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**Dr. Mouchumi Mahanta**

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## A Comparative Analysis of the Competitiveness of India and the members of the Association of Southeast Asian Nations

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The Association of Southeast Asian Nations is a regional intergovernmental organization comprising ten countries in Southeast Asian region. It aspires to promote intergovernmental cooperation. The arena of cooperation includes economic, political, security, military, educational, and sociocultural spheres of the member countries. India's focus on a reinforced relationship with ASEAN is the result of the significant changes in the global political and economic scenario. India's search for economic space resulted in the 'Look East Policy'. The focus of the Act East Policy initiated by India is on the extended neighbourhood in the Asia-Pacific region. From the economic prospective through the Act East Policy India intends to promote economic relationship and cooperation with countries in the Asia-Pacific region. The economic cooperation can be ensured by regular economic engagement with the countries at multilateral, regional and bilateral levels. In the regional context India needs to focus on regional fora like Association of South East Asian Nations (ASEAN). This paper

intends to analyse competitiveness of the India vis-à-vis the members of ASEAN in the context of India's Act East Policy. The analysis would be primarily based on the report of the Global Competitiveness report of World Economic Forum. The analysis would be carried on the basis of secondary data viz., The Global Competitiveness report of World Economic Forum, Ease of doing business index, World Development Report and etc. The paper endeavours to explore the level of competitiveness of India with the members of ASEAN and suggest policy members.

**Keywords:** Global competitiveness, ASEAN, Act east policy.

### **Introduction**

With the motto "One Vision, One Identity, One Community" the Association of Southeast Asian Nations (ASEAN) was established in Bangkok, Thailand on August 8th, 1967. It was the outcome of the signing of the ASEAN Declaration (Bangkok Declaration) by the Indonesia, Malaysia, Philippines, Singapore and Thailand. The members of ASEAN include Indonesia, Thailand, Malaysia, Singapore, Philippines, Vietnam, Cambodia, Myanmar, Brunei, and Laos. It aspires to promote intergovernmental cooperation. The arena of cooperation includes economic, political, security, military, educational, and sociocultural spheres of the member countries. India-ASEAN trade and investment relations have been growing steadily. India-ASEAN together constitutes a market base of over 1.2 Billion consumers. India's total trade with ASEAN members reached \$71.7 Billion in 2016-17.

India's focus on a reinforced with ASEAN is a result of the significant changes in the global political and economic scenario. India's own march towards

economic globalisation and liberalisation has prompted India to search for economic space. This search has resulted in the 'Look East Policy'. The Look East Policy has today matured into a dynamic and action oriented 'Act East Policy'. The Indian Prime Minister formally enunciated the Act East Policy in the 12th ASEAN India Summit and the 9th East Asia Summit held in Nay Pyi Taw, Myanmar, in November, 2014.

'Look East policy' of India was initiated as an endeavour to establish extensive economic and strategic relations with the countries of Southeast Asia region. This was visualised and implemented in order to augment India's position as a regional power and counterbalance the strategic influence of the People's Republic of China. The policy was initiated in 1991. 'Act East policy' introduced by India has replaced the former 'Look East Policy' in order to ensure a more proactive role for India in this region. The focus of the Act East Policy of India is on the extended neighbourhood in the Asia-Pacific region. India is geographically located in north of the equator between 8°04' to 37°06' north latitude and 68°07' to 97°25' east longitude. India's geographical location is unique as because it is easily accessible to other parts of Asia, Africa, Europe and America. From the economic prospective, the Act East Policy of India is intended to promote economic association and cooperation with countries in the Asia-Pacific region. The economic relationship can be ensured by regular economic engagement with the countries at multilateral, regional and bilateral levels. In this context India must establish economic relationship with forums like Association of South East Asian Nations (ASEAN). In this paper, an effort has been made to analyse the competitiveness of the Indian economy vis-à-vis the members of ASEAN in the context of India's Act East Policy.

### Review of Literature

It is imperative to have an insight and develop a clear notion of the concept of competitiveness and the Indo-ASEAN relationship. Therefore, a review of literature was carried out. A few studies have been selected for reference.

S. S. Bhattacharya (1979) ASEAN-India Relations, Strategic Analysis had emphasised the need for developing economic and socio-cultural relationship with ASEAN countries.

Momaya. Kiran Kumar (2001), in his book International Competitiveness: Evaluation and enhancement had examined the industries of auto components, construction and telecom spread over the empirical universe of India, Japan, Korea and USA. The book provides an understanding of the concept of competitiveness and an approach to evaluate competitiveness. Based on secondary data the book provides a comprehensive coverage of comparative performance of the auto components, construction and telecom industries.

Sikdar, Nag (2011) had used applied equilibrium modelling to study the influence of India-ASEAN Free Trade Agreement. Their study discloses that Post-FTA, India's exports to ASEAN has increased substantially but India incurred welfare loss due to negative Balance of Trade.

Harry P. Bowen, Wim Moesen (2011) in their research paper had examined how using of weights that are endogenously determined for each country is going to affect the competitiveness index of World Economic Forum instead of aggregated using the WEF's fixed set of weights applied to all countries.

Their findings are that there is a bias that favors countries that score high on the "technology" sub-dimension of the index.

Delgado, Mercedes, Ketels, Christian, Porter, Michael E. and Stern, Scott (2012) in their Working Paper 18249 "The Determinants of National Competitiveness", had tried to offer a framework that provides a novel methodology for the estimation of a theoretically grounded and empirically validated measure of national competitiveness.

S. Veeramani, Anam (2018) in their paper entitled "An analysis on india-asean trade: towards regional comprehensive economic partnership (reep)" have put forth reasons and suggestions for Trade Deficit in order to strengthen the policy framework of Indo-ASEAN relation.

On the basis of the literature review, this paper attempts achieve the following objectives

#### Objectives:

- I. To understand the level of competitiveness of Indian economy vis-à-vis ASEAN members
- II. To compare the demographic potential of India and ASEAN members
- III. To find the ease of doing business environment in ASEAN members and India

#### Methodology:

This study is based on secondary data from the Global Competitiveness Report, Ease of doing business, Human Development Index and ASEAN Statistical Leaflet. The Global Competitiveness Index to compare the present competitiveness of India vis-à-vis the Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The HDI has been used to compare the countries. The ease of doing business ranking has been used to understand the business environment of the ASEAN members and India.

The comparative analysis has been carried on the basis of the above mentioned parameters.

**I. Comparative analysis of Indian economy vis-à-vis the Member States** are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

The Global Competitiveness Index (GCI), evolved by the World Economic Forum is a very valuable index to explore and understand the national competitiveness of an economy in a comprehensive manner.

Global competitiveness Report has defined competitiveness as, "the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental

drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time."

The Competitiveness level of an economy also propagates the process of growth, especially for the developing economies as it reflects the level of economic prosperity and opportunity of growth acceleration. A higher level of Competitiveness would always invite more investments into these economies. Therefore, an economy should always strive to increase her level of competitiveness.

In order to understand the competitiveness of Indian economy, it is imperative that we make a comparative analysis of the Indian economy vis-à-vis the Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

World Economic Forum has published the Global Competitiveness Index since 2005. The GCI is a comprehensive index includes 12 pillars viz., Pillar 1 Institutions, Pillar 2 Infrastructure, Pillar 3 ICT adoption, Pillar 4 Macroeconomic stability, Pillar 5 Health, Pillar 6 Skills, Pillar 7 Product market, Pillar 8 Labour market, Pillar 9 Financial system, Pillar 10 Market size, Pillar 11 Business dynamism, Pillar 12 Innovation capability. The Report of 2018 covers 140 economies.

According to the report of Global Competitiveness, 2018 "India ranks 58th (62.0) and has demonstrated sizeable improvements over the past year. Compared with the 2017 backcast edition, India is up five places. India is a remarkable example of a country that has been able to accelerate on the pathway to innovation (where it now ranks 31st, with a score of 53.8), due, particularly,

to the quality of its research institutions. In spite of a high degree of entrepreneurship (61.1, 23rd), business dynamism is hampered by administrative hurdles. While Indian companies can access the 3rd largest market in the world (which translates into a perfect mark of 100.0 on the Market size pillar), the country would benefit from increased trade openness (136th) to drive productivity growth. More investments will be necessary to spur innovation beyond hubs of excellence and diffuse economic growth more broadly. This includes continuing to widen the adoption of ICT technologies (28.0, 117th) and improving the quality and conditions of human capital across the country, taking advantage of an extremely young population. India currently ranks 108th on the Health pillar and 96th on the Skills pillar of the index."

**Table 1: The Global Competitiveness Index 2018**

Country / Economy	Overall Index	
	Rank/140	Score
India	58	62
Brunei	62	61.4
Cambodia	110	50.2
Indonesia	45	64.9
Lao PDR	112	49.3
Malaysia	25	74.4
Myanmar	NA	NA
Philippines	56	62.1
Singapore	2	83.5
Thailand	38	67.5
Vietnam	77	58.1

Table 1 represents the overall rank of an economy in Global Competitiveness index. A close look at the table portrays that in 2018 report, Singapore is ranked at second position. India is placed in 58th position among 140 countries. Among ASEAN, There are five countries with ranks better than India.

It can be observed from the above table Indian economy still enjoys a niche below the ASEAN economies as far as the competitiveness level is concerned.

Table 2 : The Global Competitiveness Index 2018

Country / Economy	1. Institutions		2. Infrastructure		3. ICT adoption		4. Macroeconomic stability	
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
India	47	63	117	49				
Brunei	45	54	17	81				
Cambodia	126	112	92	74				
Indonesia	48	71	50	51				
Laos	119	99	96	110				
Malaysia	24	32	32	1				
Myanmar								
Philippines	101	92	67	43				
Singapore	3	1	4	42				
Thailand	60	60	64	48				
Vietnam	94	75	95	64				

Source: Global Competitiveness Report 2018

Table 2, shows Indian economy ranked vis-à-vis ASEAN economies in the first four pillars. Indian economy further has to manage the macroeconomic environment by bringing in more prudent fiscal discipline.

Table 3 : The Global Competitiveness Index 2018

Country / Economy	5. Health		6. Skills		7. Product market		8. Labour market		9. Financial system		10. Market Size	
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
India	108	96	110	75	35	3						
Brunei	50	58	44	38	107	115						
Cambodia	104	121	114	65	92	88						
Indonesia	95	62	51	82	52	8						
Laos	107	105	91	94	106	100						
Malaysia	62	24	24	20	15	23						
Myanmar												
Philippines	101	67	60	36	39	32						
Singapore	1	20	1	3	5	27						
Thailand	42	66	92	44	14	18						
Vietnam	68	97	102	90	59	29						

Source: Global Competitiveness Report 2018

Table 3, shows the dismal performance of Indian economy in pillars Health, Skills, Product market and Labour market. As far as the pillar 'Financial Market' is concerned India is ranked at 75th position. Despite the efforts of the government and private players, the sectors of health and skills in India are still lagging behind which is reflected by the ranking of the competitiveness level. India has ample scope of development of the pillar 'Financial Market'. Labour market needs very special attention. India is very comfortably placed in the 10th pillar, Market size.

Table 4 : The Global Competitiveness Index 2018

Country / Economy	11. Business dynamism	12. Innovation capability
	Rank	Rank
India	58	31
Brunei	68	79
Cambodia	128	96
Indonesia	30	68
Laos	134	117
Malaysia	19	30
Myanmar		
Philippines	39	67
Singapore	16	14
Thailand	23	51
Vietnam	101	82

Source: Global Competitiveness Report 2018

Indian economy as shown in table 4 has better scope in the sub-index 'Business Dynamism'. India has scored 58th and 31st ranks in the pillars 'Business Dynamism' and 'Innovation capability' respectively. Indian economy can bank upon these pillars as well to develop the level of competitiveness.

### Demographic Parameters

Demographic factors a vital role in determining the shape of an economy. The size of population, the youth, HDI ranking are parameters that provides a comparative scenario of the ASEAN members wrt. India. Expect for Singapore, Brunei, Malaysia and Thailand all the other members of ASEAN are ranked below 100. India ranks 130. India has a huge youth population and potentially poised to enjoy demographic dividend. Indian economy can bank upon this asset to develop its score in service market. Table 5 portrays the comparative picture of the countries according to the demographic parameters.

Table 5 : Demographic Parameters 2016

Population ('000)	Youth (15-29) Years ('000)	Unemployment rate	Urban population%	HDI Rank 2018
13,24,171.35	3,64,147.12	3.52	32.50	130.00
423.00	111.00	6.90	78.00	39.00
15,158.20	4,558.20	1.00	21.00	146.00
2,58,705.00	64,641.40	5.60	54.00	116.00
6,621.10	2,008.20	3.60	40.00	139.00
31,633.50	9,304.70	3.40	75.00	57.00
52,917.00	13,603.00	4.00	35.00	148.00
1,03,242.90	28,457.70	5.50	44.00	113.00
5,607.30	780.70	3.00	100.00	9.00
67,454.70	13,851.30	1.00	52.00	83.00
92,695.10	20,694.40	2.10	34.00	116.00
6,34,457.80	1,58,010.60			

Source: ASEAN-Statistical-Letter-2017, UNDP report

### Ease of doing business

The report of Doing Business 2018 (A World Bank Group Flagship Report) is based quantitative indicators covering eleven 11 areas of the business environment across 190 economies. The report investigates the regulations that enhance business activity and those that constrain it.

Doing Business measures aspects of business regulation and their implications for firm establishment and operations. Doing Business also measures features of labor market regulation, which is not included in this year's ranking. Data in Doing Business 2018 are current as of June 1, 2017.

Table 6 : Ease of doing business rank (1-190) of ASEAN Members vis a vis India

Brunei	56
Cambodia	135
Indonesia	72
Laos	141
Malaysia	24
Myanmar	171
Philippines	113
Singapore	2
Thailand	26
Vietnam	68
<b>India</b>	<b>100</b>

Source: Adapted from Doing Business 2018 report, 15th Edition, A World Bank Group Flagship Report

Table 6 provides the picture of Ease of doing business rank (1-190) of ASEAN Members vis a vis India. India is ranked 100. There are six ASEAN members ranked above 100. Singapore is ranked 2.

Table 7 : Doing Business 2018: Country Tables

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	India
ease	✓36	183	✓144	164	111	155	173	6	✓36	123	✓156
innovation	✓48	179	108	40	11	73	101	16	43	20	✓
0	✓24	157	✓38	149	8	151	✓31	12	✓13	✓64	29
costs	✓136	123	✓106	65	42	✓134	114	19	✓68	63	154
✓2	20	✓55	77	✓20	✓177	142	29	✓42	✓79	✓29	
direct investments	✓40	108	✓45	172	✓4	183	146	4	✓16	81	✓4
✓104	136	✓114	156	73	125	✓105	7	✓67	✓86	✓119	
✓144	108	✓112	124	✓61	163	99	✓42	57	✓94	✓146	
✓61	179	145	97	44	188	149	2	✓34	✓66	✓164	
costs	60	74	38	168	46	164	59	✓27	✓26	✓103	

From Doing Business 2018 report, 15th Edition, A World Bank Group Flagship Report

Note : ✓ Reform making it easier to do business  
 ✗ Change making it more difficult to do business

Table 7, provides the data for the 10 parameters across the members of the ASEAN and India. The ? indicates Reform making it easier to do business. The ? indicates Change making it more difficult to do business in the table. It is encouraging to see more ? signs in the table even though the ranking of the Asian members are not very encouraging. Singapore, Brunei, Thailand, Indonesia, Philippines represent better business environment.

#### Conclusion:

ASEAN members provide a broad spectrum for the Indian economy to cooperate and develop. Despite the limitations Indian economy as a developing economy, it has to march forward and improve the level of competitiveness. Indian Economy has a huge population which is a young working population. India can enjoy the fruits of demographic dividend if the human resource is taken care of and managed efficiently.

The huge market base of Indian economy is a very fundamental strength which can be used to develop the economy. India has the potential to withstand any disturbance of international business environment on account of the huge market size. The financial market in Indian economy fairly well developed.

Meanwhile, the macroeconomic environment continues to be characterized by large and repeated public deficits. Despite of a prudent effort fiscal discipline has not been achieved. India has to imperatively pay great attention to the innovation. As innovation will pave the way for further glory and growth.

India, therefore has to take stock of the strengths and capitalize on the strong fundamental pillars and at the same time develop the others areas of concern to improve the level of competitiveness for which is destined.

Indo-ASEAN trade relationship has a huge potential. Both the partners can gain from each other. India should develop special relationship with Singapore, Brunei, Thailand, Indonesia, Philippines in order to develop better business opportunities.

India should bank upon her competitive factors like market size, Business dynamism, innovation and improve financial markets and ensure macro-economic stability. India needs to seriously work on ICT adoption. This would help India capture better market opportunities.

India has to endeavour to excel in the key areas where she has the advantage and develop the areas of weakness. This would enable India to reap the benefits of the economic cooperation with the ASEAN members.

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