

Assessing Global Competitiveness: A Comparative Analysis of Financial Institutions Development through the Global Competitiveness Index

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Abstract: This study aims to investigate the relationship between a country's financial development and its global competitiveness, specifically focusing on financial institution efficiency. The research utilizes the Global Competitiveness Index (GCI) and the Financial Market Development Index Dataset as primary sources, covering the period from 2007 to 2019. Additionally, the study seeks to analyse and compare the rankings of European Union (EU) member countries and the United Kingdom in terms of the financial markets pillar of the GCI, while also examining the disparities between the “old” GCI and GCI 4.0.

This study focuses specifically on the eighth pillar of the GCI, namely “Financial market development”. It emphasizes the significance of an efficient financial sector in allocating resources, facilitating business investment, and fostering productivity. A sophisticated financial market, encompassing elements such as sound banking, regulated stock exchanges, and venture capital, plays a pivotal role in driving private sector investments. Transparency, credibility, and adequate regulation within the banking sector and financial markets are essential for protecting investors and ensuring the overall stability of the economy.

By focusing on the financial institutions pillar within the EU and using the Global Competitiveness Index as a benchmark, this study can contribute valuable insights to policymakers and stakeholders, aiding them in making informed decisions to strengthen the EU's financial sector and overall economic competitiveness.

Keywords: *Global Competitiveness Index, Financial market development, EU competitiveness*

JEL Codes: *F63, O10, O16, D53*

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Introduction

The main purpose of this study is to examine how a country's financial development contributes to its global competitiveness regarding financial institution efficiency. For this, we are using the Global Competitiveness Index (GCI) and the Financial Market Development Index Dataset as a basis for the period of 2007–2019.

The additional purpose is to analyse and compare the ranking of European Union (EU) member countries along with the United Kingdom regarding the financial markets pillar of the Global Competitiveness Index (GCI). With the help of the research, we can see if there are any significant differences between the two types of GCI: the “old” GCI and the GCI 4.0. The results will also give an overview on the ranking of EU countries regarding the competitiveness of their financial markets. Primary expectations show that Northern and EU core countries will finish at the top of the ranking, while crisis-hit countries will be at the end. Also, it can be expected that the two types of indices will show slightly different results because of the updated components of the pillar but the essential message of the ranking will remain the same.

Global Competitiveness Index

The Global Competitiveness Index (GCI) tracks the performance of approximately 140 countries across 12 pillars. Through empirical and theoretical research, the factors and institutions identified as determinants of productivity improvement are evaluated, which are the main determinants of long-term growth.

The Global Competitiveness Report aims to help decision makers understand the complex and multifaceted nature of development challenges, design better policies based on the cooperation of public and private sectors and take action to regain confidence in the potential for continued economic development (World Economic Forum [WEF], 2018).

The theories of endogenous growth played a critical role in the development of the global competitiveness index. These theories argue that sustained economic growth is driven by internal processes, including fast innovation, investment, and human capital development.

Some studies have examined the relationship between financial market development and economic competitiveness. Alomari et al. (2019) found a

positive significant effect of financial market development on economic competitiveness growth among high-income countries. Levine (2004) similarly suggested that countries with efficient financial markets grow faster and become more competitive. Da Silva (2002) observed that well-developed financial systems contribute to smoother economic fluctuations, enhancing the competitiveness of countries. Wurgler (2000) argued that developed financial markets ensure better economic capital allocation, which strengthens efficiency and competitiveness. Hartmann et al. (2007) proposed ways to enhance the financial market framework conditions in Europe to increase its contribution to innovation, productivity, growth, and competitiveness.

GCI between 2007–2017

Until 2017 the GCI comprised of three main subindices and twelve pillars (Figure 1). The factor-driven economies are mainly based on the basic requirements subindex. Efficiency enhancers subindex meant the fundamentals for efficiency-driven economies, while innovation and sophistication factors subindex enhanced innovation-driven economies.

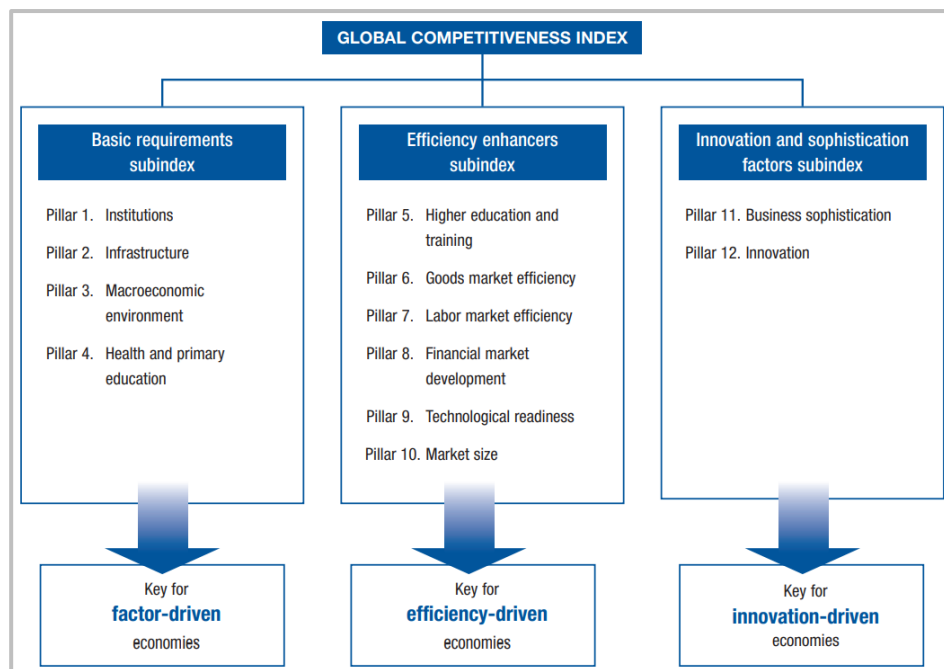


Figure 1: GCI pillars until 2017

Source: WEF, 2017

This study focuses on the eighth pillar of the GCI, which is the '*Financial market development*'. The efficient financial sector allocates resources saved by nationals and those who flow into the economy from abroad to the companies or investment projects with the highest expected returns, rather than politically linked. Business investment is important for productivity; therefore, the economy needs a sophisticated financial market that can capitalize on private sector investments from sources such as credit from the sound banking sector, well-regulated stock exchanges, venture capital, and other financial instruments. To fulfil all these functions, the banking sector needs to be credible and transparent, and as recently revealed, financial markets need regulation to protect investors and other parties to the economy. (WEF, 2017; Sala-i-Martin, 2010)

The financial market development pillar has eight components:

1. *Availability of financial services*: to what extent does the financial sector provide the products and services that meet the needs of businesses.
2. *Affordability of financial services*: to what extent does the cost of financial services impede business activity.
3. *Financing through local equity market*: to what extent can companies raise money by issuing shares and/or bonds on the capital market.
4. *Ease of access to loans*: how easy is it for businesses to obtain a bank loan.
5. *Venture capital availability*: how easy is it for start-up entrepreneurs with innovative but risky projects to obtain equity funding.
6. *Soundness of banks*: how can the soundness of banks be assessed.
7. *Regulation of securities exchanges*: to what extent do regulators ensure the stability of the financial market.
8. *Legal rights index*: degree of legal protection of borrowers' and lenders' rights (WEF, 2017).

GCI from 2018

With the Fourth Industrial Revolution (4IR), humanity has entered a new phase. 4IR has become a lived reality for millions of people around the world and created new opportunities for business, government, and individuals. These developments – the effects of the 4IR and the 2008 crisis – are redefining the path to prosperity and even the concept of prosperity, with profound implications for policymaking.

In this context, the World Economic Forum introduced in 2018 the new Global Competitiveness Index 4.0, a much-needed economic direction that has gained 40 years of experience in comparing the drivers of long-term competitive construction competitiveness. Following the formulation of the concept of the Fourth Industrial Revolution, the World Economic Forum emerged for global thinking and policymaking to integrate the concept of 4IR into the definition of competitiveness.

The index integrates proven aspects with new and emerging arms that increase productivity and growth. It emphasizes the role of human capital, innovation, flexibility, and agility, not only as drivers of the economic success of the 4IR, but also as determinants. It requires better use of technology for the economic leap, but also make sure that this is only possible as part of a holistic approach with other factors of competitiveness. Finally, it offers objective, data-driven analysis for impassive, forward-looking, and rational policymaking.

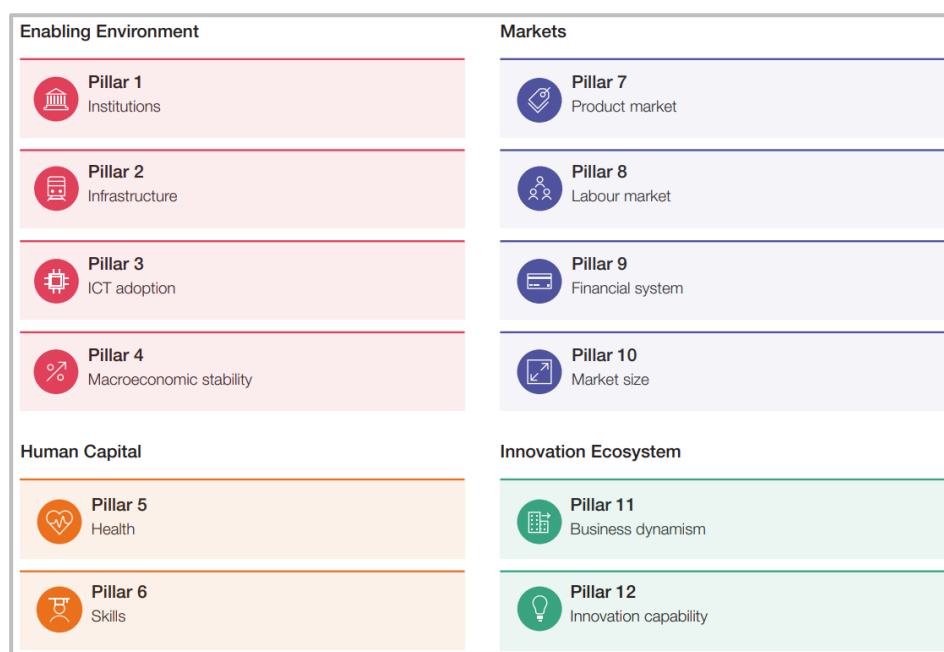


Figure 2: GCI from 2018

Source: WEF, 2018

Pillar 9 Financial system captures the depth, availability of credit, equity, debt, insurance and other financial products, and the stability, the

mitigation of excessive risk-taking and opportunistic behaviour of the financial system.

The developed financial sector increases productivity in three main ways: improve capital allocation to the most promising investments by monitoring borrowers and reducing information asymmetry, providing an efficient payment system. At the same time, proper regulation of financial institutions is needed to avoid financial crises that can have long-term adverse effects on investment and productivity (WEF, 2018).

In the GCI 4.0 the financial pillar has nine components:

1. *Domestic credit to private sector*: the total value of financial resources provided to the private sector, expressed as a percentage of GDP.
2. *Financing of SMEs*: to what extent can small-and medium-sized enterprises (SMEs) access finance they need for their business operations through the financial sector.
3. *Venture capital availability*: how easy is it for start-up entrepreneurs with innovative but risky projects to obtain equity funding.
4. *Market capitalisation*: total value of listed domestic companies, expressed as a percentage of GDP.
5. *Insurance premiums*: life and non-life insurance premium volumes, expressed as a percentage of GDP.
6. *Soundness of banks*: how can the soundness of banks be assessed.
7. *Non-performing loans*: the ratio of the value of nonperforming loans divided by the total value of the loan portfolio of all banks operating in a country.
8. *Credit gap*: measures the difference between the credit-to-GDP ratio and its long-term trend.
9. *Banks' regulatory capital ratio*: measures the capital adequacy of deposit takers.

It can be seen that only components 3 and 6 are common between GCI 2017 and GCI 4.0, so it has been reworked thoroughly due to the consequences of 4IR and the 2008 crisis.

International Institute for Management Development World Competitiveness Yearbook and GCI

The International Institute for Management Development (IMD) World Competitiveness Yearbook (WCY) is an annual report that has been published since 1989. It serves as a comprehensive reference point on the competitiveness of countries worldwide. The report offers benchmarking and trend analysis, backed by extensive research, statistics, and survey data. It assesses and ranks countries based on their ability to manage competencies effectively and achieve long-term value creation.

The concept of competitiveness goes beyond GDP and productivity, recognizing that political, social, and cultural dimensions also impact a country's economic performance. To foster competitiveness, governments must provide an environment with efficient infrastructures, institutions, and policies that encourage sustainable value creation by enterprises.

The IMD World Competitiveness Rankings reveal a recurring long-term trend – top-ranking countries adopt unique approaches to enhance their competitiveness.

The Yearbook covers 63 economies, chosen based on the availability of comparable international statistics and collaboration with local Partner Institutes. These Partner Institutes contribute to survey data collection, ensuring reliable, accurate, and up-to-date information. This year, the report collaborates with a global network of Partner Institutes in 56 countries.

The World Competitiveness Ranking is built on 335 competitiveness criteria, selected through extensive research using economic literature, international, national, and regional sources, and input from the business community, government agencies, and academics. These criteria are continuously updated to incorporate new theories, research, and data and adapt to changes in the global economy (IMD, 2023).

Denmark has secured the top spot in the IMD World Competitiveness Ranking (WCR) for the first time in the history of the ranking, driven by its aggressive sustainability efforts and being a small country in the European market. Over the past five years, Denmark has steadily improved its ranking, moving from 6th to 1st. The 2022 WCR analysed 163 pieces of hard data from various sources covering the 2021 period, along with survey responses from senior executives collected by the IMD World Competitiveness Center's global partner institutes.

Denmark's economic performance witnessed a sharp rise, excelling in international investment and government efficiency, particularly in its institutional framework, business legislation, and societal framework. It also performed exceptionally well in business efficiency, productivity, and management practices. One significant finding across economies was that inflationary pressures had a more substantial impact on businesses and national economies' competitiveness than concerns about greenhouse emissions and socio-economic disparities.

In other rankings, Switzerland ranked 2nd, Singapore 3rd, and Sweden fell to 4th place. Croatia was the most improved country, leaping 18 places in economic performance due to a strong rebound from the COVID-19 pandemic and recovery in the tourism sector. Russia, Ukraine, and Bahrain were not assessed in this edition due to limited data reliability, while Bahrain made its debut appearance, ranking 30th (IMD, 2023).

If we are checking only "Business Efficiency", which is the most similar to GCI's analysed pillar, we can see that in the 2022 analysis the first five places were held by Denmark, Sweden, Netherlands, Switzerland and Finland respectively. Interesting to see that Denmark held the first place in the last three years, in 2018 it was Hongkong, and in 2019 it was the United Arab Emirates (UAE) who was considered the most effective from business efficiency point of view (IMD, 2023).

The aftermath of GCI

The Global Competitiveness Report (GCR) was an annual publication between 2004 and 2020 by the World Economic Forum (WEF) that assessed the competitiveness landscape of countries around the world. The report provided a comprehensive analysis of the factors driving a country's productivity and prosperity. It evaluated the competitiveness of nations based on a set of indicators and metrics across various dimensions, such as infrastructure, macroeconomic stability, health, education, innovation, market size, labour market efficiency, business sophistication, and more.

The GCR aimed to be a valuable tool for policymakers, business leaders, and other stakeholders to understand the strengths and weaknesses of economies and identify areas for improvement to enhance their overall competitiveness.

However, it's important to note that the Global Competitiveness Report was discontinued after 2019. The World Economic Forum has shifted its focus to other initiatives and reports, such as the Global Competitiveness Index (GCI), Global Risk Report, and Global Gender Gap Report (WEF, 2023).

Olczyk et al. (2022) aimed to determine if the changes in the GCI structure improved its ability to accurately measure the competitiveness of economies. By comparing GCI 2017 and GCI 4.0, and assessing the significance of different pillars, they identified soft variables in the GCI with limited impact on explaining variations. Findings supported the use of a smaller set of indicators, mainly focusing on hard data, and applying new weights in GCI reconstruction. These adjustments led to a highly correlated ranking with the original GCI. Notably, competitiveness measurement in highly developed countries showed minimal changes, while countries in the efficiency-driven stage or transitioning to the innovation-driven stage experienced substantial shifts in rankings.

Regarding economic policy implications, the study revealed that labour and product pillars of the GCI had only marginal impact on competitiveness. Contrary to the WEF methodology, which emphasizes flexicurity, we could not endorse a high labour market competitiveness policy based on this concept. Instead, we strongly advocated addressing shortages of highly skilled workers prevalent in various countries, particularly in sectors like engineering, natural sciences, IT, and healthcare. Implementing programs that support high skills, lifelong learning, and labour market deregulation was deemed crucial for sustainable growth and productivity.

Their recommendations regarding using a smaller set of indices and new weights in GCI reconstruction have practical implications. They found potential benefits in using GCI subindices, such as The Regional Competitiveness Index (RCI), to assess global competitiveness at the regional level. With access to reliable databases from organizations like the World Bank, OECD, and International Labor Organization, employing hard data in this approach could enhance the assessment of regional competitiveness. Adopting a more consistent approach in measuring GCI and RCI would facilitate calculating regions' contributions to a country's overall global competitiveness, providing an effective tool for policy implementation, such as the European Union cohesion policy (Olczyk et al., 2022).

Analysis of EU countries' competitiveness

Method and dataset

In the current study we are examining the EU member countries based on the two GCI methods. The methodology is based on Pelle and Végh (2015), and the formula used by WEF itself:

$$\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}}$$

With the help of the above formula, we are analysing the sub-indicators for both GCIs for all EU members. The average of the indicator by countries gives the raking by the pillars.

During the research two types of datasets have been used. For the first GCI method, a 2007–2017 dataset from WEF is being used, while for the GCI 4.0 we have used the dataset between 2018–2019. We have built a simplified, specialised document for calculation purposes².

Results

We have analysed the EU countries (along with the United Kingdom) between 2007 and 2019 based on the GCI and GCI 4.0 for the financial markets pillar.

Based on the old GCI, Finland is the strongest at pillar 8 but Latvia, Luxembourg and Sweden are also among the finalists (*Table 1*).

Table 1 Ranking of countries by components – old GCI

Components	Country
8.01 Financial services meeting business needs, 1-7 (best)	Finland
8.02 Affordability of financial services, 1-7 (best)	Finland
8.03 Financing through local equity market, 1-7 (best)	Sweden
8.04 Ease of access to loans, 1-7 (best)	Luxembourg
8.05 Venture capital availability, 1-7 (best)	Finland
8.06 Soundness of banks, 1-7 (best)	Finland
8.07 Regulation of securities exchanges, 1-7 (best)	Finland
8.08 Legal rights index, 0–10 (best)*	Latvia

Source: Own analysis (based on WEF [2017] data)

² The calculation can be requested from the author in email.

If we are checking the GCI 4.0 ranking, similarly to *Table 1*, Finland is the leading country (*Table 2*).

Table 2 Ranking of countries by components – GCI 4.0

Components	Country
9.01 Domestic credit to private sector (% of GDP)	Cyprus
9.02 Financing of SMEs (1-7)	Finland
9.03 Venture capital availability (1-7)	Finland
9.04 Market capitalization (% of GDP)	Sweden
9.05 Insurance premium (% of GDP)	UK
9.05a Non-life insurance premiums (volume to GDP)	Denmark
9.05b Life insurance premiums (volume to GDP)	UK
9.06 Soundness of banks (1-7)	Finland
9.07 Non-performing loans (% of loan portfolio)	Greece
9.08 Credit gap (%)	Latvia
9.09 Banks' regulatory capital ratio (% of risk-weighted assets)	Estonia

Source: Own analysis (based on WEF [2018, 2019] data)

Table 3 shows the full consolidated list, where all countries from the dataset are listed regardless of the nature of GCI. Based on the results it can be said that the European core countries and the Northern countries are leading the ranking – not surprisingly. The last 10 countries include Italy, Greece, Spain, these were hit by the European sovereign debt crisis, but this list also include Hungary, Romania, Croatia, and Slovenia; these fall under the category of CEE-countries.

Table 3 Ranking of countries by components – GCI 4.0

Name	Total rank
Finland	1
Sweden	2
Luxembourg	3
United Kingdom	4
Denmark	5
Netherlands	6
France	7
Germany	8
Belgium	9
Estonia	10

Source: Own analysis (based on WEF [2018, 2019] data)

Impact of Financial Market Development Index on competitiveness

In the research we apply panel regression analysis on the selected database based on Wooldridge (2010). The panel database contains three parameters: groups, time series and values of variables. In this method dependant variable (y) is determined by explanatory or independent (x) variables where cross-sectional samples contain the same individuals in each period (t). These individuals are called groups and can represent countries or companies. Time series dimensions can be years, quarters, months, or any time unit with a determined frequency.

The panel regression equation can be described as follows based on N countries and T time units:

$$y_{it} = \beta_0 + \beta_1 x_{it1} + \dots + \beta_p x_{itp} + a_i + u_{i,t}, \text{ where } i = 1, 2, \dots, N, \text{ and } t = 1, 2, \dots, T$$

In the model, three different mechanisms of action can be assumed: the time-varying and group-by-group constant effects (β), the time-constant and group-by-group effects (a), and the time-varying and observation-by-observation error term (u).

We can distinguish two models that can be used in panel regressions: the fixed-effects (FE) model and the random-effects (RE) model. In the fixed effect model, we assume that the groups have constant, unobserved effects at a time that are related to the explanatory variables. In this case, we eliminate these effects by subtracting the period averages, so we get a model cleaned of country-specific effects. During the random effect model, we assume that the groups have constant, unobserved effects over time, which are independent of each explanatory variable, and we also assume the independence of the country-specific effect from all explanatory variables and from all time periods (Wooldridge, 2016).

In our research we are examining whether the several aspects of Financial Development Index (FD) have a significant impact on the financial market efficiency in EU countries' Global Competitiveness Index. Our expectation is that the level of Financial Development indices determines and positively contributes to the level of CDI of countries.

The dependant variable (y) will be the average of the indicators by countries and years. The explanatory variables ($x_1 - x_9$) will be the elements of the Financial Development Index determined by International

Monetary Fund (IMF). The model will include 28 countries (N=28) and data between 2007–2019 (T=13).

Table 4 Description of explanatory variables

Explanatory variable	Index	Description
x_1	Financial Development index (FD)	<ul style="list-style-type: none"> • relative ranking of countries on the depth, access and efficiency of their financial institutions and financial markets • aggregate of FI and FM
x_2	Financial Institutions index (FI)	<ul style="list-style-type: none"> • aggregate of FID, FIA, FIE
x_3	Financial Markets index (FM)	<ul style="list-style-type: none"> • aggregate of FMD, FMA, FME
x_4	Financial Institutions Depth index (FID)	<ul style="list-style-type: none"> • compiles data on bank credit to the private sector in percent of GDP, pension fund assets to GDP, mutual fund assets to GDP and insurance premiums, life, and non-life to GDP
x_5	Financial Institutions Access index (FIA)	<ul style="list-style-type: none"> • compiles data on bank branches per 100,000 adults and ATMs per 100,000 adults
x_6	Financial Institutions Efficiency index (FIE)	<ul style="list-style-type: none"> • compiles data on banking sector net interest margin, lending-deposits spread, non-interest income to total income, overhead costs to total assets, return on assets and return on equity
x_7	Financial Markets Depth index (FMD)	<ul style="list-style-type: none"> • compiles data on stock market capitalisation to GDP, stocks traded to GDP, international debt securities of government to GDP and total debt securities of financial and non-financial corporations to GDP
x_8	Financial Markets Access index (FMA)	<ul style="list-style-type: none"> • compiles data on percent of market capitalisation outside of top 10 largest companies and total number of issuers of debt (domestic and external, non-financial and financial corporations) per 100,000 adults
x_9	Financial Markets Efficiency index (FME)	<ul style="list-style-type: none"> • compiles data on stock market turnover ratio (stocks traded to capitalisation)

Source: IMF, 2023

We used Gretl to run panel regression to the dataset. First, we need to determine whether we need to use the FE or RE model. When running FE model on the dataset, the result of the Hausman test ($p=0,000$) advises us to reject the model. For the RE model, we arrive to $p=0,999$ so the random

effects model is to be used. For testing the autocorrelation, Durbin-Watson test should be performed. The received p value on 5% significance points for the Durbin-Watson test is 1,818, which is acceptable based on Savin-White (1977) for $N=28$ and $k=9$ (x variables) $d_L=0,723$ and $d_U=2,309$.

	<i>Coefficient</i>	<i>Std. Error</i>	<i>z</i>	<i>p-value</i>	
const	0,00105032	0,0530738	0,01979	0,9842	
FID	0,148811	0,0456627	3,259	0,0011	***
FIA	-0,0434460	0,0264197	-1,644	0,1001	
FIE	0,166963	0,0688669	2,424	0,0153	**
FMD	-0,0503825	0,0404179	-1,247	0,2126	
FMA	-0,0241792	0,0208758	-1,158	0,2468	
FME	0,0160341	0,0190801	0,8404	0,4007	
CIaverage_1	0,937092	0,0553971	16,92	<0,0001	***
CIaverage_2	-0,201493	0,0565039	-3,566	0,0004	***
Mean dependent var	0,496675	S.D. dependent var		0,194938	
Sum squared resid	2,122851	S.E. of regression		0,084120	
Log-likelihood	329,4773	Akaike criterion		-640,9545	
Schwarz criterion	-607,3837	Hannan-Quinn		-627,5314	
rho	-0,004538	Durbin-Watson		1,817988	

Figure 3 Panel regression output

Source: Own analysis with Gretl

Based on the panel output, significant correlation can be examined especially with Financial Institutions index and its components (FID, FIA, FIE) and a less significant with Financial Development.

Conclusion and remarks

The Financial Development Index (FDI) is believed to positively contribute to the level of competitiveness of a country by enhancing the efficiency and effectiveness of financial markets. This can lead to improved access to capital, increased investment opportunities, and ultimately, higher economic growth. In other words, a well-developed financial system can help businesses to access financing more easily and at a lower cost, making them more competitive in the global market. Additionally, financial development can also facilitate better risk management, which

can help to reduce the volatility of a country's economy and enhance its overall stability.

Financial Institutions Index (FII) is a component of the Financial Development Index that measures the soundness of banks, quality of regulation, and supervision of the banking sector. When financial institutions are sound, well-regulated, and supervised, they can better serve the needs of the economy by efficiently allocating financial resources, providing financing opportunities for investments, and promoting economic growth. As a result, FII may have a significant impact on the financial market efficiency and hence, positively influence the Global Competitiveness Index (GCI).

On the other hand, Financial Development Index (FDI) captures the overall depth, access, and efficiency of financial systems, including banking, securities, and insurance sectors, and their supporting infrastructure. While FDI may also contribute to the overall efficiency of financial markets, it may be less correlated with GCI as other factors, such as innovation, labour market efficiency, infrastructure, and institutions, may play a more significant role in determining a country's competitiveness. Moreover, the impact of FDI on GCI may vary across countries depending on their specific economic conditions and the degree of financial market development.

The Global Competitiveness Index can provide several insights on national competitiveness not just being exclusive on financial development.

Benchmarking and Awareness: The GCI provides countries with a benchmark to compare their performance against other nations in terms of competitiveness. It helps policymakers and stakeholders become aware of their country's strengths and weaknesses in critical areas that impact competitiveness.

Policy Formulation: The GCI's indicators and rankings offer valuable insights into the factors driving a country's competitiveness. Governments and policymakers can use this information to formulate and implement policies aimed at improving specific aspects of the economy, infrastructure, institutions, education, innovation, and more.

Foreign Investment and Trade: A higher ranking in the GCI signals a more competitive and attractive environment for foreign investors. Countries with better rankings are likely to attract more foreign direct investment (FDI) and facilitate international trade, leading to increased economic growth and development.

Enhanced Business Environment: Improving national competitiveness as measured by the GCI often involves streamlining bureaucratic procedures, reducing corruption, and enhancing the overall business environment. This can lead to increased investor confidence and higher levels of entrepreneurship and innovation.

Human Capital Development: The GCI considers factors such as education and skills development. As countries strive to improve their GCI rankings, they are likely to invest more in education, vocational training, and lifelong learning, leading to a better-educated and skilled workforce.

Innovation and Research & Development: High GCI rankings can encourage countries to focus on fostering innovation and research & development (R&D). Policies aimed at promoting innovation, supporting startups, and creating conducive environments for R&D can enhance national competitiveness.

Economic Growth and Productivity: Improved competitiveness often translates into higher economic growth and productivity. A more competitive nation is better equipped to attract investments, stimulate economic activities, and generate job opportunities, leading to overall economic prosperity.

Regional and Global Collaboration: Countries with similar levels of competitiveness may form collaborations and partnerships to address common challenges and share best practices. This can create regional synergies and contribute to overall economic development.

Sustainable Development: As countries work to enhance their competitiveness, they may also focus on sustainable development practices. Environmental considerations, social inclusivity, and good governance can be integrated into competitiveness policies.

It's essential to note that the GCI is just one tool in a comprehensive assessment of national competitiveness. While it provides valuable insights, it should be complemented by other indicators, national data, and context-specific analysis to gain a holistic understanding of a country's competitive landscape and formulate effective policies for sustainable development.

The study intended to explore the relationship between the competitiveness of financial institutions and the overall competitiveness of EU countries. Understanding how a robust financial sector contributes to overall economic competitiveness is crucial. By utilizing the Global Competitiveness Index, the study was to compare the performance of financial

institutions across EU countries. This comparison can help identify best practices and areas for improvement within the EU's financial landscape.

In conclusion we also can say that the most efficient countries regarding financial and business development – regardless of the model we are examining – are the Northern countries in the EU. The Financial Development Index also contributes to the ranking of Global Competitiveness Index from financial development point of view.

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