

Financial Market Development (FMD) as a Driver to Global Competitiveness : An Analysis of South Asian Countries

SATENDRA KUMAR YADAV*
UTKAL KHANDELWAL**
KANHAIYA SINGH***

Abstract

Financial market development (FMD) of a country has direct impact on its global competitiveness index and indicates the productivity of an economy that contributes to the growth and prosperity of an economy. Present study is an attempt to analyze the competitiveness of FMD on the basis of parameters indicated by the World Economic Forum (WEF) involve, Affordability of financial services (AFS), Financing from local equity market (FLEM), easiness of access to loans (EAL), Venture capital availability (VCA), Soundness of banks (SOB), Regulation of securities exchanges (RSE) and Legal rights index (LRI). Present study compares the competitiveness of financial market development among selected six countries of South Asian region. Findings of the study provide insights to government policymakers regarding the effects of financial factors on global competitiveness of financial market development.

I. Introduction

COMPETITIVENESS CAN BE defined as “the set of institutions, policies, and factors that determine the level of productivity of a country” (WEF). World Economic Forum (WEF) prepares the Global Competitiveness Report (GCR) on yearly basis. Since 2004, GCR assign ranks of countries on the basis of Global Competitiveness Index (GCI). GCI integrates the micro and macroeconomic aspects of competitiveness to form a single composite index. Competitiveness of a country signifies as how its available resources are being used. GCR comprises of 12 pillars where each pillar indicating an area to be considered to find out competitiveness of a country. The report envisages that with the development and growth of a country, wages lean to rise in order to maintain higher income level and therefore improvement

* Assistant Professor, GLA University, 17 KM. Stone, NH-2, Mathura Road, Post-Chaumuha, Mathura, Uttar Pradesh 281406, INDIA

** Associate Professor, GLA University, 17 KM. Stone, NH-2, Mathura Road, Post-Chaumuha, Mathura, Uttar Pradesh 281406, INDIA

*** Professor, GLA University, 17 KM. Stone, NH-2, Mathura Road, Post-Chaumuha, Mathura, Uttar Pradesh 281406, INDIA

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of the region. Policies could be formulated to improve financial system through structured training and institution building programs like in India where government has launched various financial schemes to support business like Mudra to promote financial market development.

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