An Analysis of Inclusive Growth for South Asia

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Abstract: *Key indicators of development and governance i.e., quality education, better health and good governance must coincide with the growth of nations. The benefits of growth should be shared with citizens in term of better health facility and improved quality of education, strong institutions, corruption free society and implementation of rule of law. This research gauge the relationships of growth, governance and development by focusing the eight countries of South Asia, through estimating the fixed effects model by using data from 2005 to 2014. This study finds development and governance gaps as well as evidence of inclusive growth. Growth process of Nepal is mostly inclusive and sustainable than other countries. On basis of the results this study suggests that political instability, threats of terrorism and life expectancy at birth are the main indicators which must cater on priority basis to improve the welfare level of one-fourth population of the globe. Study finds that only two-third of the growth of region termed as inclusive growth.*

Keywords: Human development, GDP, growth, institutions and economics, general welfare.

Introduction

Now a days issues of poverty and inequality, growth, human development and governance are considered jointly by many individual researchers as well as organizations (Maqbool-ur Rahman, 2015). So this study aims to analyze the dynamics of growth, governance and human development of eight South Asian nations. Main focus of this study is of two points, first is to find the deficit/surplus of governance and development and second is to found the evidence of inclusive growth. Growth of developing countries are always phenomenal as growth leads to poverty and inequalities in most of the developing countries, especially in case of South Asia.

Inclusive growth focuses on the pace and pattern of growth. Growth termed inclusive if it allows a larger segment of the citizens to contribute and get benefit from it. So inclusive growth can be defined and measured as process as well as outcome approach. Process approach of inclusive growth focuses on the education and skills of labor, so the improved productivity leads to economic growth. On the other hand outcome approach focuses on that the benefits of growth should reach to the citizens as poverty alleviation, better health and improved education, rule of law and absence of violence etc. This study focuses eight South Asian nations, uses the pool data from 2005 to 2014 and applies the outcome approach of inclusive growth. So we define inclusive growth as a growth process which have maximum trickle down benefits for citizen in form of better health and

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education and good governance. Currently countries of South Asia are facing multidimensional issues and challenges regarding the governance, development and economic growth as mentioned by Islam and Mahmud (2015); Amaratunga, Haigh, Liyanage, and Hettiarachchi (2015) which are ranging from the lack of education and health facilities, lack if infrastructure, weak institutions, misuse of powers by officials and lack of trust on state institutions. There is a missive needs of governance and administrative reforms, which must help to change the behavior and perception of citizens with respect to the working and output of government institutions.

In the remaining part of the study the further sections contain the review of existing literature, data sources and methodology, results, interpretation and concludes the study with present implications.

Literature Review

Inclusive growth is defined as a rapid growth over a long period of time which leads to poverty alleviation by Ostry, Berg, et al. (2011); Ianchovichina and Lundstrom (2009); White and Anderson (2001). Inclusive growth can be measured on the basis of income as well as non-income measures. Non-income measurement of inclusive growth termed as inclusive development. Non-income measures are better indicator of general welfare rather than income measures i.e., growth of per capita income. Ranieri and Almeida Ramos (2013); Klasen (2010); McKinley (2010) agree on the differences between inclusive growth and inclusive development, inclusive growth deals with income while inclusive development talks about the non-income dimensions.

According to Ravallion and Chen (2003) absolute definition of pro-poor growth indicates reduction in poverty but it fails to reduce inequalities. Similar argument is made by Rauniyar, Kanbur, et al. (2010) about the definitional difference about the pro-poor growth and inclusive growth. Income measure of inclusive growth is define by various researchers by keeping in mind various dimensions as Balakrishnan, Steinberg, and Syed (2013) stated that to ensure inclusive growth, income share of bottom quintile must not decreased.

Stance of Asian Development Bank (ADB) about inclusive growth is stated by Klasen (2010) as a strategic pillar for guiding the activities of the Asian Development Bank (ADB). ADB's Strategy 2020 about concept of inclusive growth was demonstrated by Zhuang (2010); Ali and Zhuang (2007). This strategy is based on three main pillars, which is more elaborated by Ali (2007); Zhuang (2010). First is the expansion of economic activities which lead to increase the employment opportunity, second is the expansion of social inclusions which leads to equal access towards opportunity and lastly the enhancement of social safety nets by increasing the government expenditures on welfare. Along with three pillars existence of strong institutions with a good level of governance is also key feature for inclusive growth. Bottom-line is that according to ADB increased economic activity, greater level of social inclusion and social safety nets along with a good governance leads to inclusive growth.

Version of UNDP about inclusive growth described by Klasen (2010) in this way that

inclusive growth is process and outcome, income and non-income, and participation and decision making. On the other hand World Bank's version is expressed in the words that inclusive growth focuses on productive employment which shows that World Bank define inclusive growth as a part of process of growth and measure it as income as well as non-income measures. Similar argument is made by Commission on Growth and Development (2008).

World Bank's approach of inclusive growth is more elaborately described as sustainable inclusive growth guarantee by enhancing the productivity of employment. This will also generate job opportunities as well as increase the income of individuals. So according to Ianchovichina and Lundstrom (2009) inclusive growth reduce the unemployment as well as underemployment, which is the major problem of developing countries. Similarly, according to Anand, Tulin, and Kumar (2014) well-educated labor force is the building block of inclusive growth and poverty reduction for India. So the Indian states which have greater educational expenditures have attained inclusive growth. Poverty and inequality cannot be reduced without good governance as Balakrishnan et al. (2013) stated that research of International Monetary Fund (IMF) high level of corruption leads to poverty and inequality. In case of two growing economies of Asia (i.e., China and India), corruption is considered as a crucial challenge, so governments are considering governance reform on its top agenda point. Dynamics of weak governance and underground economy explain by Mohommad, Singh, and Jain-Chandra (2012) as weak governance can also lead to greater volume of underground economy as well as lower employment productivity. So rule of law is very important to curb the activities of underground economy. It is also concluded by Mohommad et al. (2012) that in absence of strong institutions, increasing the regulations will not reduce the volume of underground economy. Such dimension of governance is termed as inclusive governance. Inclusiveness is a core value of democratic governance. United Nations Development Programme (UNDP)'s mission focusing on inclusive governance by keeping in mind that to ensure human well-being, along with economic development focus must be on education, health, rule of law, freedom of expression, absence of violence etc. are the critical factor. India follows the same principals, as concluded by Aiyar and Tiwari (2009) that Indian constitution's 73rd and 74th amendments ensure the devolution of power, which ensures inclusive growth through inclusive governance [1].

In case of India, Balakrishnan et al. (2013) concluded that growth of all South Asian nations except India not considered as inclusive. On the other hand, in case of Pakistan, Atif and Mohazzam (2012) conclude that inclusive growth is at stake; due to military budget government is unable to spend on education which directly enhances the effectiveness of labor. Weak institutions lead to corruption in society. A high corruption environment reduced the social spending (on education and health) which ultimately increased the inequalities and health hazards in form of malnutrition of children as stated by Gupta, Davoodi, and Alonso-Terme (2002); Kannoujia (2016). Meanwhile corruption decrease economic growth and fails to eradicate poverty is also concluded by Gupta et al. (2002); Mauro (1996). It is obvious that there is a close connection between the good governance

[1]Towards Inclusive Governance: Promoting the Participation of Disadvantaged Groups in Asia-Pacific (2007), project report by UNDP Regional Center of Bangkok
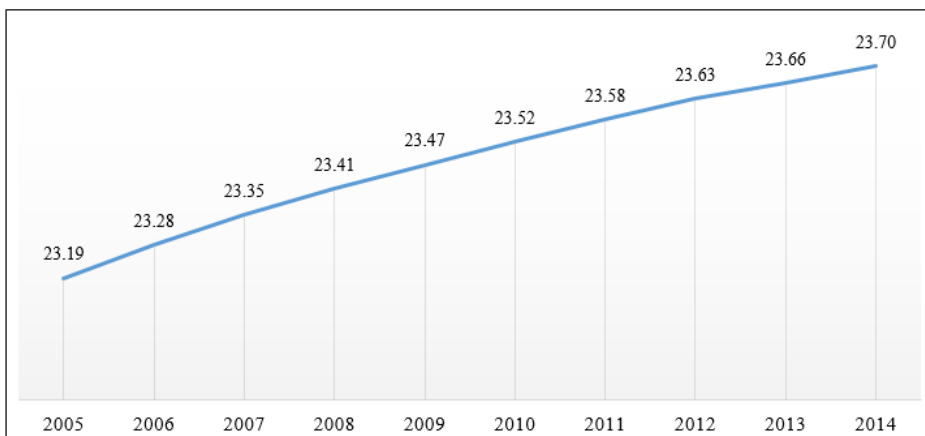
(i.e., strong institutions, rule of law, political stability and absence of violence etc.), economic performance and development indicators (human capital, poverty eradication, declining inequalities etc.). One evil leads to other, some cause to other, while some evils like inequalities are the outcomes of weak governance. Bottom line is that bad economic performance is caused by bad governance and leads to poverty and inequality.

It can be concluded by the literature that inclusive growth can be accessed by 'process' and 'outcome' approaches. Human development and good governance both are the keys of economic growth. In the context of South Asia (Osmani & Naseem, 2008) focused on poverty and inequality of South Asia but this study focus the South Asia by measuring the inclusive growth with outcome approach. Outcomes are defined in two ways, (a) better human development and (b) good governance. So this study aims to analyze the growth, governance and human development of South Asia in the context of inclusive growth.

Growth, Governance and Human Development of South Asia

Eight countries of South Asia have population of over 1.7 billion. It becomes 23.7% of total world's population in 2014 as per the database of World Development Indicators (WDI). This proportion of population is constantly increasing if we compare the statistics of a decade, see graph 1 for further details.

Figure 1
Proportion of South Asia's Population

Source: Population data from World Development Indicator, proportions are calculated by author.

Increasing population also required a rapid growth process, to ensure the needs to citizens as well provisions of better health and education services. Such increasing share of population demands a steady growth pattern. Now if compare the growth (which is the per capita GDP) of south Asian countries across the time, we come to know that large

population make this region a big economic markets so the economies of the countries are also rapidly growing during the recent years as shown in table 1.

Table 1
Growth of Per Capita GDP of South Asian Nations

Sr.	Country Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	Afghanistan	7.07	2.27	10.6	1.07	18.0	5.51	2.99	10.9	-1.22	-1.71
2	Bangladesh	4.98	5.27	5.78	4.83	3.89	4.38	5.22	5.25	4.73	4.78
3	Bhutan	4.34	4.32	15.4	2.73	4.72	9.80	6.12	3.45	0.66	4.31
4	India	7.57	7.59	6.99	2.38	6.95	8.75	5.23	4.27	5.31	5.94
5	Maldives	-10.7	15.5	5.12	8.63	-4.80	5.12	5.83	0.37	2.57	3.88
6	Nepal	2.23	2.21	2.34	5.05	3.48	3.71	2.27	3.56	2.88	4.71
7	Pakistan	5.50	4.03	2.70	-0.37	0.72	-0.50	0.60	1.33	2.21	2.50
8	Sri Lanka	5.44	6.86	5.99	5.15	2.76	7.21	7.59	8.32	2.62	3.91

Source: Authors calculation and data of GDP per capita (constant 2005 US$) taken from World Development Indicator (WDI).

Growth of per capita GDP is increasing for almost all nations of South Asia excepting for some year(s); in case of Maldives and Pakistan. Besides that it seems that all nations of South Asia are growing, now there is a need to determine that either this growth is inclusive or not. Similarly besides growth, when we see the human development indicators, established by UNDP for year 2014. Table 2 shows the human development indicators of eight South Asian nations.

Table 2
Human Development Indicators of South Asian Nations for Year 2014

Country Name	Human Development Index	Life Expectancy at Birth	Mean Years of Schooling	Expected Years of Schooling of Children (Years)
Afghanistan	0.465	60.4	3.20	9.30
Bangladesh	0.570	71.6	5.10	10.0
Bhutan	0.605	69.5	3.00	12.6
India	0.609	68.0	5.40	11.7
Maldives	0.706	76.8	5.80	13.0
Nepal	0.548	69.6	3.30	12.4
Pakistan	0.538	66.2	4.70	7.80
Sri Lanka	0.757	74.9	10.8	13.7

Source: Human Development Report 2015.

In this context, there is also a need to review the governance indicators of selected countries. Table 3 shows the Worldwide Governance Indicators (WGI) of South Asian countries of 2014. The six established indicators of governance are (1) voice and accountability (2) political stability and absence of violence (3) government effectiveness (4) regulatory quality (5) rule of law and (6) control of corruption.

WGI measures governance at a scale from -2.5 to 2.5. Where -2.5 shows bad governance and 2.5 represent good governance as per the definition and scope of governance described in the methodology of WGI. A most unveiling fact about the South Asian nations is that in year 2014 governance indicators like political stability and absence of violence, rule of law and control of corruption are not at good. So the fruits of economic growth factored out in present of violence and corruption.

Table 3
Worldwide Governance Indicators (WGI) of South Asian Nations for Year 2014

Country Name	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Afghanistan	-1.16	-2.46	-1.34	-1.13	-1.53	-1.33
Bangladesh	-0.47	-0.88	-0.77	-0.94	-0.72	-0.91
Bhutan	-0.14	1.00	0.27	-1.01	0.35	1.27
India	0.42	-0.96	-0.20	-0.45	-0.09	-0.46
Maldives	-0.33	0.88	-0.37	-0.36	-0.49	-0.11
Nepal	-0.44	-0.70	-0.83	-0.85	-0.68	-0.54
Pakistan	-0.74	-2.44	-0.75	-0.69	-0.78	-0.81
Sri Lanka	-0.72	-0.25	0.09	-0.08	-0.15	-0.34

Source: Worldwide Governance Indicators (WGI) Database available from the website of World Bank.

Data Sources and Methodology

Data of governance indicators are taken from the World Bank's Worldwide Governance Indicators (WGI). The six established indicators of governance are (1) voice and accountability (2) political stability and absence of violence (3) government effectiveness (4) regulatory quality (5) rule of law and (6) control of corruption. While the data of Human Development Indicators (HDI) are taken from the United Nation Development Programme (UNDP). Growth of per capita GDP which is an indicator of economic growth is taken from the World Bank's World Development Indicator (WDI).

Countries of South Asia (i.e., Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) are the scope of analysis for this study. So we have data for pool analysis for ten years from 2005 to 2014 which is latest available data. Pooled estimation techniques used to get the cross sections fixed effects; in this way each estimation of pooled least square has 80 observations (i.e., eight countries and ten years). We are comparing growth with governance and human development by modifying the methodology introduced by Kaufmann (2004); Quibria (2006) respectively. In order to find the state of governance (i.e., "Governance deficit" or "Governance Surplus" as estimated by Kaufmann (2004); Quibria (2006) for the Latin American and developing Asian countries respectively. This study find governance and development gap by comparing the cross section fixed effects with regional estimates.

According to Kaufmann (2004) countries having greater level of actual growth than the estimated growth which is explained by level of governance are facing governance deficit. So any country having actual growth greater than estimated level of growth are defined as governance deficit, because such higher growth does not convert in to improve the level of governance and it seems to be not sustainable in future. On the other hand, countries facing governance surplus, which means that the expected level of growth is greater than the actual growth, such higher governance leads to higher growth in future for such countries. To measure the governance deficit/surplus we estimate the following pooled least square of pool data from 2005 to 2014.

$$Growth_{ti} = \alpha_1 + \alpha_{2i}Governance_{ti} + u_{ti} \qquad (1)$$

Where, Growth is the log of per capita GDP (constant 2005 US$) and governance takes the value of (1) voice and accountability (2) political stability and absence of violence/terrorism (3) government effectiveness (4) regulatory quality (5) rule of law and (6) control of corruption and overall governance score which is the average of all six governance indicators. As per the depth of inclusive growth, any growth process termed as inclusive, if and only if the trickle down benefits of higher growth reached to the larger segment of the society. It is the outcome measurement of inclusive growth. Which is the main focus of this study. Concept of governance deficit (which is the higher actual growth than expected growth level) is also defined as non-inclusive growth process, which simply means that the benefits of higher growth level are not able to achieve the overarching goal of good governance. Besides the outcome measurement of inclusive growth with governance indicator, we also aimed to compare growth with human development indicator by estimating the following regression.

$$Growth_{ti} = \beta_1 + \beta_{2i}Development_{ti} + u_{ti} \tag{2}$$

Where growth is define as earlier and development takes alternative components of HDI as (1) life expectancy at birth (2) mean year of schooling and (3) expected year of schooling. South Asia is a vibrant region with a variety of countries e.g., India is a very huge economy than Bhutan and Nepal. So to avoid the cross section differences. This study used to apply cross section weights. All estimation made in EViews 7 which will estimate a feasible GLS specification by assuming the presence of cross-section heteroskedasticity.

Result and Discussion

The analysis of the research made under the approach as mentioned in section 4 of data sources and methodology. This section analyzed the results of pooled least square in two steps, at first step, interpretation of regional results by each indicator of governance and human development is given. While in second step, cross section fixed effects will be summarized and discussed. Table 4 consists on the impact of governance on regional growth. It is evident from the coefficients value that impact of each and every governance index on regional growth is significantly positive. Among the six governance indicators political stability and absence of violence/terrorism, government effectiveness and rule of law has greater impact on the growth of South Asia than other governance indicators. For detail, see table 4.

Similarly table 5 has the results of the impact of human development indicators on regional growth. Regional results are same i.e., each of three selected indicator of HDI has positive and significant impact on growth at regional level.

Table 4
Impact of Governance on Regional Growth

Governance Indicator	Coefficient	Standard Errors	t-Statistic	Probability
Voice and Accountability	3.92	0.49	8.05	0
Political stability and absence of violence/terrorism	5.18	0.67	7.77	0
Government Effectiveness	5.92	0.56	10.5	0
Regulatory Quality	3.90	0.93	4.20	0
Rule of Law	5.54	0.43	13.0	0
Control of Corruption	4.72	0.82	5.79	0
Overall Governance	6.35	1.11	5.73	0

Table 5
Impact of Human Development on Regional Growth

HDI Components	Coefficient	Std. Error	t-Statistic	Prob.
Life expectancy at birth	17.74	7.885	2.250	0.028
Mean years of schooling	8.798	2.188	4.021	0.000
Expected years of schooling of children (Years)	6.710	2.004	3.348	0.001

At second stage of analysis, this study gets the cross section fixed effects, which are given in table 6, shows the deviation of any cross section from regional estimates. With respect to the voice and accountability it is concluded that at country level higher voice and accountability leads to significant increase the growth of India and Pakistan only than other countries of South Asia. Table 6 has the results of all cross section fixed effects which measuring the country differences from regional estimates. Here we are considering regional estimate as benchmark category and comparing cross section fixed effects to measure the status of governance for the countries of South Asia, This governance status is better than the estimation of Kaufmann (2004); Quibria (2006) in a way that it based on

Table 6
Cross Section Fixed Effects of Governance Estimation

Country	VA	PV	GE	RQ	RL	CC	Governance
Afghanistan	-1.41	-0.15	0.23	-1.32	-0.09	-0.61	0.40
	(-0.91)	(-0.18)	-0.16	(-0.93)	(-0.08)	(-0.44)	-0.30
Bangladesh	-2.34	0.18	1.31	0.74	-1.11	-0.18	1.55
	(-2.1)**	-0.39	(1.74)*	(-1.08)	-1.34	(-0.24)	-1.27
Bhutan	-3.37	0.05	-0.87	-1.59	0.42	0.88	-9.55
	(-1.62)	-0.03	(-0.24)	(-0.94)	-0.08	-0.47	(-0.90)
India	5.32	-0.78	3.58	-5.32	5.15	-2.77	1.38
	(2.92)***	(-1.02)	-0.56	(-1.67)	-0.88	(-1.28)	(-0.31)
Maldives	0.82	-1.54	6.72	-0.63	2.74	1.20	7.57
	-0.21	(-0.33)	(-0.75)	(-0.10)	-0.45	(-0.30)	(-0.86)
Nepal	1.20	1.23	3.11	0.81	2.84	2.18	3.59
	-1.45	(2.78)***	(4.06)***	-0.58	(4.22)***	(1.7)*	(2.74)***
Pakistan	2.19	1.44	6.22	3.36	4.23	3.07	4.32
	(2.46)***	(4.05)***	(6.15)***	(1.86)*	(4.96)***	(2.90)***	(3.70)***
Sri Lanka	-2.94	-0.35	0.11	-6.19	4.68	-2.61	2.11
	(-1.79)*	(-0.46)	-0.03	(-1.29)	-1.05	(-0.75)	-0.63

Notes: where column title VA, PV, GE, RQ, RL and CC are defines as voice and accountability, Political stability and absence of violence/terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption respectively. t-statistics are in parentheses under the coefficients. *** Significant at 1% level of significance, ** Significant at 5% level of significance and * Significant at 10% level of significance.

more robust econometric estimation than to get the governance status from cross section data of single year. Any county which negative estimates implies that particular governance indicator of that country has little impact on growth than regional level. It means that country has governance deficit with respect to that governance indicator. All cross section fixed effects are given in table 6.

On the same note, table 7 has the cross section fixed effects against the development indicators. At large, human development of South Asia has significant positive impact on the regional growth, but all cross section fixed effects of countries has negative estimates (few are significantly negative), which implies that countries fixed effects are lower than region. Table 7 has the details of all cross section fixed effects.

Table 7

Cross Section Fixed Effects of Human Development Estimation

Country	Life Expectancy at Birth	Mean Years of Schooling	Expected Years of Schooling of Children (Years)
Afghanistan	-0.247	-1.130	-0.170
	(-1.560)	(-1.150)	(-0.500)
Bangladesh	-0.180	-0.832	-0.212
	(-1.630)	(-1.780)*	(-0.900)
Bhutan	-0.182	-1.603	-0.100
	(-1.530)	(-1.610)	(-0.520)
India	-0.170	-0.600	-0.060
	(-1.470)	(-1.210)	(-0.310)
Maldives	-0.192	-1.000	-0.282
	(-1.780)*	(-1.770)*	(-1.200)
Nepal	-0.213	-1.792	-0.349
	(-1.830)*	(-2.470)**	(-1.640)*
Pakistan	-0.244	-1.469	-0.680
	(-2.010)*	(-3.090)***	(-2.370)**
Sri Lanka	-0.163	-0.344	-0.090
	(-1.540)	(-1.450)	(-0.560)

Notes: t-statistics are in parentheses under the coefficients. *** Significant at 1% level of significance, ** Significant at 5% level of significance and * Significant at 10% level of significance

Table 8

Measurement of Governance Deficit/Surplus

Country	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Overall Governance
Afghanistan	Deficit	Deficit	Surplus	Deficit	Deficit	Deficit	Surplus
Bangladesh	Deficit	Surplus	Surplus	Deficit	Surplus	Deficit	Surplus
Bhutan	Deficit	Surplus	Deficit	Deficit	Surplus	Surplus	Deficit
India	Surplus	Deficit	Surplus	Deficit	Surplus	Deficit	Surplus
Maldives	Surplus	Deficit	Surplus	Deficit	Surplus	Surplus	Surplus
Nepal	Surplus	Surplus	Surplus	Surplus	Surplus	Surplus	Surplus
Pakistan	Surplus	Surplus	Surplus	Surplus	Surplus	Surplus	Surplus
Sri Lanka	Deficit	Deficit	Surplus	Deficit	Surplus	Deficit	Surplus

Note: Author's calculation by estimating the equation one.

Finally, it is concluded from the estimation that, impact of various governance indicators on the growth of South Asian countries has different. Largely government effectiveness and rule of law is in surplus, which implies that growth process is self-sustained

and increased in future, whereas, regulatory quality, voice and accountability needs to improve in Afghanistan, Bangladesh, Bhutan and Sri Lanka. See table 8 for further details.

Conclusion and Implications

This study covers the eight South Asian countries by analyzing the growth, governance and development indicators from 2005 to 2014. All slope of coefficients of regression one and two are positive. Which implies that all six indicators of governance and three indicators of human development positively affect economic growth by estimating the pooled regression model. So this study concludes that in order to achieve the goals of good governance and better human development which are more concerned and related by citizens growth needs to increase simultaneously. It is obvious that these findings reflects the framework of outcome approach of inclusive growth. Conclusion of this study is given w. r. t. the analysis of growth with governance.

1. Maldives and Sri Lanka needs to introduce massive programs of governance reforms especially for the improvement of regulatory quality, as they are growing economies of South Asia, Their levels of governance are not as good as their growth levels are. Growth of these two nations might not be termed as inclusive.

2. Bangladesh and Sri Lanka needs to improve the status of voice and accountability. Growth of nation cannot improve without making effective accountability frameworks.

3. For South Asia biggest governance challenges are political instability, threats of violence/terrorism and corruption. These are broadly issues of Pakistan, India, Sri Lanka and Maldives. These countries needs to use a single platform to improve these indicators. Because the violence and terrorism affect the whole region. There is a need to develop a standardize governance reform at region level to deal with the terrorism.

4. Human development indicators needs huge improvement and more importantly growth process needs to the inclusive so impact of better education and health facilities contribute for economic growth of country.

Above conclusion largely are package of governance reforms for countries of South Asia, good governance plays a key role in determining the level of economic activities as well as it also affect the life of citizens; Improvement of voice and accountability framework which increased transparency, curbing inequalities, providing education, health and improved infrastructure are the key challenges for South Asia as mentioned by Amaratunga et al. (2015). Similarly human development indicators affect lives of human more than the governance indicators. This study conclude that health (more specifically life expectancy at birth) is the biggest human development issue for South Asia, on the other hand two

dimensions of governance i.e., political instability, threats of violence/terrorism and control of corruption are the major governance challenges to tackle by South Asian countries. When observe the growth process of region as a whole, it comes to know that approximately two-third of growth is in surplus and inclusive as per the findings of this study. Outcome assessment of inclusive growth gives us an occasion to conclude that almost one-third growth of South Asia does not lead to any welfare and improvement of governance.

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