Ease of Doing Business Index

Why in news?

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World Bank has released the Ease of Doing Business Index recently.

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What does the report contain?

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- The Index ranks 190 countries across 10 indicators ranged across the lifecycle of a business from 'starting a business' to 'resolving insolvency'.
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- The top 10 economies in the index are New Zealand, Singapore and Denmark, which retain their first, second and third spots, respectively, for a second consecutive year.
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- It was followed by Hong Kong SAR, Republic of Korea, Georgia, Norway, United States, United Kingdom and FYR Macedonia.
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- India jumps 23 spots to **77th rank** in World Bank's latest report, while it was ranked 100th last year, moving up from 131th position that it recorded in 2016.
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- India has improved its rank by 53 positions in the last two years, and 65

positions in the last four years (2014-18).
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- India in the 2019 edition stands well ahead of South Africa (82) and Brazil (109), and is fast closing the gap on China (46) and Russia (31).
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- India is now the best-ranked country in South Asia and has almost caught up with other competitors such as Indonesia (73) and Vietnam (69).
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- The report also recognises India as one of the top 10 improvers in this year's assessment, for the second successive time.
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- India is the one of only nine countries around the world and only one in BRICS to feature in this list.
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What are the contributing factors?

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- India has improved its rank in six out of the 10 indicators and has moved closer to international best practices on seven out of 10 indicators.
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- The six reforms recognised in this year's report are starting a business, getting electricity, dealing with construction permits, getting credit, paying taxes and trading across borders.
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- The most dramatic improvements have been registered in the indicators related to 'Construction Permits' and 'Trading Across Borders'.
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- In the 'Grant of Construction Permits' indicator, India's ranking improved from 181 last year to 52 in this year's report—**a jump of 129 ranks** in a single year.
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- India has implemented an online single window system, introduced deemed

approvals and reduced the cost for obtaining these permits in dealing with construction permits and this has provided a major boost in the ranking.
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- India reduced the time and cost to export and import through various initiatives, including the implementation of electronic sealing of containers, the upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures.
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- As a result, India's rank improved by 66 positions, moving from 146 in 2017 to 80 in 2018 in the 'Trading Across Borders' indicator.
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- On the "distance to frontier metric", a measure to gauge how far an economy's policies are from global best practices, India's score improved to 67.23 from 60.76 last year.
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- This means last year India improved its business regulations in absolute terms, indicating that the country is continuing its steady shift towards global standards.
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- In the electricity sector, the time taken for obtaining a new connection has reduced from 105 to 55 days.
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- For resolving insolvency, India has put in place a new Insolvency and Bankruptcy Code and time bound reorganization procedure for corporate debtors.
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- During the past year, India made Starting a Business easier by fully integrating multiple application forms into a general incorporation form.
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- India also replaced the value added tax with the Goods and Services Tax (GST) for which the registration process is faster in both Delhi and Mumbai, the two cities measured by the Doing Business report.
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- In addition, Mumbai abolished the practice of site inspections for registering companies under the Shops and Establishments Act.
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- As a result, the time to start a business has been halved to 16 days, from 30 days.
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- All these measures have resulted in India's ranking in the top 25 on three indicators such as getting electricity, getting credit and protecting minority investors (Rank 7).
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What are the concerns?

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- India’s sustained rise in the rankings is perhaps the best answer to questions about the credibility of India’s reform momentum.
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- Also, since the World Bank sets May 1 as the deadline for measurement, several initiatives taken by the government will reflect in next year's rankings including the full effects of IBC and GST.
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- However, this is not to turn a blind eye to what still ails at the ground level.
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- Despite all-round improvements, there are key areas where India continues to lag.
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- For instance, enforcing contracts is an aspect of traditional weakness, where India continues to falter and it stands at 163.
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- Further, despite the GST and the IBC, India’s overall score on paying taxes and resolving insolvency stays at an unacceptably low level.
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- This shows the extent to which the actual implementation of these reforms needs to be made more effective.
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- Moreover, it must be underscored again that these rankings are based on improvement in two of the main cities, Delhi and Mumbai, both of which benefit from being the political and financial capitals of the country.
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- The reality in other prominent cities and smaller towns is most likely worse.
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What should be done?

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- India’s strong reform agenda to improve the business climate for small and medium enterprises started bearing fruit.
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- It is also reflected in the government’s strong commitment to broaden the business reforms agenda at the state and now even at the district level.

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- A continuation of this effort will help India maintain its goal of strong and sustained economic growth.
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- Keeping EODB rankings based on two cities as a base, other states must show the initiative to ensure that the rest of the country, too, improves the ease of doing business.
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Source: The Hindu, Business Standard, Economic Times

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