

## Ease of Doing Business in India: Some Improvements but Challenges Remain

Rahul Choudhury

*In the latest World Bank’s Ease of Doing Business rankings, India leapfrogged 23 spots to 77<sup>th</sup> position. This represents India’s continued ascendance in the rankings – it climbed to 100<sup>th</sup> spot last year from 137<sup>th</sup> a year earlier. Much of this progress can be attributed to the recent economic reforms undertaken by the Indian government. However, there are a number of areas that demand the urgent attention of Indian policymakers.*

The World Bank’s Ease of Doing Business (EODB) report for 2019 ranked India globally at 77<sup>th</sup> position in 2018 among the 190 economies it covers in the survey. This represents a leap of 23 spots from its ranking of 100 in 2017. Started in 2002, the EODB ranking is an annual exercise conducted by the World Bank to measure countries’ business regulations and their enforcement. The report collects comprehensive data from two biggest business cities of an economy – New Delhi and Mumbai for India – on 10 parameters and assigns weightage to make a comprehensive index.

In this year’s report, India also ranked among the 10 fastest improving countries, as the World Bank noted that India had improved in six out of the 10 parameters. Figure 1 summarises the performance of some major indicators in India.

**Figure 1: Performance of selected indicators**

Indicators	Time Required (Days)	
	2018	2017
Starting business	11.5	29.8
Construction permit	84	143.9
Export documentation (hours)	2	38.4
Import documentation (hours)	3	61.3
Registering property	3.5	53
Getting electricity	22	45.9

Source: *Doing Business, 2019*

### Easier and Cheaper to do Business

India’s remarkable jump in the rankings can be attributed to a number of reforms. First, starting a business has become easier through the integration of multiple application forms into one digital form, and faster through the replacement of the value-added tax with the Goods and Service Tax (GST) on 1 July 2017, which also made paying tax easier. Business costs have been reduced through a lower corporate income tax rate. India has also simplified the processes of getting a construction permit while getting electricity has also become quicker and cheaper for businesses in New Delhi.

India's recent amendment of the Insolvency and Bankruptcy Code has prevented wilful defaulters from buying their own troubled assets at discounted rates. The amendment has built trust in the system. India has also improved the lending capacity of banks as debt recovery has become easier. Moreover, India has strengthened access to credit by amending its insolvency law as secured creditors are now given absolute priority over other claims within insolvency proceedings.

## Improving Cross-Border Trade

The EODB [report](#) lauded India for several initiatives under its National Trade Facilitation Action Plan 2017-2020, which has improved the efficiency of cross-border trade, and has reduced border and documentary compliance time for both exports and imports. Enhanced risk-based management now allows exporters to seal their containers electronically at their own facilities with as little as five per cent of shipments having to undergo physical inspections while it implemented the Single Window Clearance System in New Delhi.

However, India still has much room for improvement. For instance, it needs to resolve the complications of sale price, and benefit and profit in pre- and post-tax computations in filing for the GST. Also, disputes, which takes a long time to settle, is another area which requires the immediate attention of the Indian government. It should also streamline obtaining building approvals (Intimation of Disapproval) from the Building Proposal Office and not having to seek individual approvals from multiple agencies. All these procedures take up a long time and hamper the business environment.

## Limitations of the Index

This index covers only New Delhi and Mumbai in its survey which is not a true representation of the whole country. A report prepared by the National Institution for Transforming India (NITI Aayog) and the IDFC Institute in [2017](#) contradicts the World Bank's ranking. The index is criticised for not measuring key aspects of the business environment in each country that might be considered by firms or investors. These include macroeconomic conditions, the level of employment, corruption, stability and poverty.

While these rankings by the World Bank are useful in understanding how countries have addressed their respective red tape and administrative hurdles, it is debatable if improvement in the ranking leads to corresponding increases in the inflows of Foreign Direct Investment (FDI) into that country. Studies like [Adrian and Gillandersz \(2013\)](#) suggest a mixed result. Moreover, in the case of India, the ranking is based on New Delhi and Mumbai which already feature as high FDI recipients. If nothing else, Indian policymakers should take heart from the improvements in the EODB ranking. However, they should continue to push on with further reforms if they want to see significant growth in the business and investment landscapes in the country.

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Dr Rahul Choudhury is a Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at [rahulchoudhury@nus.edu.sg](mailto:rahulchoudhury@nus.edu.sg). The author bears full responsibility for the facts cited and opinions expressed in this paper.