



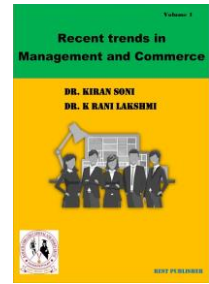
## Recent trends in Management and Commerce

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## An Assessment of Ease of Doing Business of India with Top Economies of the World

\*Chythra P \*\* A B Gangu

\*Asst. Professor, Department of Commerce, Government First Grade College, Jagalur

\*\*Asst. Professor, Department of Commerce, Government Women's College, Mandya

chythraveeresh79@gmail.com

### 1. Introduction

Every economy strives to have business friendly environment as it is crucial to the growth of the country. To find which country environment good for setting and making investment is crucial for investor. For this World Bank Group published Ease of Doing Business (EDB) rankings. The EDB report scrutinizes the regulation that determines the functioning of various business activities in 190 countries of the World, thereby analyzing if the regulations constrain the activities or enhance them. The organization measures different areas and dimensions of laws and rules affecting the starting and working of a business. There are 10 parameters through which ranking is given to countries. These parameters are starting a business, dealing with construction, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency. Improvement in EDB rankings countries facilitated many economic opportunities attract more domestic and foreign investment, less cost for setting up business and less corruption. This information can then be used to gauge the changes in the country's performance and the business environment over time. India is participating in EDB, to get good rank. The Government of India has undertaken several steps to increase the EDB rank. There is lot of improvement was seen in 2019 ranking as compared to 2014 rankings. In 2014 it was 142 ranks and now in 2020 it is 63. But this is far lower than the top 50 rank that Modi Government had

Parameters	2019 ranking	2020 ranking
Overall	77	63
Starting a business	137	136
Dealing with construction	52	27
Getting Electricity	24	22
Registering property	166	154
Getting credit	22	25
Protecting minority investors	7	13
Paying taxes	121	155
Trading across borders	80	68
Enforcing contracts	163	163
Resolving insolvency	108	52

### 2. Review of literature

A favorable business environment is a pre-requisite for the growth of a nation. A country like India which is among the fastest developing countries in the world has the potential to surpass the leading countries in terms of business. (Anjali Singh\* and K.K. Jaiswal March 2018) Ease of Doing Business report scrutinizes the regulations that determine the functioning of various business activities in 190 countries of the world thereby analyzing if the regulations constrain the activities or enhance them. The organization measures different areas and dimensions of laws and rules affecting the starting and working of a business. These are 11 in number of doing business rankings are published by the World Bank Group each year. Scholars normally measure the performance of an economy in terms of its productivity. This leads to the fact that if business has been made easier, productivity should have increased. In recent rankings of ease of doing business, one of the important pillars was that of "getting credit". If it is an important pillar, it should be related to productivity, as measured by change in real GDP. Thus, there should be some link between "ease of doing business" and productivity (Dhiren Jotwani 2018). This paper examines the reasons behind India still lagging in the EDB rankings while conducting a comparative analysis between India, the other developing nations and the leading countries in the different parameters. The primary objective is to understand the

problematic areas better and to conceive solutions. It also describes the various steps taken by the government that are likely to improve the rankings and suggests changes that could help expedite the process. (DUSSA HEMANATH 2019). The current paper tries to analyse the rankings of ease of doing business of Indian states and explain the suggestive measures. It also tries to thrive on the key issues which dampens the trust of investors, various suggestive measures are offered that when enforced are going to be helpful in reconstruction the confidence of investors to invest in India and make it a preferred business destination. ( Anjali Singhand K.K. Jaiswal 2018) From the customer's point of view, EODB is a customer service/satisfaction measure. From the supplier's side, EODB is often referred to as "customer relationship management (CRM)." (Gary Stading Nezih Altay 2007)

### 3. Research Gap

World Bank Group published Ease of Doing Business (EDB) rankings. The EDB report scrutinizes the regulation that determines the functioning of various business activities in 190 countries of the World, thereby analyses that, the regulations made by respective countries constrain the activities or enhance them. The organization measures different areas and dimensions of laws and rules affecting the starting and working of a business. There are 10 parameters through which ranking is given to countries. Though there are large numbers of studies have been conducted to know importance of rankings of India. But all studies emphasis on individual state contribution to EDB. But it is important to know that why India lagging in getting ranking in EDB. What were reasons for that, what is improvement needed to take by Government of India. Therefore, there is need to examine where India performance has to improve.

#### Objectives:

1. To study the key parameters that adversely affects India's Ease of Doing Business
2. Conducting a comparative analysis between India and the other top ranked countries to understand the difference between them
3. To understand the reforms taken by the Government to improve ranking and to suggest where government has to take reforms.

#### Research Methodology

The present paper uses secondary data from reports of government and private agencies, surveys, journals, books, magazines, and websites to achieve the objectives of the research. The data collected from these sources is then analyzed by conducting a comparative analysis between India, the top ranked nations as well as the leading country.

### 4. Results and Discussions

#### Starting business:

This parameter measures the procedures, time, cost and the minimum paid up capital required in order to start business. This explains when regulation relaxed how more company gets registered. It also explains how it is encouraging entrepreneurship in turn generates employment and revenue.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Procedure	New Zealand	1	10
Time (days)	New Zealand	0.5	18
Cost (% of per capita)	Rwanda	0.0	7.2
Min. Capital	Australia	0.0	0.0

As for this parameter is concerned India ranking is 136 top ranked by Newzeland. In India to complete procedure to start business it take 10 days, where as in Newzeland is takes only one day. Different economies made different types of improvement to start business easily like Argentina made starting a business easier by introducing Limited Liability Company, Kuwait made by eliminating the paid in minimum capital requirement, Indonesia by different social security registration, Nigeria by introducing an online platform to pay stamp duties, Moldova made by removing the requirement to separate filing for registration with the National Bureau of statistics. If India takes steps in these ways then ranking may be improved.

#### Dealing with Construction

This topic tracks the procedure, time and cost to build a warehouse-including obtaining necessary licenses and permits, submitting all required notifications, requesting and receiving inspections and obtaining utility connections.

.Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Procedure	---	0.5	15
Time (days)	---	26	106
Cost (% of warehouse value)	---	0.0	4
Reliability of Supply	---	15	14.5

In this parameter, Srilanka topped by taking only 86 days to give construction permit. The process can made easier by reducing the processing time to issue several building permits. While India ranking also improved, it was 52 in 2019, now it

is 27. But no. of days taken to give permit is 106 days, which is too long for investors. Therefore Government has to take many reforms in this regard to improve.

#### Getting Electricity:

This topic covers measures to obtain a permanent electricity connection for newly constructed warehouse.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Procedure	Germany	3	4
Time (days)	Republic of Korea	18	53
Cost (% of capita)	China	0.0	28.6
Reliability of supply	Costa Rica	6	6

Newzeland get top rank by improving the regulatory framework of the electricity sector. Number of days required 58 days. When we came to Indian scenario India improved only 2 ranks. In India 82 days took to give permission. So Indian government need to take step to improve in this regard. Cost of getting electricity is also more i.e. 67.9 USD.

#### Registering Property:

This parameter deal with the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur, who wants to purchase land and a building that is already registered and free of title dispute.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Procedure	Georgia	1	9
Time	Georgia	1 days	58
Cost (% of property value)	Saudi Arabia	0.0	78
Quality of Land	---	30	108

India rank improved from 166 to 154. In India to get registration nine step procedure, 58 days and 7.8USD cost to spend. While in Newzeland it takes 2 step procedures, 3.5days and cost of 0.1USD has to spend. When we compare these two countries, India has to cutout the procedure, number of days and cost also. Srilanka has taken step of implementing a fully digital land registration and survey department by rolling out of geographic information system and creating a single window counter for the issuance of certificate.

#### Getting Credit:

This topic explores 2 sets of issues viz., the strength of credit reporting systems and effectiveness of collateral and bankruptcy laws in facilitating lending. It covers parameters like strength of legal rights, depth of credit information index, credit registry coverage.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Strength of Legal Rights	New Zealand	12	9
depth of Credit Information	Ecuador	8	7

Top ranked in this is Newzeland. Strength of legal rights is 12 and depth of credit information index is 8 while in India strength of legal rights is 9 and depth of credit information index is 7. In this parameter India logged by 2ranks because of less strength in legal rights. India has to take measure to improve to give information about credit and legal rights.

#### Protecting minority investors:

This parameter measures the strength of minority share holder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights. Governance has to safeguard and corporate transparency requirements that reduce the risk of abuse.

Topic	Best Performance Economy		
	Name of Economy	Performance	India Performance
Extent of disclosure	China	10	8
Extent of liability of Director	Cambodia	10	7
Extent shareholder suits	Djibouti	10	7
Extent of Shareholder rights	India	6	6
Extent of ownership & control	Bahrain	7	7
Extent of corporate transparency	France	7	7

China got top rank by getting 10 points where India took only 8 points. So India has to take step to disclosure of information in time, to discharge liability rights and discharge shareholder suit correctly. Due to this India logged from 7<sup>th</sup> rank to 13<sup>th</sup> rank.

**Paying taxes:** This topic covers the taxes and mandatory contribution that a medium size company must pay or withhold in a given year. This parameter considers number of payment per year and time taken to payment.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Time	Hong Kong	3	11
Total tax	Singapore	49	252

Post filing Index	Canada	26.1	49.7
Contribution rate	---	100	49.3

In this, Hong Kong and Singapore take place to rank by 3 payments per year and 49 hours. India has also jumped from 121 ranks to 115. By introducing GST, paying taxes become easier and tax on tax also evaded. But number of payments in year is still 11 and time is 252 hours which is more compared to top economies.

#### Trading across borders:

Through these criteria EDB measures the time and cost associated with three sets of procedures- documentary compliance, border compliance and domestic transport- within the overall process of exporting or importing shipment of goods.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Time of Export(days)	Canada	1	12 hours
Cost of Export(USD)	Hungary	0	58
Time of Import(days)	Korea	1	20
Cost of Import(USD)	Iceland	0	100

In this top economy is Canada which takes only one hour, while compliance of documents in Hungary, cost of export is 0. In import Korea take only one hour to documentary compliance and in Iceland cost is 0 for import. In India time to export and documentary compliance is 12 hours and cost 100USD. In case of import, 20 hours and cost 100 USD. Due to lack of reforms like post clearance audit integrating stakeholders in a single infrastructures and enhancing the electronic submission of documents, India rank increased from 68 to 80.

#### Enforcing Contracts:

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute, through a local first instance court and the quality of judicial processes index evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Time	Singapore	120 days	145 days
Cost(% of claim value)	Bhutan	0.1%	31.0%

Top economy in sense of time is Singapore, it takes 120 days and in terms of cost economy is Bhutan cost only 0.1% of claim value. In India time taken to enforce contract is 1,445 days and cost 31% of claim value. With higher cost and more time for enforcing contract India rank stable. So India has to take to resolve judicial process easily with less cost.

#### Resolving insolvency:

Doing business, studies the time, cost and outcome of insolvency proceedings involving domestic legal entities.

Topic	Best Performance Economy		
	Name of economy	Performance	India Performance
Recovery Rate (cents on the dollar)	Norway	92.9	71.6
Time (years)	---	16	1.6

Top economy in resolving rate is Norway with 92.9 cents on the dollar and 16 points to strength of insolvency framework. While India recovery rate was 71.6% in the dollar and time was 1.6 year, which too far from best performer. But Indian rank is increased from 102 to 52. This is due to step taken in promoting reorganization proceedings in practice.

#### Findings:

- 1) In parameter starting business, India is lagging because of lengthy procedure and time for starting business.
- 2) In second criteria India takes 106 days to taken permission for construction and cost amount to 15%
- 3) In criteria getting electricity India performance become good by improving 2 ranks
- 4) In parameter registering property India performances well.
- 5) Getting credit becomes more difficulty due to lengthy procedure by financial institutions.
- 6) India failed to protect minority investors because of lack of regulation in Corporate Law.
- 7) GST implemented and subsumed many indirect tax even though tax rates are high compared to other countries.
- 8) Due to reforms in export procedure and by decreasing cost of export rank of India improved but there is necessary to take more reforms.
- 9) India ranking is not improved in these criteria, because cost of claim is more compared to top raked countries.
- 10) In case insolvency India covers only 71.6% of credit where top ranked country Norway covers 92.9%. Here rank is improved but more regulation necessary to cover credit.

#### Conclusion

India ranked 63 amongst the 189 countries of the World, which is nearest to targeted rank 50. This was possible after making reforms like implementation of GST, cut down registration procedure, getting online approvals for environment and obtaining licenses, removal of minimum paid-up capital requirement and introducing the single step incorporation of the company etc. But these reforms are not sufficient to reach its targeted rank. Also some parameters scored poor rank like

starting business, registering property, paying taxes, enforcing contracts. The Government has to take reforms in this regard by comparing the countries scoring good rank in order to achieve the objectives of make in India programmes and globally competitive.

If India get good rank in this, Government campaign Make in India, can be successful. The campaign has the targets of making India a manufacturing hub, raising the contribution of manufacturing sector's share to GDP to 25% and creating more than 100 million jobs. This can be achieved only when inflow of foreign and domestic investment increase. But for attracting investments there is need of the business friendly environment.

#### Scope of Further Research:

Further research, an assessment of individual criteria that is where India performance was lagging can be taken. This will do to give suggestions to Government of India to get top rank in EDB on the basis of measures taken by to countries of EDB.

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