

An Analysis of Competitive Advantages of Indian Economy with other Developing Countries

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ABSTRACT

The economic development with a good political scenario is a key indicator of a developing country. The Indian economy has a diversified field with many dependent and independent variables, to sustain in the competitive world very country has to push itself towards global. The economic growth of India has several factors, which are work as a catalyst for the performance of indicators. Competitive advantages mean to use the best resources to get maximum return from the market. This paper is based on the factors that help the country like India to take competitive advantages by using its best utilization of resources and policies. The paper is analytical in nature by using secondary data types from various journals, books, etc. This paper will help other authors working in economic studies and understand the global competitive model.

Key words: Competitive Advantage, Catalyst, Performance Indicator

INTRODUCTION

India has ranked 3rd in the world on Purchasing Power Parity basis. It is also trend fastest growing economy, with its growth rate second only to China. The continuing growth of India and China is considered vital for global economic growth and stability [1].

In six out of the last nine years, the growth rate of the India economy exceeded 8 per cent. However, in the recent years, the growth rate has declined, from 8.4 percent in 2010-11 to 6.5 percent in 2011-12, and further lowest at 4.7 percent in 2013-14 [2]. While recently it has shown some confidence and growth rate pegged in the range of 5.4-5.9 for the year 2014-15.

The sluggish of the economic growth is largely caused by the diminishing competitiveness of the industry which at the end affects Indian economy. The traditional sources of competitive advantage for industries in India, e.g. labor arbitrage, trained a skilled workforce, largely middle class are now no longer unique and may give adverse outcomes if the macro and micro-environment are not managed consistently. India cannot seize the national affluence for granted and will have to ensure competitiveness in all markets as an “ecosystem”– output as well as input markets [3]. To refurbish the belief on demographic dividend as a source of continuing competitive advantage, Indian business must focus on

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fundamental value creation by being competitive on a global scale.

The focus must come back on productivity, innovation and long-term value creation as Indian Companies seek to grow organically and inorganically. At the same time, the demand for consumer item increases and new consumer preferences are leading to new products and new markets globally [4]. Technology and modernization in several industries have created disruptions in the existing value chain.

What are Competitive Advantages?

Competitive advantages explore the role of complementary products or services in completion and competitive advantages in some industry. It explores these questions as well as the organizational challenges of cross – business collaboration. Competitive Advantages grow vitally out of value a firm is able to create for its buyers [5]. That exceeds the firm's cost of creating it. The "Value" is defines as what buyers are ready to pay, supervisor value stems from offering lower prices than competitions for comparable benefits or providing exclusive benefits that more than offset higher prices.

Industry competitiveness depends on the interrelationship between its business units and diversifies its core values for product development with consumer satisfaction. Michal E .Porter in his book, "Competitive Advantages of Nations" wrote that industries are surrounded by several external factors which are a force to initiate positive steps for value addition in their product and services.

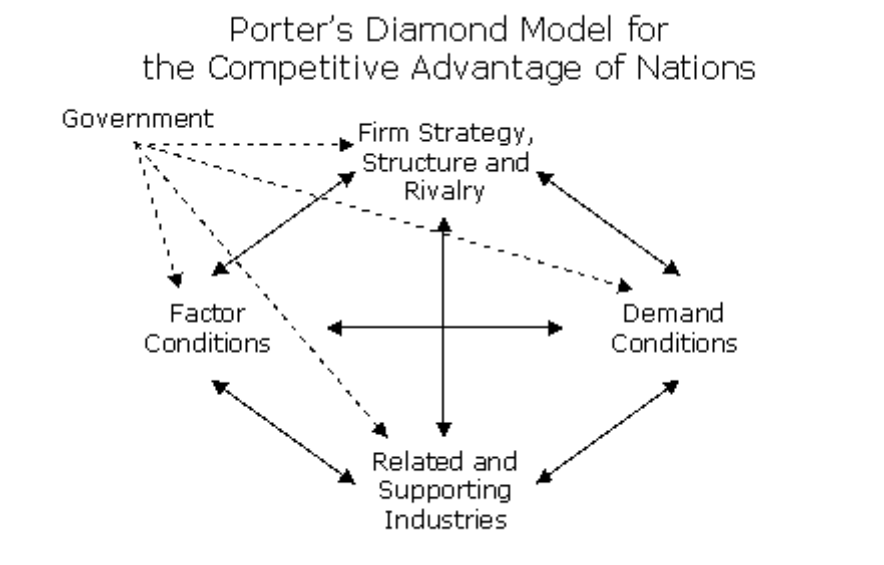


Figure 1: Poter's diamond model (1987)

Genetic Competitive Strategies: Another important question is about the firm's position within the industry. A firm can earn more profit in comparison to the average probability of industry or towards the depression period even the other firms in the industry getting a higher return. There are three basic things which is:

- Differentiation
- Cost Leadership
- Focus

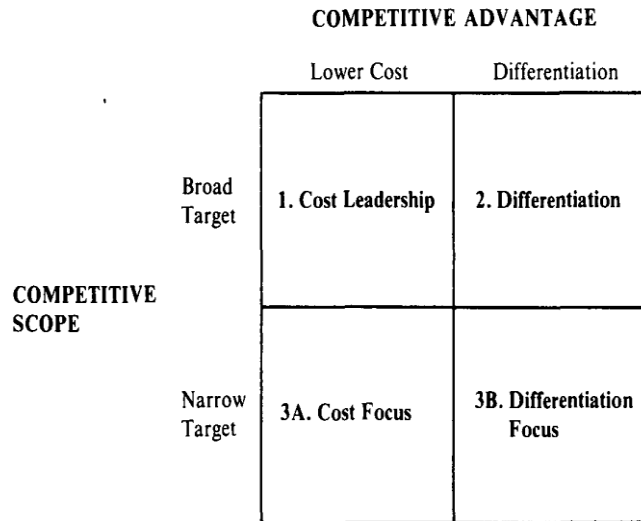


Figure 2: Genetic competitive advantages

Source: Competitive Advantage of Nation: Michel E Porter

Global Competitive Index: The Global Competitiveness Report (GCR) is a yearly report published by the World Economic Forum. Global Competitiveness Index was developed from the Global Competitiveness Report ranks since 2004 which was countries, developed by Xavier Sala-i-Martin and Elsa V. Artadi [6-7].

The report has twelve pillars of competitiveness. The countries are rank according to their score out of 1-7, if they fulfill the twelve categories. These are

1. Institutions
2. Appropriate infrastructure
3. A stable macroeconomic framework
4. Good health and primary education
5. higher education and training
6. Efficient goods markets
7. Efficient labor markets
8. Developed financial markets
9. The ability to harness the benefits of existing technologies
10. And its market size, both domestic and international
11. By producing new and different goods using the most sophisticated production processes
12. Innovation

Literature Review

Boone and Kurtz (2013): Has discussed the role of limitability of competitive advantages for long-term growth prospects of businesses. They suggested that, competitors could imitate low-order competitive advantages such as cost advantage with access to cheaper resources. They had recommend the adoption of strong brand image and technological innovation in various business processes for the sources of competitive advantage, because of higher levels of sustainability of such sources of competitive advantage due to their difficulty being imitated by competitors.

Ferrell, (2012): In his paper researcher said “something that the firm does better than its competitors that give it an edge in serving customers’ needs and/or maintaining mutually satisfying relationships with important stakeholders”.

Ginter (2013): Had proposed in his paper about the government regulations, can provide an opportunity to gain competitive advantage by certain private entities. He refer to introduction of tariffs for the import of certain products in order to support local manufacturers, thus providing cost advantages to local manufacturers to compete with foreign multinational corporations.

Loudon et al. (2010): He proposed some changes in customer needs and emergence of new customer needs as potential sources of competitive advantage. He did not justify this opinion by mentioning relevant examples from real-life business world.

Prahalad and Hamel (1990): They put their views in paper that core competency is proposed by as collective learning within organizations in terms of coordinating various skills and increasing the level of collaboration of multiple streams of technology.

Sekhar, (2010): Practical implications of the concept of core competency are credited for the appreciation of importance of competitive advantage. He said that “competitive advantage results when more customers become strong attached to the products of the organisation” (p.51).

William and Curtis (2008): His study was based on core competencies on product features and capabilities may prove to be counter-productive in terms of adapting to changes in external market environment.

Indian Economic Scenario: The 69-years of independence have seen many changes in the socio-economic scenario of Asia's 3rd largest economy. After the British rule, India's economy was in absolute terms, has expanded from 2.7 lakh crore to Rs 57 lakh crore and the nation's foreign exchange reserves have crossed \$300 billion, giving the economic firepower to fight external shocks. Even as India has progressed in laying out the basic framework to take the economy to a high growth path by building roads and ports and growing up the agricultural production, an increasing population and infrastructure woes demand more work to be done on multiple fronts. In 67 years of the journey after Independence, India's Gross Domestic Product has been increased for Rs2.7lac cr to Rs 57 lac cr.

Economic growth surged to near double-digit levels between 2005-06 to 2007-08 compared with annual growth in the early years post independence. The rise in economic growth and development has slowed to 5 % levels in the last two financial years hit by slowdown in global and domestic economies and in the absence of much needed growth oriented reforms [8-9]. Saving percentage of Indian out of total GDP has grown 36.8 % in year 2008, but declined to 30% in year 2013.

Foreign Exchange reserve of our country has grown to over \$ 300 billion from a mere \$ 2 billion at the time of independence. Strong foreign exchange reserves have given the economy more busts up to withstand external shocks compared [10]. India pledge gold from International Monetary Fund of volume 67 tonnes after its forex reserves was down to \$1.2 billion.

In the starting of 1991, our country has to deposited 67 tonnes of gold in IMF, only after which we get an support of approx 1.2 billion \$ which assist country's economy. In March 2014, our external

debt was rose up to \$440 billion due to heavy government and non government expenditure for the growth and development of various economic activities.

RESEARCH METHODOLOGY

Research Type: Analytical

Research Objectives:

Main: To study competitive advantages of Indian economy with other developing countries.

Sub-objective:

1. To analyzes the factors of basic requirement.
2. To study the factor essential for efficiency enhancement.
3. To study research and development activities.

Research Design

Research Problem: Developing countries are facing several issues which directly related to macro economics in nature. There are around 138 countries (as per UN report) which are developing in nature but the economics conditions are differ. Some counties are in developing list but they are not fulfills the parameter of Global Competiveness. In this research paper an author tries to compare India's position globally with other developing counties and factors responsible of 5 years from 2012-17.

Collection of Data: Researcher has collected the data from different secondary sources available in electronic media and print media.

Population: All developing countries of the world.

Sample Size: 20

Sampling Techniques: Random sample by using MS Excel / Data/Data Analysis/Sampling

Limitation:

1. Viability and authenticity of data is demand on secondary sources.
2. Data of countries are not available, as they are not fulfilling the criteria of Global Competitive Index.

Data Analysis Techniques: Analysis of data is based on graphical representation and statistical tools (Table 1 and 2).

Table 1: Analysis (Global Index)

Countries	Basic Requirements					Efficiency					R&D	
	P ¹	P ²	P ³	P ⁴	P ⁵	P ⁶	P ⁷	P ⁸	P ¹⁰	P ¹¹	P ¹²	P ¹³
India	4,36	4.03	4.55	5.54	4.12	4.39	4.10	4.41	2.99	6.43	4.39	4.05
Azerbaijan	4.23	4.30	5.24	5.65	4.16	4.49	4.77	3.55	4.52	3.89	4.02	3.63
Bhutan	4.67	3.44	3.78.	5.34	3.84	4.05	4.69	3.87	3.19	1.82	3.67	3.10
Bolivia	2.89	3.20	3.96	5.26	3.77	3.42	3.12	3.88	2.96	3.35	3.21	2.46
Comoros	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Congo, Dem. Rep	3.29	1.72	4.8	3.48	2.77	3.72	4.41	3.24	2.30	3.17	3.17	2.85
Guatemala	3.34	3.82	4.93	4.98	3.61	4.56	3.92	4.88	3.37	3.68	4.19	3.23
Kiribati	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Korea, Dem Rep.	4.02	5.96	6.58	6.28	5.32	4.93	4.14	3.86	5.54	5.51	4.87	4.75
Lesotho	4.18	2.62	5.33	3.50	3.03	4.18	3.96	2.61	2.67	1.90	3.50	2.95
Marshall Islands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mongolia	3.53	2.93	3.60	5.71	4.57	4.01	4.29	3.09	4.12	2.90	3.27	3.09
Namibia	4.47	4.10	4.59	4.56	3.33	4.23	4.61	4.22	3.56	2.76	3.73	3.29
Palau	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russian Federation	3.63	4.87	4.30	5.92	5.09	4.19	4.43	3.43	4.30	5.90	3.85	3.40

South Africa	4.46	4.18	4.53	4.30	4.22	4.77	3.94	5.19	4.70	4.89	4.52	3.85
Sudan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Timor-Leste	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Yemen, Rep.	2.60	1.79	2	4.59	2.26	3.56	3.10	2.07	2.21	3.24	3.18	2.16
Zambia	4.02	2.44	4.01	4.22	2.99	4.20	4.00	3.78	2.83	3.25	3.55	3.34

Source: World Economic Forum 2016-17 (P denotes pillar)

Table 2: Rank

Countries	Basic Requirements					Efficiency					R&D	
	P ¹	P ²	P ³	P ⁴	P ⁵	P ⁶	P ⁷	P ⁸	P ¹⁰	P ¹¹	P ¹²	P ¹³
India	4	6	7	5	6	5	8	3	9	1	3	2
Azerbaijan	5	3	3	4	5	4	1	9	3	5	5	4
Bhutan	1	8	12	6	7	10	2	6	8	14	8	9
Bolivia	13	9	11	7	8	14	13	5	10	7	12	13
Comoros	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Congo, Dem. Rep	12	14	5	14	13	12	5	11	13	10	14	12
Guatemala	11	7	4	8	9	3	12	2	7	6	4	8
Kiribati	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Korea, Dem Rep.	7.5	1	1	1	1	1	7	7	1	3	1	1
Lesotho	6	11	2	13	11	9	10	13	12	13	10	11
Marshall Islands	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Mongolia	10	10	13	3	3	11	6	12	5	11	11	10
Namibia	2	5	6	10	10	6	3	4	6	12	7	7
Palau	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Russian Federation	9	2	9	2	2	8	4	10	4	2	6	5
South Africa	3	4	8	11	4	2	11	1	2	4	2	3
Sudan	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Timor-Leste	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Yemen, Rep.	14	13	14	9	14	13	14	14	14	9	13	14
Zambia	7.5	12	10	12	12	7	9	8	11	8	9	6

Source: Estimated by Author

Analysis of Table 2:

1. If we talk about the basic requirement in a country (Institutions, Infrastructure , Macro Economics factor and Health), India is in Rank 4 in Institutions, while country like Bhutan is at 1st rank. Similarly we are ranked 6th, 7th and 5th in other basic factor compare to Korea is on 1st rank, other countries like Russia , South Africa are all above us.
2. Efficiency is second group which contains (Higher education, goods market, labor market, financial market, Technology, Market Size). Our country rank very low in case of higher education 6th, 5th in good market, 8th in labor market, 3th in financial market , 9th technology , 1st in market size. These figures shows that we are lacking in technology even and behind Magnolia, Namibia. But on the other hand due to huge population and demand we are at rank 1 in market size.
3. Production Process and Innovation – According to the sample, India’s global positioning is new technology and innovation is ranked 3rd and 2nd behind South Korea holding 1st rank.

Table 3: Year-wise rank according to GCI

Country	Year	Rank	Year	Rank	Year	Rank	Year	Rank	Year	Rank
India	2012-13	59	2013-14	60	2014-15	71	2015-16	55	2016-17	39
Azerbaijan	2012-13	46	2013-14	39	2014-15	38	2015-16	40	2016-17	37
Bhutan	2012-13	n/a	2013-14	109	2014-15	103	2015-16	105	2016-17	97
Bolivia	2012-13	104	2013-14	98	2014-15	105	2015-16	117	2016-17	121
Comoros	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Congo, Dem. Rep	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	129
Guatemala	2012-13	86	2013-14	83	2014-15	78	2015-16	78	2016-17	78
Kiribati	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Korea, Dem Rep.	2012-13	19	2013-14	25	2014-15	26	2015-16	26	2016-17	26
Lesotho	2012-13	137	2013-14	123	2014-15	107	2015-16	113	2016-17	120

	13		14		15		16		17	
Marshall Islands	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Mongolia	2012-13	93	2013-14	107	2014-15	98	2015-16	104	2016-17	102
Namibia	2012-13	92	2013-14	90	2014-15	88	2015-16	85	2016-17	84
Palau	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Russian Federation	2012-13	67	2013-14	64	2014-15	53	2015-16	45	2016-17	43
South Africa	2012-13	52	2013-14	53	2014-15	56	2015-16	49	2016-17	47
Sudan	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Timor-Leste	2012-13	n/a	2013-14	n/a	2014-15	n/a	2015-16	n/a	2016-17	n/a
Yemen, Rep.	2012-13	140	2013-14	145	2014-15	142	2015-16	n/a	2016-17	138
Zambia	2012-13	102	2013-14	93	2014-15	96	2015-16	96	2016-17	118

Source: Estimated by Author

Table 3 refers to the overall rank of 20 developing countries in last 5 years, from 2012- 2017 and found that overall rank of India among the 138 countries listed in World Economic forum is 39 after Azerbaijan and Korea and we are processing in compare to other nations.

CONCLUSIONS AND FINDINGS

Worldwide economic growth is getting momentum from participation of developing countries, big developed countries like USA, JAPAN, UK are having capital but they are lacking from sufficient manpower, raw material, demand of product and market. Overall competitiveness of any country is depends on 12 factors. In table 2, Countries are classified and ranked according to the 12 factors of competitive advantages, in which we found that India position is very critical in term of institute, infrastructure, macro economics factor, health, labor market etc. In term of market size and position we are holding 1st and 2nd rank. Hence it is proved demand of Indian market is worldwide, global companies are invested and launched their product in Asian market such as India. We are having maximum number of youth with approximate age 27 years, in highly motivated and potential customer.

In table 3, countries are tabulated according to the rank and last 5 years scores. India is at 39th rank after two countries Azerbaijan and Korea. Both countries are politically disturbed countries both still they are above India. We are improving in last 5 years in 2014-15 we were at 71st rank now move to 39th, it is a big achievement for the country. The global competitiveness of India has been increasing, after sound political approaches. Different schemes have been launched for development of health, infrastructure, financial institutions, higher education etc. Due to stable economy FDI and FII also increase within these years, these factors are clearly indicate the good competitive advantages of the country.

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