End of Ease of Doing Business Index

Why in news?

After data irregularities and possible ethical matters involving bank staff on Doing Business were reported , World Bank said that it would discontinue the report.

What is the index about?

- Ease of doing business is an index published by the **World Bank**.
- It is an aggregate figure that includes different parameters which define the ease of doing business in a country.
- The study covers 11 indicator sets and 190 economies.

What is India's rank in the report?

- India ranked low, around 130-140, till 2014.
- However, it zoomed to **63rd position** in 2019-20.
- The government's goal was to be among the top 50 economies by 2020.
- India along with other top improvers had implemented 59 regulatory reforms in 2018-19, accounting for a fifth of all reforms recorded worldwide.
- Showcasing the accomplishment, India has claimed success of '**Make in India'** campaign that sought to raise the manufacturing sector's share in GDP to 25% by 2022 (later revised to 2025).
- But there is a disconnect between the rise in EDB index rank and economic outcomes raising suspicion on data manipulation.
    - The annual growth rate in GDP manufacturing (at constant prices) fell to (-) 2.4% in 2019-20.
    - Net FDI inflow to GDP ratio has fluctuated around 1.5%.
    - The fixed investment to GDP ratio (at current prices) fell to 26.9% in 2019-20.

Why was the ranking so significant?

- Many countries showcase improved ranking to signal market-friendly policies to attract foreign investments.
- The Indian government weaponised the index to weaken labour regulations by dismantling official labour inspection systems and allowing employers to file self-regulation reports.

Why was the report flagged?

- Improper data changes were made and the involvement of bank staffers is reported to be the core cause for discontinuation of the report.
- The China's ranking was changed from 85th to 78th after intervention from the bank's top executives and their staffers.
- The parameter was altered to push Saudi Arabia's score in the list of top improvers for 2019.
- This also impacted the UAE's score because they followed a similar system.
- Chile's rank on the EDB index sharply rose when the conservative government was in power and went down when the socialists were ruling despite no changes in policies and procedures.
- For Azerbaijan, involvement from World Bank staffers is believed to have resulted in the country's score falling compared to previous years.

Source: The Hindu, The Indian Express

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