

**EASE OF DOING BUSINESS - TRANSFORMING BUSINESS ENVIRONMENT IN INDIA -  
CHALLENGES AND OPPORTUNITIES**

**Dr. Deepa D S**

Assistant Professor

Department of Economics

Government First Grade College, Thyamagondlu.

Bangalore Rural District

**ABSTRACT**

The World Bank's Ease of Doing Business (EODB) ranking is widely regarded as a benchmark for cross-border trade. Its straightforward and measurable criteria make the report a valuable and actionable document (OECD, 2008). India's new strategy of focusing on improving its relative position, rather than questioning the methodology, highlights the practical benefits of the EODB framework. When Prime Minister Narendra Modi assumed office in May 2014, one of his administration's goals was to advance India from its 142nd position in the EODB rankings. By the time of the October 2017 World Bank report, India had achieved significant progress, ranking among the top improvers globally. The country surged 30 places to 100th out of 190 countries surveyed during that fiscal year, reflecting one of Asia's largest improvements. Prime Minister Modi's active involvement and encouragement have spurred states to embrace reforms, which is promising for India's future upward trajectory. This study is descriptive and relies solely on secondary data sources. It aims to explain the concept of EODB, assess its status and progress in India, examine the challenges faced, and propose strategies to address these issues.

**(Keywords:** Business Interests, Doing Business, Investments, World Bank)

**1. Introduction**

When Prime Minister Narendra Modi assumed office in May 2014, his government set an ambitious goal of breaking into the top 50 of the World Bank's Ease of Doing Business (EODB) rankings from its position of 142 that year. By the 2018 World Bank report, India had made significant progress, climbing into the top 100 and recording the largest improvement among all countries. This advancement from 130th place in 2017 to 100th in 2018 highlighted India as one of the top 10 most improved nations, a development celebrated by the Modi administration as a strong endorsement of its economic reforms. Encouraged by this progress, Finance Minister Arun Jaitley expressed optimism about achieving the top 50 ranking, reflecting Prime Minister Modi's vision. In contrast, India's previous year's ranking saw a modest improvement of just four places, from 134th to 130th, as noted in the World Bank's 2016 report. Despite these gains, the Modi government has faced significant criticism from opposition parties and even within its ranks due to India's economic slowdown. The country's GDP growth rate fell sharply from 9.2 percent in the third quarter of 2016 to 5.7 percent in the third quarter of 2017. Economists attribute this downturn primarily to the government's demonetization policy and the problematic implementation of the new Goods and Services Tax (GST).

**2. Objectives of the study:**

1. To understand the concept and key element SOF the Ease of Doing Business.
2. To analyse the status and progress of the Ease of Doing Business in India.
3. To study the Challenges of Ease of Doing Business in India.
4. To makes omen suggestions for the shoo the achievement of Ease of Doing Business targets.

**3. Methodology of the study:**

This study is descriptive in nature and is primarily based on secondary sources of data. The information and data for this research have been gathered from a variety of government publications, published articles, journals, newspapers, reports, books, and official websites of the Government of India. These sources provide a comprehensive foundation for analyzing the subject matter within the context of the study. The research relies on existing data to offer insights into the ease of doing business in India, making it a valuable tool for understanding the broader trends and implications of government policies and reforms. The use of secondary data allows for the integration of a wide range of information, ensuring a well-rounded perspective on the subject.

**Scope of Analysis:** The study focuses on a limited set of indicators and data points, which may not encompass all aspects of the ease of doing business in India. Other factors, such as cultural, social, and political influences, are acknowledged but not deeply explored within this research.

### **Limitations of the Study**

While this study offers valuable insights, it is important to acknowledge certain limitations:

**1. Lack of Primary Data:** The absence of primary data collection, such as surveys or interviews, restricts the study's ability to capture current, first-hand perspectives from businesses, policymakers, and other stakeholders. This could result in gaps in understanding the real-time challenges and opportunities faced by businesses in India.

**2. Potential Bias in Data Sources:** The study's findings are influenced by the information available in published sources, which may contain inherent biases. For instance, government publications may present data that favours policy successes, while other sources may emphasize particular issues or challenges.

### **4. The concept of 'Ease of doing business'(Edom):**

The concept of the Ease of Doing Business Index was developed by Simeon Djankov at the World Bank Group, with academic contributions from economists Oliver Hart and Andrei Shleifer. This index measures the regulatory environment in 190 countries, focusing on how conducive it is for business operations, particularly regarding the protection of property rights. Higher rankings (lower numerical values) indicate more favourable regulations for businesses and stronger protections of property rights. Empirical research funded by the World Bank demonstrates that improving these regulations significantly impacts economic growth. The Doing Business project, initiated in November 2001, has led to the creation of more than 3,000 academic research papers utilizing one or more indicators from the project. Since its inception, the study has been a key tool for measuring the costs and procedures that businesses face in different countries, becoming one of the World Bank Group's flagship products in the realm of private sector development. This annual study has motivated numerous regulatory reforms in developing countries by providing detailed analyses of the costs, requirements, and procedures that firms face. The study is well-known and widely used by academics, policymakers, politicians, development experts, journalists, and the business community to highlight procedural inefficiencies and promote reforms. As noted in the World Bank's Independent Evaluation Group (IEG) study, the Doing Business report sheds a clear and often candid light on the regulatory aspects of a country's business environment, helping to catalyze debates and dialogues about reform.

### **Key Indicators of the Ease of Doing Business Index:**

- 1. Starting a Business:** Procedures, time, cost, and minimum capital required to open a new business.
- 2. Dealing with Construction Permits:** Procedures, time, and cost to build a warehouse.
- 3. Getting Electricity:** Procedures, time, and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.
- 4. Registering Property:** Procedures, time, and cost to register commercial real estate.
- 5. Getting Credit:** Strength of legal rights index and depth of credit information index.
- 6. Protecting Investors:** Indices on the extent of disclosure, director liability, and ease of shareholder suits.
- 7. Paying Taxes:** Number of tax payments, hours per year spent preparing tax returns, and total tax payable as a share of gross profit.
- 8. Trading Across Borders:** Number of documents, cost, and time necessary to export and import goods.
- 9. Enforcing Contracts:** Procedures, time, and cost to enforce a debt contract.
- 10. Resolving Insolvency:** Time, cost, and recovery rate (%) under bankruptcy proceedings.

### **Additional Datasets in the Doing Business Project:**

- **Distance to Frontier:** Represents the highest performance observed on each of the indicators across all economies since each indicator's inclusion in Doing Business.

- **Entrepreneurship:** Measures entrepreneurial activity, with data gathered from 130 company registrars on newly registered companies over the past seven years.
- **Good Practices:** Insights into how governments have improved the regulatory environment in areas measured by Doing Business.
- **Transparency in Business Regulation:** Information on the accessibility of regulatory data, including fee schedules for four regulatory processes in the largest business cities or towns of an economy.

**Global Trends and Reforms in Ease of Doing Business:** The Doing Business 2018 report, titled "Reforming to Create Jobs," measures regulations affecting 11 areas of a business's life cycle. However, only 10 of these areas are included in this year's Ease of Doing Business ranking: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The report indicates that between June 2016 and June 2017, 119 economies implemented 264 business reforms, with the most common being in the areas of starting a business and getting credit.

**Notable Findings:**

- **New Zealand** maintained its first place ranking in Ease of Doing Business for the second consecutive year.
- Over 3,188 reforms have been implemented in the 15 years since the inception of Doing Business.
- Sub-Saharan Africa carried out a record 83 reforms, marking the second consecutive year of this achievement.
- The most improved economies in 2016/17 include Thailand, Malawi, Kosovo, India, Uzbekistan, Zambia, Nigeria, Djibouti, El Salvador, and Brunei Darussalam, collectively implementing 53 regulatory reforms.

**Regional and Global Perspectives:** Reforms are being implemented across all regions, with Europe and Central Asia leading in the proportion of economies enacting at least one business regulatory reform (79%), followed by South Asia and Sub-Saharan Africa. The report also features case studies on starting a business, dealing with construction permits, registering property, and resolving insolvency, along with an annex on labour market regulation.

**5. THE CURRENT STATUS AND PROGRESS OF 'EODB' IN INDIA:**

India made a remarkable leap of 30 positions, entering the top 100 in the World Bank's Ease of Doing Business Index, driven by substantial improvements in key areas such as resolving insolvency, paying taxes, protecting minority investors, and obtaining credit. Annette Dixon, Vice President for the South Asia region at the World Bank, remarked on this achievement, stating, "The significant jump this year is a result of the Indian government's consistent efforts over the past few years and India's endeavour to strengthen its position as the most attractive place to do business."

The World Bank's Doing Business report, now in its 15th edition, utilizes a consistent methodology across 190 countries, evaluating them based on 10 regulatory parameters. The study is conducted on the ground in two cities within each country—Mumbai and Delhi in India's case—and assesses each criterion based on the "distance to frontier" metric. This metric measures how far a country is from the best global practices in each area. The overall ranking is a cumulative result of these distances across the 10 criteria. After a modest improvement of just one rank last year to 131, India's score surged from 56.05 to 60.76 this year, marking the highest increase among all participating countries. Given this dramatic improvement, India is unlikely to raise concerns about the methodology used in this exercise, as it has done in previous years. Historically, there has been criticism that for a country as large and diverse as India, the assessment should extend beyond just two cities to provide a more accurate reflection of the national business environment.

The current methodology, which tends to favour smaller countries, is evident in the rankings where the top five spots are occupied by New Zealand, Singapore, Denmark, South Korea, and Hong Kong—all significantly smaller in size and population compared to larger nations like China, India, or Brazil.

Prime Minister Narendra Mode celebrated this leap in the rankings, while Finance Minister Arun Jaitley noted that this is the largest jump achieved by any country. He also emphasized that reaching the top 50, a target set by Prime Minister Modi, is "doable."

**Table: 01- India's ranking for the last two years.**

<b>INDICATORS</b>	<b>2017 (No. Days)</b>	<b>2018 (No. Days)</b>
To Start a Business	155	156
To Dealing with Construction Permits	185	181
To Getting Electricity	26	29
To Registering Property	138	154
To Getting Credit	44	29
To Protecting Minority Investors	13	4
To Paying Taxes	172	119
To Trading across borders	143	146
To Enforcing Contracts	172	164

**(Source: World-Bank Report)**

India has emerged as one of the top 10 improvers in the World Bank's Doing Business 2018 Report, showing enhanced rankings in six out of the ten key indicators. Notable improvements were observed in areas such as dealing with construction permits and enforcing contracts. Overall, India's performance in absolute terms improved in nine of the ten indicators.

However, despite these gains, certain categories reflect ongoing challenges. In the category of **starting a business**, the requirement for local entrepreneurs to navigate 12 procedures—a significant contrast to the five procedures typically required in high-income countries—led to a decline in India's ranking from 155th to 156th. Similarly, the ranking for **registering property** dropped from 138th to 154th, primarily due to increased time, cost, and the number of procedures required for registration. Comparatively, Bhutan leads the South Asian region in the rankings, positioned at 75th, followed by India at 100th and Nepal at 105th. This year's report highlights the implementation of reforms in eight areas across Delhi and Mumbai, doubling the number from the previous year. India's corporate law and securities regulations are recognized as highly advanced, positioning the country 4th globally in the protection of minority investors. Additionally, significant progress was made in reducing the time required to obtain an electricity connection in Delhi, which decreased from 138 days four years ago to 45 days currently compared to a 78-day average in OECD high-income economies. This improvement placed India in 29th position in this category.

However, challenges remain in areas such as **starting a business, enforcing contracts, and dealing with construction permits**. Notably, the time required to enforce a contract has increased from 1,420 days 15 years ago to 1,445 days today. Addressing these critical areas will be essential for India to sustain and build upon its current momentum toward a higher global ranking. According to Junaid Ahmad, the World Bank's Country Director for India, achieving further improvements will necessitate not only the introduction of new laws and online systems but also a deeper investment in state-level capacities to implement these changes effectively. This would involve transforming the regulatory framework and incentives that shape the private sector.

### **7. Unionbudget-2018; Edom:**

Improving the ease of doing business is crucial for attracting investments and creating a more favourable business environment for investors. In line with this, the Indian government has embarked on a comprehensive reform agenda aimed at embedding ease of doing business initiatives deeply across all states. While presenting the Union Budget for 2018-19, Finance Minister Arun Jaitley announced the identification of 372 key business reform activities to be implemented across the country. These reforms are intended to be executed in a "mission mode" within each state, with the goal of making the process more efficient and uniform nationwide. The central government will evaluate the performance of states based on feedback from business enterprises, fostering a sense of constructive competition among them. Each state is expected to undertake these reforms with a high level of commitment, striving to improve their business environment.

In 2016, the states of Andhra Pradesh and Telangana jointly topped the all-India Ease of Doing Business rankings, which were based on a 340-point business reform action plan and its implementation by the states. Building on such successes, the Indian government is striving to place the country among the top 50 in the World Bank's overall Ease of Doing Business rankings.

### **8. The Challenge Sofa 'Edom' Insignia:**

India is currently undergoing a period of unprecedented economic liberalization, opening its vast consumer market to international companies. Despite this, the country remains a challenging environment for business, where local expertise is essential to unlock its immense economic potential. India, a vast nation with significant economic opportunities, presents a complex corporate landscape that can be daunting without the right local support. As one of the fastest-growing economies globally, India is experiencing a transformative phase of economic openness, providing foreign investors with more access to its diverse markets than ever before. The country's large, youthful population and robust export sector offer businesses a potential consumer base that far surpasses that of most other nations, both in the developed and developing world. Political stability and a broad consensus on economic reforms further enhance India's attractiveness to expanding multinational companies. Additionally, India boasts a well-developed banking system and a vibrant capital market, underscoring the maturity of its economic infrastructure. However, doing business in India can still be a complex endeavour, and local assistance can be crucial to the success of any venture.

**1. Cost of Starting a Business:** The initial costs of starting a business in India are high, and the procedures involved can be overwhelming without local knowledge. Entrepreneurs must navigate 12 procedures to set up a business, with costs amounting to 49.8% of income per capita. The process typically takes 27 days, significantly longer than the OECD average of 12 days.

**2. Obtaining Construction Permits:** Securing construction permits is an expensive and time-consuming process, involving 34 procedures and taking an average of 196 days. The process includes obtaining an Intimation of Disapproval from the Building Proposal Office, paying fees, and securing No Objection Certificates (NOCs) from multiple departments, such as the Tree Authority, Storm Water and Drain Department, and Environmental Department.

**3. Accessing Electricity:** While the cost of obtaining an electricity connection in India is relatively low compared to the rest of South Asia, the number of procedures involved can be daunting. Each procedure is time-consuming, with external site inspections taking about eight days, and the overall connection process, including meter installation and testing, taking around three weeks.

**4. Registering Property:** Registering property in India requires substantial effort and can incur significant costs. Fees include a 5% stamp duty on the property's value and a 1% charge on the market price, in addition to legal fees associated with the Land & Survey Office.

**5. Access to Credit:** India ranks 23rd globally for ease of obtaining credit, the highest among South Asian economies. This is largely due to the establishment of a unified collateral registry, which has improved access to credit and strengthened the secured transactions regime.

**6. Enforcing Contracts and Protecting Investors:** Investor protection has gained considerable attention in recent years, with the establishment of bodies like the Securities and Exchange Board of India (SEBI). However, enforcing contracts remains a significant challenge, with India ranking poorly in this area. It takes an average of 1,420 days to enforce a contract.

**7. Tax Compliance:** Operating a business in India involves navigating a complex tax system, with 33 tax payments required annually, consuming approximately 243 hours of work. The corporate tax rate stands at 30%, and businesses may also face additional taxes, including central sales tax, dividend tax, and VAT.

**8. International Trade:** Despite India's efforts to open its borders to international trade, businesses still face numerous bureaucratic hurdles in importing and exporting goods. The process involves extensive documentation, making cross-border trade challenging.

**9. Insolvency and Bankruptcy Resolution:** The Insolvency and Bankruptcy Code (IBC) of 2016 introduced a new regulatory framework, but its implementation has been slow. Resolving insolvency in India takes an average of 4.3 years, much longer than the South Asian and OECD averages, with delays in the court system often hindering business operations.

**10. Delays in Legal Proceedings:** The high volume of pending economic cases in India's Supreme Court, High Courts, Economic Tribunals, and Tax Departments is taking a significant toll on the economy. Delays in resolving these cases contribute to stalled projects, increased legal costs, and reduced investment.

**11. Cultural Factors:** India's diverse and complex culture plays a significant role in business, where building relationships often takes precedence over financial metrics. For foreign businesses, adapting to India's polycentric culture is crucial, making thorough preparation and cultural understanding essential.

#### **9. Suggestions To Improve 'Ease Of Doing Business 'Insignia:**

**1. Reducing Bureaucratic Red Tape:** India's bureaucracy is often burdened with an excessive number of committees, bodies, and government organizations, which can impede business operations. There is a need to streamline these layers of governance. Prime Minister Narendra Modi has initiated efforts to eliminate redundant entities, such as the Planning Commission, which had long outlived its utility. Instead of making entrepreneurs navigate multiple offices and obtain numerous permits, a single, accountable officer should be empowered to authorize all necessary permits. This approach would ensure that the process is both efficient and relevant to contemporary business needs.

**2. Shifting to E-Governance:** The adoption of e-governance can significantly simplify the business registration and compliance processes. Moving most of the application procedures online would reduce the need for entrepreneurs to physically visit government offices, which are often large and cumbersome. The goal should be to make government interactions as seamless as possible, with any requirement to visit a government office seen as a failure of the system.

**3. Standardizing Labor Laws:** Many of India's labour laws are outdated, having been established during the British colonial era. These laws, which often contain archaic provisions—such as regulations on where workers should spit or how often factories must be painted—are no longer relevant. Modernizing these laws is essential to fostering a more conducive environment for business growth and labour relations.

**4. Expediting the Judicial Process:** The Indian judicial system is notorious for its slow pace, which can be particularly problematic for businesses. For instance, patent disputes can drag on for years, discouraging innovation and investment. Increasing the number of courts and judges, and implementing measures to speed up the resolution of corporate disputes, would greatly enhance the business climate.

**5. Educating the Public on Business Attitudes:** The general public in India often harbors an anti-business sentiment, a legacy of the socialist era. This perception sees corporations as exploitative rather than as contributors to economic growth. There is a need to reframe the narrative, highlighting how successful societies—such as Japan (Toyota, Sony, Honda), Germany (Daimler, Siemens), South Korea (Samsung, LG), and the United States (GE, Ford, JPMorgan Chase)—have been built on the foundation of strong corporate entities. Bureaucrats and politicians should be educated on the crucial role that corporations play in national development.

#### **10. Conclusion:**

While vigilance is the call of the hour, we should also recognize that a high ranking is not an Endean do fit self. To attract investment, both for design and domestic, several macroeconomic issues have to be addressed. These include political and economic stability, law and order maintenance, quality physical infrastructure, and buoyancy in financial markets. Major institutional and governance reforms not covered in the World Bank study remain pre-requisites for new businesses to start and grow. India may have the advantage of a large domestic market, and our effort to prove our ease of doing business ranking may be finally yielding results, but there is still a lot of work ahead. While overnight be the shortcomings of the methodology and scope of the World Bank exercise, the knowledge that in terms of common perception, it has acquired widespread acceptability. It has come to be recognized as a cross-border barometer for doing business. In several ways, because of its relative simplicity and easy-to-mean sure criteria, it has also become an action abler port, as evident from India's sane approach of working towards improving its relative position rather than continuing to question the exercise. In fact, in 2014, Prime Minister Narendra Mode made the relevant authorities and institutions (both at the centre and in the states) accept the challenge of reaching an ambitious goal of cracking the top 50 by 2018. Since his proactive intervention on and continuous prodding, states are fast to induce on board and this augurs well for Bharat moving up the ladder.

**REFERENCES:**

1. The wire staff, 2018, banking section on <https://thewire.in/213643/world-bank-ease-of-doing-business-india/>
2. KS Venkatachalam, 2017, on Diplomat published in Know the Asia-Pacific 'on.<https://thediplomat.com/2017/11/the-ease-of-doing-business-in-india/>
3. "DoingBusiness-MeasuringBusinessRegulations-WorldBankGroup".DoingBusiness.
4. <http://www.doingbusiness.org/reports/>
5. <http://www.doingbusiness.org/reports/global-reports/>, pdf. Page111.
6. [https://en.wikipedia.org/wiki/Ease\\_of\\_doing\\_business\\_index#cite\\_ref-10](https://en.wikipedia.org/wiki/Ease_of_doing_business_index#cite_ref-10).
7. The World Bank, Doing Business, publishedonOctober31st201, (accessedon31/01/2018).
8. <http://www.livemint.com/Opinion/gDTnRkzbr9ao1fRdYMGEEdM/India-improves-its-ease-of-doing-business-but-much-work-lef.html>.
9. <http://www.thehindubusinessline.com/economy/policy/india-makes-it-to-top-100-in-ease-of-doing-business/article9935450.ece>
10. <http://zeenews.india.com/economy/budget-2018-full-text-of-arun-jaitley-s-speech2077941.html>
11. The Economic Survey 2017-2018, Volume-2, chapter.3: Monetary Management and Financial Intermediation, page, 50.
12. TheEconomicSurvey2017-2018, Volume-1, chapter.9: Ease of Doing Business 'Next Frontier: Timely Just
13. <http://www.doingbusiness.org/reports/global-reports/doing-business-2018>.