

NITI AAYOG PLANS NEW INDEX TO RANK STATES ON COMPETITIVENESS

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Federal policy thinktank NITI Aayog will develop a state competitiveness index that will go beyond the ease of getting approvals and licences and rank states on their overall resourcefulness in attracting investments.

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Details of the new index are yet to be drawn, but the broad idea is to capture a comprehensive picture of the state's socioeconomic position and incremental progress annually. This would go beyond the indicators of ease of doing business.

NITI Aayog already has a few indices, including a sustainable development goals index, an innovation index and an export preparedness index that rank states. The rankings and annual changes enable states, including front-runners in certain indicators, to learn from others. The rankings also are a policy tool for central ministries and states in designing schemes, budgets and assessing the outcomes of existing schemes.

Industry representatives pointed out that scaling up the size of the economy to \$5 trillion would not be possible without the efforts and progress of states. In addition to ease of doing business, they said it would need adequate social infrastructure for their people. According to Pradeep Multani, president of industry chamber PHDCCI, states must focus on five growth pillars -- ease of doing business, reduced business costs, quality education, adequate health infrastructure and skill development and employment creation.

"States need to focus on improving the quality of education and health infrastructure, facilitating agriculture infrastructure, enhancing rural development and entrepreneurship, single-window systems and ease of doing business for the competitiveness of enterprises," said Multani. This, he said, will support industrialization for creating massive job opportunities.

Experts said that states have for far too long used land and tax benefits to attract investments, but with the introduction of GST, very few states can offer substantial state GST benefits to attract investments. "Investment attractiveness will largely be driven through the perception of governance, utility cost, logistics cost, and quality of social infrastructure. Current ease of doing business indices really don't capture these," said Nilaya Varma, co-founder and chief executive officer, Primus Partners, a consulting firm.

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