

Ministry of Competitiveness

Every state must have one because India's progress requires effective policies at the regional level, not just a continuation of national reforms



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Over the past two decades, there has been significant debate about competitiveness at a regional level. Although it is a well-accepted concept at global and national levels, there still exists a huge gap between the way competitiveness is defined and used as a performance enhancing tool. Competitiveness depends on the productivity with which a nation uses its human, capital and natural resources. So, prosperity forms a desired state of existence that stems directly from the productivity of the economy. It can be measured as the value per unit of input generated by the economy. It is how productively industries compete at the state level and not what all industries encompass. It also sets the sustainable standard of living by creating wealth and jobs from the competitive businesses present in the marketplace at the state level.

The competitiveness of India can be mapped by the macro-economic and micro-economic factors that exist in the economy. Macroeconomic competitiveness factors are based on macroeconomic policies, and social and political institutions wherein the central government plays the crucial role. On the other hand, multiple stakeholders such as government, business organisations and universities influence micro-economic competitiveness. In other words, the competitiveness of a nation is the total effect of how villages, cities and states combine together to form a driving force for a better, more competitive economy.

India as a nation has been able to maintain an impressive growth rate of more than 8.3% in the past five years. As a result, it is one of the fast-emerging economies of the world. However, a state of dilemma springs up when the disparity in this growth is looked at. Some supporting arguments say that 15 states are growing at a greater rate while other states are growing at a slower rate than India. To exemplify, Bihar has grown at a rate of 11.3% in the past seven years, which is far greater than India's growth rate of 8.4% for the period of 2005-12. Hence, each state should be differently looked upon as it lies on a different trajectory, otherwise the gap between the states will widen and the overall competitiveness of the nation will be hampered.

All Indian states face the same macroeconomic environment set at the Union level

through fiscal, monetary and trade policies. The differences that remain are related to the microeconomic competitiveness factors that differ across regions within a country: the quality of workforce skills, infrastructure, public bureaucracy, etc. Further progress on competitiveness requires more effective policies at the regional level, not just a continuation of national reforms. Sophistication of company operations and strategy, the state of cluster development and the quality of national business environment are a few factors that play a critical role in shaping the compet-

these factors are present at the national and regional levels, making it imperative for the policymakers to ensure improvements from the bottom-up.

The productivity of the state would be benefited by the investments, exports, and technological and innovation imports. Regions should compete to attract industries and create an optimal business environment for the benefit of competitiveness and productivity, to advance regional prosperity.

This is possible only when there is a ministry of competitiveness in each state, an



itiveness of a state. It is important to understand the reasons that create prosperity and wealth at the micro-economic level in order to develop regional economies with a unique profile of strengths and industries/clusters.

The concept of 'one size fits all' is not applicable in the case of states. India's future competitiveness cannot just rely on national policies, as state competitiveness is equally important for its progress. The states differ from one another in many aspects such as in factor conditions (land, labour, water and human capital) and demand conditions (population, income distribution). Therefore, each state should develop its own agenda for growth. It should not replicate the models adopted by other affluent states. For instance, every state in the country cannot become a manufacturing hub without necessary resources such as adequate land, skilled labour, capital, technology and marketplace, and in the absence of manufacturing clusters. The presence of clusters rather than isolated firms ensures smoothness in functioning. All

apex body that will work towards enhancing the overall competitiveness of the state. It should develop a vision for each state that will underline the present scenario and future development path of the state. The ministry of competitiveness should work as a principal planning body, after the chief minister's office in the hierarchy. The ministry's agenda would be to look after the socio-economic development of the states in coordination with other departments of the state as well as the central government. It would work progressively by following a systematic approach to make positive changes in the state through overarching principles, focus on transforming the challenges of state into opportunities. The more competitive its regions, the more effective the country will be in battling the current economic storm.

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