# Need For Caution - Doing Business Report

## What is the issue?

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- The World Bank will shortly release the 2018 edition of its annual Ease of Doing Business rankings.
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- There have been regular complaints filed by countries unhappy with their place on the rankings in the earlier reports.
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- Given this scenario, it is important for India to remain cautious of the assessments outcomes.
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## What are the drawbacks of the report?

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- The WB's Doing Business rankings do not measure all aspects of the business environment and seem to be narrow in many respects.
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- **Criteria** - They primarily focus on the hurdles across certain areas of business regulation such as red tape and other administrative impediments.
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- This is not truly representative of the issues and difficulties that firms and investors experience in the real business environment.
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- The wide prevalence of informal economy and poor enforcement of regulations are some of the causes for this narrow assessment.
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- **Coverage** - The World Bank has traditionally assessed just the largest business city in each country.
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- It incorporates the second major city as well for the 11 most populous economies as of the 2015 report.
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- The recognition and reflection of the reforms only in a few cities is not

representative of the improvements in the investment climate of a country as a whole.
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- This drawback particularly has a multiplier effect for large countries such as India; the assessed cities in India are Mumbai and Delhi.
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- However, this is proposed to be addressed in future; e.g. India would see the inclusion of eight additional cities.
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- **Firm-level surveys -** These are undertaken since the 1990s as an alternative to address the assessment inadequacy in the standard methodology.
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- Considerably, there are huge gaps in the assessment methodologies of the two.
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- There are differences in the data concluded through Doing Business indicators and the enterprise surveys.
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## What caution should India take?

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- India's poor 130th rank in the last year's report has captured widespread attention.
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- It suggests a relatively poor business environment than the BRICS (Brazil, Russia, India, China and South Africa) economies.
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- It is anticipated that India’s rating will improve in this year's report as an effect of various recent reforms.
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- Whatever the outcome this year be, given the limitations in the assessments, the rankings cannot be taken as a comprehensive picture of the investment climate.
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- Thus, there is need for a cautious response to the report and the rankings by policy makers and investors.
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## Quick Facts

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## Ease of Doing Business Report

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- The ease of doing business index is an index created by the World Bank Group.
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- It attempts to quantitatively capture the regulation that small- and medium-sized firms encounter in around 190 countries.
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- Established in 2002, this index has become the single most influential measure of a country’s investment climate.
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## Firm-level enterprise surveys

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- Undertaken since the 1990s, an enterprise survey is a firm-level survey of a representative sample of an economy's private sector.
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- Firm-level surveys are conducted by private contractors on behalf of the World Bank.
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- The surveys cover a broad range of business environment topics such as access to finance, corruption, infrastructure, crime, competition, and performance measures.
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**Source: Livemint**

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