

## **“A STUDY ON THE EASE OF DOING BUSINESS IN INDIA: PROBLEMS AND PROSPECTUS”**

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**ABSTRACT:**

*Easy of Doing Business (EODB) has come to be recognized as a cross-border barometer for doing business. In several ways, because of its relative simplicity and easy-to-measure criteria, it has also become an actionable report, as evident from India's new approach of working towards improving its relative position rather than continuing to question the exercise. Prime Minister Narendra Modi coming to power in May 2014, the government had set a target of breaking into the top 50 from 142 that year. India broke into the top 100 in the World Bank's 2018 report on 'ease of doing business' rankings, notching up the biggest improvement among all countries on the back of big gains on a number of measures. The rise to the 100th position from 130th the 2017 year made India one of the top 10 best-improved countries, Since Prime Minister Narendra Modi's proactive intervention and continuous prod, states are fast to induce on board and this augurs well for Bharat moving up the ladder within the near years. The present study is descriptive in nature and primarily based on secondary sources of data. This paper tried to explain the concept and key elements of the EODB, and analyzed the current status and progress of the EODB in India, as well as studied the challenges of 'EODB' and finally given suitable suggestions to overcome the challenges. In a nutshell, whatever might be the shortcomings of the methodology and scope of the World Bank exercise, we must acknowledge that in terms of common perception, 'EODB' has acquired widespread acceptability.*

**KEY WORDS: Business Interests, Doing Business, Investments, World Bank.**

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## **INTRODUCTION:**

Prime Minister Narendra Modi coming to power in May 2014, in that same year, the government had set a target of breaking into the top 50 from 142 that year. India broke into the top 100 in the World Bank's 2018 report on 'ease of doing business' rankings, notching up the biggest improvement among all countries on the back of big gains on a number of measures. The rise to the 100th position from 130th the 2017 year made India one of the top 10 best-improved countries, which the Modi government celebrated as an emphatic endorsement of its economic reforms. 'Buoyed by the impressive gains scored by India on the ease of doing business index for 2018, finance minister Arun Jaitley aforesaid in an exceedingly news conference, "I assume it's attainable to require India to the first fifty ranks as visualized by Prime Minister Narendra Modi". Compared, India improved its position by a mere four places, from One Hundred and Thirty-Four to One Hundred and Thirty, in the World Bank's 2016 rankings' <sup>[1]</sup>. Modi government has of late been under intense attack both by opposition parties and senior members of the ruling party over India's economic slowdown. The country's Gross Domestic Product (GDP) growth rate has plunged from a high of 9.2 percent in the third quarter of 2016 to 5.7 percent in the third quarter of 2017. Economists attribute this mainly to the government's demonetization drive and poor implementation of the new Goods and Service Tax (GST) <sup>[2]</sup>.

## **OBJECTIVES OF THE STUDY:**

1. To explain the concept and key elements of the Ease Of Doing Business (EODB).
2. To analyze the current status and progress of the EODB in India.
3. To study the Challenges of EODB in India.
4. To make some suggestions for smooth achievement of EODB targets.

## **METHODOLOGY OF THE STUDY:**

The present study is descriptive in nature. The present paper is primarily based on secondary sources of data. The information and data for the research have been collected from government publications, published articles, journals, newspapers, reports, books, and official websites of Government of India.

### **THE CONCEPT OF ‘EASE OF DOING BUSINESS’ (EODB):**

The concept of ease of doing business is an index created by Simeon Djankov at the World Bank Group. The academic analysis and research for the report were done collectively by the professors Oliver Hart (economist) and Andrei Shleifer<sup>[3]</sup>. Higher rankings (a low numerical value) indicate higher, typically easier, rules and regulations for businesses and stronger protections of property rights. A scientific and empirical research funded by the World Bank to justify their work shows that the economic process impact of rising these rules and regulations are powerful<sup>[4]</sup>. "Empirical research analysis is required to ascertain the optimum level of business regulation—for example, what the length of court procedures ought to be and what the optimum degree of social protection is. The indications compiled within the Doing Business project permit such research analysis to require place. Since the beginning of the project in November 2001, over than Three Thousand academic research papers have used one or additional indicators constructed in Doing Business and also the connected background papers by its authors<sup>[5]</sup>." The World Bank Group since 2003 each year that's aimed to measure the prices to companies of business rules in One Hundred and Ninety countries. The study has become one among the flagship data product of the World Bank Group within the area of private sector development and is claimed to own actuated the planning of many regulative reforms in developing countries. The study presents once a year an in-depth analysis of costs, necessities and a procedure a particular style of the private firm is subject altogether countries, and then, creates rankings for each country. The study is additionally secured by broad communication efforts, and by making rankings, the study spotlights countries and leaders that square measure promoting reforms. The Doing Business has been wide far-famed and employed by academics, policy-makers, politicians, development specialists, journalists and also the professional commerce community to spotlight procedure and promote reforms. As expressed by the IEG study from the World Bank:

“For country authorities, it sheds a bright, generally candid, light on regulative aspects of their business climate. For business interests, it's helped to catalyze debates and dialogue concerning reform. For the World Bank Group, it demonstrates a capability to produce world data, freelance of resource transfer and conditionality. The annual exercise generates data that is relevant and helpful.”

**A nation's ranking on the index is predicated on the types of ten sub-indices<sup>[6]</sup>:**

- **Starting a business** – Procedures, time, cost and minimum capital to open a new business.
- **Dealing with construction permits** – Procedures, time and cost to build a warehouse.
- **Getting electricity** – procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.
- **Registering property** – Procedures, time and cost to register commercial real estate
- **Getting credit** – Strength of legal rights index, depth of credit information index.
- **Protecting investors** – Indices on the extent of disclosure, the extent of director liability and ease of shareholder suits.
- **Paying taxes** – Number of taxes paid, hours per year spent preparing tax returns and total tax payable as a share of gross profit.
- **Trading across borders** – Number of documents, cost and time necessary to export and import.
- **Enforcing contracts** – Procedures, time and cost to enforce a debt contract.
- **Resolving insolvency** – The time, cost and recovery rate (%) under the bankruptcy proceeding.

**The Doing Business project conjointly offers information on following datasets<sup>[7]</sup>:**

- **Distance to frontier** - Shows the distance of each economy to the “frontier,” which represents the highest performance observed on each of the indicators across all economies included since each indicator was included in Doing Business.
- **Entrepreneurship** - Measures entrepreneurial activity. The information is gathered directly from a hundred and thirty company registrars on the amount of newly registered companies over the past seven years.
- **Good practices** - give insights into however governments have improved the regulative atmosphere within the past within the areas measured by Doing Business.
- **Transparency in business regulation** - information on the accessibility of regulative data measures however simple it's to access fee schedules for four regulative processes within the largest business city or town of an economy.

**Doing Business 2018 Report<sup>[8]</sup>:**

Reforming to form Jobs, a World Bank Group flagship publication is that the fifteenth in an exceedingly series of annual reports measures the laws-regulations that enhance business enterprise and the people that constrain it. Doing Business presents quantitative indicators on business regulations and therefore the protection of property rights which will be compared across one hundred ninety economies—from Afghanistan to Zimbabwe—and over time.

Doing Business measures rules and regulations touching eleven areas of the lifetime of a business. 10 of those areas are enclosed during this year's ranking on the ease or benefit of doing business: beginning a business, managing construction permits, obtaining electricity, registering property, obtaining credit, protective minority investors, paying taxes, commercialism across borders, imposing contracts and resolving insolvency financial condition. Doing Business conjointly measures labor market regulation, that isn't enclosed during this year's ranking. Information on Data in Doing Business 2018 is current as of 1st June 2017. The indications are accustomed analyze economic outcomes and determine what reforms of business regulation have worked, wherever and why.

**Main Findings<sup>[9]</sup>:**

Reforming to form Jobs finds that entrepreneurs in 119 economies saw enhancements in their local or native regulative framework last year. Between June 2016 and June 2017, the report, that measures a hundred ninety economies worldwide, documented 264 business reforms. Reforms reducing the complexness and value of regulative processes within the area of beginning a business and obtaining credit were the foremost common in 2016/17. The next most typical reforms were within the area of commercialism across borders.

- New Zealand is that the first in easy of Doing Business (EODB) for the second consecutive year.
- 3188 reforms implemented in 15 years since its inception of doing Business.
- During the past year, 264 reforms have been carried out in 119 economies.
- Sub-Saharan Africa carried out 83 reforms, a record number for the second consecutive year.
- Thailand, Malawi, Kosovo, India, Uzbekistan, Zambia, Nigeria, Djibouti and El Salvador Brunei, Darussalam. Were the foremost improved economies in 2016/17 in areas tracked by

Easy of Doing Business. Together, these ten prime improvers enforced fifty-three regulative reforms creating it easier to do business.

➤ Economies in all told regions are implementing reforms easing the method of doing business, however, Europe and Central Asia continue to be the region with the very best share of economies implementing a minimum of reform—79% of economies within the region have enforced a minimum of one business regulative reform, followed by South Asia and Sub-Saharan Africa.

➤ The report options four case studies within the areas of beginning a business, managing construction permits, registering property and resolving insolvency economic condition, in addition to an annex on labor market regulation.

### **THE CURRENT STATUS AND PROGRESS OF ‘EODB’ IN INDIA:**

India jumped up 30 notches into the top 100 rankings on the World Bank’s ‘ease of doing business’ index, thanks to major improvements in indicators such as resolving insolvency, paying taxes, protecting minority investors and getting credit. “The vital jump this year could be a results of the Indian government’s consistent efforts over the past few years and India’s endeavor to strengthen its position as the most popular place to try and do business,” aforesaid Annette Dixon,(VP) Vice President, South Asia region at the discharge of ‘Doing Business 2018: Reforming to Create Jobs’.

‘For all its prior 15 editions, the World Bank’s study has been based on a uniform methodology across 190 countries. It ranks them on 10 individual parameters, largely regulatory in nature, and bases itself on the ground in two cities per nation (Mumbai and Delhi in our case). For each criterion, it then ascertains the “distance from the frontier”, which in other words means how far a country’s ranking is from the country with the best global practice in that field. The overall ranking is the summation of such “distances” for the 10 criteria. After just improving one rank last year to 131 in the world, this year India’s score rose from 56.05 to 60.76, the highest jump of all countries’<sup>[10]</sup>.

Not unexpectedly then, India is not going to be critical about the methodology adopted in this exercise, unlike in the past. A common refrain in previous years has been that for a country of

India's size and diversity, a ground-position in more than two cities should be considered. The present basis tends to give an undue advantage to smaller countries as is evident from the annual doing business rankings. This year in the top 5 in New Zealand, Singapore, Denmark, South Korea and Hong Kong—all geographically and population wise minuscule compared to larger countries like China, India, or Brazil. 'Prime Minister Narendra Modi hailed the jump in India's ranking as "historic" and said it was a result of "all-around and multi-sectoral reform push." Finance Minister Arun Jaitley said India's jump is the highest by any country, and that reaching the 'top 50' target set by Prime Minister Modi is "doable"<sup>[11]</sup>. The following table shows some important indicators ranks in the years of 2017 and 2018.

**Table: India's Ranking in some indicators from last two years.**

<b>INDICATORS (RANKING)</b>	<b>2017</b>	<b>2018</b>
Starting a Business	155	156
Dealing with Construction Permits	185	181
Getting Electricity	26	29
Registering Property	138	154
Getting Credit	44	29
Protecting Minority Investors	13	4
Paying Taxes	172	119
Trading across borders	143	146
Enforcing Contracts	172	164

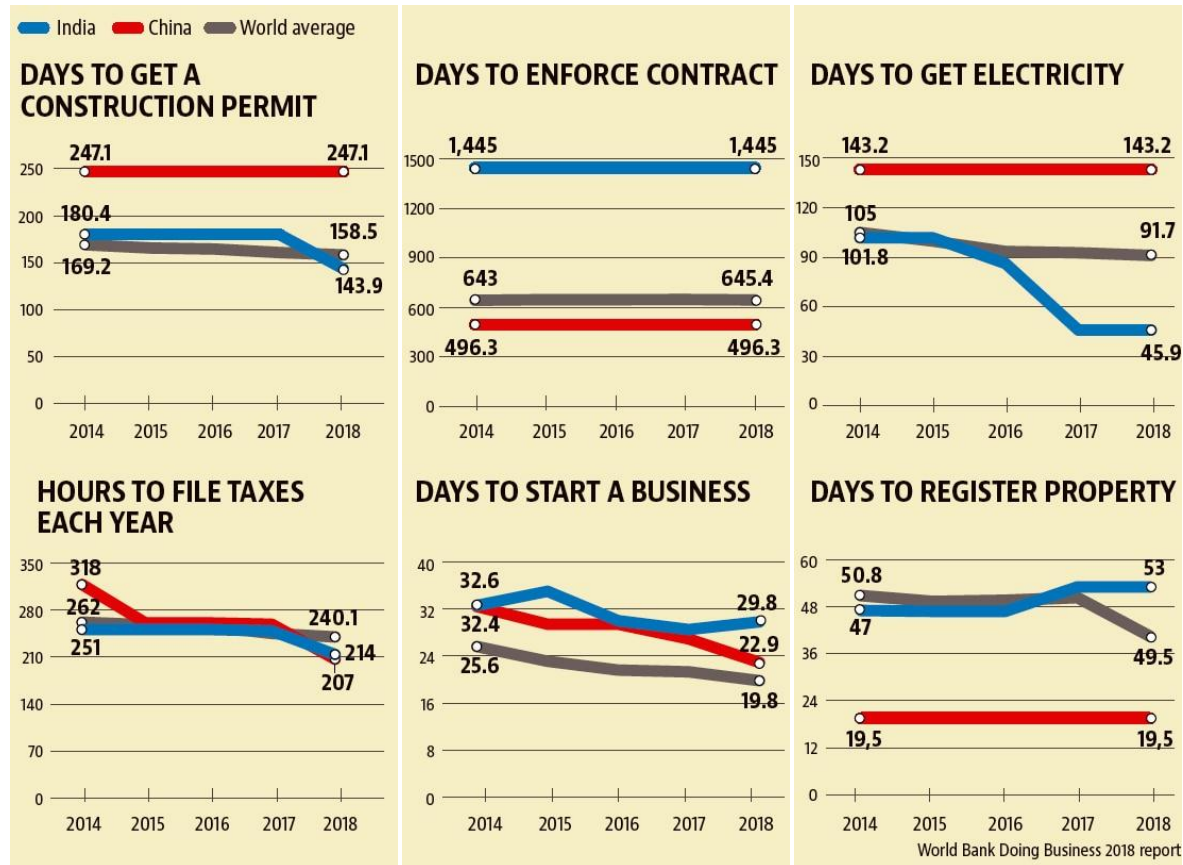
**Source:** World-Bank **Repot:** Doing Business **2018.**

<http://www.doingbusiness.org/reports/global-reports/doing-business-2018> .

India is among the highest 10 improvers this year, with improved ranking in six of the 10 indicators, whereas its performance in absolute terms improved in 9. The six areas of improved ranking embrace coping with construction permits and implementing contracts.

The following pictures show the present trends in comparison trends in the various indicators of India with our neighbor China and Worlds average's of report on World Bank Doing Business 2018 Report:

**Pictures: India's Indicators in Easy of doing Business Report-2018.**



**Source:** <https://www.hindustantimes.com/business-news/ease-of-doing-business-how-india-improved-its-ranking/story-yuiWqo3VcM2K3GMCrzjTiK.html> .

**Where India slipped up:**

In the category of starting a business, though, the need for local entrepreneurs to go through 12 procedures to start a business, as opposed to five in high-income countries, worsened India's ranking in the category to 156 from 155 last year. There was conjointly a serious add in ranking within the category of registering property — from 138 last year to 154 this year — attributable to increase in time taken, value and variety of procedures for registration. Bhutan, in seventy-fifth place, is South Asia's highest-ranked economy, followed by The Republic of India (at 100)



and Nepal (at 105). This year, the report recognized eight areas in which reforms were implemented in Delhi and Mumbai, as opposed to just four last year.

India's corporate company's law and securities rules and regulations were recognized as extremely advanced, inserting it within the fourth place in the international ranking of protective minority investors. The time taken for getting an electricity connection in Delhi reduced from 138 days four years back to forty-five days currently, against a 78-day average in OECD high-income economies, the report observed. This put India in 29th place in the category. India still lags in areas like beginning a business, implementing contracts and coping with construction permits. It takes longer to enforce a contract nowadays, at 1,445 days, than 15 years past (1,420 days). "Tackling these challenging reforms will be key to India sustaining the momentum towards a higher ranking. To secure changes in the remaining areas will require not just new laws and online systems but deepening the ongoing investment in the capacity of States to implement change and transform the framework of incentives and regulation facing the private sector," Junaid Ahmad, Country Director World Bank said.

### **UNION BUDGET-2018; EODB:**

Improvement in easy doing business can facilitate to attract a lot of investments and higher business climate for investors. 'To take easy doing business reforms deeper and "mission mode" in each state of the Republic of India, "the government has identified 372 primary or basic business reform activities," Arun Jaitley aforementioned whereas presenting the Union Budget 2018-19. He aforementioned the Centre would value the performance of states supported feedbacks from business enterprises. The finance minister aforesaid every state can take up these reforms in an exceeding mission mode and would constructively contend with each other' <sup>[12]</sup>. The state of Andhra Pradesh and Telangana put together lidded the 2016 all-India Easy Doing Business rankings. The rankings were supported a 340-point business reform action setup and their execution by the states. State governments are taking many steps to boost the trade temperature and the business climate. The govt is aiming to be among top-50 countries within the overall easy doing business rankings of World Bank.

## **THE CHALLENGES OF 'EODB' IN INDIA:**

India goes through an amount of unprecedented economic liberation, opening its immense consumer base to international companies. However, it's a notoriously tough place to try and do business, and having native assistance on board is that the key to unlocking the country's immense economic potential. The Republic of India is a massive country with immense economic potential, however, traversing the various and sophisticated corporate landscape is a frightening task while not the proper assistance on board. Not solely is India one amongst the quickest growing countries in the world, it is conjointly probing a period of unprecedented economic liberation, granting overseas investors additional access to its immense and varied market than ever. A large, young population and a powerful export sector expect increasing businesses, with a possible potential consumer base that so much outstrips most alternative nations within the developed and developing the world. Political stability and broad agreement on reforms is additionally a giant pull for expanding corporate companies, and also the well-developed banking industry and spirited capital market highlight the maturity of its economic system. However, doing business in India will still be a hard endeavor, and having local facilitate will really build the distinction to the success of a venture. The subsequent are the foremost challenges for Ease of Doing Business in India;

- **The Cost of Starting a Business:** The cost of starting a business in India is astronomical, and the procedures involved can be daunting without local knowledge. There are 12 procedures to complete in the initial set up of a business costing 49.8% of income per capita. It takes almost a month (27 days) to complete the tasks on average, which is well above the OECD average of 12 days.
- **Dealing with the Permits for Construction:** Construction permits are also a costly pursuit, involving 34 procedures and taking 196 days. getting Intimation of Disapproval from the Building Proposal workplace and paying fees takes around a month, and NOCs should be sought-after from the Tree Authority, the Storm Water and Drain Department, the Sewerage Department, the Electrical Department, the Environmental Department, the Traffic & Coordination Department, and also the Chief Financial Officer.
- **Getting Electricity Connection:** the cost of getting electricity is relatively cheap in comparison to the rest of South Asia, but the number of procedures involved can be rather

daunting. What's additional, every procedure is in itself quite time restrictive, taking around eight days to receive associate external site scrutiny and 3 weeks to urge outwardly connected, have a meter put in and conduct a check installation.

➤ **Property Registering:** Registering property needs quite a little bit of legwork and might conjointly incur substantial charges. The tax of Stamp duty of 5% of the property and a 1% charge on the market price of the property incurred at the Sub-Registrar of Assurances are the 2 fees to look out for, although the lawyer charges and fees at the Land & Survey Office can also pinch.

➤ **Credit Getting:** 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. 2013 report this to when a “unified collateral registry, which is centralized geographically, became operational in India strengthening access to credit and the secured transaction regime”.

➤ **Enforcing contracts and Protecting Investors:** The concept of investor protection is one that has garnered a lot of attention of late, and new bodies such as the Securities and Exchange Board of India (SEBI) have been set up to that effect. Implementing contracts also will be a distinction that has got to be looked at; India ranks as together of the worst countries within the world for the power to enforce a contract, taking a median of 1,420 days.

➤ **Taxpaying attitudes:** Businesses in operation in India are needed to form thirty-three tax payments a year, taking 243 hours' price of attention. The headline corporation charge per unit stands at 30%, however, firms may also incur charges within the type of a central sales tax, dividend tax, capital levy, fuel tax, vehicle tax, VAT and excise duty.

➤ **Border Trading:** Despite The Republic of India opening its borders to international trade, there are still many hurdles to beat once importing mercantilism and exporting merchandise goods. Many layers of bureaucratic forms build it terribly difficult to maneuver product expeditiously and firms should file a protracted list of documents before moving products across borders.

➤ **Resolving Insolvency and Bankruptcy:** ‘The financial Insolvency condition and Bankruptcy Code, 2016 was passed in 2016. with this regulative system had simply been found out, the essential system, together with principles governing company financial insolvency, would like the radical amendment. On thirteenth June 2017, the RBI identified 12 massive loan

defaulters wherever the Insolvency and Bankruptcy Code (IBC) was initiated <sup>[13]</sup>. The proceedings against these defaulters are terribly slow. It takes 4.3 years to resolve financial insolvency condition in the Republic of India, so much longer than the South Asian and OECD average. The grueling court system will often typically slow business relations.

➤ **Delays and Pendency of Cases:** ‘Delays and pendency of economic cases are high and mounting within the Supreme Court, High Court, Economic Tribunals, and Tax Department, that is taking a severe toll on the economy in terms of stalled projects, mounting legal costs, contested tax revenues, and reduced investment more broadly<sup>[14]</sup>.

➤ **The Role of Culture:** India is a cultural hotbed, and business is more about building relations than presenting figures and sums. The polychromic culture can be difficult to adapt for outsiders, and due diligence into the destination is important before travelling.

### **SUGGESTIONS TO IMPROVE ‘EASE OF DOING BUSINESS’ IN INDIA:**

➤ **Reduce the Red-tapism in bureaucracy:** In Bharat, we've got manner too several committees, bodies, and government organizations. Get obviate several of them. Modi has started the method already with doing away with useless relics just like the Planning Commission. Bharat has done decades of "planning" aka daydreaming in offices. It's time for a doing commission. Drastically cut back the layers of government. Rather than creating a businessperson run to ten offices obtaining three hundred permits, let there be one officer who can authorize ten permits. Ensure that one officer is sensible and clean and also the ten permits are literally relevant currently.

➤ **Shift to E-governance:** Move most of the application process online and make sure almost everything could be done without having to run 20 places. This will let entrepreneurs do their business with the government without visiting the gargantuan offices. If a businessperson ever had to go to a govt office that's a serious failure.

➤ **Standard the labor laws:** Several of our labor laws came once the British Crown took over Bharat. It makes no sense currently. For example, there are labor laws that specify wherever the employees ought to spit and the way persistently a factory has got to be painted. Get obviate non-current laws. Here are more details. Watch Wherever You Spit: However Indian Labor Laws Strangle Growth: Jobs.

- **Speedy judicial system:** If someone profaned my patent, I will be able to need to fight years in Indian courts. Most businesses are uninterested in Indian courts and also the long process. Add additional courts, additional judges and appearance to dramatically increase the pace of resolving disputes between corporate companies.
  
- **Educate the general public on dynamic the attitudes towards business:** Our general public features a terribly anti-business slant nurtured during the socialist era. We glance at Corporate companies like they're beasts from Neptune. Corporate companies are of the people, for the people and by the people. Their staff are people, their shareholders/ partners are people and they can sell products to people. Every successful society you see - Japan (Toyota, Sony, Honda), Germany (Daimler, Siemens), Korea (Samsung, LG), US (GE, Ford, JPM) was built on top of Corporations. Bureaucrats and politicians have to be thoroughly educated on this.

### **CONCLUSION:**

While vigilance is the call of the hour, we should also recognize that a high ranking is not an end in and of itself. For attracting new investment, both foreign and domestic, several macroeconomic issues have to be addressed. These include political and economic stability, law and order maintenance, quality physical infrastructure, and buoyancy in financial markets. Major institutional and governance reforms not covered in the World Bank study remain prerequisites for new businesses to start and grow. India may have the advantage of a large domestic market, and our efforts to improve our ease of doing business rankings may be finally yielding results, but there is still a lot of work ahead. Whatever might be the shortcomings of the methodology and scope of the World Bank exercise, we must acknowledge that in terms of common perception, it has acquired widespread acceptability. It has come to be recognized as a cross-border barometer for doing business. In several ways, because of its relative simplicity and easy-to-measure criteria, it has also become an actionable report, as evident from India's new approach of working towards improving its relative position rather than continuing to question the exercise. In fact, in 2014, Prime Minister Narendra Modi made the relevant authorities and institutions (both at the center and in the states) accept the challenge of reaching an ambitious goal of cracking the top 50 by 2018. Since his proactive intervention and continuous prod, states

are fast to induce on board and this augurs well for Bharat moving up the ladder within the near years.

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