

Ease of Doing Business in India: World Bank's Ranking

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Abstract: *The Doing Business assessment provides objective measures of business regulations and their enforcement across 190 economies on ten parameters affecting a business through its life cycle. Continuous improvement in the rankings of Ease of Doing Business by the World Bank in which India has improved significantly once again from the rank of 77th in 2019 to the rank of 63rd in 2020 is highly appreciable. This is the true reflection of the diligent efforts of the government to improve India's position in the global rankings. The country has successfully improved its position from 142nd in 2014 to the rank of 63 in 'Doing Business 2020.*

Keywords: Ease of Business Reform, Index, Government Initiatives, DIPp Role, Digitization Transformation, Measures Underway

1. Introduction

Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index.

The ease of doing business in India improved notably after a series of reforms have made it easier for companies to get construction permits, pay taxes and trade across borders, according to a new report from the World Bank.

India has improved its score in the World Bank's global Ease of Doing Business rankings, rising 14 notches to be placed 63rd out of 190 countries on the back of "sustained business reforms".

Progress card					
As of May			* Ranking		
	2019	2018		2019	2018
New Zealand	1	1	Norway	9	7
Singapore	2	2	Sweden	10	12
Hong Kong	3	4	India	63	77
Denmark	4	3	China	31	46
S. Korea	5	5	Russia	28	31
U.S.	6	8	Brazil	124	109
Georgia	7	6	Vietnam	70	69
U.K.	8	9	Philippines	95	124

The research presents data for 190 economies and aggregates information from 10 areas of business regulation:

- 1) Starting a Business
- 2) Dealing with Construction Permits
- 3) Getting Electricity
- 4) Registering Property
- 5) Getting Credit
- 6) Protecting Minority Investors
- 7) Paying Taxes
- 8) Trading across Borders
- 9) Enforcing Contracts
- 10) Resolving Insolvency

Rankings and weights on each of the mentioned parameters are used to develop an overall EoDB ranking. A high EoDB ranking means the regulatory environment is more conducive for starting and operating businesses.

1.1 India – Ease of Doing Business Ranking

Among the chosen 190 countries, India ranked 63rd in Doing Business 2020: World Bank Report. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment. The efforts have yielded substantial results with India jumping 65 places in the Doing Business rankings since 2014. Positive changes have led to this impressive improvement in India's ranking in the EoDB index. India's major achievement is here:

- **Construction Permits:** India's ranking on this parameter has improved from 184 in 2014 to 52 in 2018. This improvement has been mainly on the account of a decrease in the number of procedures and time taken for obtaining construction permits in India.
- **Getting Electricity:** India's ranking on this parameter has improved from 137 in 2014 to 24 in 2018. The number of days taken to get an electricity connection for a business is just 55 days and it takes only 3.5 procedures in Delhi Mumbai combined.

Apart from these significant improvements, among the 190 economies, India ranks 7th in Protecting Minority Investors and 22nd in Getting Credit.

India Report Card

India

✓ Starting a business

India made starting a business easier by abolishing filing fees for the SPICe company incorporation form, electronic memorandum of association, and articles of association. This reform applies to both Delhi and Mumbai.

✓ Dealing with construction permits

India (Delhi) streamlined the process, reduced the time and cost of obtaining construction permits, and improved building quality control by strengthening professional certification requirements. India (Mumbai) streamlined the process of obtaining a building permit and made it faster and less expensive to get a construction permit.

✓ Trading across borders

India made trading across borders easier by enabling postclearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures, and enhancing the electronic submission of documents. This reform applies to both Delhi and Mumbai.

✓ **Resolving insolvency**

India made resolving insolvency easier by promoting reorganization proceedings in practice. India also made resolving insolvency more difficult by not allowing dissenting creditors to receive as much under reorganization as they would receive in liquidation. This reform applies to both Delhi and Mumbai.

1.2 About the Index

- The indicator measures the performance of countries across 10 different dimensions in the 12-month period.
- The DBR ranks countries on the basis of Distance to Frontier (DTF), a score that shows the gap of an economy to the global best practice.
- The 10 areas of study are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.
- Each country is scored and also ranked (a comparison).
- The 0-100 score measures any given country's performance with respect to the best practice across the entire set of countries. A score of zero signifies worst regulatory performance and 100, the best.
- The indicator, however, is not necessarily representative of each country.

TABLE 1.1 What Doing Business measures—12 areas of business regulation

Indicator set	What is measured
Starting a business	Procedures, time, cost, and paid-in minimum capital to start a limited liability company for men and women
Dealing with construction permits	Procedures, time, and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time, and cost to get connected to the electrical grid; the reliability of the electricity supply; and the transparency of tariffs
Registering property	Procedures, time, and cost to transfer a property and the quality of the land administration system for men and women
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time, and total tax and contribution rate for a firm to comply with all tax regulations as well as postfiling processes
Trading across borders	Time and cost to export the product of comparative advantage and to import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women
Resolving insolvency	Time, cost, outcome, and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Employing workers	Flexibility in employment regulation
Contracting with the government	Procedures and time to participate in and win a works contract through public procurement and the public procurement regulatory framework

Note: The employing workers and contracting with the government indicator sets are not part of the ease of doing business ranking in *Doing Business 2020*.

2. Important features of India's performance

- The World Bank has recognized India as one of the top 10 improvers for the third consecutive year.
- Recovery rate under resolving insolvency has improved significantly from 26.5% to 71.6%.
- The time taken for resolving insolvency has also come down significantly from 4.3 years to 1.6 years.
- India continues to maintain its first position among South Asian countries. It was 6th in 2014.

3. Object of Paper

- To study about the concept of Ease of doing Business in World Bank Ranking
- To understand the key trends of EoDB Index
- To study the initiative steps taken by Government, DIPP Dept, and role of digitization
- To find out the key factors of Performance Measures and parameters of indicators across the life-cycle of a business
- Areas of Improvement yet to be taken

4. Research Methodology

To study about the concept of Ease Of Business and World Bank Ranking System,, India setting the benchmark across

the 190 countries and drastically jump into the world wide ranking. It was also among the top 10 most improved economies along with countries such as China, Djibouti and Azerbaijan, according to the "Doing Business 2019" report.

The Primary source of data is based on personal interview and questionnaire and my research is exploratory and Secondary data has been collected from, , magazines, government reports, publications from various websites which focused on my subject matter

5. Government Initiative Highlights**5.1 Dealing with Construction Permits**

- Rank improved from 181 to 52 recording a jump of 129 ranks Distance to Frontier improved from 38.80 to 73.84 Cost reduced from 23.3% to 5.3% (% of cost of construction)
- Online single window in Delhi and Mumbai has streamlined the processes Distance to Frontier (DTF) is achievement as compared to best performing country
- Procedures reduced from 37 to 20 in Mumbai and from 24 to 16 in Delhi
- Time reduced from 128 to 99 days in Mumbai and from 157 to 91 days in Delhi
- Building quality control index improved from 12 to 14 in Mumbai and 11 to 14 in Delhi

- Cost reduced from 23.3% to 5.3% (% of cost of construction)
- Distance to Frontier improved from 38.80 to 73.84

5.2 Trading Across Borders

- The Central Board of Excise and Customs (CBEC) has implemented 'Indian Customs Single Window Project' to facilitate trade. Importers and exporters can electronically lodge their customs clearance documents at a single point.
- The number of mandatory documents required for customs purposes, for both import and export of goods, has been reduced to three.
- e-Sanchit, an online application system, allows traders to file all documents electronically.
- The electronic self-sealing of the container at the factory has reduced time and cost for exporting firms.
- A computerized risk management system has brought transparency and reduced frequency of custom inspections significantly.
- Central Board of Indirect Taxes and Customs has provided a facility for Advance Bill of Entry (Advance Import Declaration).

5.3 Starting a Business

- Rank improved from 156 to 137 recording a jump of 19 ranks
- Single form (SPICe) for company incorporation, PAN, TAN and DIN
- No requirement of inspection for registration under Shops and Establishments Act in Mumbai
- Procedures reduced from 11 to 10 in Delhi and 12 to 10 in Mumbai
- Time reduced from 30 to 16 days in Delhi and 29 to 17 days in Mumbai
- Distance to Frontier improved from 75.40 to 80.96

5.4 Getting Credit

- Rank improved from 29 to 22
- Secured creditors are now given absolute priority over other claims within insolvency proceedings
- Strength of legal rights index improved from 8 to 9
- Distance to Frontier improved from 75 to 80

5.5 Getting Electricity

- Rank improved from 29 to 24
- Cost to obtain an electricity connection reduced from 96.7% to 29.5% (% of income per capita)
- Procedures reduced from 5 to 3 in Delhi and 5 to 4 in Mumbai
- Distance to Frontier improved from 85.21 to 89.15

5.6 Paying Taxes

- Introduction of GST, a landmark reform, replaced multiple indirect taxes with a single tax
- Electronic system for payment of EPF & ESI enabling easier filings and return payment
- Reduction in administrative charges by EPFO
- Provisions related to income tax audit simplified
- Reduced corporate income tax rate for companies with turnover up to INR 250 crore

5.7 Resolving Insolvency

- Introduction of reorganization as a resolution mechanism through enactment of a new Insolvency and Bankruptcy Code
- Introduced a time bound reorganization procedure for corporate debtors and facilitated continuation of the debtor's business during insolvency proceedings
- Professional institutions established resulting in effective handling of Restructuring and Insolvency Proceedings

5.8 DIPP Role in Ease of Doing Business Reform

Department for Promotion of Industry and Internal Trade was established in the year 1995, and in the year 2000 Department of Industrial Development was merged with it. It is working under the Ministry of Commerce and Industry, Government of India. This department is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view the national priorities and socio-economic objectives

The Department for Industrial Policy and Promotion (DIPP) launched Business Reforms Action Plan (BRAP) and its assessment report in September 2015, capturing the findings of reforms implemented by States/Union Territories.

For BRAP 2019, DPIIT has proposed to undertake a 100% feedback-based assessment. The reform areas included.

- Access to Information and Transparency Enabler
- Single window system
- Land administration and Transfer of Land and Property
- Land availability and allotment
- Environment Registration Enablers
- Construction Permit Enablers
- Labor Regulation-Enablers
- Obtaining Utility Permits
- Paying Taxes
- Inspection Enablers
- Contract Enforcement
- Sector Specific: Healthcare and Miscellaneous

5.9 Digitization Transformative Measures:

- Single Window Interface for Facilitating Trade on ICE GATE portal
- e-Sanchit enabling digital filing of documents

- Mandatory use of e-payment, e-invoice and e-delivery by all maritime stakeholders (through Port Community System)
- Online registration under GST
- Electronic system for payment of social security contributions enabling easier return payment and filing
- Online registration under Shops and Establishments Act in Mumbai and Delhi
- Online single window for all construction related approvals.
- Color coded zonal maps of various agencies made available online to determine NoC requirement for plots.

5.10 Measures Underway

- **Paying Taxes:** GST implementation has been acknowledged, only partial impact has been taken into account, but improvement is expected to be factored next year
- **Resolving Insolvency:** Increased usage will lead to recognition; the indicator will improve as more insolvent companies opt for reorganization plans instead of liquidation
- **Enforcing Contracts:** Faster resolution of commercial disputes through dedicated commercial courts
- **Registering Property:** Digitization of land records and maps and transparency on encumbrances will ease the process of registering property.

Where India stands		
Indicator	2019	2018
Starting business	137	156
Construction permits	52	181
Getting electricity	24	29
Registering property	166	154
Getting credit	22	29
Protecting minority interests	7	4
Paying taxes	121	119
Trade	80	146
Enforcing contracts	163	164
Resolving insolvency	108	103
Overall rank	77	100

The two years are not strictly comparable due to small methodology changes, but the relative rankings stand

SOURCE: WWW.DOINGBUSINESS.ORG, WORLD BANK

6. Conclusion

The Ease of Doing Business (EoDB) index is a ranking system established by the World Bank Group. Doing Business advocates for both regulatory quality and efficiency. Among the chosen 190² countries, India ranked 63rd in Doing Business 2020: In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment.

It is still way behind on certain parameters, with top government officials admitting that much work needs to be done. The four parameters in which India is still ranked below 100 among 190 countries are 'Starting a Business', 'Registering Property', 'Enforcing Contracts' and 'Paying Taxes'.

As per the latest World Bank report, there are some areas where India is lagging far behind the global rankings, for instance, India is placed at 137th when it comes to starting a business. India takes 1,445 days on an average to resolve a commercial dispute. In high income economies, it is 582 days. India is also lagging behind when it comes to registration of properties where it is ranked 166 among 190 countries.

Doing Business 2020 also takes note of Prime Minister Narendra Modi's flagship Make in India initiative, saying that the campaign focused on attracting foreign investment, boosting the private sector -manufacturing in particular - and enhancing the country's overall competitiveness

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