EoDB Rankings for Indian States

Why in news?

The latest ease of doing business rankings for Indian states was released by the Department for Promotion of Industry and Internal Trade (DPIIT).

What is the objective?

- The objective of DPIIT's reform exercise is to provide a business-friendly environment.
- For this, regulations in a state have to be made simpler.
- Therefore, the DPIIT devised a methodology to rank the states according to the ease of doing business (EoDB) in a state.
- DPIIT provides a set of recommendations to reduce the time and effort spent by businesses on compliance with regulation called the Business Reform Action Plan (BRAP).

What is the BRAP?

- BRAP 2019 is an 80-point list of reforms recommended to simplify, rationalise and digitise the regulatory framework in a state.
- The reforms are grouped into 12 broad areas like land administration, labour regulation, environment regulation, obtaining permits, etc.

How are the rankings arrived at?

- States are required to submit proof of implementing each reform on the DPIIT's EoDB portal and submit a list of users of these reforms.
- A sample of these users is surveyed to determine these reforms' efficacy.
- Each question is assigned a weight.
- The final score is a weighted average of all the responses applicable to a state.

What reforms does DPIIT recommend?

- It recommends all states have a single-window system that provides all information on permits and licences required for starting a business.
- Permissions required from municipal or village government bodies or police for activities like filming movies should be explicitly mentioned.

- DPIIT recommends that the duration of licences be extended or that they be renewed automatically based on self-certification or third-party verification.
- A state is rewarded if a set of regulations (like labour or environment laws) are not applicable to it.

How did the states perform?

- Andhra Pradesh secured the top spot for the third time since the ranking was first released in 2015.
- UP jumped ten spots to number two and Telangana slipped to three.
- Gujarat, which was first in the first-ever edition, was ranked 11 this year.
- Haryana slipped all the way to 17.

Are these scores comparable to those from previous years?

- For the first time, the BRAP rankings relied entirely on the feedback it received from the businesses for whom these reforms were intended.
- Earlier editions computed scores based on the responses of the relevant state government departments.
- The 2017-18 edition used a combination of state government and user feedback to compute the score.
- So, the 2019 rankings are not comparable with those from last year.

Why were these rankings criticised?

- DPIIT'S methodology does not consider the actual number of reforms implemented by the states.
- States like Haryana and Gujarat have implemented all the reforms recommended by the DPIIT, but were ranked low on the EoDB list.
- DPIIT's methodology awards points on a reform to a state only if there was an adequate response from users of that response.
- Ideally, the number of respondents for every state should be decided based on population or number of business clusters to ensure that the sample is representative of the state.
- It is not clear if DPIIT used representative samples.
- Also, business owners' expectations from the governments can differ.

How do these reforms affect investments?

- An analysis shows that the top-ranking states have not necessarily been associated with higher shares of new investments announced during the year.
- Except for Andhra Pradesh, the top-ranking states as per these rankings do not have high shares in the total investment during the year.

- This is because businesses respond to other conditions like the availability of skilled labour, infrastructure, finance, etc.
- In addition, these rankings do not consider the cost of doing business.

Source: The Indian Express

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