

Ease of Doing Business Report by World Bank - Related Issues in News

Ease of Doing Business Report Latest News

The World Bank Group has decided to discontinue publication of its 'Doing Business' rankings of country business climates under its 'Doing Business' report after findings of data irregularities and ethical concerns in the 2018 and 2020 reports. Know more about this in [CNA dated Sept 21, 2021](#).

Introduction to Ease of Doing Business Report (EoDBR)

The EoDBR is published by the [World Bank](#). The key highlights of the Ease of Doing Business Report are given below:

- The World Bank used to publish this report annually. The index had been created to evaluate the impact of the economic policies/reforms implemented by the government in the respective countries to promote and make it easier to do business.
- This report is published after evaluating the performance of countries under the following 11 parameters (for 2020 ranking, the labour market parameter was not considered, hence 2020 ranking was based on ten parameters).
- Empirical research from government officials, lawyers, business consultants, accountants, other professionals is done in order to collect the data for the performance of these countries.

The parameters that are taken into consideration to rank countries as per their ease of doing business are given in the table below:

S.No	Parameters	Description
1	Starting a business	The ease of the procedures to start a new venture along with the time, cost and minimum capital required are also considered
2	Dealing with construction permits	How easy is it to get permission to build a warehouse
3	Getting electricity	The ease of obtaining a permanent connection for electricity in a newly constructed warehouse.
4	Registering property	How easy and uncomplicated is the process of registering commercial real estate
5	Getting credit	The depth of credit information index, as well as strength of legal rights index, is studied

6	Protecting investors	Various indices on the extent of disclosure and ease of shareholder suits are taken into consideration
7	Paying taxes	Studies the number of taxes paid, hours per annum spent on filing tax returns and the total tax payable as a share of gross profit
8	Trading across borders	Includes the process of export and import of products are in the country.
9	Enforcing contracts	It involves studying the time, cost and effort required to enforce a debt contract
10	Resolving insolvency	Checks the time, cost and percentage recovery rate under a bankruptcy proceeding

- Higher the score achieved by a country better will be its ranking
- The first report was published in 2003 (it was called 'Doing Business' report, the ranking of countries started in 2006). More than 3500 reforms have been implemented across the countries after its launch. In this year alone of 2017-18, there has been a peak of reforms with 314 reforms implemented across 128 economies. The Indian government had implemented 37 reforms during this reference period.

UPSC aspirants may refer to free [Indian Economy Notes For IAS Preparation](#) in the linked article.

Benefits of Ease of Doing Business Rank

The rank a country secures under EoDBR by World Bank brings a lot of benefits along. These benefits are given in the points below:

- The image of the country in the global market improves. Govt has implemented as many as 37 reforms in the reference period and wants to evaluate the effectiveness of these reforms
- The government is taking steps to liberalize the business and these reforms are working
- It changes the image of the country in the eyes of the global market into a favourable country to conduct business in
- The rankings are expected to act as a guide to investors to take/make decisions. Hence better the ranking in the report more the favourability.
- The performance of Govt in terms of implementation of [GST](#) and will provide an answer with the question of how business-friendly this reform is (GST was not considered for last year's ranking and this year's ranking too could not fully account for GST as the deadline for tax-related reforms was 31st December and it had been just six months into the implementation of GST)
- The growth in industries has been averaging around 7% in the 90s and increased to 7.4% in the last decade. At the end of it the manufacturing, export sectors came under pressure because of the

global financial crisis. The government through better regulatory environment aims to attract domestic and foreign investments into the manufacturing sector

IAS Economics is an important subject and an aspirant may keep on checking his/her preparation by following [UPSC Economics MCQ](#) given in the linked article.

Related Links

[Union Budget 2021-22](#)

[Department for Promotion of Industry and Internal Trade \(DPIIT\)](#)

[International Monetary Fund \(IMF\)](#)

[World Economic Outlook](#)

[Global Indices and India's Ranking](#)

[World Economic Forum \(WEF\)](#)

India & Ease of Doing Business

India has been performing well considering the leaps it is taking with respect to her ease of doing a business performance. The significant points are given below:

- India as per the latest report i.e. EoDB Report 2020, has jumped 14 places to be ranked at 63rd position (last year it was ranked at 77th position), with a score of 71.00 (last year it was 67.23)
- India continued to be at the first position among South Asian countries
- The good run for India continued in the rankings as it has jumped from being ranked at 130th in EoDB 2015 to 63rd in EoDB 2020 (out of 190 countries)
- India has performed exquisitely under parameters such as – securing construction permits, trading across borders; and has had smaller improvements in starting a business and getting credit
 - India made starting a business easier by fully integrating multiple application forms into a general incorporation form
 - With a single electronic platform- improved electronic submission methods for documents and upgrades to port infrastructure, import and export process became easier
 - Recovery rate under resolving insolvency has improved significantly from 26.5% to 71.6%. Also, the time taken for resolving insolvency has also come down significantly from 4.3 years to 1.6 years
- The World Bank will now include Kolkata and Bengaluru, besides Delhi and Mumbai, for preparing ease of doing business report, in order to provide a holistic picture of the business environment of the country

For **Weekly Business News Roundup**, UPSC candidates may refer to the '[Economy This Week](#)' segment linked in the article.

EoDBR-Where India Needs to Improve

Though India is performing well considering its performance in the Ease of Doing Business sphere, however, improvements can still be taken up. A few points on its need for improvement are given below:

- Though India has jumped 19 positions to reach 137th rank, it still takes 17 days to start a business, whereas it takes just 12 days in [OECD](#).
- IBC is no doubt a very needed reform but it is still in the process of evolving. As of now, it has faced certain issues with its efficiency.
 - The time period taken for the resolution process has been more than what has been allowed under the code
 - Lack of supporting infrastructure
 - The dissenting financial and operational creditors have been approaching NCLT/NCLAT which has become a hurdle
 - The judiciary has been involved in interpreting many of the provisions of the law
 - Recovery of the debt still is on the lower side
- Stabilization of GST (the time taken to file tax returns has increased from 214 hrs to 275.4 hrs. There is a need to reduce this)
- Though the government has brought into force an act for commercial courts, the report notes that the judicial system is very slow and it takes more than 4 years to enforce a contract
- In order to resolve the issues related to enforcing contracts, the Govt has amended the commercial court's act and facilitated the setting up of commercial courts in 250 districts. This may further improve the rankings in the coming year
- Acquiring land has become one of the biggest difficulties for the corporates in India because of the lack of a consolidated land acquisition framework
- India needs to improve its logistics infrastructure to ensure cost-effective and efficient logistics. It will help in the success of [Make in India](#) campaign
- The Global Manufacturing Index (by World Economic Forum) has ranked India at 30th place and has flagged human capital and sustainable energy as two challenges that India faces. In the aforementioned report, India has been ranked at much lower position compared to its competitors such as China, Thailand etc

It is a good strategy to look up to [IAS Toppers](#) who have secured good ranks in civil services examination.

Are the rankings effective?

Issues/Criticism/concerns have been discussed in the points given below:

- It covers the only experience of small and mid-sized companies. It doesn't cover the proprietary and partnership firms
- Ranking just shows a comparison between the countries. A country's ranking might not exactly be reflecting the reforms it has implemented if
 - Reforms implemented by other countries are comparatively better
 - Improved performance may not always be reflected in the ranking. In the EoDB report of 2019, India's performance/score in all the 10 parameters has increased but its ranking has improved only in 6 parameters
 - The reforms are not covered under these ten parameters.

- Reforms are taken beyond the cut-off date.
- The index considers only two cities in India – New Delhi and Mumbai. These do not represent the ground level situation
- The methodology for the calculation keeps on changing. Hence, comparing these rankings over a period may not make much sense (methodological changes have been incorporated in the 2019 report).
- More EoDB means more withdrawals of regulations. So, does it mean that we are promoting a race to the bottom?
- The investors take into consideration various other issues before making a decision to invest in any market such as potential growth of global trade, the stability of the government, black swan events etc. the World Bank itself has stated that “While Doing Business is a powerful tool for catalyzing reforms in business regulation the indicators are not used by policymakers as the only source in structuring reform programs,”
 - For the first time, China has been ranked below 50 (i.e. at 46th rank) but has been one of the countries to consistently attract a huge FDI. Here, China is just one of the examples as there seem to be hardly any relationship between the ranking and inflow of investments.
- The ranking does not reflect any kind of connection with the respective country’s economic growth. This disconnect between the ranking creates a dichotomy – should the investments be made to improve the ranking or long-lasting reforms that will not only promote growth as well as improve the ranking in the long term. The experts are of the opinion that the government should focus on long-lasting reforms rather than those that will improve the rankings i.e. these must be the by-product rather than the target of public policy. The World Bank in its report has stated that countries that have done better on the rankings are not the ones that started out with the aim to improve their rankings but the ones which had larger reforms and economic competitiveness on agenda.
- The rankings do not capture the real cost of doing business in the countries with large unorganized sectors (such as India), and the cost of production are different from larger formal companies.
- Rather than the rankings in the index, the better measure of a country’s performance is the marks scored by it in “distance to frontier”.
- The index fails at measuring the difficulties businesses face in terms of raising liquidity, controls on internal trade, skilling/employability issues, etc.