



# World Competitiveness Index 2021

## Why in News

According to the **World Competitiveness Yearbook (WCY)**, India maintained **43<sup>rd</sup> rank** on the **annual World Competitiveness Index**.

- The World Competitiveness Index is a **comprehensive annual report** and worldwide reference point on the competitiveness of countries.

## Key Points

### ▪ About:

- **Published by:** WCY was **first published in 1989** and is compiled by the **Institute for Management Development (IMD)**.
  - In 2021, the IMD examined the impact of **Covid-19** on economies around the world.
  - It provides **extensive coverage of 64 economies**.
- **Factors:** It measures the prosperity and competitiveness of countries by examining four factors (334 competitiveness criteria):

- Economic performance
- Government efficiency
- Business efficiency
- Infrastructure

### ▪ Top Global Performers:

#### ◦ Europe:

- The European countries display regional strength in world competitiveness ranking with Switzerland (1<sup>st</sup>), Sweden (2<sup>nd</sup>), Denmark (3<sup>rd</sup>), the Netherlands (4<sup>th</sup>).

#### ◦ Asia:

- The top-performing Asian economies are, in order, Singapore (5<sup>th</sup>), Hong Kong (7<sup>th</sup>), Taiwan (8<sup>th</sup>) and China (16<sup>th</sup>).

- Singapore was 1<sup>st</sup> in the **2020 World Competitiveness Index**.

#### ◦ Others:

- The **UAE and the USA remain in their same spots** as last year (9<sup>th</sup> and 10<sup>th</sup>, respectively).

### ▪ India's Performance:

- **In Comparison to BRICS Nations:** Among the **BRICS nations**, India ranked second (43<sup>rd</sup>) after China (16<sup>th</sup>), followed by Russia (45<sup>th</sup>), Brazil (57<sup>th</sup>) and South Africa (62<sup>nd</sup>).
- **Performance on Four Factors:** Among the four indices used, **India's ranking in government efficiency increased** to 46 from 50 a year ago, while its **ranking in other**

**parameters** such as economic performance (37<sup>th</sup>), business efficiency (32<sup>th</sup>) and infrastructure (49) **remained the same.**

- **Improvements in Government Efficiency:** Mostly due to relatively stable public finances. Despite difficulties brought by the pandemic, in 2020, the government deficit stayed at 7%. The Government also provided support and subsidies to the private companies.
- **India's Strengths:**
  - India's strengths lie in investments in telecoms (1<sup>st</sup>), mobile telephone costs (1<sup>st</sup>), ICT services exports (3<sup>rd</sup>), remuneration in services professions (4<sup>th</sup>) and terms of trade index (5<sup>th</sup>).
- **India's Weaknesses:**
  - India's performance is the worst in sub-indices such as broadband subscribers (64<sup>th</sup>), exposure to **particulate pollution** (64<sup>th</sup>), **human development** index (64<sup>th</sup>), **GDP** per capita (63<sup>rd</sup>) and **foreign currency reserves** per capita (62<sup>nd</sup>) among others.

#### ▪ **Analysis:**

- **Qualities of Top Performers:** The qualities such as **investment in innovation, digitalisation, welfare benefits, diversified economic activities, supportive public policy and leadership**, resulting in **social cohesion** have helped countries better manage the crisis and thus ranking higher in competitiveness.
- **Addressed Unemployment:** Competitive economies succeeded in transitioning to a remote work routine while also allowing remote learning.
- **Public Spending:** The effectiveness of key public spending, such as public finance, tax policy and business legislation, are seen to relieve the pressure on the economies hit by the Covid-19.

#### ▪ **Recent Steps Taken by India to Increase its Competitiveness :**

- The government has introduced the **Production-Linked Incentive (PLI) Scheme** in various sectors for enhancing India's manufacturing capabilities and exports.
- The five pillars of '**Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)**' are - Economy, Infrastructure, System, Vibrant Demography and Demand.

## Way Forward

- As Michael Porter has stated, a nation that ensures balance between economic and social progress can enhance its productivity, followed by creating competitiveness and thus, prosperity.
- Therefore, it is necessary to create an environment which not only pushes the businesses to compete successfully in local as well as international markets, but ensures that the average citizen's standard of living also improves.
- Governments need to provide an environment characterized by efficient infrastructures, institutions and policies that encourage sustainable value creation by the enterprises.

**Source: BS**