

# **GISSCORE**

**An Institute for Civil Services**

## **GIST OF IMPORTANT REPORT**

# **EASE OF DOING BUSINESS**

**By: WORLD BANK**

**For Civil Services Examination**

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# EASE OF DOING BUSINESS

- **Aim:** It is an aggregate figure that includes different parameters which define the ease of doing business in a country.
- **Published by:** It is an index published by the World Bank.
- **Computation:** It is computed by aggregating the Distance to Frontier (DTF) Scores of different economies.
  - The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter.
  - For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated.
  - The aggregated score becomes the Ease of doing business index.
- **Indicators:** Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc. Countries are ranked as per the index.
- **Economy rankings:**
  - Economies are ranked on their ease of doing business, from 1–190.
  - A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.
  - The rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic.
- **Performance:** The difference between an economy's score in any previous year and its score in Doing Business 2020 illustrates the extent to which the economy has changed in its business regulatory environment over time. In any given year, the score measures how close an economy is to the best regulatory performance at that time.
- **Variation in performance:** It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and in the ability of different government agencies to deliver tangible results in their area of responsibility.

- **Background:** The Doing Business Report (DB) was an annually published report which was developed by a team led by Djankov in 2003. It was published by the World Bank Group every year from 2003 to 2019 and aimed to measure the costs to firms of business regulations in 190 countries.
- **Discontinuation:** World Bank discontinued the 'Doing Business report' following an investigation reported "data irregularities" in its 2018 and 2020 editions and possible "ethical matters" involving bank staff.

**TABLE 6.1 Which economies set the best regulatory performance?**

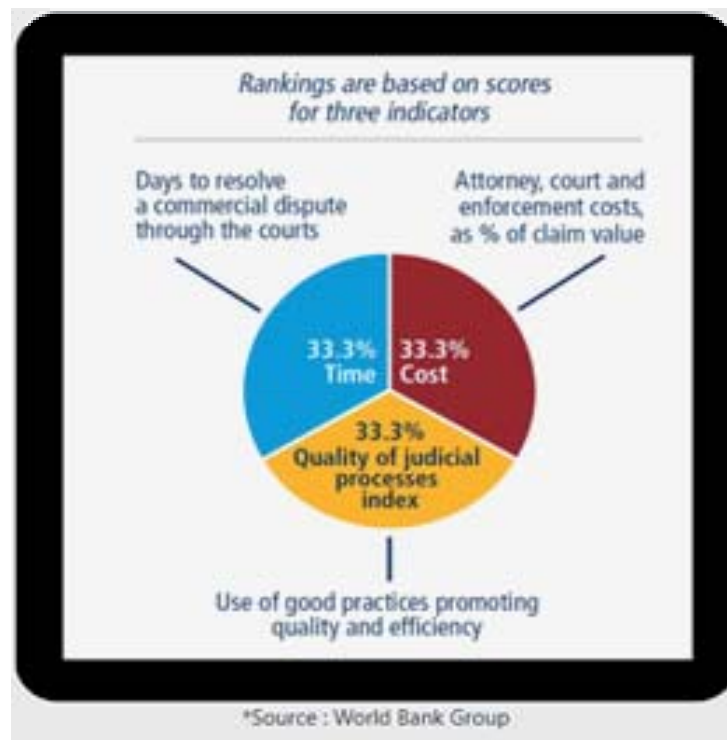
Topic and indicator	Economy establishing best regulatory performance	Best regulatory performance	Worst regulatory performance
<b>Starting a business</b>			
Procedures (number)	Georgia; New Zealand	1	18 <sup>a</sup>
Time (days)	New Zealand	0.5	100 <sup>b</sup>
Cost (% of income per capita)	Rwanda; Slovenia	0.0	200.0 <sup>b</sup>
Minimum capital (% of income per capita)	Australia; Colombia; Mauritius <sup>c</sup>	0.0	400.0 <sup>b</sup>
<b>Dealing with construction permits</b>			
Procedures (number)	No economy was a best performer as of May 1, 2019. <sup>d</sup>	5	30 <sup>a</sup>
Time (days)	No economy was a best performer as of May 1, 2019. <sup>d</sup>	26	373 <sup>b</sup>
Cost (% of warehouse value)	No economy was a best performer as of May 1, 2019. <sup>d</sup>	0.0	20.0 <sup>b</sup>
Building quality control index (0–15)	China; Luxembourg; United Arab Emirates <sup>e</sup>	15	0 <sup>f</sup>
<b>Getting electricity</b>			
Procedures (number)	Germany; Kenya; Republic of Korea <sup>g</sup>	3	9 <sup>a</sup>
Time (days)	Republic of Korea; St. Kitts and Nevis; United Arab Emirates	18	248 <sup>b</sup>
Cost (% of income per capita)	China; Japan; United Arab Emirates	0.0	8,100.0 <sup>b</sup>
Reliability of supply and transparency of tariffs index (0–8)	Costa Rica; Ireland; Malaysia <sup>h</sup>	8	0 <sup>f</sup>
<b>Registering property</b>			
Procedures (number)	Georgia; Norway; Portugal <sup>i</sup>	1	13 <sup>a</sup>
Time (days)	Georgia; Qatar	1	210 <sup>b</sup>
Cost (% of property value)	Saudi Arabia	0.0	15.0 <sup>b</sup>
Quality of land administration index (0–30)	No economy has reached the best performance yet.	30	0 <sup>f</sup>
<b>Getting credit</b>			
Strength of legal rights index (0–12)	Brunei Darussalam; Montenegro; New Zealand <sup>j</sup>	12	0 <sup>f</sup>
Depth of credit information index (0–8)	Ecuador; Israel; United Kingdom <sup>k</sup>	8	0 <sup>f</sup>
<b>Protecting minority investors</b>			
Extent of disclosure index (0–10)	China; Malaysia; United Kingdom <sup>l</sup>	10	0 <sup>f</sup>
Extent of director liability index (0–10)	Cambodia; Kenya; United Arab Emirates	10	0 <sup>f</sup>
Ease of shareholder suits index (0–10)	Djibouti	10	0 <sup>f</sup>
Extent of shareholder rights index (0–6)	India; Kazakhstan; Malta <sup>m</sup>	6	0 <sup>f</sup>
Extent of ownership and control index (0–7)	Bahrain; Colombia; Uzbekistan <sup>n</sup>	7	0 <sup>f</sup>
Extent of corporate transparency index (0–7)	France; Norway; Taiwan, China <sup>o</sup>	7	0 <sup>f</sup>

## Method to calculate which economies improved the ease of doing business score the most:

- First, it selects the economies that in the previous year implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate ease of doing business score.
- Second, Doing Business sorts these economies on the increase in their ease of doing business score over the previous year, and the scores for both years are calculated using the same macroeconomic data (such as income per capita and currency conversion rates) to remove the effect of changes in these variables.
- Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their ease of doing business scores is intended to highlight economies with ongoing, broad based reform programs.

## India's Performance:

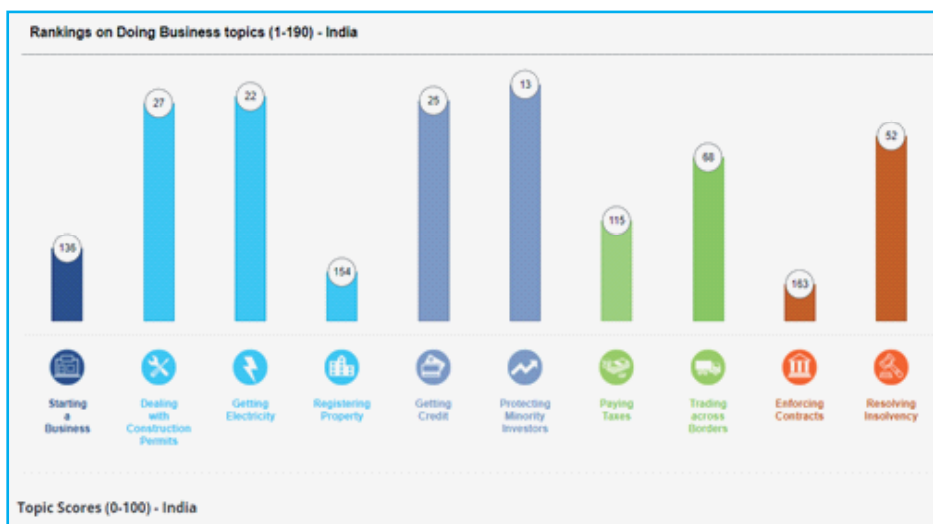
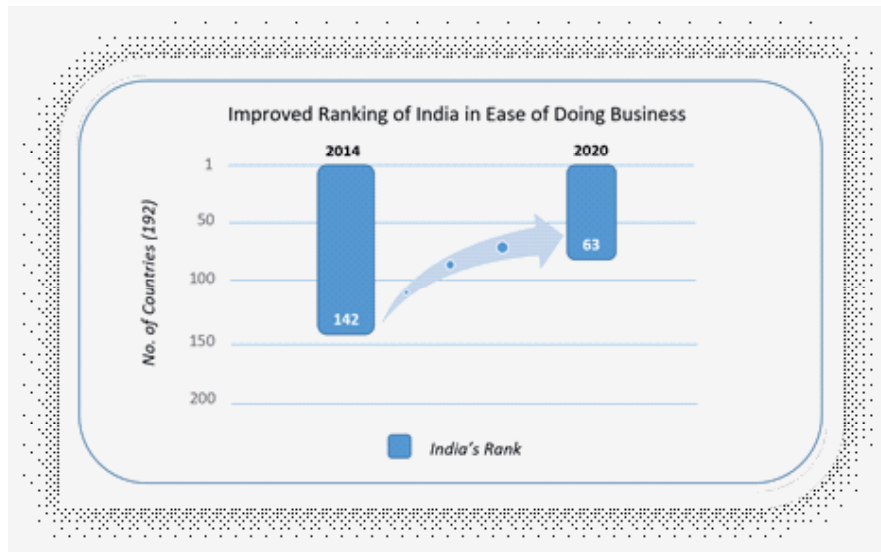
- The Ease of Doing Business Score shows an economy's absolute position relative to the best regulatory performance, whereas the ease of doing business ranking is an indication of an economy's position relative to that of other economies.
- In India, these indicators relate to business regulations for small and medium sized firms located in Delhi and Mumbai based on standardized case scenarios.
- The indicators are from 11 areas of business regulation such as:
- 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.
- **Methodology:** The ranking of economies on the ease of enforcing contracts is determined by sorting their scores for enforcing contracts. These scores are the simple average of the scores for each of the component indicators.



- **India's Ranking:** Among the chosen 190 countries, India ranked 63rd in Doing Business 2020: World Bank Report. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. India jumps 79 positions from 142nd (2014) to 63rd (2019) in 'World Bank's Ease of Doing Business Ranking 2020'.

## India's Major Achievements:

- Construction Permits: India's ranking on this parameter has improved from 184 in 2014 to 27 in 2019. This improvement has been mainly on the account of a decrease in the number of procedures and time taken for obtaining construction permits in India.
- Getting Electricity: India's ranking on this parameter has improved from 137 in 2014 to 22 in 2019. It takes just 53 days and 4 procedures for a business to get an electricity connection in India.
- Apart from these significant improvements, among the 190 economies, India ranks 13th in Protecting Minority Investors and 25th in Getting Credit.



## Challenges of Doing business in India:

- Starting a business: The cost of starting a business in India is astronomical, and the procedures involved can be daunting without local knowledge. There are 12 procedures to complete in the initial set up of a business costing 49.8% of income per capita. It takes almost a month (27 days) to complete the tasks on average, which is well above the OECD average of 12 days.
- Construction permits: are also a costly pursuit, involving 34 procedures and taking 196 days.
- Registering Property: Registering a property requires quite a bit of legwork and can also incur substantial charges. Stamp duty of 5% of the property and a 1% charge on the market value of the property incurred at the Sub-Registrar of Assurances are the two fees to look out for.
- Enforcing contracts: will also be an area that must be looked at; India ranks as one of the worst countries in the world for the ability to enforce a contract, taking an average of 1,420 days.
- Paying Taxes: Businesses operating in India are required to make 33 tax payments a year, taking 243 hours' worth of attention. The headline corporation tax rate stands at 30%, but companies can also incur charges in the form of a central sales tax, dividend tax, property tax, fuel tax, vehicle tax, VAT and excise duty.
- Resolving Insolvency: It takes 4.3 years to resolve insolvency in India, far longer than the South Asian and OECD average.

## Suggestions:

- **Transparency:** A transparent and consistent application of the formal regulatory review process, including an avenue for public comment, will allow a greater “give and take” between government agencies and businesses impacted by new or updated policies.
- **e-Sign on digital loans:** The Law Ministry should issue an express notification establishing digital signatures as equivalent to handwritten signatures. This will strengthen the legal infrastructure around digital lending agreements and backing a paperless lending economy.
- **Telecom infrastructure:** The Government of India has already recognized that telecom is a highly capital-intensive business. The government should grant these entities essential and critical infrastructure status, which will give them access to priority electricity connections, preferential tariffs and fair calculation of property taxes, among other benefits.
- **Single Window Clearance:** The Government of India has already recognized that telecom is a highly capital-intensive business. The government should grant these entities essential and critical infrastructure status, which will give them access to priority electricity connections, preferential tariffs and fair calculation of property taxes, among other benefits.
- **FDI inflow:** Foreign universities should be allowed to set up campuses and offer degrees subject to stringent quality control standards. This will ensure greater inflow of FDI into institutes of higher education. This policy change would also attract a significant number of foreign students to India thereby providing substantial indirect economic benefits.



## World Bank Group:

- The World Bank Group (WBG) is a family of five international organizations that make leveraged loans to developing countries.
- The bank is headquartered in Washington, D.C. in the United States. It provided around \$98.83 billion in loans and assistance to “developing” and transition countries in the 2021 fiscal year.
- Its five organizations are the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). The first two are sometimes collectively referred to as the World Bank.
- India was one of the forty-four original signatories to the agreements reached at Bretton Woods.
- India is not a member of the International Centre for Settlement of Investment Disputes (ICSID). India alleged that the ICSID Convention is unjust since the standards for arbitration favour industrialised countries.

**TOP 100**  
ALL INDIA RANKING  
CSE 2020

8	9	12	13	14	16	17	19	20		
24	26	28	30	31	36	38	41	45	50	
51	52	55	56	58	59	67	68	70	71	73
74	76	78	83	84	85	86	89	93	98	100

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**TOP 100**  
ALL INDIA RANKING  
CSE 2019

3	6	10	11	16	17	21	22	28			
30	33	38	39	42	44	46	53	54	59	66	69
70	72	77	78	80	82	84	86	87	94	97	98

**TOP 100**  
ALL INDIA RANKING  
CSE 2018

2	3	5	7	27	36	37	40	44	49		
51	52	56	58	62	74	81	89	92	94	98	100

**TOP 100**  
ALL INDIA RANKING  
CSE 2017

3	10	19	31	33	35	40	41	44	45	48		
54	57	63	64	68	71	75	77	80	83	93	97	100