

## DOING BUSINESS IN INDIA: MAJOR CHALLENGES AHEAD

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### ABSTRACT

*Empirical research is needed to establish the optimal level of business regulation-for example, what the duration of court procedures should be and what the optimal degree of social protection is. The indicators compiled in the Doing Business project allow such research to take place. Since the start of the project in November 2001, more than 3,000 academic papers have used one or more indicators constructed in Doing Business and the related background papers by its authors.*

**Keywords:** *Empirical Research, Business Regulation, Doing Business Project.*

### Introduction

It is an index which was made by Simeon Djankov and Gerhard Pohl, these two were the top economists at the Central and Eastern Europe sector at the Worlds Bank. The research was done in joint effort with two officers Oliver Hart and Andrei Shleifer.

### Methodology

With the assistance of academic advisors, a Doing business team designed a questionnaire which resulted in a survey.

The survey is totally based on a simple business case which ensures the comparability across economies and over time. This survey is also based on the assumptions on the legal form of the business, size, location, and nature of its operations.

So the ease of doing business index is to measure all these regulations which affects directly the businesses and does not directly measure general conditions such as a nation's large markets, infrastructure's quality, inflation, or crime.

A nation's ranking on the index is based on the average of 10 sub-indices:

- Starting a business
- Dealing with construction permits
- Electricity
- Registration of property
- Taking care of Credit
- Protection of investors
- Payment of taxes
- Trading across borders
- Contracts
- Resolving insolvency
- A new parameter of government contracting has been added by bank

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**Major Challenges of doing Business in India**

What India has seen, that was hardly ever imagined. India is right now going through a period of unparalleled economic liberation, it has been opening its vast consumer base to international firms. However, it is an extremely difficult place to do business, and having local help on board is the key to unlocking the country's vast economic potential.

India is a country with vast economic potential, but traversing the diverse and complicated corporate landscape can be a hard task without the right help on board.

It is not only the case, developed countries and countries with really fast growth are also going through the same economic liberation. They are allowing the overseas investors to taste their vast and varied market.

Still doing business in India can be a troublesome journey, and having local help can really make the difference to the success of a venture.

**Starting a Business**

Without local knowledge of the procedures, the starting of business in India can really be difficult. The cost can vary a lot. There are total 12 points in the procedure of completing the initial set up of a business which costs 49.8% of income per capita. It takes close to 27 days to complete the whole task on average.

**Dealing with Construction Permits**

Permits for constructions are also a costly affair, which involves 34 steps in procedure and takes 196 days. Getting Intimation of Disapproval from the Building Proposal Office and to pay fees takes almost a month, and NOCs from the Tree Authority, Sewerage Dept., Electric Dept., the Environmental Dept., many others.

**Electricity**

As far as cost is concerned, getting electricity is comparatively cheaper than the rest of South Asia but again the procedure is very time taking and long. It takes almost 7-8 days to get an inspector for inspecting the site and ahead of it, three more weeks to get it connected. After that meter is installed and a test installation is conducted.

**Registration of Property**

Now the very important task is getting a property registered. It requires a lot of legwork and charges too. The main fees are Stamp duty of 5% of the property and a 1% charge on the market value of the property incurred at the Sub-Registrar of Assurances. Also the lawyer charges and fees at the Land & Survey Office can also be added.

**Taking Care of Credit**

India performs the best of all South Asian economies for ease of getting credit, ranking 23rd in the world according to the World Bank and International Finance Corporation. The 2013 report states that when a "unified collateral registry, which is centralised geographically, became operational in India strengthening access to credit and the secured transaction regime".

**Protection of Investors**

The protection of investors is something which got attention little late but has been a very crucial concept lately. The Securities and Exchange Board of India (SEBI) is critically set for it.

**Payment of Taxes**

All the businesses operating in India are needed to make all 33 tax payments in a year, which takes almost 243 hours' worth of energy and attention. The headline corporation tax rate stands at 30%, but companies can also incur charges in the form of a central sales tax, dividend tax, property tax, fuel tax, vehicle tax, VAT and excise duty.

**Trading Across Borders**

India has opened its borders for global trade but still there are many problems which still need to be overcome or taken care of while importing and exporting goods.

Companies need to file a long list of documents before moving goods across borders.

**Resolving Insolvency**

If insolvency happens, it can take up to 4 years to resolve it.

## Culture

India has rich culture and citizens are still very attached with their culture. While doing Business with international trade, it is extremely important to maintain good healthy relationship and communication but sometimes adapting to culture can be difficult for the other country.

India has remarkably jumped 14 places to rank now 63rd out of 190 countries in the World Bank's Doing Business 2020 report on the parameters of good improvement in resolving insolvency and getting permits for construction.

The government aims to see India in the top 50 in the ease of doing business ranking.

The other parameters where the department is now putting their entire focus are :

Enforcing contracts (where we currently stand on 163rd), Resolving insolvency (where we currently stand on 52nd), Starting a business (where we currently stand on 136th), Registering property (where we currently stand on 154th), Paying taxes (where we currently stand on 115th) and, Trading across borders (where we currently stand on 68th).

Our Ministries have prepared a blueprint of all the actions that will improve India's ranking in the World Bank's ease of doing business index with the entire focus of the earlier said six points.

Hope to see the growing numbers and better ranking in later stages.

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