

## EASE OF DOING BUSINESS: A COMPARATIVE ANALYSIS IN THE CONTEXT OF GLOBAL ECONOMIES

### **Dr. Satyendra Kumar Singh**

Principal

Divine International Group of Institutions (DIGI)

Gwalior, MP-474001

### **Dr. Sima Kumari**

Associate Professor

DSPSR, Rohani, Delhi.

### **Dr. Shiv kumar Singh**

Professor,

Head and Dean

SOS in Commerce

Jiwaji University, Gwalior.

### **Abstract**

Today whole World has become a village because of globalization. Each country want to grow bigger in economic size and thus there is tough competition in terms of making investment terms and condition simple in order to attract world's industrialist along with developing culture of indigenous entrepreneurial growth. Though Indian government implemented Liberalisation, Privatisation and Globalisation (LPG) in 1991, but its climate for doing business has not done any significant improvement particularly in practice and could attend 130<sup>th</sup> rank out of 190 countries participated in Ease of Doing Business index 2017. Formalities involved in starting a business are still tedious and deter many new entrants. Government of India has under taken many initiatives in recent past to give boost to its economy like Digital India, Startup India, Skill India, Smart City, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Pradhan Mantri Jan Dhan Yojna (PMJDY) and latest Hackathone 2017 in order to make India favourable destination for indigenous as well as global business player. Present study 'Ease of Doing Business: A Comparative Analysis in The Context of Global Economies' is exploratory in nature and based on secondary data collected from available secondary sources like World Bank Portal, various e- research journals available on internet sites, Government of India portal etc. The findings suggest that with various initiatives taken by the government, process for doing business in India has started giving its fruit as it rank has been improved to 130 from 142 in 2015. In compare to first 10 countries of the index, India needs to take more efforts and improvement in global ranking. Globally also its rank has improved from 142 in 2016 to 140 in 2017.

**Key Words:** Indigenous entrepreneurial growth, initiatives taken by government, ease of doing business index, rank improvement

## **Introduction**

Ease of doing business means smooth and easy in procedural formalities while undertaking any business activity. It is an index published by the world bank, based on aggregate figure of various parameters i.e., Procedures, time, cost and minimum capital to open a new business, Construction Permits, Getting electricity, Registering property, Getting Credit, Protecting investors, Taxes related issue and Ease in doing cross borders business. Procedures, time and cost to enforce a debt contract, the time, cost and recovery rate (%) under bankruptcy proceeding. This index on Ease of Doing Business also offers information on distance of each economy to the “frontier,” which represents the highest performance observed on each of the indicators across all economies included in Doing Business since each indicator was included in doing Business, entrepreneurship, good practices, and transparency in business regulation. To do business basically industrialist deals with activities like getting construction permits to construct business premises, getting electricity connection, registering property, getting credit, protecting, paying taxes, going for trading across borders if require, enforcing contracts, and resolving insolvency and dealing with labour market. These are mainly major areas of business activities. Country which is comfortable in dealing these issues systematically without much hustle becomes popular destination for the investors, those who fails lack behind.

## **Objectives**

1. To check Ease of Doing Business Scenario in India
2. To check where Economies Stand in the Global Ranking on the Ease of Doing Business

## **Research Methodology**

Study is exploratory in nature and based on secondary data collected from secondary sources like World Bank sites, government of India sites and other online journals of research in social science.

## **Ease of Doing Business Scenario in India**

Though Indian government implemented liberalisation, privatisation and globalisation long ago, but its climate for doing business has not done any significant improvement particularly in practice and could attend 130<sup>th</sup> rank out of 190 countries participated in ease of doing business index 2017 published by World Bank (Table-3). In order to improve ease of doing business many important steps has been initiated by the government i.e., reduced number of documents for foreign trade, online application for environmental clearance, improvements have been made in regulatory environment through :deregulation, delicensing, simplification of procedures, action plan has been formed for improving the regulatory environment, documents required for import and export have been lessened to three namely: Payment of ESIC online, EPFO paid online via 56 accredited banks, Elimination of NOC for establishing, new electricity connection, new sectors have been opened to FDI and partnership has been forged between industries and the government through positive mindset, Government has also focused on creation of modern and

efficient infrastructure, Allotment of PAN and TAN cards has been simplified and CIN/Corporate Identity Number has been included as proof of identity, Additional investment allowance of 15% and more depreciation has been provided to new manufacturing units set up in states such as AP, Bihar, WB and Telangana from April 2015 to March 2020. But in spite of all these measure taken, formalities involved in starting a business are still tedious and deter many new entrants. Complication in system can be understood in following few activities necessary for starting a business: Land title (ownership) is under department of State/Union town planning which is guided by Indian Registration Act, 1908 and various state legislation but Land use planning is regulated by department of town planning /Urban local body and guided by Land Revenue Acts by States Town and Country Planning Acts Master Plans/ Development Plans. Construction is regulated by Urban Local Body and guided by National Building Code 2005 Local Building Bye-Laws. No-Objection Certificates (NOC) is regulated by Centre– Ministry of Environment and Forest, Airports Authority, Ministry of Defence, Central Ground Water Authority etc. State– National Highway Authority of India/Public Works Department, State Pollution Board, Forest Department and Fire Service Gram Sabha/Gram Panchayat and guided by Centre Environment Impact Assessment (EIA) Ancient Monuments and Archaeological Sites and Remains Act, 1958 Works of Defense Act 1903 (WDA) Environment (Protection) Act, 1986 Forest Conservation Act, 1980 State Water (Prevention and control of pollution) Act, 1974 Air (Prevention & control of Pollution) Act, 1981. Utilities like Water, Sewerage, Power, Communication and others are regulated by State/Private department (Table-1).

**Table: 1****Regulatory Environment for Construction Activity in India**

<b>Activity</b>	<b>Department / Authority</b>	<b>Guided by</b>
<b>Land Title (Ownership)</b>	Revenue Department State Town Planning/ULB	Indian Registration Act , 1908 Various State Legislations
<b>Land use planning</b>	Department of Town Planning / Urban Local Body	Land Revenue Acts by States Town and Country Planning Acts Master Plans/ Development Plans
<b>Construction</b>	Urban Local Body	National Building Code 2005 Local Building Bye-Laws
<b>No-Objection Certificates (NOC)</b>	<b>Centre</b> – Ministry of Environment and Forest, Airports Authority, Ministry of Defence, Central Ground Water Authority etc. <b>State</b> – National Highway Authority of India/Public Works Department, State Pollution Board, Forest Department and Fire Service Gram Sabha/Gram Panchayat	<b>Centre</b> Environment Impact Assessment (EIA) Ancient Monuments and Archaeological Sites and Remains Act, 1958 Works of Defense Act 1903 (WDA) Environment (Protection) Act, 1986 Forest Conservation Act, 1980 <b>State</b> Water (Prevention & control of pollution) Act, 1974

		Air (Prevention & control of Pollution) Act, 1981
<b>Utilities</b>	<b>State/Private :Water, Sewerage, Power, Communication and Others</b>	

Source: Committee on Streamlining Approval Procedures for Real Estate Projects (Gupta, H., Kapoor, K and Asudani, J. 2015).

Assessment of State Implementation of Business Reforms, released on September 14, 2015, captures the findings of an assessment of reform implementation by States, led by DIPP,

Table: 2

State Rankings in the period January 1 to June 30 2015 based on a 98-point action plan

Rank	State	Score	Rank	State	Score
1	Gujarat	71.14%	17	Himachal Pradesh	23.95%
2	Andhra Pradesh	70.12%	18	Kerala	22.87%
3	Jharkhand	63.09%	19	Goa	21.74%
4	Chhattisgarh	62.45%	20	Puducherry	17.72%
5	Madhya Pradesh	62.00%	21	Bihar	16.41%
6	Rajasthan	61.04%	22	Assam	14.84%
7	Odisha	52.12%	23	Uttarakhand	13.36%
8	Maharashtra	49.43%	24	Chandigarh	10.04%
9	Karnataka	48.50%	25	Andaman and Nicobar Islands	9.73%
10	Uttar Pradesh	47.37%	26	Tripura	9.29%
11	West Bengal	46.90%	27	Sikkim	7.23%
12	Tamil Nadu	44.58%	28	Mizoram	6.37%
13	Telangana	42.45%	29	Jammu and Kashmir	5.93%
14	Haryana	40.66%	30	Meghalaya	4.38%
15	Delhi	37.35%	31	Nagaland	3.41%
16	Punjab	36.73%	32	Arunachal Pradesh	1.23%

Source: Assessment of State Implementation of Business Reforms, September 2015 published by DIPP

Ministry of Commerce and Industry, Government of India with support from World Bank group and KPMG. This assessment has been conducted to take stock of reforms implemented by States in the period January 1 to June 30 2015 based on a 98-point action plan for business reforms agreed between DIPP and State/UTs and rank them according to the ease of doing business. The assessment reveals that States are at different levels of implementation on the 98-point action plan. The implementation status of each State has been converted to a percentage, and, on the basis of this the State rankings have been calculated (Table-2). Among the state Gujarat scored highest 71.14% followed by Andhra Pradesh 70.12% and Arunachal Pradesh scored 1.23% which was on 32<sup>nd</sup> position.

## GLOBAL SCENARIO IN EASE OF DOING BUSINESS

As per World Bank report on ease of doing business index 2017, New Zealand is a country in world which is most favourable in terms of Ease of Doing Business and on first position as it is holding first rank in the index table where as Somalia holds last 190<sup>th</sup> rank among 190 country index list is the toughest country in terms of Ease of Doing Business. Singapore is on second position, Denmark on third, Hong Kong on fourth, South Korea on fifth, Norway on sixth, United Kingdom on seventh, United States on eighth, Sweden on ninth, Macedonia on tenth, Russia on eleventh and India on 130<sup>th</sup> position (Table-3).

Table: 3  
Ease of Doing Business Index

Sl. No.	Jurisdiction	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1	New Zealand	1	2	2	3	3	3	3	2	2	2	2	2
2	Singapore	2	1	1	1	1	1	1	1	1	1	1	1
3	Denmark	3	3	4	5	5	5	6	6	5	5	7	8
4	Hong Kong	4	5	3	2	2	2	2	3	4	4	5	7
5	South Korea	5	4	5	7	8	8	16	19	23	30	23	27
6	Norway	6	9	6	9	6	6	8	10	10	11	9	5
7	United Kingdom	7	6	8	10	7	7	4	5	6	6	6	9
8	United States	8	7	7	4	4	4	5	4	3	3	3	3
9	Sweden	9	8	11	14	13	14	14	18	17	14	13	14
10	Macedonia	10	12	30	25	23	22	38	32	71	75	92	81
11	Russia	40	51	62	92	112	120	123	120	120	106	96	79
12	Israel	52	53	40	35	38	34	29	29	30	29	26	29
13	Bhutan	73	71	125	141	148	142	142	126	124	119	138	104
14	China	78	84	90	96	91	91	79	89	83	83	93	91
15	Nepal	107	99	108	105	108	107	116	123	121	111	100	55
16	Sri Lanka	110	107	99	85	81	89	102	105	102	101	89	75
17	India	130	130	142	134	132	132	134	133	122	120	134	116
18	Pakistan	144	138	128*	110	107	105	83	85	77	76	74	60
19	Bangladesh	176	174	173	130	129	122	107	119	110	107	88	65
20	Somalia	190	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: The World Bank Report on Ease of Doing Business

Ease of doing business is affected by the competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that

is likely to grow faster over time. There are twelve pillars of competitiveness. They are Institutions, Infrastructure, Macroeconomic environment, Health and primary education, Higher education and training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size, Business sophistication and Innovation. The major issue remains in terms of making ease of doing business easy is Government litigation as the Government itself is a major litigant, perhaps the biggest contributor to the huge backlog jamming the courts. Corruption in judiciary is also one of the blockages in the ease of doing business ease. Lack of transparency is another problem faced by the many countries judicial system is the lack of transparency. It is seen that the legal system is totally out of the ambit of the common men. Enforcement of foreign judgments is another big issues as a foreign judgment can be enforced by courts in India only if the foreign court is in a 'reciprocating territory' i.e. if India has reciprocal arrangement with that country for enforcement of judgments. Dealing with Construction Permits is again a big issue. Construction projects whether Industrial, Commercial or Residential typically require special permission from regulatory authority.

Table: 4  
Components of the Ease of Doing Business Survey

Starting A Business	New Zealand	United Kingdom	United State	China	India	Pakistan	Bangladesh
Rank EODB 2017	1	7	8	78	130	144	176
Starting A Business	1	16	51	127	155	141	122
Dealing with Construction Permits	1	17	39	177	185	150	138
Getting Electricity	34	17	36	97	26	170	187
Registering Property	1	42	36	42	138	169	185
Getting Credit	1	20	2	62	44	82	157
Paying Taxes	11	10	36	131	172	156	151
Enforcing Contracts	13	31	20	5	172	157	189
Trading Across Boarder	55	28	35	96	143	172	173
Resolving Insolvency	34	13	5	53	136	85	151

Source: World Bank Doing Business

## Discussion

### Doing Business Scenario in India

Government of India has launched many programmes like Digital India, Startup India, Skill India, Smart City, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Pradhan Mantri Jan Dhan Yojna (PMJDY) in order to make India favourable destination for indigenous as well as global business player. Digital India is an initiative of the Government of India,



launched ensure that government services are made available to citizens electronically by improving online infrastructure and by increasing internet connectivity. Startup India is an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage start ups with jobs creation. Skill India is a campaign launched with an aim to train over 400 million people in India in different skills by 2022. Smart City, Government of India has a vision of developing 100 smart cities as satellite towns of larger cities and by modernizing existing cities with a capital outlay of USD 7 Billion. Atal Mission for Rejuvenation And Urban Transformation (AMRUT). In a determined effort to recast urban landscape and make urban centers more livable and inclusive, Government of India launched AMRUT initiative with a capital outlay of USD 7.69 Billion. Pradhan Mantri Jan Dhan Yojna (PMJDY) Objective of Pradhan Mantri Jan-Dhan Yojana (PMJDY) is to ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to weaker sections & low income groups. Indian Government also reduced number of documents for foreign trade, online application for environmental clearance, improvements have been made in regulatory environment through :deregulation, delicensing, simplification of procedures, allotment of PAN and TAN cards has been simplified and CIN/Corporate Identity Number has been included as proof of identity, Additional investment allowance of 15% and more depreciation has been provided to new manufacturing units set up in states such as AP, Bihar, WB and Telangana from April 2015 to March 2020. But in spite of all these measure taken, formalities involved in starting a business are still tedious like Land title (ownership), Construction permission, No-Objection Certificates (NOC), taxation, electricity connection, labour laws etc.

### **To check where Economies Stand in the Global Ranking on the Ease of Doing Business**

Among 190 countries index of World Bank index on ease of doing business index 2017, New Zealand on first position in terms of Ease of Doing Business and Somalia is on 190<sup>th</sup> position. Country were ranked on the basis of score received against items like Starting A Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Paying Taxes, Enforcing Contracts, Trading Across Boarder, Resolving Insolvency. Except score of getting electricity connection where Indian score 26 is less than the score of world's first rank holder country 34, all item rank for India remain very high (Table-4).

### **Conclusion**

On the basis of above discussion it can be concluded that, efforts taken by Indian government in recent past is encouraging but outcome on ground level is not as encouraging because of various political and social reason. As for global economies are concerned leaving first ten countries; New Zealand, New Zealand, Denmark, Hong Kong, Hong Kong, South Korea, Norway, United Kingdom, United Kingdom, United States, Sweden, Macedonia out of 190 counties index are having comfortable position and hence rest all other countries are required to put their efforts in a manner so that ease of doing business in that countries get improved.

## References

1. Ease of doing business index, [https://en.wikipedia.org/wiki/Ease\\_of\\_doing\\_business\\_index](https://en.wikipedia.org/wiki/Ease_of_doing_business_index). (Accessed on December 27, 2016)
2. The World Bank. <http://www.doingbusiness.org/rankings>. (Accessed on December 27, 2016)
3. <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>. (Accessed on December 28, 2016).
4. World Economic Forum. The Global Competitiveness Report 2015–2016, [http://www3.weforum.org/docs/gcr/2015-2016/Global\\_Competitiveness\\_Report\\_2015-2016.pdf](http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf) . (Accessed on December 28, 2016)
5. Moorthy, V. & Jason A.A. The Ease of Doing Business Rank: An Assessment of its Macroeconomic Relevance. IIMB-WP NO. June 2016 . <http://www.iimb.ernet.in/sites/default/files/research/files/workingpaper/WP%20No.%20521.pdf>. (Accessed on January 01, 2017)
6. Geetha R. International Journal of Science and Research (IJSR) ISSN (Online): 2319-7064 Index Copernicus Value (2013): 6.14 | Impact Factor (2014): 5.611. Make in India” and Ease of Doing Business . <https://www.ijsr.net/archive/v5i1/NOV153167.pdf>. (Accessed on January 01, 2017)
7. Gupta, H., Kapoor, K and Asudani, J. 2015 [Un] Ease of Doing Business in India –A Review of Major Pain Points and Possible Lessons, CIRC Working Paper 12. April. <http://circ.in/pdf/Doing-Business-in-India.pdf>. (Accessed on January 01, 2017)
8. DIPP. Initiatives on Improving ‘Ease of Doing Business’ in India. [http://dipp.nic.in/English/Investor/Ease\\_DoingBusiness/EoDB\\_Intiatives\\_11December2015.pdf](http://dipp.nic.in/English/Investor/Ease_DoingBusiness/EoDB_Intiatives_11December2015.pdf). (Accessed on January 04, 2017)
9. <http://www.careerride.com/view/ease-of-doing-business-steps-taken-by-indian-government-21794.aspx>.(Accessed on January 04, 2017)
10. Economy Rankings. <http://www.doingbusiness.org/rankings>.(Accessed on January 04, 2017)