AN EVALUATION OF THE POTENTIAL MARKET ATTRACTIVENESS TO FDI IN INDIA

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Abstract

We evaluated the attractiveness of India as a destination of investment by firms by identifying the important determinants from literature review in the area. These determinants were put to pairwise comparisons in order to get judgements of respondents or experts to derive priority scales. Thus, the model for decision making by foreign investors to invest in India is shown by using multicriterial analysis, and Analytical Hierarchy Process. India may be the right place for doing business as emerged from evaluation which revealed that GDP and GDP growth rate are one of the important determinants for attracting firms in the country.

Introduction

The economic reforms of 1991 had a great impact on India which was suffering from low growth rate, low savings, high interest rate, lack of sufficient forex reserves, unemployment, high inflation etc. But thanks to the reforms of 1991, today the scenario is totally different. Reforms had a stimulant effect on FDI's inflow to the country. Liberalization, industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment- all helped the Indian economy to attract multinational companies to invest in India vigorously. Moreover, the growth rate which has averaged more than 7% per year since 1997 is an important factor for boosting FDI in the country (The World Fact Book, 2013).

By 2025 the size of the Indian economy is projected to be about 60 per cent that of the US economy. India, which is now the fourth largest economy in terms of purchasing power parity, will overtake Japan and become third major economic power within 10 years. The period between 2005 and 2012 was full of many ups and downs in the whole world economy.

The world economy was doing very well and suddenly there is the financial crisis throughout the world post – Lehman Brothers' collapse. Now the world economy is going through the recovery process. Despite all these, Indian economy is not adversely affected to that an extent. One of the main reasons for this was the strong financial system of India led by sound banking system. While many leading economies of the world were badly affected by the

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global financial crisis, Indian economy stood strong and least affected by it. This makes many experts consider Indian markets, across all industries, as one of the most viable long-term investment options. According to UNCTAD's World Investment Report 2012, India is considered to be the third most favored destination for investment after China and the US for major global companies. It is also anticipated in the report that foreign investments in India could go up by over 20 per cent in 2012-13. Every country tries its level best to attract FDI. India is no exception. A high level of FDI inflows signifies that economy is doing well and future prospects are very good. FDI brings with it many benefits like (i) increasing financial resources for sustainable growth; (ii) boosting export competiveness; (iii) generating employment opportunities and strengthening the skill base; (iv) protecting the environment as a commitment towards social responsibility; and (v) enhancing technological capabilities through transfer, diffusion and generation. There is an intense global competition for FDI. India, for its part, has set up the "India Brand Equity Foundation" to try and attract that elusive FDI dollar.

In a much-awaited decision, the Government of India has finally given its approval to 51 per cent FDI in multi-brand retail. The decision will mark entry of retail giants like Walmart, Tesco and IKEA into Indian market and make footprints in the US$ 450 billion-retail-industry. In addition to that, the Government of India has relaxed sourcing norms for single-brand retailers and has also permitted them to purchase at least 30 per cent of the goods from Indian industry, rather than particularly from Indian small and medium enterprises (SMEs) as per earlier regulations. In case of civil aviation, the Government has permitted foreign carriers to buy up to 49 per cent stake in their Indian counterparts. Further, in order to sustain the momentum of the above stated reforms, the Government is likely to take more decisions to attract overseas investors in time to come. The measures which are being considered include raising the ceiling for foreign borrowings, easing curbs on portfolio investors, and liberalizing norms for overseas borrowings. As a result of all these, it is expected that foreign investors would aggressively invest in the flourishing Indian market.

In the context of this, it becomes very relevant to examine the factors which play a significant role in attracting FDI into a country. There has been a lot of debates as to whether FDI should be allowed or not, but one of the most relevant point is to look at the things from foreign investor's point of view. In other words, it is important to identify what attracts investors to invest in a country. The present paper makes an attempt to identify the important factors that are attractive to investors for making investment decisions in India.

Literarure Review

When we examine various literatures available on FDI, we find that foreign investment is still

a matter of debate. It is widely debated whether FDI is a boon or a bane for the economic development of the host country. Experts argue not only in its favour but also against it. FDI brings with it not only advantages but also disadvantages. Many studies have suggested that developed nations may try to enter into the market of host country through FDI. In their thrust to earn quick profit, they may end up exploiting the natural resources at the faster rate which may have negative effects in the long run. Some studies also suggest that FDI acts as a big threat to survival and growth of small domestic companies. The overall social and economic development of the host nation may not always be their primary concern. Some of the significant studies on FDI suggested the following findings.

Some of the studies on the relationship between FDI and economic growth suggest that there is a direct and strong relationship between FDI and economic growth of the host country. Ray (2012) made an attempt to analyze the causal relationship between Foreign Direct Investment (FDI) and economic growth in India and tried to analyze and empirically estimate the effect of FDI on economic growth in India, using the cointegration approach for the period, 1990-91 to 2010-11. The empirical analysis suggested that there is positive relationship between foreign direct investment (FDI) investment and GDP and vice versa. A similar study by Borensztein (1998) showed the effect of foreign direct investment (FDI) on economic growth in a cross-country regression framework, utilizing data on FDI flows from industrial countries to 69 developing countries over the last two decades and found that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. Moreover, FDI contributes to economic growth only when a sufficient absorptive capability of the advanced technologies is available in the host economy. A study by UNCTAD (2002) revealed that FDI might have positive effect on output for some countries and negative for others, because of different dependent variables. However, Alfaro and Chanda (2006) found mixed evidence on the existence of positive productivity externalities in the host country generated by foreign multinational companies. They proposed a mechanism that emphasizes the role of local financial markets in enabling foreign direct investment (FDI) to promote growth through backward linkages. Gupta (2007) reviewed the change in sectoral trends in India due to FDI Inflows since liberalization and examined the implications of the policy changes on sectoral growth and economic development of India as a whole. But Blomström and Kokko (2003) suggest that the use of investment incentives focusing exclusively on foreign firms is generally not an efficient way to raise national welfare. The potential spillover benefits are realized only if local firms have the ability and motivation to invest in absorbing foreign technologies and skills. To motivate subsidization of foreign investment, it is therefore necessary, at the same time, to support learning and investment in local firms as well. On the similar lines

Somwaru and Makki (2004) indicated that according to recent endogenous growth theory, FDI could be growth advancing if it results in increasing returns in production through spillover and technological transfers via diffusion processes.

On attractiveness of the host country for foreign capital inflow, some studies show that if a country has well developed financial sector, a vast market and growing economy, then FDI inflows is sure to take effect. Rajan et. al., (2008) study reveals that India seems to be well placed in terms of reaping benefits because it has relatively well developed financial sector, strong industrial base and well educated workers. Similarly, Grcic et al (2003) have investigated the attractiveness of individual transitional countries for potential investment in host countries and found similar results. Bose (2007) made a comparative study on FDI outflows from India and China and revealed the potentialities and opportunities in various sectors in India that would surpass FDI inflows in India as compared to China. Pradhan (2012) examined the various determinant of FDI inflow in India and found that the main determinants of FDI inflows are the availability of power, domestic investment and profit. The study also revealed that higher profitability increases FDI inflows into a state, while larger variability in it can reduce the same.

Some studies focused on the nature and viability of FDI. Vernon (1966) explored whether FDI is at the early product life cycle stage (substitute) or at the mature stage (complement). Furthermore, Kojima (1973) analyzed whether FDI is trade-oriented or anti-trade oriented. Petri and Plummer (1998) argued that whether FDI causes exports or exports cause FDI is not clear. Then there are other concerns such as specified by Gray (1998) regarding market seeking (substitute) FDI or efficiency seeking (complement) FDI. Yangruni (1999) emphasized the role of the learning process through FDI in the growth of an economy. In contrast, Charkovic and Levine (2002), in their study, claimed that FDI creates the crowding out effect on domestic capital and hence the impact of FDI on growth is either insignificant or negative. Hsiao and Hsiao (2006) asserted that it is exports which increase FDI by paving the way for FDI by gathering information of the host country that helps to reduce investors Transaction costs. Further, they argued that FDI may reduce exports by serving foreign markets through establishment of production facilities there.

When we examine these studies by different scholars, we observe that viability study from the foreign investor's point of view has not been attempted much. Most of the studies concentrated on determining the factors that affect FDI in relation to economic growth. Therefore, we tried to look at from investor's point of view assuming that a firm needs to evaluate the first the factors that has important bearing on its business in a host country.

Objective and Methodology

The present paper attempts to evaluate the criteria of market attractiveness of foreign companies for investing in India. A model for decision making by foreign investors to invest in foreign lands is shown using multicriterial analysis. The important determinants which are crucial to FDI were identified from the various empirical works undertaken towards determining the factors that affect foreign direct investment in a country. After identification of determinants of FDI, a multicriterial decision making tool - Analytic Hierarchy Process (AHP) was used to evaluate the attractiveness of a firm to invest in foreign countries.

To determine the relative weights needed to rank the decision alternatives, pairwise comparison is made between different criteria, using AHP software. A questionnaire was framed incorporating weights for different criteria and alternatives using the 1 to 9 scale and 200 respondents (experts) were asked to put their judgment in regard to different criteria in this scale. The geometric mean of the weights for different criteria was used in order to normalize the ranges and ensure that no range dominates the weighting. Table 1 shows the importance and explanation of the 1 to 9 scale (Saaty, 2008).

Table 1: The fundamental Scale of Absolute Numbers

Intensity of Importance	Definition	Explanation
1	Equal Importance	Two activities contribute equally to the objective
2	Weak or slight	
3	Moderate importance	Experience and judgment slightly favour one activity over another
4	Moderate plus	
5	Strong importance	Experience and judgment strongly favour one activity over another
6	Strong plus	
7	Very strong or demonstrated importance	An activity is favoured very strongly over another; its dominance demonstrated in practice
8	Very, very strong	
9	Extreme importance	The evidence favouring one activity over another is of the highest possible order of affirmation
Reciprocals of above	If activity i has one of the above non-zero numbers assigned to it when compared with activity j, then j has the reciprocal value when compared with i	A reasonable assumption
1.1-1.9	If the activities are very close	May be difficult to assign the best value but when compared with other contrasting activities the size of the small numbers would not be too noticeable, yet they can still indicate the relative importance of the activities.

Analytic Hierarchy Process (AHP) is a dynamic tool to make a multicriterial decision. It is based on the well-defined mathematical structure of consistent matrices and their associated right eigenvector's ability to generate true or approximate weights. To make a decision in an organized way to generate priorities we need to decompose the decision into the following steps (Saaty, ibid) :

1. Define the problem and determine the kind of knowledge sought.

2. Structure the decision hierarchy from the top with the goal of the decision, then the objectives from a broad perspective, through the intermediate levels (criteria on which subsequent elements depend) to the lowest level (which usually is a set of the alternatives).

3. Construct a set of pairwise comparison matrices. Each element in an upper level is used to compare the elements in the level immediately below with respect to it.

4. Use the priorities obtained from the comparisons to weigh the priorities in the level immediately below. This is to be done for every element. Then for each element in the level below add its weighed values and obtain its overall or global priority.

The process of weighing and adding is continued until the final priorities of the alternatives in the bottom most level is obtained. To make comparisons, we need a scale of numbers that indicates how many times more important or dominant one element is over another element with respect to the criterion or property with respect to which they are compared as shown in the Table 1.

In general, if alternatives are denoted by $\{A_1, A_2,\ldots,A_n\}$ and their current weights by $\{w_1,w_2,\ldots,w_n\}$, and the matrix of all ratios of all weights by (Alonso & Lamata, 2006), then

$$W = [w_i / w_j] = \begin{pmatrix} w_1/w_1 & w_1/w_2 & \cdots & w_1/w_n \\ w_2/w_1 & w_2/w_2 & \cdots & w_2/w_n \\ . & . & & . \\ . & . & & . \\ w_n/w_1 & w_n/w_2 & \cdots & w_n/w_n \end{pmatrix}$$

the matrix of pairwise comparisons $A = [a_{ij}]$ represents the intensities of the expert's preference between individual pairs of alternatives (A_i versus A_j, for all $i,j=1,2,\ldots,n$). Given n alternatives $\{A_1,A_2,\ldots,A_n\}$, a decision maker compares pairs of alternatives for all the possible pairs, and a comparison matrix A is obtained, where the element a_{ij} shows the preference weight of A_i obtained by comparison with A_j.

$$A = [a_{ij}] = \begin{pmatrix} 1 & a_{12}... & a_{1n} \\ \dfrac{1}{a_{12}} & 1... & a_{2n} \\ . & . & . \\ . & . & . \\ \dfrac{1}{a_{1n}} & \dfrac{1}{a_{2n}}... & 1 \end{pmatrix}$$

The a_{ij} elements estimate the ratios w_i/w_j where w is the vector of current weights of the alternative. If a matrix A is absolutely consistent, then A=W and in the ideal case of total consistency, the principal eigenvalue (λ_{max}) is equal to n, i.e. "$\lambda_{max} = n$" (Alonso and Lamata, ibid). More compactly, given that W is the column vector of the relative weights w_i, A is consistent if

AW=nW , where n = λ_{max}

For the case where A is not consistent then $\lambda_{max} > n$, and we need to measure this level of inconsistency. For this purpose, Saaty defined the consistency ratio (CR) as Consistency Index/Random Consistency, where consistency index of A is λ_{max} n/n-1. RI is the average value of CI for a large sample of randomly generated comparison matrices, A. If CR<=0.1, the level of inconsistency is acceptable (Taha, 2008).

Results

To evaluate the criteria of market attractiveness of foreign companies for investing in India, we first need to identify the important determinants that affect decision making process of a firm. The problem before the firms is to take appropriate decision in regard to investment based on the several criteria and the process is quite complex. Not only they require understanding the business environment of that country, but also correct estimation and forecast of the dynamic changes taking place in that economy. As these are beyond the control of firms, they need to adjust to existing environment tapping all opportunities coming on the way and combating the threats arising out of changes in effect. In general, the size and purchasing power of the host country market, its macroeconomic stability, development level of its infrastructure, abundance and quality of natural and human resources, institutional development, labour cost etc are considered most important factors which attract firms to invest in other countries. Thus these factors are very vital for investors' decision making (Grcic & Babic, 2003). Therefore, on the basis of literature review we have selected the following determinants of FDI (Grcic & Babic,

ibid):

- Change of ownership which refers to privatization and share of private sector in GDP.

- Financial system of a country which means banking and non-banking reforms in an economy.

- Establishment of markets, which includes price and trade liberalization and foreign exchange index.

- Legal infrastructure which includes legal extensiveness and legal effectiveness.

- Market size means GDP, GDP growth and per capita GDP in the host country.

- Labour cost

Following Saaty's model, we constructed the following steps to get the solution:

1. Problem definition: Our goal or decision problem is to identify and rank the factors that determine the attractiveness of foreign firms to invest in India.

2. Building up a hierarchical structure of the decision: This is the first step, where a hierarchical structure is framed from the top with the goal of the decision (attractiveness of FDI for India), then the objectives from a broad perspective, through the intermediate levels (criteria) to the lowest level [a set of the alternatives $(A_1, A_2 \ldots A_n)$]. This is shown in Figure 1. The two levels in the structure represent main criteria and its alternatives. On the first level all the main determinants (criteria) are defined and on the second level each determinant is given in more detail (alternatives).

Figure 1: Hierarchical Structure of Attractiveness of Foreign Firms for FDI in India
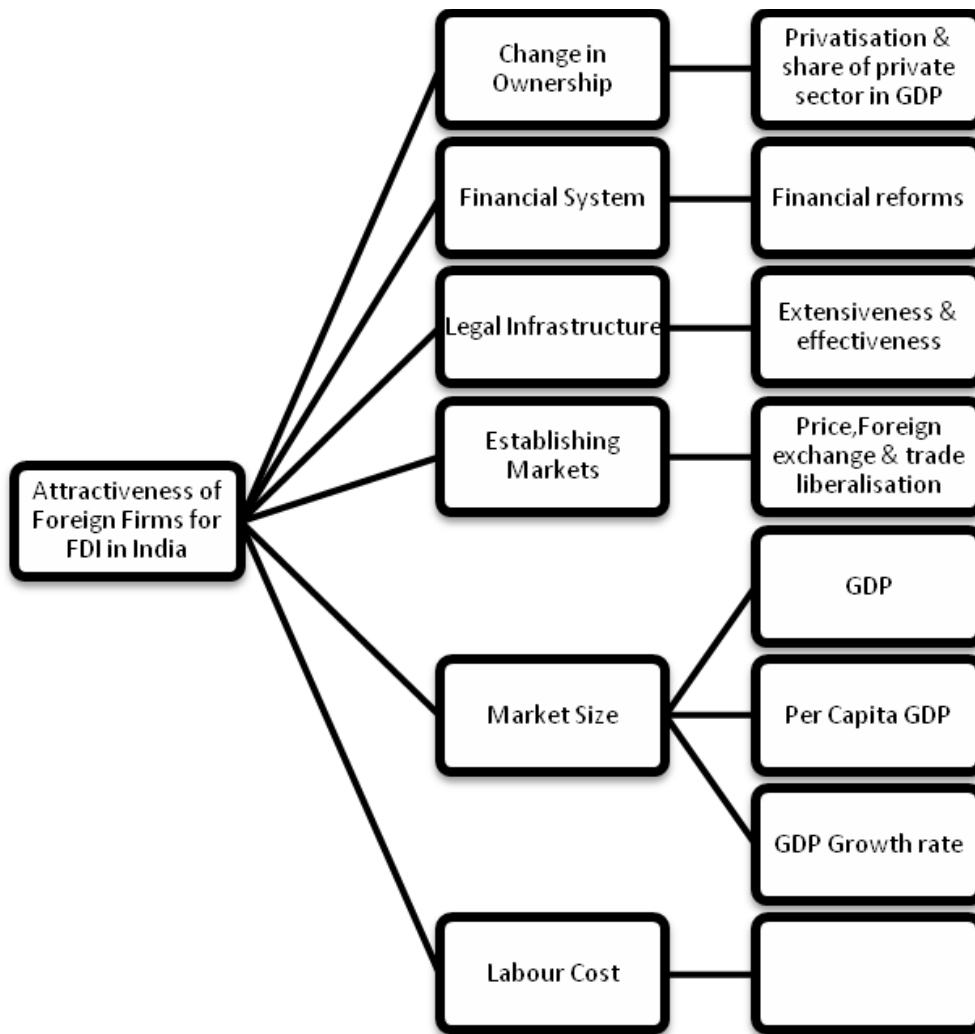
3. Constructing a set of pairwise comparison matrices: In this step, we compared each element in an upper level (criteria) with the elements in the level immediately below with respect to it (alternatives) to get intensities of the expert's preference between individual pairs of alternatives (A_i versus A_j, for all $i,j=1,2,..,n$). For instance, we compared labour cost as an important criterion with all alternatives at the lower level viz., GDP growth rate, per capita GDP, GDP, price, foreign exchange and trade liberalization, legal infrastructure, financial reforms, and privatization and share of private sector in GDP. In this way, we compared pairs of

alternatives for all the possible pairs to get a comparison matrix A, where the element a_{ij} shows the preference weight of A_i obtained by comparison with Aj. This is shown in Table 2. All weights are converted into percentages.

Table 2: Alternative-Main Criterion-Matrix

Criteria / Alternatives	Change in ownership	Establishing markets	Financial system	Lab cost	Legal infrastructure	Market size
GDP	8.14%	15.01%	9.61%	27.74%	7.22%	17.22%
Financial reforms	15.00%	7.43%	28.38%	6.87%	16.49%	7.40%
GDP growth rate	7.32%	18.59%	11.14%	14.34%	7.22%	23.13%
Labour cost	10.63%	17.55%	5.61%	22.93%	6.95%	10.64%
Legal extensiveness and effectiveness	19.18%	11.31%	13.71%	4.94%	23.55%	7.06%
Per capita GDP	6.84%	10.55%	7.25%	11.58%	7.36%	16.72%
Price, foreign exchange and trade liberalization	20.65%	14.31%	14.52%	5.08%	20.69%	7.51%
Privatization and share of private sector in GDP	12.23%	5.24%	9.78%	6.52%	10.54%	10.32%

The consistency ratio obtained for this matrix is 0.07, indicating that it is within the acceptable level of consistency (Critical consistency ratio: 0.1). Therefore, we can say that there is consistency in the value judgements provided by the respondents in making paire-wise comparison between two criteria. Main criteria weighting or importance of each criterion, the first level of the hierarchy is obtained by computing eigenvector of the matrix as shown in Table 3. The weights in percentages show that market size (0.279) is an important determinant for investment followed by labour cost (0.230), establishment of markets(0.187) and legal infrastructure (0.173).

Table 3: Main Criteria weighting for Attractivness of FDI in India

|	Criteria	Value
1.	Market size	27.98%
2.	Labour cost	23.06%
3.	Establishing markets	18.75%
4.	Legal infrastructure	17.29%
5.	Financial system	9.02%
6.	Change in ownership	3.90%

4. **Obtaining global priority or rankings:** In this step, priorities obtained are compared with the priorities in the level immediately below for every element and then for each element in the level below, weighted values are added to obtain its overall or global priority or rankings. In other words, by computing eigenvector, we found the relative ranking of our criteria. The weights for each alternative obtained by such pair-wise comparison with the main criterion alongwith their consistency ratio are shown in Tables- 5 to 10 (appendix). Global priority or rankings are thus finally obtained using computed eigenvector as shown in the Table 4. The table shows that a country's GDP and GDP growth rate followed by labour cost are the most important criteria in determining firms' investment, followed by the other factors such as liberalistaion, per capita income, legal infrastructure, and financial reforms. The weights are converted into percentages. A stable growth in GDP and also higher absolute GDP suggest growing market. A growing market means increasing purchasing power and aggregate demand. Business confidence gets built up and firms are not hesitant to invest in such countries.

Table 4: Rankings of Alternatives as a Measure of Attractivness of FDI in India

	Name	Value
1.	GDP	16.46%
2	GDP growth rate	15.80%
3.	Labour cost	13.67%
4.	Price, foreign & trade liberalization	11.65%
5.	Per cap income	11.52%
6.	Legal extensiveness and effectiveness	11.29%
7.	Financial reforms	11.04%
8.	Privatization & share of private sector in GDP	8.56%

The weights of each determinant are shown in the hierarchical structure below in the Figure 2.

Figure 2: Hierarchical structure with final weights
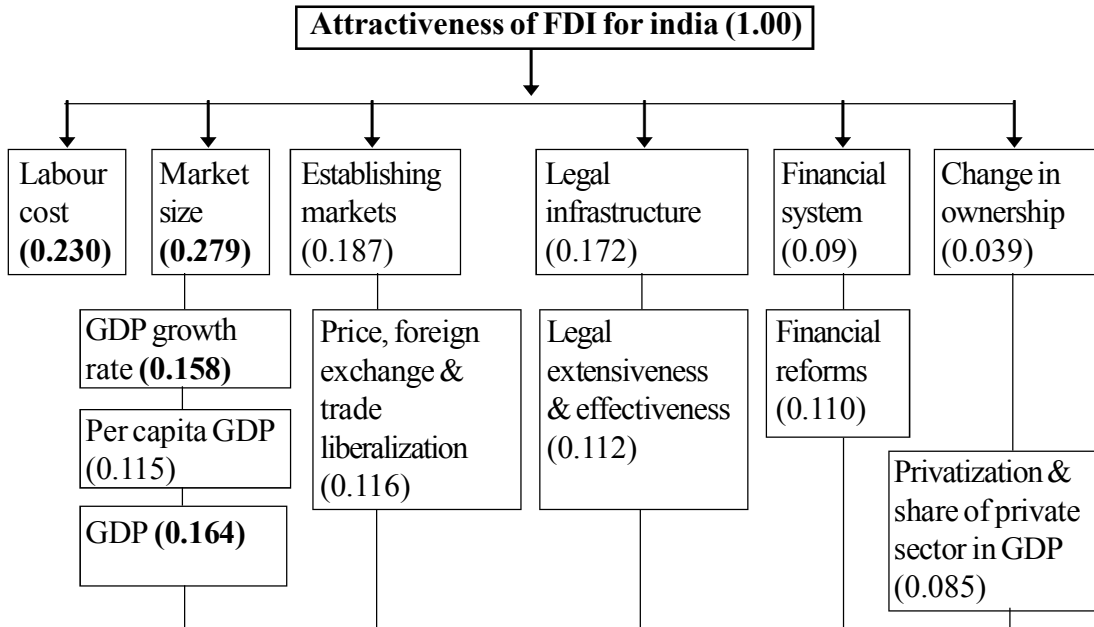
Conclusion

The discussion above clearly points out that the important determinants on the basis of which India could become an attractive destination for investment are- GDP and its growth rate, cost of labour in the country, market size, the process and ease with which market could be established and legal infrastructure prevailing in the country. However, if we take a look at our legal infrastructure in regard to foreign capital inflow, it needs much improvement. The issue of whether we should or not allow FDI in some sectors needs to be dealt with economic reasoning and efforts should be made to create a conducive environment which would be win-win situation for both foreign firms and the host country. The present work could be executed for a larger sample covering experts from industries, policy makers and academicians across the country in order to get a broad based answer to our problem.

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Appendix:

Table 5: Main Criterion: Change in ownership weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	0.50	1.00	0.50	0.50	2.00	0.50	0.50
financial reforms	2.00	1	2.00	2.00	0.50	2.00	0.50	2.00
gdp growth rate	1.00	0.50	1	0.50	0.50	1.00	0.50	0.50
labour cost	2.00	0.50	2.00	1	0.50	2.00	0.50	0.50
legal extentetiveness and effectiveness	2.00	2.00	2.00	2.00	1	2.00	1.00	2.00
per cap income	0.50	0.50	1.00	0.50	0.50	1	0.50	0.50
price, foreign &trade liberalisation	2.00	2.00	2.00	2.00	1.00	2.00	1	3.00
privatization &share of pvt sec in GDP	2.00	0.50	2.00	2.00	0.50	2.00	0.33	1

Consistency ratio: 0.04

Table 6: Main Criterion: Financial system weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	0.33	1.00	2.00	0.50	1.00	0.50	2.00
financial reforms	3.00	1	3.00	3.00	3.00	3.00	3.00	3.00
gdp growth rate	1.00	0.33	1	2.00	2.00	2.00	0.50	0.50
labour cost	0.50	0.33	0.50	1	0.50	0.50	0.50	0.50
legal extentetiveness and effectiveness	2.00	0.33	0.50	2.00	1	2.00	1.00	3.00
per cap income	1.00	0.33	0.50	2.00	0.50	1	0.50	0.50
price, foreign &trade liberalisation	2.00	0.33	2.00	2.00	1.00	2.00	1	2.00
privatization &share of pvt sec in GDP	0.50	0.33	2.00	2.00	0.33	2.00	0.50	1

Consistency ratio: 0.06

Table 7: Main Criterion: Establishing markets weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	2.00	1.00	0.50	2.00	1.00	2.00	2.00
financial reforms	0.50	1	0.33	0.50	1.00	0.50	0.50	2.00
gdp growth rate	1.00	3.00	1	3.00	1.00	1.00	1.00	3.00
labour cost	2.00	2.00	0.33	1	2.00	2.00	2.00	2.00
legal extentetiveness and effectiveness	0.50	1.00	1.00	0.50	1	2.00	0.50	3.00
per cap income	1.00	2.00	1.00	0.50	0.50	1	0.50	2.00
price, foreign &trade liberalisation	0.50	2.00	1.00	0.50	2.00	2.00	1	3.00
privatization &share of pvt sec in GDP	0.50	0.50	0.33	0.50	0.33	0.50	0.33	1

Consistency ratio: 0.06

Table 8: Main Criterion: Legal infrastructure weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	0.50	1.00	1.00	0.33	1.00	0.50	0.50
financial reforms	2.00	1	2.00	3.00	0.33	3.00	0.50	3.00
gdp growth rate	1.00	0.50	1	1.00	0.33	1.00	0.50	0.50
labour cost	1.00	0.33	1.00	1	0.50	1.00	0.33	0.50
legal extentetiveness and effectiveness	3.00	3.00	3.00	2.00	1	2.00	1.00	3.00
per cap income	1.00	0.33	1.00	1.00	0.50	1	0.50	0.50
price, foreign &trade liberalisation	2.00	2.00	2.00	3.00	1.00	2.00	1	3.00
privatization &share of pvt sec in GDP	2.00	0.33	2.00	2.00	0.33	2.00	0.33	1

Consistency ratio: 0.04

Table 9: Main Criterion: Market size weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	2.00	1.00	2.00	2.00	1.00	2.00	2.00
financial reforms	0.50	1	0.33	0.50	2.00	0.33	1.00	0.50
gdp growth rate	1.00	3.00	1	2.00	3.00	2.00	3.00	3.00
labour cost	0.50	2.00	0.50	1	2.00	0.50	2.00	0.50
legal extentetiveness and effectiveness	0.50	0.50	0.33	0.50	1	0.50	1.00	1.00
per cap income	1.00	3.00	0.50	2.00	2.00	1	2.00	2.00
price, foreign &trade liberalisation	0.50	1.00	0.33	0.50	1.00	0.50	1	1.00
privatization &share of pvt sec in GDP	0.50	2.00	0.33	2.00	1.00	0.50	1.00	1

Consistency ratio: 0.03

Table 10: Main Criterion: Labour cost weighting matrix

	GDP	financial reforms	gdp growth rate	labour cost	legal extentetiveness and effectiveness	per cap income	price, foreign &trade liberalisation	privatization &share of pvt sec in GDP
GDP	1	3.00	3.00	3.00	3.00	3.00	3.00	2.00
financial reforms	0.33	1	0.33	0.33	2.00	0.33	2.00	1.00
gdp growth rate	0.33	3.00	1	0.33	4.00	2.00	3.00	2.00
labour cost	0.33	3.00	3.00	1	4.00	3.00	4.00	4.00
legal extentetiveness and effectiveness	0.33	0.50	0.25	0.25	1	0.33	1.00	1.00
per cap income	0.33	3.00	0.50	0.33	3.00	1	3.00	2.00
price, foreign &trade liberalisation	0.33	0.50	0.33	0.25	1.00	0.33	1	1.00
privatization &share of pvt sec in GDP	0.50	1.00	0.50	0.25	1.00	0.50	1.00	1

Consistency ratio: 0.06