



Ease Of Doing Business In India

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ABSTRACT

The 'Make in India' is an initiative by the government of India to create and encourage companies to develop, manufacture and assemble products in India. Ease of Doing Business (EoDB) is recognised as a significant factor in promoting entrepreneurship. India's position in the World Bank's Ease of Doing Business Index (EoDBI) improved from 142 in 2014 to 63 in the year 2020 due to the implementation of ambitious regulatory reforms by the government. Among the ten parameters of the World Bank's EoDBI, India's performance is poor in 'Enforcing Contracts', Starting of Business and Registering Property. As per the new categorisation, in EoDB, there are seven states under the top achievers category, six under the 'Achievers category' seven states in the aspirers' category, while the remaining states are under Emerging Business Ecosystems. World Bank Report on EoDBI is criticised that it ignored the social benefits of regulations. Hence, India has to put focus not only on regulatory reforms to ease the process of conducting business but also on social implications, public services and transparency. World Bank's new flagship 'report 'B-READY' assesses the efficiency with which regulatory framework and public services are combined in practice. Dealing with the challenges of doing business in India requires a combination of strategic planning, patience and cultural sensitivity. The present paper gives a descriptive analysis and reviews the status of EoDB in India as well as the State of Andhra Pradesh.

Keywords: Investment, Ease of doing business, Transparency, business environment.

1. INTRODUCTION

The task of modernizing and building a competitive economic environment is a long and arduous task in the globalized world of today. As economies of all countries are increasingly getting interlinked and interdependent, they are facing the twin challenges of competition and widening disparities. Since years, policymakers have been debating how to give an impetus to manufacturing in India and make India a global manufacturing hub.

A favorable business environment is a prerequisite for the economic growth of the economy. India, being one of the fastest developing countries in the World, has the potential to surpass the leading countries in terms of business. The 'Make in India' is an initiative by the government of India to create and encourage

companies to develop, manufacture and assemble products in India and incentivize investments in manufacturing. The policy approach was to create a conducive environment for investment, develop modern and efficient infrastructure and open up new sectors for foreign capital. The initiative targeted 25 economic sectors for job creation and skill enhancement and aimed 'to transform India into a global design and manufacturing hub'. 'Make in India' has three stated objectives V12 (1) to increase the manufacturing sector's growth to 12-14% per annum (2) to create 100 million additional manufacturing jobs in the economy by 2025 and (3) to raise the contribution of manufacturing sector by 25% of the GDP by the year 2025. The 'Make in India' initiative aims to make India an integral part of the global chain India has vigorously opened up its economy. Defense, railways, construction, insurance, medical devices sectors etc. have all been rapidly opened up for Foreign Direct Investment (FDI).

'Make in India', recognizes Ease of Doing Business (EoDB) as the single most important factor to promote entrepreneurship. In order to achieve this, the Government of India has taken up a series of measures to radically improve EoDB. Its objective is to make the regulatory environment easy and simple for businesses to flourish. At an international level, the World Bank every year assesses the policies to ease the regulatory burden undertaken by countries across the world through its Ease of Doing Business Index (EoDBI). The index uses ten different indicators that measure various aspects of business regulations which are important to domestic firms and for national competitiveness. Doing business also measures features of labour market regulations which are reported as a separate section and not included in EoDBI. EoDBI is considered as a reliable source of information on the business environment of different countries.

2. PARAMETERS FOR EASE OF DOING BUSINESS

The parameters on which the World Bank ranks countries are (1) Starting a business (2) Dealing with construction permits (3) Getting electricity (4) Registering property (5) Getting credit (6) Protecting minority investors (7) Paying taxes (8) Trading across borders (9) Enforcing contracts and (10) resolving insolvency.

1. **Starting a Business:** This parameter measures the minimum paid-up capital requirements, number of procedures involved and cost for a small to medium size limited liability Company to startup and formally operate in the economy.
2. **Getting Credit:** This indicator is basically concerned with measuring the legal rights of borrowers and lenders concerned with secured transactions and the reporting of credit information.
3. **Dealing with Construction permits:** This indicator is concerned with recording procedures which are required for a business in the construction industry in order to build a warehouse along with the time and cost to complete each procedure. It is also concerned with studying quality control indices, evaluating the quality of building evaluation, insurance regime, safety mechanism and certified professional requirements.
4. **Trading Across Borders:** This indicator is concerned with recording time and cost associated with the process of exporting and importing goods and other things such as documentary compliance, border compliance and domestic transport.
5. **Protecting Minority investors:** This indicator is concerned with measuring the protection of minority interests from conflict of interest and shareholders' rights in corporate governance.

6. Getting Electricity: This indicator is concerned with recording all the procedures required by the business in acquiring permanent electricity connection and supply for a standardized warehouse.
7. Enforcing contracts: This indicator measures the time and cost involved in resolving a commercial dispute through a local first-instance court, the quality of judicial processes index and evaluates whether each economy has adopted practices that promote good quality and efficiency in the court system.
8. Paying taxes: The indicator records the taxes and mandatory contributions which has to be made by firms in a given year. It is also concerned with the firm's administrative burden of payment of taxes, and contributions and complying with post-filing procedures.
9. Resolving Insolvency: It is basically concerned with the time, cost and recovery rate under the bankruptcy proceeding. It also takes into consideration the outcome of insolvency proceedings which involve domestic entities and the strength of the legal frame work which is applicable to judicial liquidation and reorganization proceedings.
10. Registering property: The indicator measures the procedures, time and cost which is needed to register the commercial real estate.

3. EASE OF DOING BUSINESS AND INDIA

Rankings and weights on each of the mentioned parameters are used to develop an overall EoDB ranking. A high EoDB ranking means the regulatory environment is more conducive for starting and operating businesses. EoDB rankings impact the reputation of the countries and hence influence them to initiate important policy reforms to improve the regulatory environment in their economies. India was ranked 142 in Doing Business in 2014 among the chosen 190 countries. The government of India launched an ambitious programme of regulatory reforms aimed at making it easier to do business in India. To enhance EoDB in the country, systematic and targeted efforts are being made to reduce the number of processes, reduce average time taken, rationalise costs and make it easier to do business in India. Further to enhance EoDB more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalised. The government has introduced the Janviswas Bill to amend 42 Central Acts. Further, the government launched the 'National Single Window System' and introduced various reforms in GST, insolvency and bankruptcy, labour laws and foreign investments. The initiatives significantly contributed to improving the business climate. India is now one of the most alluring locations for investments and conducting business. India moved up 79 spots in the World Bank's 2020 EoDBI ranking from 142 in 2014 to 63 in 2020 report of World Bank's report.

The country's rankings on various parameters given by the World Bank's Ease of Doing Business Index are given in Table 1.

Table 1: India's ranking on various Parameters of World Bank's Ease of Doing Business Index

S.No	Parameters	2014	2015	2016	2017	2018	2019
1	Ease of starting a Business	158	155	155	156	137	136
2	Dealing with construction permits	184	183	185	181	52	27
3	Getting electricity	137	70	26	29	24	22
4	Registering Yan property	121	138	138	154	166	154
5	Getting credit of yourbusiness	36	42	44	29	22	25
6	Protecting Minorityinvestors	7	8	13	4	7	13
7	Paying Taxes	156	157	172	119	121	115
8	Trading a cross borders	126	133	143	146	80	68
9	Enforcing contracts	186	178	172	164	163	163
10	Resolving insolvency	137	136	136	103	108	52
11	overall Rank	142	130	130	100	77	63

Source: Ease of Doing Business in India, World Bank Group, 2023.

It can be seen from the table that India's Rank in the World Bank's EoDBI continuously improved from 142 in 2014 to 130 in 2015 and 2016, further improved to 63 in 2019 out of 190 countries. A comparative analysis of improvement across the selected parameters reveals that India's position on 'Construction Permits' has improved from 184 in 2014 to 27 in 2019. This improvement has been mainly due to a decrease in the number of procedures and time taken to obtain construction permits. India's ranking on the parameter 'Getting Electricity' has improved from 137 in 2014 to 22 in 2019. It just takes 53 days and 4 procedures for a business to get an electricity connection. Apart from these significant improvements among the 190 economies, India ranks 13th in protecting minority investors and 25th in getting credit. But the 'The Starting of a Business' indicator is still ranked 136 in India among the Chosen 190 countries, which indicates that steps taken to ease out the process are not sufficient. The number of procedures required to set up a business is still cumbersome which takes more time in comparison with OECD countries. The 'Registering Property' indicator has shown a major dip (33 ranks) from 121 in 2014 to 154 in 2019 which clearly indicates that it requires a lot of effort to move the indicator up the ladder. Enforcing contracts is one indicator in which India ranks as one of the poor performers, in 2019 with 163 rank out of 190 countries.

5. EASE OF DOING BUSINESS IN THE STATE OF ANDHRA PRADESH

Keeping in mind the vision to make India an easy place to do business, the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India

in association with the World Bank initiated a dynamic national-level exercise in 2014 to rank all the Indian States and Union Territories on the basis of the reforms undertaken by them on selected parameters. In 2014, under the 'Make in India' initiative the representatives of the state government identified and shared 98 points. Business Reform Action Plan (BRAP) to be implemented by them to improve the regulatory framework for business as part of easing the doing of business in the country. The BRAP also sought to lay out the first of a series of recommendations targeted at increasing transparency and improving the efficiency and effectiveness of various government regulatory functions and services for business with a view to creating an investor-friendly business climate by cutting down red tape. In 2016 DPIIT released a 340-point BRAP. It included recommendations on 58 regulatory processes and policies spread across ten reform areas spanning in life cycle of a typical business. BRAP 2017-18 was updated to 372 action points. It included new sectors such as health care and Hospitality central inspection system, trade license, Registration under legal metrology and registration of partnership firms and societies. BRAP 2018-19 proposed to undertake a 100% feedback-based assessment. DPIIT has launched the BRAP for the year 2020 which includes 301 reform points covering 15 business regulatory areas such as access to information, single window system, labour, environment, land administration & transfer of land and property, utility permits and others. 118 new reforms were included to further augment the reform process. Sectoral reforms with 72 action points spread across 9 sectors namely trade licences, healthcare, legal metrology, cinema halls, hospitality, fire NOC, telecom, movie shooting and tourism were introduced for the first time to expand the scope of the reform agenda.

The broader aim is to boost investor confidence, foster a business-friendly climate and augment the ease of doing business across the country by introducing an element of healthy competition through a system of assessing States/Union Territories based on their performance in the implementation of the Business Reforms Action Plan. Accordingly, DPIIT has been ranking States/UTs since 2014. Andhra Pradesh was ranked number 2 among all the states in 2015 in EoDB, later achieved 1st rank in 2016 and continued in later period as well. While the State proactively implemented all the reforms, the efficiency of the implemented reforms on the ground is evident from the high investor feedback score received by Andhra Pradesh in the 2017 edition of the BRAP evaluation by DPAP.

Table 2: Andhra Pradesh Ranking in Ease of Doing Business

Year	Number of reforms	Andhra Pradesh Rank	Compliance
2017	405	1	98.30% (Reform implementation 99.73) (Investor feedback - 86.50%)
2016	340	1	98.78%
2015	285	2	70.12%

Source: Business Reform Action Plan BRAP, Department for Promotion of Industry and Internal Trade, N. Delhi.

6. PROMOTION OF EASE OF DOING BUSINESS IN ANDHRA PRADESH

The State has always followed the motto of 'People First, Industry First', in which the government through the real-time governance cell, reaches out to investors from time to time to obtain their feedback, identifies underlying concerns and forwards it to the respective department for redressal.

As part of ease of doing business, the reforms taken by the Government of Andhra Pradesh, following are the key highlights.

- ❖ The single desk portal has been integrated with the online application of APIIC, factories, fires etc. This will enable information sharing and minimize the duplicity of information shared by investors.
- ❖ Reforms in industry services related to registration under legal metrology.
- ❖ Cut in documentation requirement for availing various services.
- ❖ To ensure faster approvals and easier access, more than 45 industry services are to be processed without any physical touchpoints.
- ❖ AP Public Service Delivery Guarantee Act, 2017 was enacted with clear commitment on timelines for the delivery of over 60 services to businesses.
- ❖ A large number of reforms were implemented in the area of compliance inspections by Labour, Factories, Boiler and pollution control departments.
- ❖ The requirement of inspection for the allocation of raw materials such as coal, and ethanol has been discontinued and is to be allocated on-the-spot based on self-certification.

In 2020, in a departure from the previous years where the states / UTs were ranked, they have been placed under four categories viz. Top Achievers, Achievers, Aspirers and Emerging Business Eco System. It is felt that the objective of assessing the States / UTs is not to create a hierarchy among states / UTs but rather to create an enabling framework where learnings can be shared among states/UTs which in turn lead to a nationwide spillover of good practices. As per the secretary of DPIIT, under the new categorization method difference between various States and UTs was so little that it would not make sense to rank them rather than to put them in various categories. According to BRAP in 2020, Andhra Pradesh, Gujarat, Telangana, Haryana, Karnataka, Punjab and Tamil Nadu are categorized as top achievers. Further, Himachal Pradesh, Madhya Pradesh, Maharashtra, Odisha, Uttarakhand and Uttar Pradesh have been categorized as 'Achievers'. The Aspirers category includes Assam, Kerala, Goa, Chattisgarh, Jharkhand, Rajasthan and West Bengal. In the category of 'Emerging Business Ecosystem' there are 11 states and UTs including Delhi, Puducherry, Tripura, Andaman and Nicobar, Bihar, Chandigarh, Daman and Diu.

7. WORLD BANK'S EASE OF DOING BUSINESS INDEX (EODBI): CRITICISM

As the World Bank report on EODBI gained prominence, criticisms also emerged. It is argued that the report ignored the social benefits of regulation and encouraged countries to engage in a regulatory race to the bottom. Though the World Bank reformed doing business reports over the years to address some of the concerns, some concerns remained. The proponents credited the Doing Business report with driving pro/growth reforms in developing countries, but sceptics criticised it for penalising countries for adopting labour and safety protections.

After data irregularities on Doing Business 2018 and 2020 were reported internally in 2020, World Bank Management after reviewing all the information available, in September 2021 the World Bank announced that it was discontinuing its annual Doing Business Report. In February 2022, the World Bank published a pre-concept note about a new approach for assessing business and investment climate across countries tentatively called as the Business Enabling Environment (BEE). The objective is to quantitatively assess the business environment for private sector development focusing on innovation and entrepreneurship, equality of opportunities and general sustainability of the economy. The concept note stresses that the BEE is an attempt to strike a better balance as a business environment assessment incorporating, the provision of public services key for functioning markets. The BEE is renamed as ‘Business Ready’ project (B-READY). B-READY Report is the successor to the Ease of Doing Business Index (EoDBI). The report assesses the regulatory framework and public services directed at firms and the efficiency with which regulatory framework and public services are combined in practice. The ‘Business Report’ approach aims to establish a better balance between the ease of conducting a business and the broader implications for society as a whole. Transparency will be a key feature of Business Ready’s safeguards for data integrity. The b-Ready report is set to encompass 54 economies and is scheduled for publication in 2024.

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