

## Weak Institutions Blamed for India's Decline in Financial Development, Report Finds

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- World Economic Forum [Financial Development Report 2012](#) shows India falling 4 places to 40<sup>th</sup>
- Weak institutional, business environment and relative instability drag down otherwise strong performance
- First place goes to Hong Kong for second year, with Singapore (4) and Japan (8) also in top ten
- The Report, rankings (PDF and Excel) and country highlights can be downloaded at: <http://www.weforum.org/issues/financial-development>

**Gurgaon, India, 31 October 2012** – India's financial development remains at risk from the country's continued inability to create the institutional framework and business environment to support growth, according to the fifth edition of the World Economic Forum's [Financial Development Report 2012](#) released today.

The report highlighted a poor record in enforcing contracts, low levels of liberalization, inadequate IT and communication infrastructure and general high costs of doing business as areas that most urgently needed improvement.

While India's comparative strength in the area of non-banking financial services was recognized with a global ranking of 9<sup>th</sup> in this particular pillar, its overall decline sees it rank 9th out of the 15 Asia Pacific economies that were surveyed in the Report.

Globally, the Report found that a general stagnation in financial development, posing serious challenges to a global economic recovery. Topping the Index, **Hong Kong SAR** came in 1st for a second consecutive year as a result of benefits from a large and efficient banking system, well-developed infrastructure and robust equity markets. Despite these strengths, Hong Kong has a relatively underdeveloped bond market and its financial sector has yet to be fully liberalized.

The **United States** and the **United Kingdom** also remain in the same positions as last year, 2nd and 3rd, respectively. Both countries have highly developed financial markets, particularly their foreign exchange and derivatives markets, but they struggle with relatively inefficient banking systems. Banking system stability and currency stability are also areas of weakness. The US, however, has more developed equity and bond markets, while the United Kingdom has stronger corporate governance and legal and regulatory mechanisms. **Japan** and **Switzerland** each moved up one spot to 7th and 8th space overall. Both countries have improved the size and efficiency of their banking and financial services and have shown improvements in their legal and regulatory framework.

"The *Financial Development Report* shows that financial systems in advanced and emerging economies are stalling", said **Giancarlo Bruno**, Senior Director at the World Economic Forum. "Macroeconomic uncertainty, as well as concerns related to regulation, contributes to inhibiting the financial industry from funding much-needed growth."

The Report's Financial Development Index assesses such factors, analysing drivers of financial system development that support economic growth.

The general stability of the Index is further highlighted by **Singapore, Australia** and **Canada** maintaining their positions at 4th, 5th and 6th place, respectively. The Netherlands fell two spots from 7th to 9th because of weakness in equity market development and banking system efficiency. **Sweden** jumped into this year's top 10 because of an improvement in retail access to capital.

### About the Financial Development Report

The [Financial Development Report 2012](#) ranks 62 of the world's leading financial systems and capital markets, analysing the drivers of financial system development in advanced and emerging economies to serve as a tool for countries to benchmark themselves and establish priorities for reform. The rankings are based on more than 120 variables spanning institutional and business environments, financial stability, and size and depth of capital markets, among other factors.

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