



## World Bank's Ease of Doing Business Report 2019

India improved its ranking by 23 places to secure 77<sup>th</sup> rank in World Bank's latest 'Ease of Doing Business' report, 2019.

- New Zealand topped the list of 190 countries in ease of doing business, followed by Singapore, Denmark, and Hong Kong.
- The report also recognises India and Djibouti as the only economies to be top 10 improvers in this year's assessment, for the second successive time. Moreover, India is the only large country this year to have achieved such a significant shift.
- India has improved its rank in 6 out of 10 indicators and has moved closer to international best practices (Distance to Frontier score) on 7 out of the 10 indicators.
- The most dramatic improvements have been registered in the indicators related to '**Construction Permits**' and '**Trading across Borders**'. In grant of construction permits, India's rank improved from 181 in 2017 to 52 in 2018, an improvement of 129 ranks in a single year. In 'Trading across Borders', India's rank improved by 66 positions moving from 146 in 2017 to 80 in 2018.
- In 2018 report, India had leapfrogged by 30 places to move into the top 100 rankings among 190 countries.

### India's Initiatives for Improvement in Doing Business

- **Starting a Business:** India made starting a business easier by fully integrating multiple application forms into a general incorporation form. India also replaced the value added tax with the GST (Goods and Services Tax) for which the registration process is faster. At the same time, Mumbai abolished the practice of site inspections for registering companies under the Shops and Establishments Act.
- **Dealing with Construction Permits:** India streamlined the process of obtaining a building permit and made it faster and less expensive to obtain a construction permit. It also improved building quality control by introducing decennial liability and insurance.
- **Getting Electricity:** The Delhi Electricity Regulatory Commission reduced charges for low voltage connections. Getting electricity was also made easier in Delhi through a reduction in the time for the utility to carry out the external connection works.
- **Getting Credit:** India strengthened access to credit by amending its insolvency law. Secured creditors are now given absolute priority over other claims within insolvency proceedings.
- **Paying Taxes:** India made paying taxes easier by replacing many indirect taxes with a single indirect tax, the GST, for the entire country. India also made paying taxes less costly by reducing the corporate income tax rate and the employees' provident funds scheme rate paid by the employer.
- **Trading across Borders:** India reduced the time and cost to export and import through various initiatives, including the implementation of electronic sealing of containers, the upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures.
- Separately, the government had also announced implementation of **eBiz portal** which will offer **Government-to-business (G2B)** services for investors and business activities, through a single window to cut time and cost and improve business environment.
- The **establishment of debt recovery tribunals** in India "reduced non-performing loans by 28 percent and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases cut the cost of credit.
- Under its **National Trade Facilitation Action Plan 2017-2020**, India implemented several

initiatives that improved the efficiency of cross-border trade, reducing border and documentary compliance time for both exports and imports.

- Investor facilitation cell created under the **Invest India agency**.
- Government of India has also started to rank its 36 states and Union Territories "to further promote Ease of Doing Business" in the country which is promoting Competitive Federalism.

## Ease of Doing Business Report

- The report was introduced in **2003** to provide an assessment of objective measures of business regulations and their enforcement across 190 economies on **ten parameters** affecting a business through its life cycle.
- The 10 parameters are- starting a business, construction permits, getting electricity, getting credit, paying taxes, trade across borders, enforcing contracts, and resolving insolvency.
- It ranks countries on the basis of **Distance to Frontier (DTF)**, a score that shows the **gap of an economy** to the **global best practice**. For example, a score of 75 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.
- This year, India's DTF score improved to 67.23 from 60.76 in the previous year (2018).
- Other reports published by World Bank:
  - World Development Report
  - Global Economic Prospects Report
  - [Human Capital Index](#)

## Challenges

- India is facing challenges primarily in two criteria: enforcing contracts and registering property because of the complexities involved.
- Although, the Central Government has amended the Commercial Courts, Commercial Divisions and Commercial Appellate Divisions Act, 2015, to allow district court-level commercial courts. Similarly, the state governments of Delhi and Maharashtra have invested heavily in digitizing land records and building online solutions for registration and mutation.
- But these efforts are merely the first steps in the right direction as the time taken to complete these formalities underlies primarily why we continue to lag on these indicators.
- Lack of transparency, accountability, clearances complexity, and lack of clarity in policy direction- leading to lack of investment pose the biggest challenges in doing business in India.

## Way forward

- India's rapid growth will offer opportunities for both local and global business and will also create jobs which are the need of the hour due to the rising demographic dividend.
- Better rank in ease of doing business and greater awareness about opportunities in Indian business sector would attract foreign investors to invest in India and will also bring advanced technologies to the country.
- If India aims to reach a higher rank in the index then there is lot of work which needs to be done.
- India's jump in ease of doing business rankings will hopefully be a spur for further reforms, which, if successful, will lead both to a better business environment and greater prosperity for all.

