Ease of Doing Business in India

Why in news?

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India recently ranked at 100 out of 190 countries in World Bank Group's Doing Business 2018 report.

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What is ease of doing business report?

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- International Finance Corporation (IFC), the World Bank Group's private sector arm, first conceptualized the Doing Business report.
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- These rankings had a signalling effect for investors and that countries were beginning to take them seriously.
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What are the implications of the report?

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- The recent ranking is an improvement of 30 positions over last year's ranking.
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- After improving by a mere 1 spot in last year's report, the Niti Aayog was tasked with ensuring a better ranking this year and the Aayog delivered.
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- This improvement made India to enter in the set of 10 "most improved" economies and a step ahead to breach the top 50 economies worldwide in terms of this index.
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- The factors most responsible for the jump in India's ranking is
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1. Greater ease in the payment of taxes online.
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2. The possibility of submitting building plans in advance of applying for a construction permit.
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3. Business incorporation that combines the permanent account number (PAN) with the tax account number (TAN).
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4. Reduction in the time required to complete provident fund and state insurance applications.
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5. Passage and implementation of the new insolvency and bankruptcy code.
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- The World Bank rankings have not taken the GST into account since it was not implemented in the period being evaluated.
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What are the challenges with interpreting the report?

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- **Numbers concerned -**Once the report releases the governments are only focusing more on improving their ranking as opposed to fixing ground realities.
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- Over time, however, these rankings became a popular tool for nudging countries towards business-friendly reforms.
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- **Methodological challenges -**India’s 30-point improvement in one year is not unique.
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- Russia gained 30 spots in the Doing Business 2014 report compared to the 2013 report.
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- This came after Russia’s plan to improve its ranking from 118 in 2012 to 50 by 2015 and 20 by 2018.
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- Russia currently sits in the 35th spot just one spot below Japan and ahead of several Western European economies.

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- But this high ranking should be seen in the context of Russia's dismal 114th rank in the Heritage Foundation's Index of Economic Freedom (India ranks 143rd) and 131st rank in Transparency International's Corruption Perceptions Index (India ranks 79th).
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- **Ranking mechanism -**In India's case, the business environment in only Delhi and Mumbai are used to compile the national ranking. This has always been the case, even though there will be more cities included in future rankings.
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- These rankings also focus a lot more on the laws and rules that are on the books and do not necessarily capture the daily experiences of businesses.
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Source: Business Standard, Indian Express

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