_current\\_dollars/](https://www.theglobaleconomy.com/Afghanistan/GDP_per_capita_current_dollars/)
- Alam, M., Kitenge, E., & Bedane, B. (2020). Government Effectiveness and Economic Growth. *Economics Bulletin*, 37(1), 2-7. Retrieved from <http://www.accessecon.com/Pubs/EB/2017/Volume37/EB-17-V37-I1-P21.pdf>
- Arora, P., & Chong, A. (2018). Government effectiveness in the provision of public goods: The role of institutional quality. *Journal of Applied Economics*, 21(1), 175-196.

<https://doi.org/10.1080/15140326.2018.1550593>

- Arusha, V. C. (2009). Government expenditure, governance and economic growth. *Comparative Economic Studies*, 51(3), pp. 401-418. <https://doi.org/10.1057/ces.2009.7>
- Bjorvatn, K., & Coniglio, N. (2012). Big push or big failure? On the effectiveness of industrialization policies for economic development. *Journal of the Japanese and International Economies*, 26(1), 129-141. <https://doi.org/10.1016/j.jjie.2011.07.005>
- Conable, B. (1989). *Sub-Saharan Africa: From Crisis to Sustainable Growth* (p. xii). Washington, D.C.: The World Bank. Retrieved from <https://documents1.worldbank.org/curated/en/498241468742846138/pdf/multi0page.pdf>
- Fernandes, A., & Kraay, A. (2005). *Property Rights Institutions, Contracting Institutions, and Growth in South Asia: Macro and Micro Evidence* (pp. 2-3). New Delhi, India: Macmillan.
- Furubotn, E. G., & Richter, R. *Institutions and economic theory: The contribution of the new institutional economics*.
- Global economy, world economy | TheGlobalEconomy.com. (2020). Retrieved January 23, 2020, from <https://www.theglobaleconomy.com>
- Grindle, M. (2004). Good Enough Governance: Poverty Reduction and Reform in Developing Countries. *Governance*, 17(4), 525-548. <https://doi.org/10.1111/j.0952-1895.2004.00256.x>
- Human Development Report 2020. The next frontier: Human development and the Anthropocene (pp. 341-347). New York, USA: United Nations Development Programme. Retrieved October 8, 2021, from <https://hdr.undp.org/sites/default/files/hdr2020.pdf>
- Jalilian, H., Kirkpatrick, C., & Parker, D. (2006). The impact of regulation on economic growth in developing countries: A cross-country analysis. *World Development*, 35, 87-103. <https://doi.org/10.1016/j.worlddev.2006.09.005>
- Jones, G., & Rodgers, D. (2011). The World Bank's World Development Report 2011 on conflict, security and development: A critique through five vignettes. *Journal Of International Development*, 23(7), 980-995. <https://doi.org/10.1002/jid.1826>
- Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). Response to 'What do the Worldwide Governance Indicators Measure?'. *The European Journal of Development Research*, 22(1), 55-58. <https://doi.org/10.1057/ejdr.2009.49>
- Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). *The Worldwide Governance Indicators: Methodology and Analytical Issues*. World Bank Policy Research Working Paper No. 5430.
- Kaufmann, D., Kraay, A., & Zoido, P. (1999). *Governance matters*. World Bank Policy Research Working Paper No. 2196.
- Lee, S., & Whitford, A. (2009). Government Effectiveness in Comparative Perspective. *Journal of Comparative Policy Analysis*, 11(2), 249-281. <https://doi.org/10.2139/ssrn.1081642>
- Mira, R., & Hammadache, A. (2017). Good Governance and Economic Growth: A Contribution to the Institutional Debate about State Failure in Middle East and North Africa. *Asian Journal of Middle Eastern and Islamic Studies*, 11(3), 107-108. <https://doi.org/10.1080/25765949.2017.12023313>
- Rodrik, D. (2012). *In Search of Prosperity: Analytic Narratives on Economic Growth* (Core Textbook ed.). Princeton: Princeton University Press.
- Solt, F. (2020). Measuring Income Inequality Across Countries and Over Time: The Standardized World Income Inequality Database. *Social Science Quarterly*, 101(3), 1183-1199. SWIID Version 9.1, May 2021. <https://doi.org/10.1111/ssqu.12795>
- University of Michigan Press, Ann Arbor, Michigan. (2005).

## Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).