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A Comparative Study of Global Competitiveness for Indian Business and Chinese Business

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ABSTRACT

In this paper, we discussed that business and industry have to move fast in innovation, manufacturing, marketing, distribution and service. In addition to changes in govt. policies and programmes, a new commitment to quality has to be ensured to meet the competitive challenges in the changing world markets.

***Keywords*—** Financial Market, Infrastructure

I. INTRODUCTION

Liberalization aims at freeing business, trade and industry from the clutches of control Entire world has been converted into global village. The term "Business" implies "Global Business "and nothing else survival and developments of Indian business depend on its ability to compete with other Indian firms and multinationals. Global competitiveness is achieved by increased productivity, focused direction and increased pace of innovation and growth. Innovation implies something new, something different and something better. India ranked 39th in the list of 138 countries under the global competitiveness index (GCI) in Nov.2016. While china ranked 28th. The proposed study is an attempt to analyze the various factors in which India can improve its competitiveness as compared to china.

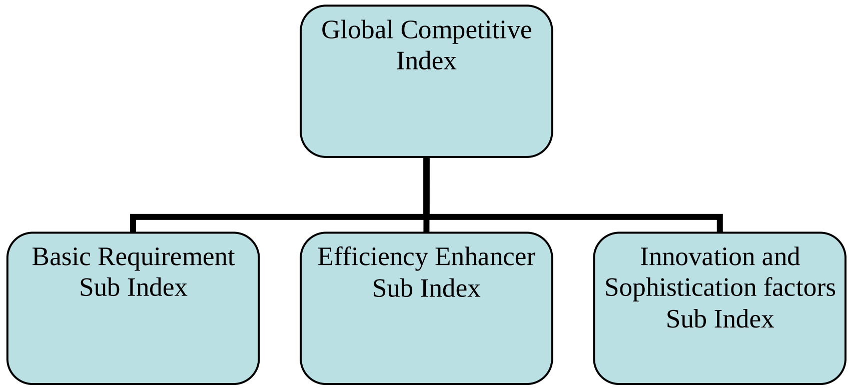
The present study is divided in four sections.

i Essentials for global competitiveness Index.
ii Global Competitiveness Index of India and China
iii Comparison of Most Problematic Factors for doing Business in India and china
iv Building strategies and conclusion

SECTION -I

II. ESSENTIALS FOR GLOBAL COMPETITIVENESS

The Global Competitiveness Index released by the World Economic Forum is one of the major studies which indicate how a country scores in the scale of global competitiveness. The Index is calculated by aggregating indicators across 12 pillars which again are clubbed together in three broad sub indices, namely basic requirements, efficiency enhancers and innovation and sophistication factors. The report covers both business and social indicators which, directly or indirectly, impacts the competitiveness of the country in the global arena. The 12 pillars underlying GCI include Institutions, Infrastructure, Macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.



1. **Institutions-**The institutional environment is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate wealth. The importance of a sound and fair institutional environment has become all the more apparent during the recent economic and financial crisis and is especially crucial for further solidifying the fragile recovery, given the increasing role played by the state at the international level and for the economies of many countries.
2. **Infrastructure-** A well-developed transport and communications infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services. Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop within a country.
3. **Macroeconomic environment-**Although it is certainly true that macroeconomic stability alone cannot increase the productivity of a nation, it is also recognized that macroeconomic disarray harms the economy, as we have seen in recent years, conspicuously in the European context. The government cannot provide services efficiently if it has to make high-interest payments on its past debts. Running fiscal deficits limits the government's future ability to react to business cycles. Firms cannot operate efficiently when inflation rates are out of hand. In sum, the economy cannot grow in a sustainable manner unless the macro environment is stable.
4. **Health and primary education-**Workers who are ill cannot function to their potential and will be less productive. Poor health leads to significant costs to business, as sick workers are often absent or operate at lower levels of efficiency. Investment in the provision of health services is thus critical for clear economic, as well as moral, considerations.
5. **Higher education and training**-Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products. In particular, today's globalizing economy requires countries to nurture pools of well-educated workers who are able to perform complex tasks and adapt rapidly to their changing environment and the evolving needs of the production system.
6. **Goods market efficiency**- Countries with efficient goods markets are well positioned to produce the right mix of products and services given their particular supply-and-demand conditions, as well as to ensure that these goods can be most effectively traded in the economy. Healthy market competition, both domestic and foreign, is important in driving market efficiency.
7. **Labour Market efficiency**-Efficient labor markets must also ensure clear strong incentives for employees and efforts to promote meritocracy at the workplace, and they must provide equity in the business environment between women and men. Taken together these factors have a positive effect on worker performance and the attractiveness of the country for talent, two aspects that are growing more important as talent shortages loom on the horizon.
8. **Financial Market Development**-An efficient financial sector allocates the resources saved by a nation's citizens, as well as those entering the economy from abroad, to their most productive uses. It channels resources to those entrepreneurial or investment projects with the highest expected rates of return rather than to the politically connected.
9. **Technological readiness**- The technological readiness pillar measures the agility with which an economy adopts existing technologies to enhance the productivity of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness.
10. **Market Size**-In the era of globalization, international markets have become a substitute for domestic markets, especially for small countries. Vast empirical evidence shows that trade openness is positively associated with growth. Even if some recent research casts doubts on the robustness of this relationship, there is a general sense that trade has a positive effect on growth, especially for countries with small domestic markets.

11. **Business Sophistication**-Business sophistication concerns two elements that are intricately linked: the quality of a country's overall business networks and the quality of individual firms' operations and strategies. These factors are especially important for countries at an advanced stage of development when, to a large extent, the more basic sources of productivity improvements have been exhausted. The quality of a country's business networks and supporting industries, as measured by the quantity and quality of local suppliers and the extent of their interaction, is important for a variety of reasons.

12. **Innovation-** The final pillar of competitiveness focuses on technological innovation. Although substantial gains can be obtained by improving institutions, building infrastructure, reducing macroeconomic instability, or improving human capital, all these factors eventually run into diminishing returns. Innovation is particularly important for economies as they approach the frontiers of knowledge, and the possibility of generating more value by merely integrating and adapting exogenous technologies tends to disappear.

It is important to keep in mind that they are not independent: they tend to reinforce each other, and a weakness in one area often has a negative impact in others. For example, a strong innovation capacity (pillar 12) will be very difficult to achieve without a healthy, well-educated and trained workforce (pillars 4 and 5) that is adept at absorbing new technologies (pillar 9), and without sufficient financing (pillar 8) for R&D or an efficient goods market that makes it possible to take new innovations to market (pillar 6). Although the pillars are aggregated into a single index, measures are reported for the 12 pillars separately because such details provide a sense of the specific areas in which a particular country needs to improve.

SECTION- II

III. GLOBAL COMPETITIVENESS INDEX FOR INDIA AND CHINA

India jumped 16 places in the World Economic Forum's (WEF) 2016-17 Global Competitiveness Index (GCI) to emerge as the highest rising economy due to improvement in goods market efficiency, business sophistication and innovation.

India was ranked 39 out of 138 countries which were reviewed. This is the second year in a row that the country has climbed 16 places in the ranking, according to WEF.

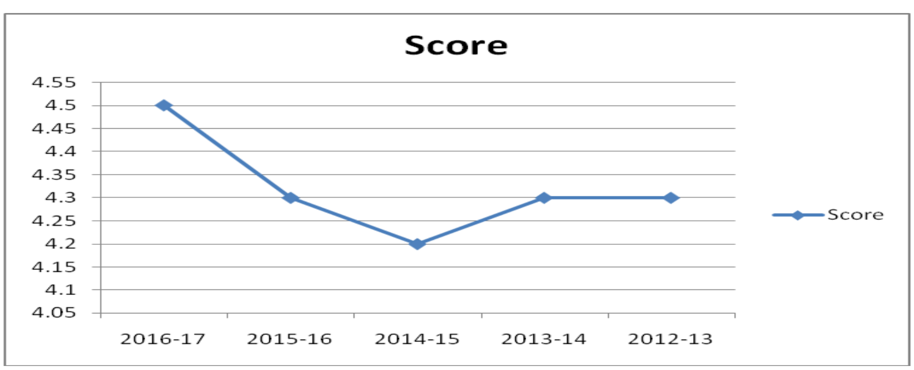
Switzerland, Singapore and the US remain as the world's most competitive economies. China ranks 28 in the index. Among the other BRICS countries, Russia is ranked 43rd, South Africa at 47, while Brazil declined six notches to end up at 81.

"Thanks to improved monetary and fiscal policies, as well as lower oil prices, the Indian economy has stabilized and now boasts the highest growth among G20 economies," according to the GCI report. It measures 12 areas which include institutions, infrastructure, macro-economic environment, health and primary education, higher education and training, goods and market efficiency, labour market efficiency among others. Table 1 shows the performance of India from 2012-13 to 2016-17.

Table1: Global Competitiveness Index of India

Global Competitiveness Index	No. of Countries	Rank	Score
2016-17	138	39	4.5
2015-16	140	55	4.3
2014-15	144	71	4.2
2013-14	148	60	4.3
2012-13	144	59	4.3

Source: The Global Competitiveness Report 2016-17, World Economic Forum

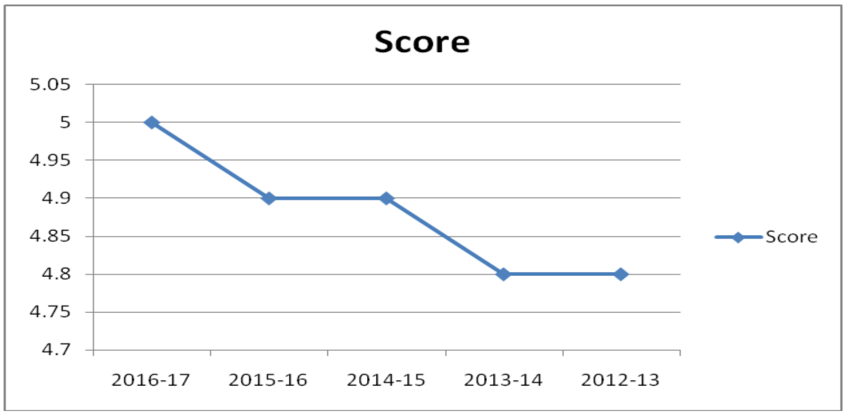


As per table 1 and chart it is clear that India has improved score as well as ranking among 138 countries. If we see in 2012-13 it was 59 among 144 countries and score was 4.3. in 2014-15 it was lowest 71among 144 countries and score was 4.2but in 2015-16 it was improved 55 among 140 countries and in 2016-17 it was jumped to 39 and score is 4.5.

Table2: Global Competitiveness Index of china

Global Competitiveness Index	No. of Countries	Rank	Score
2016-17	138	28	5.0
2015-16	140	28	4.9
2014-15	144	28	4.9
2013-14	148	29	4.8
2012-13	144	29	4.8

Source: The Global Competitiveness Report 2016-17, World Economic Forum



As per table 2 and chart it is clear that China retains its 28th rank for the third year in row. Its overall score improves, thanks to progress in some of the more sophisticated areas of competitiveness that contribute to shaping the country's innovation ecosystem.

Table 3: Components of Global Competitiveness Index of India and China

Components	India Rank	India Score	India Rank	India Score
Basic Requirement Sub Index	63	4.6	30	5.3
Efficiency Enhancer Sub Index	46	4.4	30	4.8
Innovation and Sophistication Factor	30	4.2	29	4.2

Source: The Global Competitiveness Report 2016-17, World Economic Forum

Table 3 shows the components of global competitiveness Index of India and China, their rank and score. It is clear from the Table that basic requirement sub index is 63 among the three components while efficiency enhancer sun index carry 46 and lowest 30 is carry by Innovation and sophistication factor. India is basically a factor driven economy which carries highest score i.e. 4.6. While in china basic requirement index and efficiency enhancer index is 30 and for innovation it is 29. The score is 5.3, 4.6 and 4.2 respectively.

Table4: Components of Global Competitiveness Index of India & China in Detail

INDICATOR	India Rank	India Score	China Rank	China Score
India overall	**39**	**4.5**	**28**	**5**
Basic Requirement Sub Index	**63**	**4.6**	**30**	**5.3**
Institution	42	4.4	45	4.3

Infrastructure	68	4.0	42	4.7
Macroeconomic environment	75	4.5	8	6.2
Health and Primary Education	85	5.5	41	6.2
Efficiency Enhancer Sub Index	**46**	**4.4**	**30**	**4.8**
Higher Education and Training	81	4.1	54	4.6
Goods Market Efficiency	60	4.4	56	4.4
Labor Market Efficiency	84	4.1	39	4.5
Financial Market Development	38	4.4	56	4.2
Technological Readiness	110	3.0	74	4.0
Market Size	3	6.4	1	7.0
Innovation and Sophistication Factor	**30**	**4.2**	**29**	**4.2**
Business Sophistication	35	4.4	34	4.4
Innovation	29	4.0	30	4.0

Source: The Global Competitiveness Report 2016-17, World Economic Forum

Table 3 shows that India ranks the last in "basic requirements" (63rd) compared to "efficiency enhancers" (46th) and "innovation and sophistication factors" (30th), although its basic requirements score (4.6) is more than those of efficiency enhancers (4.4) and innovation factors (4.2). China ranks the same 30th in basic requirement as well as efficiency enhancer while in innovation and sophistication factors 29th. its basic requirements score (5.3) is more than those of efficiency enhancers (4.8) and innovation factors (4.2) China retains its 28th rank for the third year in row. Its overall score improves, thanks to progress in some of the more sophisticated areas of competitiveness that contribute to shaping the country's innovation ecosystem. These include higher education (54th, up 14), innovation (30th, up one), and business sophistication (34th, up four). This bodes well for the future while China transitions to a new normal, where growth will need to be increasingly driven by innovation.34Yet China still lags behind in technological readiness (74th,unchanged) despite a significant improvement in all components of this category since last year. A more widespread adoption of technology by business and the population at large will increase productivity and create a more fertile innovation ecosystem. The gains posted in these categories are partially offset by a worsening fiscal situation—the budget deficit more than doubled between 2014 and 2015, to reach 2.7 percent of GDP—but China still ranks a strong 8th in the macroeconomic pillar. In addition, little progress has been made over the past year in two areas that are critical for accelerating the transition to a new growth model. First, goods market efficiency (56th, up two) is undermined by various distortions, including the lack of competition caused by high barriers to entry for foreign firms (113th) and new businesses—it takes over a month to start up a business. Second, inefficiencies and instability characterize the financial sector (56th, down two) the result of inefficiencies, non-performing loans, lack of competition, and suboptimal allocation of capital.35

The primary difference between the performance of the Indian and Chinese economy has been the faster growth of capital stock in China. With only a slight difference in the growth of employment, this translated into a more rapid growth of capital intensity. The growth of total factor productivity has also been faster in China. This appears to reflect a greater ease for labor to move out of agriculture into higher productivity sectors in China than in India. China has outdistanced India in every area of economic Endeavour in the last 35 years, except in computer software industry and agricultural research.

SECTION- III

IV. COMPARISON OF MOST PROBLEMATIC FACTORS FOR DOING BUSINESS IN INDIA AND CHINA

India is in consequence of the structural reforms and policy initiatives taken by GOI in the last two years and should be viewed as an encouragement to us to continue with the agenda of reforms which would further streamline economic decision making and help us move up on the index of global competitiveness.

India climbs for the second year in a row, to 39th. Its 16-place improvement is the largest this year. India's competitiveness has improved across the board, in particular in goods market efficiency, business sophistication, and innovation. Recent reform efforts have concentrated on improving public institutions (up 16), opening the economy to foreign investors and international trade (up four), and increasing transparency in the financial system (up 15). But still there are some factors which create problem in doing business in India.

Table 4: Most Problematic Factors for doing Business

S.No.	Factors	India' Score	China 'Score
1	Complexity of Tax Regulations	11.7	7.5
2	Corruption	10.9	7.9
3	Tax Rates	9.6	7.8
4	Poor Public Health	8.6	2.8
5	Inflation	7.4	8.4
6	Crime and Theft	7.4	1.9
7	Insufficient Capacity to Innovate	7.9	6.7
8	Poor Work Ethic in Labour Force	6.0	6
9	Government Instability	5.7	4.0
10	Foreign Currency Regulations	4.6	4.0
11	Restrictive Labour Regulations	4.4	4.0
12	Inadequate Supply of Infrastructure	4.2	6.8
13	Policy instability	3.6	8.8
14	Inefficient Govt Bureaucracy	3.5	8.7
15	Access to Financing	2.8	10.8
16	Inadequately Educated Workforce	2.5	4.8

Source: The Global Competitiveness Report 2016-17, World Economic Forum

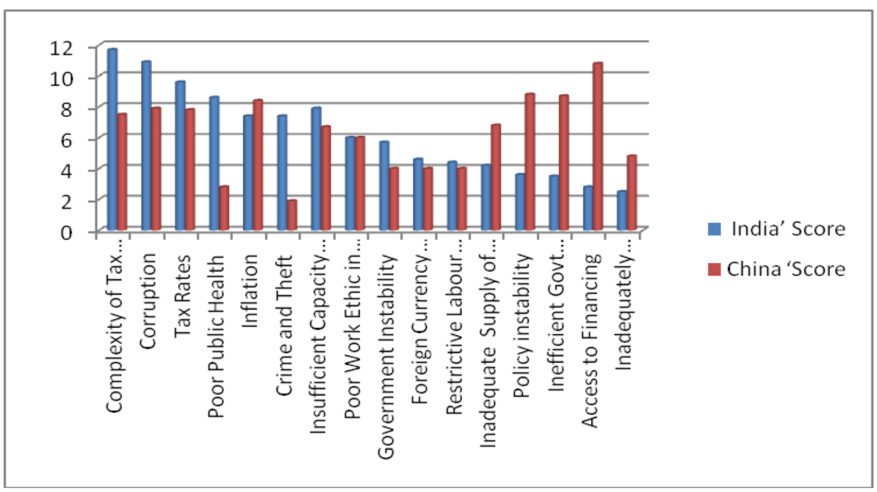


Figure 1

As per above table it is clear that among 16 factors complexities of tax regulations has highest score which is 11.7 and corruption carry 10.9.access to financing and inadequately educated workforce has 2.8 and 2.5 score which is lowest score. As compared to china, India has better position in access to financing. If we see the table carefully **crime and theft** and **poor public health** is the most problematic factors in Indian Business as compared to China.

SECTION- IV

V. BUILDING STRATEGY

India will most probably overtake China as the most populous country in the world in 2030. China is better placed structurally than India for a good economic performance, but it is most likely to be much lower than its recent average performance of about 10 per cent a year. How much lower it would be would depend on its ability to maintain current labour productivity levels and the benefits likely to flow from its proposed trans-continental rail system and other transport-related activities. Troubles in China's financial markets, a declining young and increasing older population as a proportion of the working age population, increasing wages in general and export industries in particular, costs associated with cleaning up serious environmental pollution, increasing competition from other countries in export industries using low-skill and semi-skill labour, lower savings rate and a possibly lower investment rate will have a negative effect on its growth.

India has an excellent chance of catching up with China if it can increase its labour force participation rate (particularly women), increase the average level of education, improve the quality of its labour force through special training programmes, reduce impediments to let foreign capital participate in its development process, design policies to cultivate a culture of entrepreneurship, and reduce corruption at all levels.

The problem in India has always been implementation. In a noisy political democracy, problems are compounded by the existence of multiple political parties with no coherent approach to development.

India is now on the threshold of a major transformation. The policy reforms announced so far, and the further opening up of the economy in the years to come, will present us with opportunities along with challenges to be overcome. We are not, however, the only nation undertaking this tremendous qualitative change. The global economic scene is undergoing a major change.

Recent reform efforts have concentrated on improving public institutions, opening the economy to foreign investors and international trade and increasing transparency in the financial system,. India is seen as a bright spot by several multilateral agencies robust economic growth. The economy is expected to grow by 7.6% in the current fiscal year and the revival in rural demand due to solid monsoon rains is expected to add to overall growth.

The government has also taken a string of reform measures such as getting the Insolvency and Bankruptcy code in place, liberalization of the foreign direct investment regime, the passage of the Aadhar bill as well as parliament's approval to the Constitution amendment bill for the Goods and Services Tax (GST). India's rank has steadily improved from 71 in 2014-15 to55 in 2015-16 and to 39 in the latest report. With this improvement in its ranking, India has covered a long distance and is well on its way to emerge as a major player in the global economy.

Still, there are several areas which need to be improved.

✓ The labor market is segmented between workers protected by rigid regulations and centralized wage determination (112th), especially in the manufacturing sector, and millions of unprotected and informal workers.

✓ The efficiency of the domestic market (81st) is hindered by fiscal regulations that allow federal states to levy different levels of value-added taxes; large, publicly owned enterprises further reduce the overall efficiency of the economy, especially in the utilities sector and the financial market, where there is growing concern about the incidence of non-performing loans.

✓ Lack of infrastructure (68th) and ICT use (120th) remain bottlenecks.

✓ Improvement has been slowing recent years

✓ Further investment will be necessary; especially to connect rural areas and make sure they can equally benefit from and contribute to the country's development.

✓ Need for globally relevant and competitive higher education system

Economists said the government's push to plug gaps in the economy had helped. "Relative to other economies, the Narendra Modi government has focused on repair and reform of the economy which is pushing up India's competitiveness," said D K Joshi, chief economist at ratings agency Crisil. "India's ranking in the World Bank's Ease of Doing Business is also likely to go up."

He said India's ranking has improved in the WEF's Global Competitive Index, The World Bank's Ease of Doing index, Index of Transparency International showing corruption situation was improving and the World Bank' logistics index.

VI. CONCLUSION

To operate successfully in an increasingly interdependent multipolar world, business and industry have to move fast in innovation, manufacturing, marketing, distribution and service. In addition to changes in govt. policies and programmes, a new commitment to quality has to be ensured to meet the competitive challenges in the changing world markets.

Prime Minister Modi, with his majority in Parliament, has an opportunity to reignite the engines of economic growth. Even if the Indian economy were to grow at 10 per cent a year, its GDP at 2011 PPP$ will reach only about 26 trillion in 2030; China can easily reach this by 2022. I don't see India catching up with China in the next 25 years unless, of course, there is a massive failure of sorts in China.

In nutshell, the future is indeed promising, but there are real challenges to be met before the goal is realized. As a nation, India cannot let go if this unique opportunity which, if properly utilized, will make it a true economic power in this world.

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