

EASE OF DOING BUSINESS AND INDIA: IMPROVEMENT AND CHALLENGES

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ABSTRACT

The World Bank Group created the Ease of Doing Business (EoDB) index ranking system. A regulatory framework that is very conducive to the establishment and operation of a firm is indicated by a high score for ease of doing business. The current government has made improving the EoDB their top priority. In order to create smooth processes for launching, operating, and shutting down the business, efforts are being made to implement faster processes, increased transparency, reduced transaction costs, improved digitisation, fewer discretionary processes, streamlined regulatory procedures, expedited resolution of insolvency cases, and time-bound clearances for the sector. As a result of these efforts, India's position has improved significantly from 130th in 2017 to 63rd in 2020. India has recorded great improvement in several indicators. While India's position in some indicators is still far behind. Some challenges have also been raised against the methodology of EoDB. The present paper discusses the same concern.

Keywords: *Ease of Doing Business (EoDB), World Bank, Digitisation, Methodology of EoDB.*

Introduction

India has the largest population as well as the largest youth population in the world. India's 67.8% of the population falls in the working age group of 15-64. Naturally, they look for the work. Getting them decent employment should be a priority for a country like India suffering from over population and unemployment. India is a labor abundant and capital scarce country. Hence the necessity and utility of foreign capital has already been in India. For such reason India has also started campaign like Make in India. Any company will come to invest in India only if India has a good environment for investment. The EoDB rankings are meant to gauge how business-friendly an economy is. A high score for ease of doing business indicates that the regulatory climate is more favourable for establishing and running a local business. India's top ranking in ease of doing business is useful for attracting foreign investors. India's position in ease of doing business was almost stagnant till 2017. It has improved significantly. The present research paper discusses, India's position in ease of doing business, India's position in various indicators of ease of doing business and comparison to top performer countries in various indicators of ease of doing business. The paper discusses India's Ease of Doing Business journey and its success-challenges etc., conclusions have been drawn.

Concept of Ease of Doing Business

The World Bank Group created the Ease of Doing Business (EoDB) index ranking system. "Higher rankings" (a lower numerical value) in the EoDB index denote stronger property rights protections and better, typically less complicated business rules. Based on the ease of doing business, economies are graded from 1 to 190. Based on the ease of doing business, economies are graded from 1 to 190. A high score for ease of doing business indicates that the regulatory climate is more favorable for establishing and running a local business. The Distance to Frontier (DTF) score is used to rate the nations based on how far apart their economies are from the world's best practices. A score of 75, for instance, indicates that one economy was 25 percentage points off the frontier created by aggregating the best results throughout time and across all economies.

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The aggregate scores on ten topics—each with many indicators—are sorted to establish the rankings, with equal weight assigned to each issue. (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.

The "Doing Business" report, the initial edition, was released in 2003. The country rankings began in 2006. Since its inception, more than 3500 reforms have been put into effect nationwide.

Objectives

The chief objectives as well as subsidiary objectives of the present paper are as under:

- To give the introduction of ease of doing business of World Bank.
- To assess the India's development in the ease of doing business since its inception.
- To analyze the India's position in various indicators of EoDB.
- To analyze India's position in comparison to top performer countries in various indicators of ease of doing business.

Research Methodology

The present paper "**Ease of Doing Business and India: Improvement and Challenges**" has been prepared by using secondary data. "Secondary data means data are already available i.e., they refer to the data which already been collected and analysed by someone else. Secondary data may either be published data or unpublished data." The most reliable sources (Original Reports) have been used for this.

The goal of the Ease of Doing Business study is to quantify the time, expenses, and red tape that small and mid-sized businesses in a given nation encounter while dealing with regulators. The World Bank dispatches experts from the biggest business centres in each nation to gather data (in India, only Mumbai and Delhi are surveyed). It involves many rounds of consultations with professionals who can capture the expertise of multiple businesses. These experts are usually lawyers, business consultants, accountants, freight forwarders, and government officials. Based on the total score each country receives on ten important business-related criteria, a rank out of 190 is assigned. In the 2019 research, which ran from June 2, 2017, to May 1, 2018, about 13,800 specialists took part.

India's Progress in Ease of Doing Business

Table 1: India's rank and Score in Ease of Doing Business

Sr	Year	Rank	Score
1	2006	138	-
2	2007	134	-
3	2008	120	-
4	2009	122	-
5	2010	133	-
6	2011	135	-
7	2012	139	-
8	2013	132	-
9	2014	134	-
10	2015	142	-
11	2016	130	54.7
12	2017	130	55.3
13	2018	100	60.8
14	2019	77	67.2
15	2020	63	71.0

Source: Ease of Doing Business Reports of Various Years.

Table 1 shows India's rank and score in Ease of Doing Business from 2006 (Inception) to 2020 (Last Published Report). India was ranked 138th in the EoDB Index in 2007. Which became 130th in the year 2017. India's position in the EoDB Index has ranged between 120th to 142nd from 2007 to 2017. Which shows lagged behind position of India in EoDB during this period.

After 2017, India has succeeded in improving its position in 'Ease of Doing Business. India's rank improved to 63 in 2020. By 2020, the Indian government set a goal to rank among the top 50 economies in the world in terms of "Ease of Doing Business" in 2015. Targeting every area as

determined by Doing Business, the government-led administration made significant progress in areas such as paying taxes, transnational trade, and insolvency resolution. Over the last three years, India's ranking has increased by 69 positions due to sustained efforts on the part of the Government (2018–20). Notably, India was listed among the top 10 economies exhibiting "the most notable improvement" in three surveys that were published in the years 2017, 2018, and 2019.

More than 3,400 law provisions have been decriminalized and more than 39,000 compliances have been lowered in an effort to further improve the country's economic environment. This remarkable improvement in India's EoDB index rating is the result of positive reforms. In order to reform 42 Central Acts, India launched the Jan Vishwas Bill, which aims to promote trust-based government at all levels. At both the federal and state levels, an integrated system of unified filing procedures will be established to prevent duplicate document submission, guarantee the authenticity of the same, and expedite request processing. The 'Make in India' campaign started by the government focused on attracting foreign investment, boosted the private sector (specially manufacturing sector) and enhanced India's overall competitiveness.

Table 2: Criteriawise India's Performance in Ease of Doing Business (Year 2007-11)

Sr	Criteria	2007	2008	2009	2010	2011
1	Starting a Business	88	111	121	169	165
2	Dealing with Construction Permits	-	-	136	175	177
	Dealing with Licences	155	134	-	-	-
3	Employing workers	112	85	89	104	-
4	Registering Property	110	112	105	93	94
5	Getting Credit	65	36	28	30	32
6	Protecting Investors	33	33	38	41	44
7	Paying Taxes	158	165	169	169	164
8	Trading across borders	139	79	90	94	100
9	Enforcing contracts	173	177	180	182	182
10	Closing a Business	133	137	140	138	134
11	Ease of doing business rank	134	120	122	133	134

Source: Ease of Doing Business Reports of Various Years.

Table 3: Criteriawise India's Performance in Ease of Doing Business (Year 2012-20)

Sr	Criteria	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Starting a Business	166	173	179	158	155	155	156	137	136
2	Dealing with Construction Permits	181	182	182	184	183	185	181	52	27
3	Getting Electricity	98	105	111	137	70	26	29	24	22
4	Registering Property	97	94	92	121	138	138	154	166	154
5	Getting Credit	40	23	28	36	42	44	29	22	25
6	Protecting Minority Investors	46	49	34	7	8	13	4	7	13
7	Paying Taxes	147	152	158	156	157	172	119	121	115
8	Trading across borders	109	127	132	126	133	143	146	80	68
9	Enforcing contracts	182	184	186	186	178	172	164	163	163
10	Revolving Insolvency	128	116	121	137	136	136	103	108	52
11	Ease of doing business rank	132	132	134	142	130	130	100	77	63

Source: Ease of Doing Business Reports of Various Years.

Table 4: Comparison of India's Performance with Best and Worst Performer Countries (Year 2023)

Indicator		Economy establishing best regulatory performance	Best regulatory Performance	Worst regulatory Performance	India
Starting a business	Procedures (number)	Georgia; New Zealand	1	18	10
	Time (days)	New Zealand	0.5	100	18
	Cost (% of income per capita)	Rwanda; Slovenia	0.0	200.0	7.2
	Minimum capital (% of income per capita)	Australia; Colombia; Mauritius	0.0	400.0	0.0
Dealing with Construction Permits	Procedures (number)	No economy was a best performer as of May 1, 2019.d	5	30	15
	Time (days)	No economy was a best performer as of May 1, 2019.d	26	373	106

	Cost (% of warehouse value)	No economy was a best performer as of May 1, 2019.d	0.0	20.0	4.0
	Building quality control index (0-15)	China; Luxembourg; United Arab Emiratese	15	0	14.5
Getting electricity	Procedures (number)	Germany; Kenya; Republic of Koreaag	3	9	4
	Time (days)	Republic of Korea; St. Kitts and Nevis; United Arab Emirates	18	248	53
	Cost (% of income per capita)	China; Japan; United Arab Emirates	0.0	8100	28.6
	Reliability of supply and transparency of tariffs index(0-8)	Costa Rica; Ireland; Malaysiah	8	0	6
Registering property	Procedures (number)	Georgia; Norway; Portugali	1	13	9
	Time (days)	Georgia; Qatar	1	210	58
	Cost (% of property value)	Saudi Arabia	0.0	15.0	7.8
	Quality of land administration index (0-30)	No economy has reached the best performance yet.	30	0	10.8
Getting Credit	Strength of legal rights index (0-12)	Brunei Darussalam; Montenegro; New Zealand	12	0	9
	Depth of credit information index (0-8)	Ecuador; Israel; United Kingdomk	08	0	7
Protecting minority investors	Extent of disclosure index (0-10)	China; Malaysia; United Kingdoml	10	0	8
	Extent of director liability index (0-10)	Cambodia; Kenya; United Arab Emirates	10	0	7
	Ease of shareholder suits index (0-10)	Djibouti	10	0	7
	Extent of shareholder rights index (0-6)	India; Kazakhstan; Maltam	6	0	6
	Extent of ownership and control index (0-7)	Bahrain; Colombia; Uzbekistann	7	0	6
	Extent of corporate transparency index (0-7)	France; Norway; Taiwan, Chinao	7	0	6
Paying Taxes (rank)	Payments (number per year)	Hong Kong SAR, China	3	63	11
	Time (hours per year)	Singapore	49	696	252
	Total tax and contribution rate (% of profit)	Canada; Denmark; Singaporeq	26.1	84	49.7
	Post filing index (0-100)	No economy with both CIT and VAT has reached the best performance yet.	100	0	49.3
Trading across Borders	Time to export Documentary compliance (hours)	Canada; Poland; Spainw	1	170	12
	Border compliance (hours)	Austria; Belgium; Denmarky	1	160	52
	Cost to export Documentary compliance (USD)	Hungary; Luxembourg; Norwayz	0	400	58
	Border compliance (USD)	France; Netherlands; Portugalaaa	0	1060	212
	Time to export Documentary compliance (hours)	Republic of Korea; Latvia; New Zealandbbb	1	240	20
	Border compliance (hours)	Estonia; France; Germanyccc	1	280	65
	Cost to export Documentary compliance (USD)	Iceland; Latvia; United Kingdomddd	0	700	100
	Border compliance (USD)	Belgium; Denmark; Estoniaeee	0	1200	266
Enforcing	Time (days)	Singapore	120	1340	1445
	Cost (% of claim value)	Bhutan	0.1	89.0	31.0

Contracts	Quality of judicial processes index (0-18)	No economy has reached the best performance yet.	18	0	10.5
Resolving Insolvency (rank)	Recovery rate (cents on the dollar)	Norway	92.9	0	71.6
	Time (years)				1.6
	Cost (% of estate)				9.0
	Outcome (0 as piecemeal sale and 1 as going concern)				1
	Strength of insolvency framework index (0-16)	No economy has reached the best performance yet. 16 0	16	0	7.5

Source: Ease of Doing Business Report Year 2020, Page No-79-80.

Table 2 and 3 showcase India's performance in all 10 indicators of Ease of Doing Business from 2006 (Inception) to 2020 (Last Published Reports). Table no. 2 and table no. 3 showcase India's position in various indicators of Ease of Doing Business from 2007 to 2011 and 2012 to 2020 respectively.

While Table No.-4 shows the comparison of the performance of India in each criterion and indicator wise with the Best and Worst Performer of respective indicator in the world in the year 2020. Although India's position has improved significantly since 2017, it would be appropriate to know where it stands compared to the best performer countries in that criterion. On that basis one can get an idea of how much scope is there for improvement. Especially how many procedures are there in each criteria. How long it takes time and how much it costs are important considerations.

The following important conclusions can be drawn from the details of the table.

- Starting a business indicator took into account the time, expense, and minimal capital needed to launch a new enterprise, as well as how simple the processes were to follow. In Starting a business indicator, India's position was 88th in 2007, It has become 136th in 2020. India's best ranking in the world in Starting a business Indicator was 88th in 2008 and the lowest was 179th in 2014. Even though India's position in starting a business improved after 2018, it still lags far behind. There are 10 procedures, takes 18 days and costs more for starting a business in India. The top rank countries of this indicator takes only one procedure and less than one day to start a business There is wide scope and need for improvement.
- Dealing of Permission of Construction shows how simple it is to obtain approval to develop a warehouse. Processes, time, and expense to finish all requirements in order to construct a warehouse, as well as safety and quality assurance measures in the system of building permits. India's rank in the dealing with construction permits indicator has been 180th out of 190 countries during 2012 to 218. India's rank improved significantly to 52nd in 2019 and further improved to 27th in 2020. Even so, India has an opportunity to improve in the dealing with construction permits indicator. First place countries of this indicator have only 5 procedures and takes 26 days to be done to get construction permits. While in India, 15 procedures have to be done and it takes 106 days. By simplifying the procedure, the time and cost required for the permit can be reduced. By doing this, India can improve its position in this indicator as well as in EoDB as a whole. The construction permit process and the time taken for it are considered very important in making decisions for investment of foreign and domestic capital.
- In a freshly built warehouse, the convenience of establishing a permanent electrical connection is crucial. India's position in Getting Electricity has improved significantly from 98th in 2012 to 22nd in 2020, its best position so far. India's lowest ranking in the world in Getting Electricity was 137th in 2015. After that, the situation has steadily improved. Top performer countries in getting electricity have 3 procedures to get electricity, while there are 4 procedures have to be done to get electricity in India. But it takes 53 days to get electricity in India. While countries leading this indicator take only one third time than India. The cost to get electricity in India is very high to compare with these countries.
- The ease and simplicity of the commercial real estate registration process is demonstrated by the registration of property. India's position in Registering Property was 110 in 2007 and has become 154th in 2020. India's best ranking in the world in Registering Property was 85th in 2008 and the lowest was 166th in 2019. After 2015, India's position in Registering Property has gone backwards. India's overall position in EoDB has improved significantly during this period. While the opposite results have been observed in the Registering Property indicator. In the countries that have the first place in this indicator, only 1 procedure has to be done to register Property, while in India, 9 procedures have to be done much more than that. It takes one day for Property

Register in top ranking countries. Whereas it takes a very long time of 58 days to register a property in India. To change this situation, India should emphasize the widespread use of technology to make the process of Property Register faster and less expensive.

- Receiving credit demonstrates the credit information systems and moveable collateral laws. The strength of the legal rights index and the depth of the credit information index. India's rank in Getting Credit indicators has been better to compared with other indicators of EoDB since 2007. India's rank is 25th in 2020 with further improvement. India's position in getting credit is as good as the world's top performer countries that can be considered significant.
- Protecting Minority Investors demonstrates that care is given to the degree of disclosure and the simplicity of shareholder lawsuits. Rights of minority shareholders in corporate governance and related-party transactions. Overall, India's position in Protecting minority investors was better as compared to other indicators. In 2020 the rank rose to 13th with a further improvement. India has its best rank in Protecting minority investors in all indicators. India's position is very good in Extent of ownership and control index, Extent of corporate transparency index etc.
- The paying taxes indicator displays the total amount of taxes owed as a percentage of gross profit, the number of taxes paid, and the number of hours filed annually.
- India's position in paying taxes has improved from 158 in 2007 to 115 in 2020. Although the situation has improved significantly since the lowest position was 172 in 2017, India is far behind in the paying taxes indicator. Tax rates are very high compared to leading countries of the world. While many Indian enterprises pay up to thirteen taxes year—or up to fifty-three percent of their profits—Hong Kong business owners only pay three taxes annually. Less than half of the tax rate in India is the average tax rate in all global economies. In order to strengthen one's position in the EoDB and draw in foreign investment, the paying taxes indicator must rapidly improve.
- This refers to the process of bringing goods into and out of the nation. Time and expense associated with importing auto parts and exporting the product of comparative advantage. India's position in Trading across Borders was at 146th in 2018. It has greatly improved to 68th in 2020. Which is significant. India upgraded port infrastructures, improved electronic document submission, enabled post clearance audits, and brought trade players together on a single electronic platform to facilitate cross-border trade. This change is applicable to Mumbai as well as Delhi.
- Enforcing contracts: It entails researching the time, expense, and work needed to carry out a debt contract. The length of time and money needed to settle a business disagreement, as well as the standard of the legal system for the public. Enforcing Contracts India's rank is 163 out of 190 countries. In this indicator, India is far behind from the beginning. Also, only negligible improvement has been reported. Cost of Enforcing Contracts, Quality of judicial processes index (0-18) India ranks worse than leading countries in EoDB of the world.
- Resolving insolvency: Examines the soundness of the insolvency legal system as well as the duration, expense, and percentage recovery rate during a bankruptcy procedure. India made resolving insolvency easier by adopting a new insolvency and bankruptcy code that introduced a reorganization procedure for corporate debtors and facilitated continuation of the debtor's business during insolvency proceedings and achieved the 52nd rank. Further improvements can be made through its more effective implementation.
- India is in a very good position compared to the Worst Performer countries in EoDB as India has improved its position by 67 ranks to reach 63 in Ease of Doing Business during the period 2018-20. However, it is also a fact that except for this one indicator, getting electricity, in all the other indicators, the number of procedures and the time taken for it are significantly higher compared to the best performer countries in terms of number of days. / is higher. Which shows that in order to improve India's position in Ease of Doing Business, India needs to significantly reduce the number of procedures and the days taken for it in various criteria. Apart from this, the cost percentage is also very high in almost all the criteria. Almost all criteria require or have the potential for significant improvement compared to the best performer countries in various respects.

Major Findings

- India's rank in Ease of Doing Business has been far behind till 2017.
- India has registered a huge improvement of 67 places (from 130 to 63) during the year 2018-20. India has been among the top five countries with the highest position improvement and also the largest improvement in scores during this period.

- Although India has improved its position considerably in recent years, it still lags far behind the world's top countries in Ease of Doing Business in most indicators.
- Similarly, among the total 10 indicators, indicators like Starting a Business, Registering Property, Paying Taxes, Enforcing contracts, India's position is far behind. Dealing with Construction Permits Getting Electricity Indicators like Getting Credit Protecting Minority Investors India has a leading position among the countries of the world.
- As India has improved its position in Ease of Doing Business by 67th ranks during the period 2018-20, it is in a very good position compared to the Worst Performer countries in Ease of Doing Business. However, it is also a fact that except for this one indicator, getting electricity, in all the other indicators, the number of procedures and the time taken for it are significantly higher compared to the best performer countries in terms of number of days is higher. Which shows that in order to improve India's position in Ease of Doing Business, India needs to significantly reduce the number of procedures and the days taken for it in various criteria. Apart from this, the cost percentage is also very high in almost all the criteria. Almost all criteria require or have the potential for significant improvement compared to the best performer countries in various respects.

Advantages of Ease of Doing Business

Ease of Doing Business rankings enhance the overall and help get a name globally. The country with a higher score attracts higher FDI. The higher ranking denotes that the regulatory environment is more contributively.

A favourable business environment attracts both domestic and foreign investment.

Investors are more likely to commit capital to countries or regions where they can easily establish and operate businesses with minimal regulatory burdens and administrative complexities.

Limitations of Ease of Doing Business

Despite having numerous flaws, the study serves as a gauge for how easy it is for businesses in large cities to conduct business. Proprietary and partnership firms are not covered by the Ease of Business Report in India. In spite of the fact that partnerships and proprietorships make up the majority of small businesses, the EODB rank only includes corporations. Only Mumbai and Delhi are covered by the Ease of Business study in India; tier 2 and tier 3 towns' business organizations are not included in the study due to the red tape they face. One cannot consider Delhi and Mumbai to be a perfect representation of India. The recent drastic shift in India's rankings was really caused by the single-window approval process for obtaining building licenses in Delhi and the introduction of a new online system in Mumbai.

Conclusion

After an examination revealed "data irregularities" in its 2018 and 2020 editions (published in 2017 and 2019, respectively) and potential "ethical matters" involving bank staff, the World Bank decided to stop publishing its "Doing Business report." It will be developing a fresh method for evaluating the investment and commercial environment. Rather than reinstating the now-dubious rankings, the World Bank ought to have ordered qualitative research to gain a deeper understanding of and monitoring of the global business environment. Creating global indices would not have benefited from these investigations. However, they would have undoubtedly helped policymakers in developing nations, giving them the freedom to select the specific changes that best fit the unique structure of their governance frameworks.

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