

Assessing India – Mirror on the Net

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The Legatum Institute in London is an independent member of the Legatum Group, a private investment group with a 25 year heritage of global investment. The Institute nevertheless is ‘an independent non-partisan public policy organisation whose research, publications, and programmes advance ideas and policies in support of free and prosperous societies around the world.’ It recently released the 2013 Legatum Prosperity Index, which ‘ranks nations according to extensive wealth and wellbeing factors’. The latest, the seventh in the series - covers 142 countries.

The econometric analysis identified 89 variables which are spread across eight sub-indices – Economy; Entrepreneurship and Opportunity; Governance; Education; Health; Safety and Security; Personal Freedom; and Social Capital.

This year’s list, which Norway topped for the fifth consecutive year, dropped the US from the top twenty. Latin America and the Caribbean rose above the world average in the Economy sub-index for the first time. Tiny Uruguay topped that region’s overall rankings at thirty. The Latin American giants – Argentina (forty-five), Brazil (forty-six) and Mexico (fifty-nine), did not fare too badly on one or more sub-indices. Their overall ranking, however went down on issues such as security, governance and education.

Of greater interest is Asia. Predictably Singapore, Japan and South Korea rank high - between eighteen and twenty-six. China, which ranked fifty-eight in 2009, is at fifty-one. It has risen astronomically to rank seventh and twenty-fifth in the Economy and Social Capital sub-indices respectively. It ranks lower than India only in two – Governance (65 versus 54), and Personal Freedom (111 versus 100). Pakistan (132) continues to slip and ranks above only Afghanistan (139) on this continent.

India comes in this year at 106. It ranks only over Cambodia, Pakistan and Afghanistan of the twenty-seven Asians. It has slipped from rank 78 in 2009, 88 in 2010, 91 in 2011, and 101 in 2012, when thirty-two new countries were added, thirteen of which ranked over India. Curiously, Bangladesh ranks at 103, overtaking India for the first time. Sri Lanka has improved its ranking to sixtieth, while Nepal is at 102.

The authors acknowledge the preponderance of India in the region, indeed globally. Its massive population, economic weight and impressive recent economic growth overshadow Bangladesh.

The study acknowledges that the latter spent ‘roughly four times less per person than on employment programmes’ but it finds that Bangladesh ‘yet had an employment to population ratio over ten percent higher’ than India in 2007.

Another comparison that favours Bangladesh is the success of its microfinance program, which has positively impacted consumption and gender equality. India’s private microfinance sector is estimated to have shrunk thirty-three percent in 2011, though the government is taking steps to regulate and reactivate it. On social indicators such as education; child mortality; sanitation; even life expectancy, Bangladesh appears to have scored over India.

India’s overall economic performance since 2009 also comes in for adverse mention, specifically non-performing loans of banks, at a reported 4.4% in mid-2013; the depreciating rupee; question marks over foreign direct investment; and stubbornly high inflation rates.

Though India enjoys its highest score in the Governance sub-index, the study reveals its ranking has slipped eighteen places since 2009. Prominent cases of corruption such as the 2G spectrum allocations and the Commonwealth Games are not the only problem. In one of its key findings the report cites ‘...the fact that fourteen percent of the current parliament is accused of criminal activity...’ Nevertheless, ‘India’s economic and political problems are far from unresolvable... However, the recent malaise seems to have lingered and observers are unconvinced that many of these difficulties will be resolved in the near future. These problems threaten to stall the country’s progress in the Prosperity Index.’

The Legatum Institute acknowledges that ‘democratic capitalism is on trial in many places around the world’ but pursues its objectives of promoting open economies and democracy.

The Indian establishment has looked askance at surveys that point fingers at what is wrong with India. The government has also questioned the motivations and credibility of international ratings agencies that periodically threaten to downgrade us.

While we may do so with good reason sometimes, it cannot be denied that studies such as the Prosperity Index are based on extensive research and public opinion surveys. They will certainly be referred to by investors, businessmen, tourists and others who want to take an interest in India’s economy and society. They also form the basis for other, more focused and specialized studies that will inform world opinion.

The Indian establishment is in the process of taking measures that, if properly implemented could raise our ranking, such as Food Security, Right to Information, Right to Education. We could also learn lessons from some comparisons implicit in this study. It does not help to look only into mirrors that hide our blemishes.