



Global competitiveness index: Evaluation of the performance of Indian economy

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Abstract

The Global Competitiveness Report is designed to help policy-makers, business leaders and other stakeholders shape their economic strategies in the era of the Fourth Industrial Revolution. Sustained economic growth remains a critical pathway out of poverty and a core driver of human development. Economic development is not a pre-determined destiny. Pro-active efforts are needed to start and sustain the development process. This paper evaluates India’s performance from 2014 to 2019 under Global Competitiveness Report released every year by World Economic Forum. The paper studies each indicator carefully to analyse which indicator is required to focus more for India’s sustained growth and overall macroeconomic development. The comparison of India’s Index with BRICS countries and major developed countries of the world is also shown. The major finding of this evaluation is that India must increase investment on skill development, ICT adoption, social capital and business dynamism.

Keywords: global competitiveness index, GCR, world economic forum, 12 pillars of GCI

Introduction

Apart from Globalization, Internet of Things, Artificial Intelligence, Big Data Analysis and Machine Learning Techniques under the Fourth Industrial Revolution have created new opportunities but also disrupted and polarized economies and societies. The Global Competitiveness Report of World Economic Forum is an annual yardstick for policy-makers to look beyond short-term and reactionary measures and to instead assess their progress against the full set of factors that determine productivity. Since 1979, Global Competitiveness Report has been assessing the performance of every country. The report is having an Index which is calculated based on 12 main drivers of productivity i.e. major pillars which includes (1) Institutions; (2) Infrastructure; (3) ICT adoption; (4) Macroeconomic stability; (5) Health; (6) Skills; (7) Product market; (8) Labour market; (9) Financial system; (10) Market size; (11) Business dynamism; and (12) Innovation capability. Here, competitiveness is measured in terms of productivity by taking these indicators into considerations. The report also looks to the future, specifically the two defining issues of the next decade. These are building shared prosperity and managing the transition to a sustainable economy. It also poses the question of their compatibility with competitiveness and growth.

Objectives of the study

1. To observe the Performance of Indian Economy from Global Competitiveness Report from 2014 to 2019 under 12 pillars of the Global Competitiveness Index.
2. To compare India’s Score with BRICS and Major Developed Countries such as USA, Japan, Australia, France, Germany and UK.
3. To find out why India’s performance declined in the year 2019.
4. To suggest some measures for achieving higher scores in future.

Research Methodology

Here, the analysis is based on secondary data from various Global Competitiveness Reports prepared and released by World Economic Forum from 2014 to 2019. The methodology includes simplify the comprehensive indicators into four broad categories of social, economic, political and technological aspects, calculating average score, comparing ranking with BRICS and major developed countries of the world. It measures the changes happened in different components of the Index during last 6 years through looking at indicators which have major impact to the overall scoring of India. Here, the purpose to take the comparison from the year 2014 is that from this year the new government was formed in India and the whole policy making system and government functioning have been changed then.

If we divide that 12 pillars given by GCR to calculate GCI into four broad categories of Social, Economic, Political and Technological Aspects, we can show the flow chart as below.



Fig 1

Performance of Indian Economy: Data Analysis and Interpretation

Having average annual decadal GDP growth rate of 6.8% and having population of 1316.9 million, India is ranked 2nd in terms of steel production in the world, 3rd in terms of market size i.e. GDP (PPP), 3rd in terms of number of billionaires, 4th in terms of military strength, 6th in terms of nominal GDP, 6th in terms of Space Competitiveness Index,

8th in terms of Foreign Exchange Reserve, 10th in terms of Gold Reserves. Despite this this year Indian economy slipped back in Global Competitiveness Index. According to Global Competitiveness Report 2019 released by the World Economic Forum, India decelerated to 68th rank in Global Competitiveness Index having scored 61.4 among 141 countries of the world. This year’s rank is 10 number lesser than the earlier year.

Table 1: India’s Performance from 2014 to 2019 under Global Competitiveness Index (GCI)

S. No.	Index Component	Year-wise Rankings					
		2014	2015	2016	2017	2018	2019
	Overall Ranking	71	55	39	40	58	68
1	Institutions	70	60	42	39	47	59
2	Infrastructure	87	81	68	66	63	70
3	ICT Adoption (Technological Readiness)	121	120	110	107	117	120
4	Macroeconomic Stability	101	91	75	80	49	43
5	Health (Health & Primary Education)	98	84	85	91	108	110
6	Skills (Higher Education & Training)	93	90	81	75	96	107
7	Product Market (Goods Market Efficiency)	95	91	60	56	110	101
8	Labour Market	112	103	84	75	75	103
9	Financial Systems	51	53	38	42	35	40
10	Market Size	3	3	3	3	3	3
11	Business Dynamism (Business Sophistication)	57	52	35	39	58	69
12	Innovation Capability	49	42	29	29	31	35

Source: Global Competitiveness Reports 2014 to 2019, World Economic Forum

From the above table-1, we can say that India’s Ranking was improved during 2015 to 2017, but after that in the years 2018 and 2019, it went downwards from 40 to 58 and to 68 respectively. It is also seen from the above table that India has worst performance regarding ICT adoption, Health, Skill development, product market efficiency, labour market, and business dynamism. It is true that India

enjoys in terms of market size with world’s 3rd largest domestic market which provides huge opportunities for development. India’s performance has been improved in terms of institutions, infrastructure, macroeconomic stability, financial systems and innovation capability but still more needs to be done.

Table 2: Score under Various Pillars of the GCI from year 2014 to 2019

Sr. No.	Index Component (Pillar)	Score (Between 0 to 100)						Average Score
		2014*	2015*	2016*	2017*	2018	2019	
1	Institutions	54	59	63	63	58	57	59
2	Infrastructure	51	53	57	60	69	68	60
3	ICT Adoption (Technological Readiness)	39	39	43	44	28	32	38
4	Macroeconomic Stability	60	63	64	64	90	90	72
5	Health (Health & Primary Education)	77	79	79	79	59	61	72
6	Skills (Higher Education & Training)	56	56	59	61	54	50	56
7	Product Market (Goods Market Efficiency)	59	60	63	64	51	50	58
8	Labour Market	54	56	59	59	58	54	57
9	Financial Systems (Financial Market Development)	61	59	63	63	70	69	64
10	Market Size	90	91	91	91	93	94	92
11	Business Dynamism (Business Sophistication)	60	60	63	64	61	60	61
12	Innovation Capability	50	51	57	59	54	51	54

Source: Global Competitiveness Reports from 2014 to 2019, World Economic Forum

(*) = Conversion of Score from given scale 1 to 7 to scale of 0 to 100 to equalize the measurement

Above table-2 explains the individual scores achieved in each of the pillar or component of this index and respective average score. We have achieved excellent scores in macroeconomic stability and market size which are above 90 in the year 2019. However, we can observe that most of the pillars are having scores nearer to 50 which means India has to work hard on policy making and implementation level to grow faster and compete in international market. Here, if we look at the average score of these pillars, it

shows that India is far behind in ICT adoption and technological readiness. India also will have to strive hard for enhancement of skills, development of product market and flexible labour market, expansion of financial system and promotion of business dynamism through entrepreneurial capacity building. India has to increase expenditure in health and education more than 7 to 8 percentage of GDP. Following figure-1 shows the average score in graphical manner.

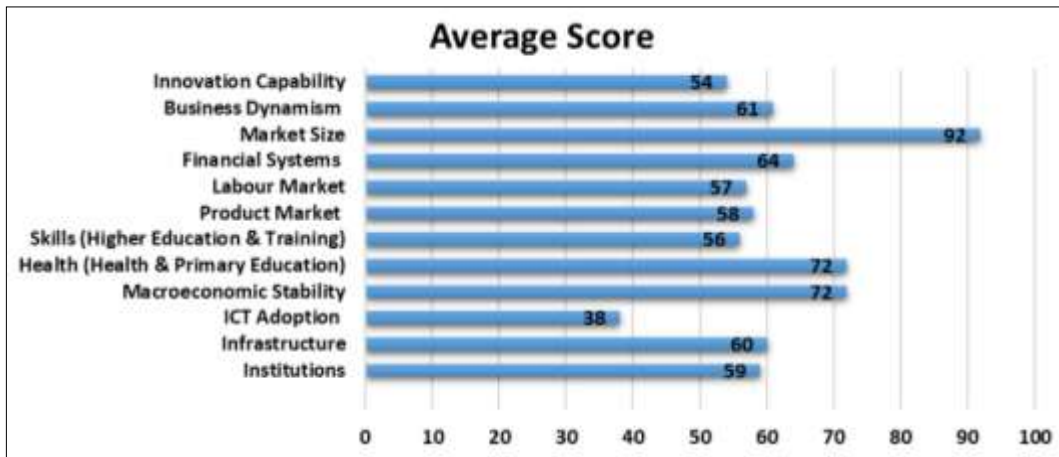


Fig 1

Table 3: Top 10 countries in GCI Ranking and Score 2019

Rank	Country	Score
1	Singapore	84.8
2	USA	83.7
3	Hong Kong SAR	83.1
4	Netherlands	82.4
5	Switzerland	82.3
6	Japan	82.3
7	Germany	81.8
8	Sweden	81.2
9	UK	81.2
10	Denmark	81.2

Source: Global Competitiveness Reports 2019, World Economic Forum

Table-3 shows the top 10 countries of the world having more productive environment than rest of the world. Among them three countries are from East Asia – Singapore, Hong Kong SAR and Japan, six countries are from Europe and one is USA from North America. It shows that no South Asian, South American and African Countries have found their place in top 10 which indicates a wide disparity between countries of North and South in terms of productivity and efficiency parameters of growth and development.

Table 4: India’s Comparison with GCI Rankings of BRICS Countries from 2014 to 2019

BRICS Countries	2014	2015	2016	2017	2018	2019
Brazil	57	75	81	80	72	71
Russia	53	45	43	45	43	43
India	71	55	39	40	58	68
China	28	28	28	27	28	28
South Africa	56	49	47	61	67	60

Source: Global Competitiveness Reports 2014 to 2019, World Economic Forum

From the above table-4, we can infer that India is the only country among BRICS grouping whose Ranking has been declined. Brazil and South Africa have achieved new heights by moving one and seven places up respectively, while Russia and China have remained on the same place as earlier year. But if we look at the overall picture from the year 2014, India’s performance has been well acclaimed compared to Brazil and South Africa. Here, we can observe that China is far away from India since last 6 years.

Table 5: India’s Comparison with GCI Rankings of Major Developed Countries from 2014 to 2019

Major Developed Countries	2014	2015	2016	2017	2018	2019
USA	3	3	3	2	1	2
UK	9	10	7	8	8	9
Germany	5	5	5	5	3	7
France	23	22	21	22	17	15
Japan	6	6	8	9	5	6
Australia	22	21	22	21	14	16
India	71	55	39	40	58	68

Source: Global Competitiveness Reports 2014 to 2019, World Economic Forum

By looking at the above table -4, it is observed that out of six developed countries, four countries come in the top 10 countries for Global Competitiveness Index. It shows that USA more or less maintained her rank in first three. In the year 2019, Germany slipped to 4 ranks backward to come to 7th rank from 3rd rank.

Brief Analysis of Major Indicators under each Pillar

Under the institutional component, India has performed better in E-participation, corporate governance, energy efficiency and renewable energy regulation. But India has worst performance under security, social capital, budget transparency, judicial independence, freedom of press and public sector performance excluding e-participation. Under infrastructure component, India’s transport infrastructure has good score in road connectivity, railroad connectivity, airport connectivity and electricity supply quality. India needs to improve her train service efficiency, seaport services efficiency and under utility infrastructure, to reduce unsafe drinking water as a percentage of population, and reliability of water supply. The lot of work and hard efforts are required for the third pillar i.e. ICT adoption. India’s internet subscription, mobile subscriptions, broadband subscriptions are major challenges. India is doing better in inflation targeting and under debt dynamics. India is lagging in skills of current workforce, staff training, quality of vocational training, skilling of graduates, digital skills among active population and critical thinking in teaching. India has also behind in trade openness and complexity of tariffs is keeping her down in ranking. India has to improve her labour market policies by ease of hiring foreign labour, internal labour mobility, developing cooperative relations with employers, professional management, pay and productivity etc. Government of India has to increase the

financial capacity through expanding domestic credit to private sector especially SMEs, reducing large NPAs, easy availability of venture capital and raising the soundness of banking sector. India is good at market size and so India must take advantage of her large and varied market situations for own development. Under Business dynamism, India needs to work for encouraging and facilitating entrepreneurial growth culture by promoting attitude towards entrepreneurial risk, growth of innovative companies, and embolden companies going for disruptive ideas. Last but not least, India must strive hard for increasing her innovation capacity through interaction between diverse workforce, cluster development, research and development activities and amplify research-oriented institutions.

Limitations of Global Competitiveness Reports

It is true that all the reports from the year 2014 to 2019 are comprehensive and covered most of the aspects and parameters to measure the productivity of a country. But if we look at the indicators, sample size, weights assigned to each indicator are some of the criteria which have led to different outcomes between developed and developing world. Besides, the calculation is more complex and there are indicators which have scale between 1 to 7 and between 0 to 100 which create confusion while measuring and analysing the data. Some of the missing indicators are cultural diversity, political willingness, administrative hierarchy, rural development, agriculture growth, percentage of waste disposal, child mortality rate, maternal mortality rate, fiscal and monetary policy mechanism, housing and land development, land use pattern, inequality indicators, pollution, work-life balance, etc.

Conclusions and Suggestions

The Global Competitiveness Index (GCI) tracks the performance of 141 countries of the world on 12 pillars of competitiveness. It assesses the factors and institutions identified by empirical and theoretical research as determining improvements in productivity, which in turn is the main determinant of long-term growth and an essential factor in economic growth and prosperity. The report has been prepared to help decision makers and policy makers to understand the complex and multifaceted nature of development and growth. It also helps to design better and focused policies, based on public-private collaboration, community engagement and to take action to restore confidence in the possibilities of continued economic gain. It is observed from the last 6 years reports that India has tried to improve her institutions, infrastructure and macroeconomic environment, labour market and financial architecture. The report gives not clear picture of development but it advises the country by giving the major glimpses of the factors responsible for economic advancement and prosperity. As world is becoming more global, India needs to capture the opportunity to expand her business capacity and promote investment in areas which have potential.

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