Abstract

The first Chapter of this thesis/dissertation examines the theory of competitive advantage and the sources of competitive advantage for a firm. These include government protection and support, industry characteristics and unique firm resources. The chapter also examines what exactly is competitive advantage in relation to a firm; Michael E. Porter’s (1980) competitive forces model; competitive strategies and the value chain; Porter’s Value Chain model; Bakos and Treacy’s Causal Model; the product positioning map and the information intensity matrix. It also examines what is competitive advantage in relation to a nation/state; Porter’s diamond (1990); the diamond as a system; clusters; shortcomings of Porter’s theory; the corporate survival model incorporating the modifications in Porter’s model made Hugh Macmillan and Tampoe (2000); implications of the models for business; role of governments in the diamond; implications of Porter’s diamond for governments; other research on competitiveness; challenges facing today’s elected representatives; and the paradox of competition.

The Second Chapter examines the details of economic development of states of India and the criteria and features which could possibly be used for making a comparison of their inter-se competitiveness. It starts by examining Economic growth/competitiveness and the role of State Governments in Federal polities; the questions that arise such as economic competitiveness, reasons for the importance of competitiveness to states and the exact role of states; the factors/features which can be used for making comparisons of competitiveness; why economic growth/competitiveness happens and its results; the role of state governments in economic growth and increasing competitiveness; criteria which have been used to determine the competitiveness of countries/nations-states; earlier studies on the competitiv-
eness of Indian states and computing relative standings in each component of competitiveness; the factors which are proposed to be used for determining the relative competitiveness/competitive advantage of Indian states.

The third Chapter reviews the literature on competitiveness/competitive advantage, on various areas of the Indian economy, discusses the research methodology, the research gap; the objectives of the study viz. a comparative review of developments wherein the states in the south and west are continuing to accelerate the pace of the already great competitive advantage they enjoy over states in the north and-east, the potential of the rate of growth in the NSDP and exports and the competitive advantage of the individual states in increasing the well being (in terms of PCI) of their residents, the factors which assist or restrain the growth in NSDP/PCI of individual states and develop a strategy for policy related and institutional interventions to promote greater growth overall and to minimize/re retard the further growth in inequalities between Indian states; the propositions; the methodology of research, the selection of sample of states; the checklist for comparison of competitive advantage and data analysis and interpretation.

Because of the great importance of investment in the development of the relative competitive advantage of a state the fourth Chapter does an analysis of investment in the states in India. The first part discusses three surveys viz. the latest study of the Business Today Group (1999)(BTG), the survey by the Rajiv Gandhi Institute of Contemporary Studies(RGICS) for the Confederation of Indian Industry(CII)(September 2000) on how the states are doing and the study by Goswami, Arun, Gantakolla, More and Mookherjee of the CII and Dollar, Mengistae, Hallward-Driemer and Iarossi of the World Bank (January 2002) on the best states to invest in and the criteria adopted for determining this viz. labour
productivity, investment climate, number of visits by government officials, blended median cost of power, percentage of firms having their own generator sets, physical infrastructure, the availability of funds with the states for investment, the quality of administration (reflected primarily by the state's management of its finances) and the statewise foreign direct investment are all discussed. The investment ranking of the states as per the RGICS study is also discussed. The fact that Delhi and the states in the south and west (in particular Maharashtra) are in the premier position is also clearly shown.

The fifth Chapter analyses the economic development in Indian states. While doing this it makes a comparison of the total NSDP and growth in NSDP, PCI and their growth in the period 1991-92 to 1997-98, growth being crucial to maintenance of competitive advantage to the relative position of the most important states with regard to growth.

It discusses the relative position of various states on various parameters such as general achievement, investment climate, infrastructure penetration, financial position, labour position, social sector, law and order, affluence, mass media penetration, personal finance, expenditure on education and public health as per the RGICS study. An analysis of the reasons for the high rates of growth in the four states with the highest rates of growth is also done. The position of the other states as per the study by Brahmananda, other relevant features in the economic development of the states, the ranking of states on various criteria of economic development, share of education, healthcare and housing in states aggregate budgetary allocation, percentage change in expenditure on welfare, state wise percentage of female literacy as per the 1991 census, as per the RGICS study and as per the 2001 census is discussed. The state wise net small savings collections and the percentage increase in net collections over the previous year, state wise medical facilities as on the 1st January of the
years 1991, 1992 and 1993, number of villages and towns electrified and irrigation pump sets energised as on 31/3/95, the distribution of the rural and urban population by consumption standards, state wise total and rural population below the poverty line, state wise percentage of poor people as a percentage of the total population in 1993-94 and in 1999-2000, pre and post 1991 reforms growth in NSDP and per capita income of six States (in percent per annum) and percentage share in the economy of states (in percent of NSDP) of the primary, secondary and tertiary sectors in 1980-81 and 1994-95 is discussed.

Exports being the most important reflection of the competitive advantage which a state enjoys vis-à-vis other competing states the sixth chapter makes an analysis of the export contribution of major states in India. It also points out that exports being a subject with the Government of India state wise export breakup figures were not available and therefore an approximation viz. the state wise proportion of all India fruit/ agricultural raw material production was assumed to be its proportion in agricultural raw material/ fruit exports (even though in many cases this was not true) and the state wise export value of fruits arrived at. Data on commodity wise exports from certain states, their export vision, their long and short term export strategy, analysis of their export performance, were available from the internet sites of these Governments and other sources and these were used for arriving at the overall position of exports from the major states. However, since the data was taken from diverse sources and since there were no figures from one single central authority it was decided that no assessment of the competitiveness of a state could be made from the data available.

The seventh Chapter does a comparative analysis of competitive advantage among major states in India. While doing this the observations of Porter that a nation's prosperity depends on more than the right macroeconomic conditions; that microeconomic circumstances play
an equally important role, and is needed to understand and explain much of the variation in overall national productivity, measured broadly by a nation's GDP per capita. This is applied to the circumstances of Indian states where factor conditions have been taken to refer to the basic infrastructure available at any given time vis-à-vis competing states. Here the factors giving the highest level of economic development, the highest competitive advantage, etc. have been explained and why the states in the south and west have more of it and taking into consideration the fifty eight measurable factors mentioned earlier, on which the states can be compared, the report of the NPC of 1994 giving state competitiveness indices, the existence of a North-east South-west divide within the country is postulated. thereafter, the state wise/region wise position on 51 of these criteria for which data were readily available is discussed and the actual existence of the north-east south-west divide with regard to development, competitiveness and competitive advantage within India, with the states in the south and west of the country enjoying a distinctively better/higher position with regard to development, competitiveness and competitive advantage seems to be highly probable is concluded.

The eighth Chapter examines the competitive position of the State of Maharashtra among the major states in India. Burange’s article in the Economic and Political Weekly (EPW) (February 27-March 5, 1999) and conclusions based on the statistics given at the end of his article and chapter 7 of this thesis are discussed. This includes, Maharashtra’s share in Indian industry (in percentage terms), sectoral composition of the state domestic product over the years, composition of industries according to value added (percent), index of growth in infrastructure 1980-81 to 1993-94 for four states and all India,

Thereafter, a SWOT (strengths, weaknesses, opportunities and threats) analysis of Maharashtra with regard to competitiveness, competitive advantage and the reasons for this
competitive advantage, additional factors such as chance, the position because of the competitive advantage of having the city of Mumbai as its capital and the reasons as to why the state is not the third most competitive as calculated in Chapter 7 but the most competitive i.e. has the maximum competitive advantage, despite the disadvantages/ lack of development in the interior except in the sugar belt, etc., vis-à-vis other competing states are discussed. The Ninth Chapter discusses the conclusions and recommendations. It discusses the new criteria/ factors to be added to the modifications suggested to Porter’s model by Macmillan and Tampoe viz. City and local Governments, Infrastructure and local conditions. The linkages in the revised model in a diagrammatic form are also shown.

The Tenth and last Chapter discusses the implications of the research study and directions for future research work. On the basis of levels of development Indian states have been divided into three categories.

(i) States which are at a lower levels of development, where the rate of economic growth/ competitiveness is determined primarily by the mobilisation of primary factors of production : land, primary commodities and unskilled labour and where there is little FDI.

(ii) States which are at a middle level of development, where the rate of economic growth/ competitiveness is income driven and where there is greater FDI. Examples are the states of Haryana and Punjab.

(iii) States which are at a comparatively high level of development, where the rate of economic growth/ competitiveness is determined by the improved manufacturing technologies and the inflows of foreign capital and technology that support high competitiveness and economic growth. Examples are the states in the South and West of the country close to the coast of India.
The current competitiveness index which identifies factors that underpin high current productivity (and hence current economic performance) and in the context of the Indian States is measured by the NSDP per person/growth in NSDP per capita and may be measured as a percentage of the all India average and economic creativity and why the criteria to judge the competitiveness of Indian states has to be different from those adopted by the WEF is also discussed. Further exactly what factors are to be considered and that it is possible to get a reasonably accurate picture of the competitive advantage of states in India despite the non-availability of totally accurate/complete data is also discussed.

As regards the areas for future research, with the availability of additional data/inputs determination of additional variables and their quantification may be possible whereby a quantitative cybernetic (possibly a black box type where with specific inputs the exact amount of competitive advantage/competitiveness can be determined with some specificity) model for determining the competitive advantage/competitiveness of specific areas/states within a country can be developed.

One of the additional areas for future research could be finding out the reasons for the North-east South-west divide in competitive advantage/competitiveness within the country and finding out how this divide within the country could be bridged. In addition the linkage of the perception of greater corruption in these areas (as made out by Sachs in a recent article in the Economic Times) i.e. greater opacity with the existence of the north-east south-west divide in the perception of corruption could be explored. So another area of future research would be compilation of an index on a state wise basis and finding out the effects/linkages of this with the competitive advantage/competitiveness between states and within the states in the country.