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# BEYOND COMPETITIVENESS: THE GOVERNANCE DIMENSION OF ECONOMIC GROWTH

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**Abstract:**
*This paper explores the theoretical foundations of economic competitiveness as a multidimensional concept, and the various definitions and approaches proposed by international organizations and scholars, highlighting competitiveness as the outcome of multiple interrelated factors: trade, investments, governance, innovation, human factor, etc. The research proposes two hypotheses:* ***(1) The level of competitiveness has the capacity to influence the overall economy and national welfare, measured by GDP per capita; (2) Government efficiency is a key determinant of competitiveness.*** *To test these assumptions, the study employs empirical methods such as econometrics, statistical analysis, case studies and, of course – exploratory and explanatory research. Simple regression analyses, correlations and comparative evaluations are conducted, based on data for Singapore, Malaysia and Venezuela (as countries with a different economic development and competitiveness level) and the top 20 most competitive economies of the world, focusing on the relationship between the Global Competitiveness Index (GCI), GDP per capita and Government Efficiency. Overall, the findings indicate that competitiveness has a direct and measurable impact on national welfare, expressed through GDP per capita, yet this effect is evident mainly among developed countries. This outcome supports the view that effective and stable governance remains the cornerstone for fostering and sustaining long-term competitiveness.*

**Key words**: national competitiveness, economic growth, GDP per capita, governance efficiency

**JEL classification:** E60, F60, H00, I30, O10

## 1. INTRODUCTION

Competitiveness, at the national level, is a complex and multidimensional concept, which sums up economic, social, scientific, or even technological factors, and which determines country's ability to maintain and improve its position in the global market. In essence, national competitiveness implies a country's ability to create added value and achieve high rates of economic growth, ensuring the nation's economic resilience for long term.

Despite its recognized relevance, the specialized literature still provides limited and often fragmented empirical evidence on the contribution of competitiveness to economic growth. Several theoretical (Porter, 1990; Flejterski, 1984; Scott and Lodge, 1985) and empirical studies (e.g., Adamkiewicz and Kot, 2014; Gama, Bastos and Martins, 2020) have identified a positive nexus between competitiveness, economic growth, and institutional quality, highlighting innovation and education as critical enablers. However, few studies have examined this relationship in a systematic and integrative manner—specifically by disentangling the complex interlinkages between competitiveness and key economic indicators at both macroeconomic and microeconomic levels.

This study analyses the relationship between competitiveness and economic growth by comparing three economies with distinct profiles in the Global Competitiveness Index (GCI) and World Bank income classification: Singapore (high-income, top-ranked, 2024), Malaysia (upper-middle-income, mid-ranked), and Venezuela (low-income, lowest-ranked).

Initial results indicate that competitiveness strongly drives growth in developed economies with stable governance, prompting the formulation of a second hypothesis: efficient governance is the foundation of national competitiveness. This is further tested on the top 20 most competitive economies (2020–2025) to reveal how governance efficiency shapes competitiveness and economic performance in the post-pandemic era.

Firstly, are analyzed the studies on competitiveness, from 4 perspectives: firms, innovation, trade and quality of life, and also the components of national competitiveness; Afterward, new trends in assessing the role of competitiveness at national level to the economic growth acceleration are described. In the third section, the hypothesis to be tested are formulated, the data used in the hypothesis' testing are described and the model for regression analysis is designed. The analysis of the model and the findings are presented in the fourth section, and conclusions and final remarks are presented in the fifth section.

## 2. LITERATURE REVIEW

In today's world, competitiveness is recognized as a vital asset for economies all around the world. It plays a crucial role in driving economic growth for nations, regions, and businesses alike. At its core, competitiveness is about the ability of a country, regional economy, or individual firm to produce goods and services that not only meet, but also exceed international market standards. This understanding of competitiveness forms the foundation for research and definitions provided by various international organizations, researchers and authors.

In the economic literature, there are four trends in assessing competitiveness:

The first approach is based on **competitiveness as a firm asset**. According to Rumelt (1991) and Montgomery (1988), the firm, not the industry, is the core of real competitiveness. Altomonte et al. (2012) emphasize that competitiveness policies must be founded on micro (firm) data, while Grupp (1997), as well as Porter, reflect, in their research, that the internal process of the firm (strategy, innovation, capabilities) represents the foundation of competitiveness; This approach emphasizes the microeconomic level, viewing competitiveness as the outcome of a firm's strategies, capabilities, and internal processes.

The second approach relies on **vertical innovation growth models and increasing quality**, being mostly explained by Joseph Schumpeter's famous "creative destruction" argument, according to which, when an entrepreneur introduces on the market a new product or a technological innovation, it pulls out from the market the less productive firms, and, therefore, creates a more competitive environment that leads to higher. Additionally, Michael Porter, widely regarded in the specialized literature as a "father" of competitiveness, states that "competitiveness depends on the capacity of an industry to innovate and upgrade." A distinctive feature is the view of competitiveness as the outcome of technological innovation and quality improvement, supported by vertical economic models and the concept of "creative destruction.

For some of the authors, competitiveness is perceived, rather, as **an asset of external performance: commercial system and investments**. Altomonte C., Aquilante T., Ottaviano G.I.P define competitiveness as the ability to exchange the goods and services that are abundant in the home country for the goods and services that are scarce in this country. Flejterski mentions that „Competitiveness is the capacity of the sector, industry or branch to design and sell its goods at prices, quality and other features that are more attractive than the parallel characteristics of the goods offered by the competitors", idea supported by Scott, Lodge and other researchers. On the other hand, Janaćković & Petrović-Ranđelović, Danilevičienė & Lukšytė, Velushev, and other scholars focusing on **competitiveness and investment**, in their works focused on national competitiveness and FDI, examine the relationship and impact of FDI on competitiveness and vice versa. Their studies highlight, based on the countries analyzed, the existence of a bidirectional relationship: competitiveness stimulates FDI attraction, and FDI, in turn, enhances competitiveness—creating a virtuous circle of economic development and institutional performance. Thus, **investment and trade emerge as two key determinants of national competitiveness**, forming a **virtuous circle** in which the more competitive a country becomes, the higher its levels of trade and investment — and, conversely, increased trade and investment further reinforce its competitiveness.

Another approach refers to competitiveness through the **quality of life of the country's citizens** - from GDP, to living standards and sustainability; The World Economic Forum defines competitiveness as the ability of a country to achieve sustained high rates of growth in GDP per

capita; According to the European Commission, „competitiveness of a nation is the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis". Garelli even explains that GDP per capita is both an outcome and a component of competitiveness, as more productive economies tend to generate higher incomes per capita. These authors relate competitiveness to living standards and sustainability at the national level, thereby shifting the focus from the internal mechanisms of firms or markets to the macroeconomic and social outcomes of competitiveness.

The diversity of unilateral approaches, each focusing on specific factors and indicators, underscores that competitiveness should be understood as a complex, multidimensional concept — one that emerges from the interaction of multiple defining factors. As Cohen aptly points out: "Competitiveness is a reconsideration of a broad set of indicators, none of which tells the whole story but that together provide a highly legitimate focus." - this definition emphasizing the idea that competitiveness is a multidimensional concept, which involves the study, as a whole, of several economic, social and political factors, in order to evaluate a country. Fyliuk et al. (2019) emphasize that national economic competitiveness is closely linked to economic growth, suggesting that improvements in competitiveness can lead to enhanced economic performance. This is further supported by the findings of Adamkiewicz and Kot (Adamkiewicz & Kot, 2014), who argue that a country's competitiveness is a critical determinant of its ability to generate wealth and sustain economic development over time, and Gama, Bastos, and Martins (2020), whose model applied to a panel of 105 countries (2006–2017) evidences a positive and significant relationship between competitiveness (as measured by WEF indices) and economic growth, highlighting the role of key factors in fostering productivity and sustainable growth.

In the author's view, competitiveness includes a strategic dimension — governmental efficiency, since economic and social advancement depends directly on the stability and effectiveness of governments. While some studies have examined the role of governmental efficiency (Phan Quynh Trang & Nguyen Van Diep, 2025; Kris Hartley & Austin M. Aldag, 2022, Saha, S., & Su, J. J., 2023), they have primarily focused on its impact on investment, innovation, and education rather than systematically analyzing this component within competitiveness. Therefore, the present study adopts a strategic research direction by analyzing the governmental efficiency component of competitiveness.

Generally, according to the above mentioned researchers, national competitiveness is a country's ability to be productive: to grow and compete with other countries for human capital, investments, markets, and other resources, while also enhancing the well-being of its citizens by creating added value in a stable economic, social, and political environment.

## 3. RESEARCH METHODOLOGY / HYPOTHESIS

Given the nature of key insights of the literature review and aligned with the stated research objective, this paper aims to test a model that captures the impact of national competitiveness on economic development; This approach is in line with the view of several researchers: Fyliuk et al. (2019), Adamkiewicz and Kot (2014), Gama, Bastos, and Martins (2020). Building on this foundation, the present study proposes its first hypothesis: ***(1) "The level of competitiveness has the capacity to influence the overall economy and national welfare, measured by GDP per capita."***

The analysis begins with an examination of the relationship between competitiveness and economic growth and development, focusing on three countries that differ in both their positions in the IMD Global Competitiveness Yearbook 2024, and their levels of development, as classified by the World Bank (low income, lower-middle, upper-middle, and high income). In this context, Singapore is selected as the world's most competitive economy in 2024 and a high-income country; Malaysia represents an upper-middle-income country, positioned in the middle of the GCI ranking; while Venezuela is the least competitive economy included in the IMD's Yearbook and a low-income country according to the World Bank classification. The study covers the period 2020–2025, a period that coincides both with the change in IMD's methodology and with global impact events: the

pandemic and post-pandemic period, massive digitalization, the intensification of military tensions in several regions, a.o., enabling an examination of recent post-pandemic dynamics in competitiveness, institutional performance, and their cumulative impact on economic growth.

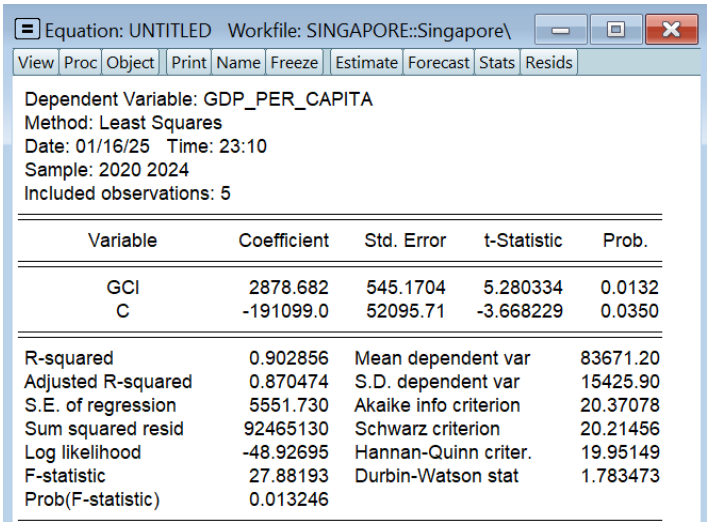
Findings from this first stage indicate that the hypothesis—that competitiveness drives economic growth—holds true primarily for developed economies with stable and efficient governments. This leads to the formulation of a second hypothesis: ***(2) Government Efficiency constitutes the foundation of national competitiveness.*** To test this assumption, a new sample comprising the top 20 most competitive economies in the world is selected, focusing on the relationship between the Global Competitiveness Index (GCI) and Governance Efficiency, for the period of 2024. The data regarding Effective Governance were taken from the IMD World Competitiveness Yearbook – with governance being one of the pillars of competitiveness research, just like those regarding competitiveness (GCI).

## 4. ANALYSIS AND RESULTS

After outlining the theoretical framework regarding the relationship between competitiveness, investment and economic development, it is necessary to test and validate the proposed hypotheses;

**H1: The level of competitiveness has the capacity to influence the overall economy and national welfare, measured by GDP per capita; (2) Government efficiency is a determinant of competitiveness.**

The *first hypothesis* put forward concerns the level of prosperity of a country, which is directly influenced by competitiveness; The hypothesis is tested by analyzing, in EViews, the autocorrelation relationship between GDP per capita (as an indicator of a country's economic development) and the GCI, for Singapore, Malaysia, Brazil, and Venezuela – countries with different levels of economic development (according to World Bank classification), using data from 2020-2024. To assess the hypothesis, EU countries will also be analyzed.



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Dependent Variable: GDP_PER_CAPITA
Method: Least Squares
Date: 01/16/25 Time: 23:10
Sample: 2020 2024
Included observations: 5

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| GCI | 2878.682 | 545.1704 | 5.280334 | 0.0132 |
| C | -191099.0 | 52095.71 | -3.668229 | 0.0350 |

| | | | |
|---|---|---|---|
| R-squared | 0.902856 | Mean dependent var | 83671.20 |
| Adjusted R-squared | 0.870474 | S.D. dependent var | 15425.90 |
| S.E. of regression | 5551.730 | Akaike info criterion | 20.37078 |
| Sum squared resid | 92465130 | Schwarz criterion | 20.21456 |
| Log likelihood | -48.92695 | Hannan-Quinn criter. | 19.95149 |
| F-statistic | 27.88193 | Durbin-Watson stat | 1.783473 |
| Prob(F-statistic) | 0.013246 | | |

**Figure 1. Correlation between GDP per capita and GCI of Singapore, 2024**

Source: created by the author according to the data of World Bank: GDP per capita (data for 2024) and IMD World Competitiveness Center: World Competitiveness Yearbook 2024 (data for 2024)

The results in the Figure 1 supports the idea that competitiveness can influence the GDP per capita - as the coefficient for GCI is positive (2878.682) and statistically significant ($p = 0.0132 < 0.05$); The regression model reflects that the GCI index has a positive and consequential impact on GDP per capita, ≈ 90% of the variation in GDP per capita being explained by the variation in the GCI; The corellation is confirmed by relevant tests and the overall quality of the model: prob(F-

statistic) – 0.01, and the low p-value. Durbin Watson, with the value 1.78 – suggests that the model is well found.

Subsequently, the correlation between competitiveness and GDP per capita is examined for Malaysia, an upper-middle-income economy.

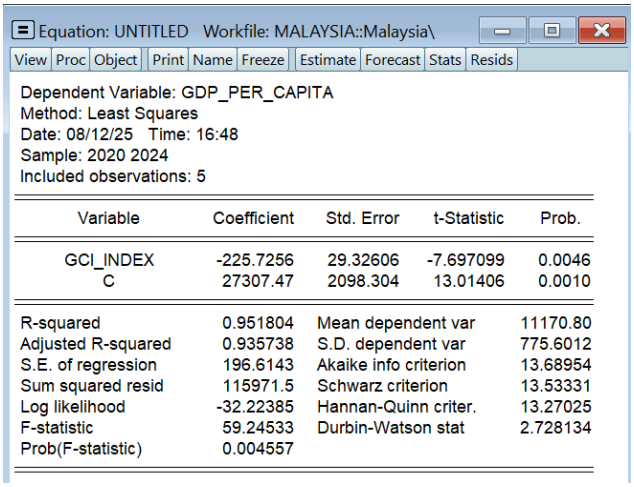
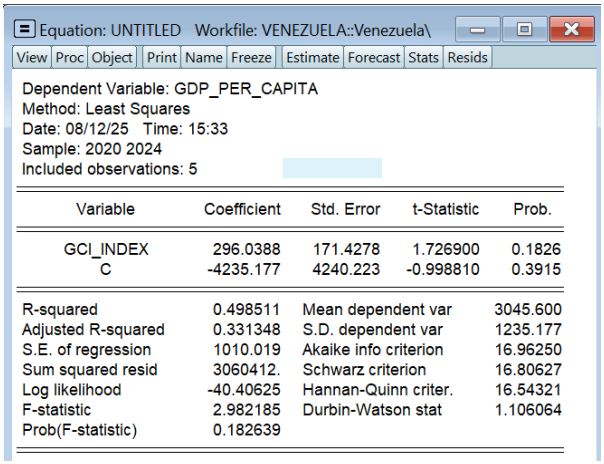



**Figure 2. Correlation between GDP per capita and GCI of Malaysia, 2024**

Source: created by the author according to the data of WB: GDP per capita (data for 2024) and IMD World Competitiveness Center: World Competitiveness Yearbook 2024 (data for 2024)

In Figure 2, the simple regression between GCI and GDP per capita is analyzed, for Malaysia – a developing country, classified by the WB as an upper-middle income country; The result indicates a significant inverse correlation: Surprisingly, the coefficient is negative and very significant. This indicates that, in the analyzed period (2020–2024), the constant decrease in GCI is accompanied by a constant increase in GDP per capita. Although the explanatory power is very high ($R^2 = 0.95$ and a high f-statistic, over 59.2), and the relationship is statistically close, the direction of the relationship is negative, which does not contribute to the validation of the hypothesis launched. This result might be explained by the fact that the Malaysian government, from 2020 to 2025, experienced significant shifts, including changes in leadership, economic challenges, and policy adjustments. The period is characterized by the rise and fall of various coalitions, which affected both political stability and policy direction. During this time, economic growth remained a key objective, with governments seeking to balance fiscal responsibility and social welfare—an effort that explains the steady increase in GDP per capita. Conversely, political instability directly influenced the country's level of competitiveness, which, as discussed at the beginning of the article, plays a determining role in shaping overall economic performance.

The analysis continues with Venezuela, which ranks last among the world's most competitive economies in IMD Global Competitiveness Yearbook 2024, and is classified as a low-income country by World Bank. Venezuela was selected to test the first hypothesis for economies that differ both in their level of development and in their degree of competitiveness.



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Dependent Variable: GDP_PER_CAPITA
Method: Least Squares
Date: 08/12/25 Time: 15:33
Sample: 2020 2024
Included observations: 5

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| GCI_INDEX | 296.0388 | 171.4278 | 1.726900 | 0.1826 |
| C | -4235.177 | 4240.223 | -0.998810 | 0.3915 |

| | | | |
|---|---|---|---|
| R-squared | 0.498511 | Mean dependent var | 3045.600 |
| Adjusted R-squared | 0.331348 | S.D. dependent var | 1235.177 |
| S.E. of regression | 1010.019 | Akaike info criterion | 16.96250 |
| Sum squared resid | 3060412. | Schwarz criterion | 16.80627 |
| Log likelihood | -40.40625 | Hannan-Quinn criter. | 16.54321 |
| F-statistic | 2.982185 | Durbin-Watson stat | 1.106064 |
| Prob(F-statistic) | 0.182639 | | |

**Figure 3. Correlation between GDP per capita and GCI of Venezuela, 2024**
Source: created by the author according to the data of WB: GDP per capita (data for 2024) and IMD World Competitiveness Center: World Competitiveness Yearbook 2024 (data for 2024)

Ordinary least squares (OLS) model of GCI and GDP per capita of Venezuela shows an R-squared = 0.4985, which suggests that approximately 50% of the variation in GDP per capita is explained by the variation in GCI. However, adjusted R-squared (0.3313), indicates a weakly significant model, which is also confirmed by the Prob (F-statistic) = 0.1826

In the figure below, a general, comparative conclusion is structured of the results of linear regressions of GCI and GDP for 3 countries, with a different level of economic development (but also with a different institutional context) - Singapore, Malaysia and Venezuela.

**Table 1. Interpretation and comparative explanations of the simple regression between competitiveness (GCI) and GDP per capita of Singapore, Malaysia and Venezuela, 2024**

| Aspect | Singapore | Malaysia | Venezuela |
|---|---|---|---|
| **Development level** | Developed, high income | Under development, upper-middle income | Low development, low-income |
| **Correlation GDP/GCI** | Strong, positive | Strong, negative | Moderate |
| **R-squared** | High (0.90) | High (0.98) | Moderate (0.33) |
| **Statistical significance** | Validated | Significant inverse correlation | Positive correlation, but statistically insignificant |
| **Institutional context** | Stable, efficient, predictable | Mixed, with governance challenges | Authoritarian, corrupt and inefficient regime |
| **Other determinant factors** | Efficient, stable governance | Multiple, exogenous factors | Hyperinflation, economic collapse, massive population crisis |

Source: Created by the author, based on above results

Table 1 illustrates that, in developed economies, such as Singapore, competitiveness is a catalyst for economic development and well-being, expressed in GDP per capita; In upper-middle income countries – such as Malaysia, the relationship between GCI and GDP per capita – is distorted, with a strong but statistically insignificant correlation, as in the case of Venezuela – where even the correlation is insignificant; For the latter, factors such as political instability, inefficient policies,

corruption, institutional gaps, etc. – directly influence the capacity of developing countries, even against the background of increased competitiveness, so that, although (perhaps) competitive, countries cannot advance in terms of economic development, especially in the context where competitiveness reforms need time to produce visible effects in the economy. The comparative analysis in Figure 9 even demonstrates that the validation of the hypothesis launched, that competitiveness directly influences the level of well-being and development of a country. This deduction generates the second hypothesis of this research:

**H2: Government efficiency is a determinant of competitiveness,** which is significantly stronger in developed countries (with efficient governments) compared to emerging and developing economies (with less efficient governments).

Researchers such as **Arif and Rawat (2019)**, **Hartley and Aldag (2022)**, and **Saha and Su (2023)** have empirically examined the concept of competitiveness from the perspective of economic growth, their studies reflecting a positive and significant relationship between competitiveness, economic performance, and other related indicators. The hypothesis formulated in this study aligns with these prior findings, proposing that **government efficiency lies at the foundation of national competitiveness**. Political stability, government effectiveness, and the quality of institutions, policies, and strategies represent the structural pillars of a competitive and globally reputable economy.

According to the *IMD World Competitiveness Yearbook 2024*, countries that perform strongly in competitiveness also demonstrate high levels of governance quality—government efficiency being one of the four fundamental components of the Global Competitiveness Index (GCI). IMD further highlights that **government efficiency is becoming a cornerstone for long-term resilience**, with **effective governance emerging as a defining competitive advantage**.

In the figure below, the top of the world's most competitive economies in 2024, according to IMD, can be seen:

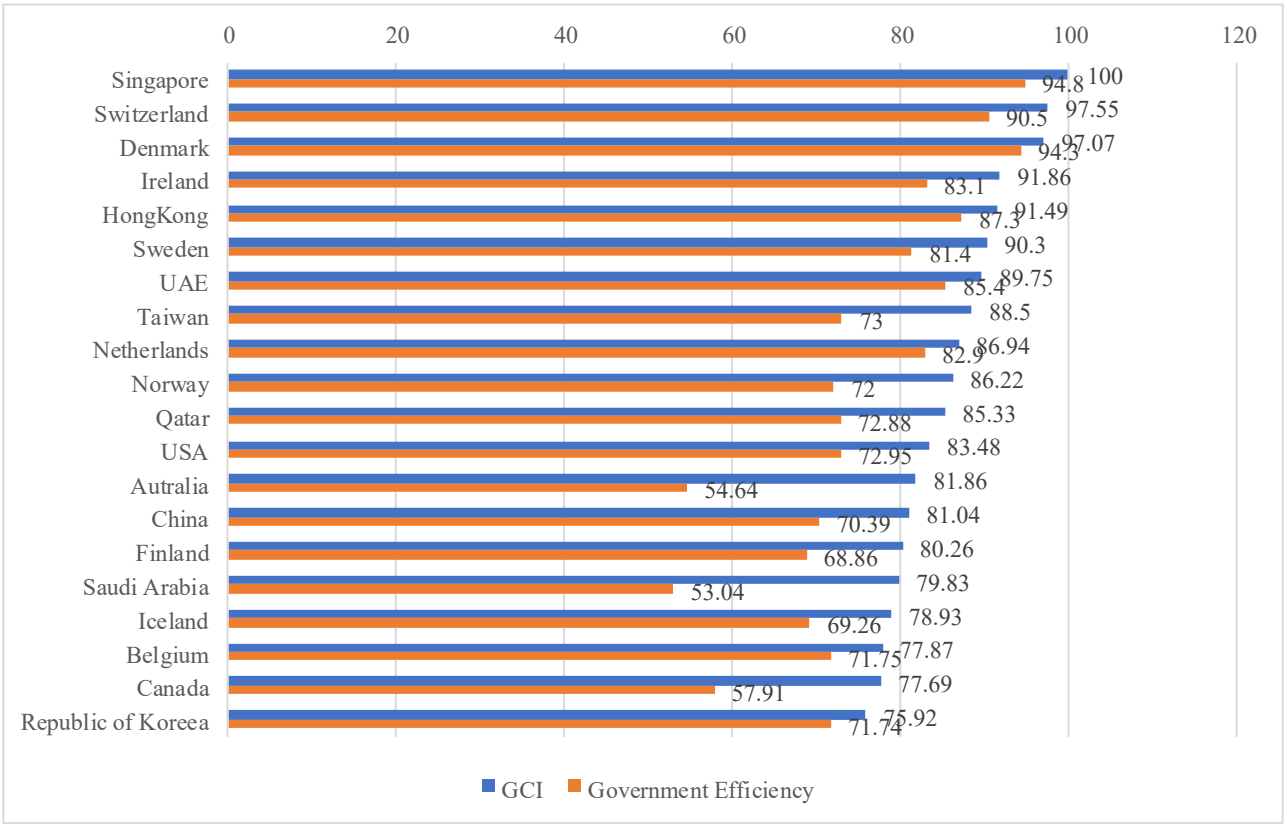


**Figure 4. Top 20 most competitive countries in World Competitiveness Yearbook 2024**

Source: IMD World Competitiveness Center. World Competitiveness Yearbook 2024

It is worth mentioning that, for most of these countries, one of the defining criteria of competitiveness, which is based on 4 competitiveness factors: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure, was that of Government Efficiency; Singapore – the top most competitive economy in 2024, was also the most efficient in terms of Governance, recording a score of 95 out of 100, with top positions in Institutional Framework and Public Finance; The same is true for most of the countries in the ranking, their position being strongly correlated with efficiency in Public Finance, Tax Policy, Institutional Framework, Business Legislations and Social Framework – an obvious fact even in Figure 4.

To assess the impact of efficient governance on competitiveness, a simple regression between GCI and Government Efficiency was estimated, applied for the 20 economies analyzed in Figure 4:

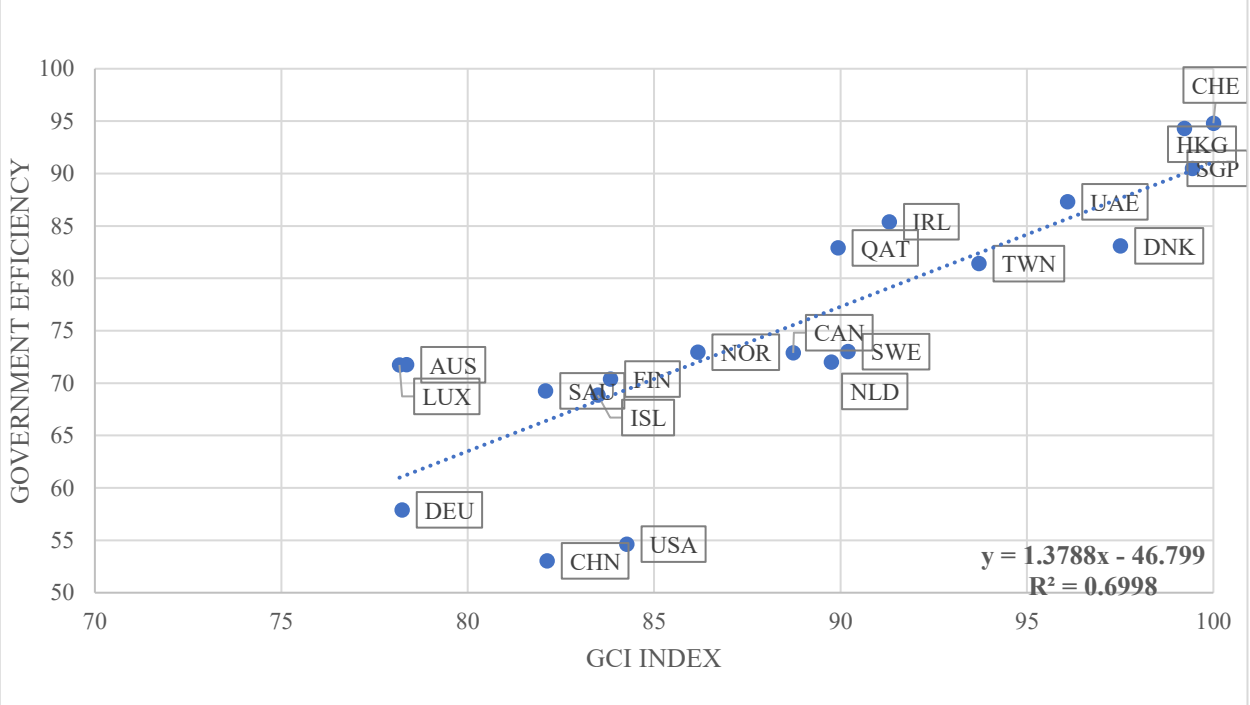


**Figure 5. Correlation between Government Efficiency and GCI of top 20 most competitive countries, 2024**

Source: created by the author according to the data of IMD World Competitiveness Center: World Competitiveness Yearbook 2024

The scatter plot, based on a simple regression model, has the Global Competitiveness Index (GCI) score as the dependent variable and government efficiency as the explanatory variable. The results obtained indicate a positive and statistically significant coefficient for the Government Efficiency variable ($c = 0.452$, $p < 0.01$), which suggests that government efficiency is associated with a significant increase in the GCI score (a one-point increase in effective governance generates a 0.68-point increase in competitiveness). Also, the value of the F statistic ($\approx 41.95$, $p < 0.0001$) confirms the general validity of the model.

These results confirm the importance of government efficiency and effective policies – as an essential pillar of economic competitiveness, or the latter has a significant impact especially on developed economies, which demonstrate good governance, transparency and administrative performance, as a foundation for sustainable development and economic attractiveness.

## 5. CONCLUSIONS

The results of the regression analysis performed for a various set of countries confirms that in developed economies - such as Singapore (high income country, according to World Bank) - competitiveness acts as a key catalyst for economic development and national well-being. However, in upper-middle income countries, such Malaysia, the relationship between competitiveness (GCI) and GDP per capita appears distorted: although the coefficient and R-squared are high - the direction is negative, suggesting an insignificant model; This disconnect becomes even more pronounced in fragile contexts like Venezuela, where competitiveness does not translate into economic progress, especially due to political, governmental and economical instability.

These findings highlight that in less developed economies, structural issues such as political instability, corruption, weak institutions, and inefficient public policies can offset or delay the benefits of improved competitiveness. Even when national strategies and reform agendas aim to enhance competitiveness, their effects on economic growth and living standards are neither immediate nor guaranteed, especially in conditions of government instability or lack of trust among global actors.

The comparative analysis in Table 1, together with regression results, supports the hypothesis that competitiveness positively influences economic development, but only under conditions of institutional stability and effective governance. Therefore, while GCI is a relevant driver of prosperity, its impact is contingent on the country's stage of development and the quality of its institutional and policy frameworks, so that government efficiency appears as a fundamental and imperative factor of economic competitiveness.

Having this in mind, we aim to shed light in our future research on the relationship between effective government and competitiveness, but also the relationship and institutional role of country strategies and policies on competitiveness and economic development. Taking into consideration that the competitiveness level does not depend only on external relations but also on national strategies, further empirical research should also approach the way different countries are promoting and positioning themselves on global economic map, through nation branding strategies, campaigns and messages.

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