Enforcing Contracts Key to 'Ease Of Business'

What is the issue?

Enforcement of contracts is seen as the potential area for rapidly boosting India's global ranking in the World Bank's Ease of Doing Business Index.

What is India's progress in enforcing contracts?

- India ascended to 63rd position in 2020 from 142nd position in 2014
- India's progress has see improvement in a few parameters, mainly in resolving insolvency
- But it has remained stagnant at 163 in enforcement of contracts

Enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court and evaluates whether each economy has promoted quality and efficiency in the court system

Why does enforcing contracts matter?

- Rule of law and effective protection of rights promotes economic and social progress
- More developed credit markets and a higher level of development overall
- Rapid growth of small firms
- Improves the business climate, foster innovation, attract foreign direct investment and secure tax revenues

What steps have been taken to enforce contracts?

- Justice Department has launched **Enforcing Contracts Portal** that aims to promote ease of doing business and improve Contract Enforcement Regime in the country
- Two high level task forces in NITI Aayog has been set up to give recommendations for a policy framework for enforcement of contracts and an effective conciliation mechanism
- The government has decided to scrap the 'retrospective taxation amendment' of 2012 strengthening the trust between government and industry

- Use of Alternate Dispute Resolution (ADR) to declog India’s legal case pendency
- India is also a signatory to the **New York Convention** for recognition and enforcement of foreign arbitral awards
- Centre and State governments decided to review and systematically phase out over 6,000 tedious compliances
- While India has consistently improved its score in EoDB, there is still a long way to go

Source: BusinessLine

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