



**EASE OF DOING BUSINESS IN INDIA: ASSESSING CHALLENGES & FUTURE
SCOPE**

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Abstract

It has been comprehensively debated by economists, that availability of finance is a very important determinant of output in an economy. In the literature, there are strong arguments for and against this idea. It is generally agreed that finance, up to a certain extent, can act as a facilitator to the process of economic growth. Beyond a point, it may begin to destabilize the economy. Scholars normally measure the performance of an economy in terms of its productivity. This leads to the fact that if business has been made easier, productivity should have increased. Thus, there should be some link between “ease of doing business” and productivity. This study is focused on Ease of doing business and identifies the factors for it. India is under going through various reform processes which will improve overall business environment which is vital pillar of Make in India which will boost manufacturing sector in India. This research is conceptual and review nature, the researcher has applied exploratory research design by using varied secondary data availed from the secondary data sources. Based on the secondary data and review, the researcher has reported on various emerging trends and issues and challenges in Ease of Doing Business. The researchers have analyze the India rank in Ease of Doing business index of world bank and highlight the various reforms initiated by Government of India to improve business environment in India.

“Want to take India higher on Ease of Doing Business Index. Industrialist don’t come because of incentive, need to create development & growth oriented environment.” Mr. Narendra Modi, Prime Minister of India.

Keywords: Ease of Doing Business, Policy reforms, Make in India & Business Environment.

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Introduction

One parameter by which Prime Minister Mr. Narendra Modi wants to success of his government to be judge by is Ease of Doing Business. In the last two years, the government of India has launched several economic & social programs like Make in India, Housing for all by 2022& smart cities with the aim to transform & empower India economically & generate jobs for its young population. The Make in India program launch by Prime Minister Mr. Narendra Modi September 2014 recognise that ease of doing business as a single most important factor to promote entrepreneurs and to simplify cumbersome process for every day basic service. The World Bank annual report on ease of doing business bank on number of categories to calculate rank of ease of doing business is 2016 India ranking is moved up 12 points to 130 ranks. The government has aim to bring India to 50th position in Ease of doing businesses by 2017. The ease of doing business ranking created by World Bank group compares economies with one another, while the distance to frontier score benchmarks the economy with respect to regulatory best practice which shows the absolute distance to the best performing economy on overall and each doing business indicator. The ease of doing business ranking shows how much the regulatory environment has changed relative to other economy, while the distance to frontier score indicates how much the regulatory environment for local entrepreneur in an economy has changed over a period.

The Ease of Doing Business index is based on the ten factors determined by World Bank group are as follows,

- 1. Starting a Business**
- 2. Dealing with Construction Permits**
- 3. Getting Electricity**
- 4. Registering Property**
- 5. Getting Credit**
- 6. Protecting Minority Investors**
- 7. Paying Taxes**
- 8. Trading Across Borders**
- 9. Enforcing Contracts**
- 10. Resolving Insolvency**

The government of India has initiated various steps on these factors to improve business environment.

Literature Review

Bhatt, 2015, Bhatt focuses in this article on paying taxes indicator of Ease of Doing Business of India and other south Asian countries and highlighted that India is far behind then many south Asian countries i.e. Nepal, Bhutan, Maldives, Afghanistan etc. in terms of paying tax indicator. These are comparatively very small economies than India however they perform better than a big economy like India.

Singh P. G., 2015, In this study, Singh investigate the relationship between the foreign direct investment and six variables(Starting a business cost, dealing with construction permits, getting electricity cost, registering property cost, paying taxes and enforcing contract cost). He concluded that there is a long run relationship between FDI & variable under the study.

Gujarati, 2015, the aim of Hitesh in this study to check whether the statement “Ranks in EoDB index reflects the goodness of the economy”. He concluded that it is a misconception or not a fact. Author argued the regulatory bodied should notice that, EoDB ranking do not promotes deregulations but it promotes efficient practice of implementing existing laws and making compliance procedure faster.

Sadhwani, 2015, Rajesh proved that there are some factors that influence ease of doing business on foreign direct investment and indicates India is behind in ease of doing International Conference on Technology and Business Management April 10-12, 2017 ISBN: 978-1-943295-06-7 78 business ranking compared to its south Asian peers, except Afghanistan and Bangladesh.

Dr.Ravi D. Vaidya, 2015, Ravi attempts to study the ease of doing business score among BRICS countries He concluded that India needs to make paradigm change in all major parameters which the global economy deems significant and relevant to a healthy business environment. (PATEL, 2015) Rites analyse parameters of ease of doing business and India’s rank among other nationals in it. Author suggested steps to improve India’s rank to top 50 in next three years.

Bhanushali, 2015, Kishor attempts to establish the relationship between FDI flows in country with various parameters of ease of doing business. Author suggested that focusing on attracting FDI should focus more on construction permits, protection of minority interest, contract enforcement and insolvency resolution. Government action in the areas of making detail credit information more transparent, reducing labour costs, resolving insolvency procedure real outcome based, reducing the number of procedures to start business, reducing the cost of electricity, and registration of property.

Singh C. P., 2015, Singh evaluated comparative pattern among segments of Indian industry owned by different categories of investors. Using data and basing the performance analyses for the entire Indian industrial sector, enterprises owned by the central government and the governments of various states are found to be systematically less efficient than either mixed or private sector enterprises, while mixed sector enterprises are less efficient than those in the private sector. Government-owned enterprises are major players in the industrial arena and the results obtained provide indication that they may be, in major part, responsible for India's lack-lustre industrial performance vis-à-vis ease of doing business.

Srivastava, 2015, Sarika explained last three year reports of Ease of Doing Business. The paper examine single window mechanism as technology can create association among various government departments. Finally, Author has highlighted impact of single window mechanism in generating wealth and faith among investor & suggestions has been included in the research paper to improve the existing system.

Raval, 2015, Apurv did a critical review of political environment and policy implication and its effects of EoDB indicators. Author observed in his study that political environment is one of the most impact factors on Ease of doing business

Hitesh Gujarati, 2015 Hitesh has attempted to summarise all the issues recommendation given by various agencies for those issues and various initiatives that have been taken up recently by government which affects Ease of doing business environment.

Trivedi, 2015, in this research article Dipesh study different issues may arise at time of winding process of business e.g. payment of liability, stay of winding process.

Vikrant G. Vala, 2015, Vikrant identifies how countries have improved their ranking by easing the procedures by lowering the documentation, reducing the time to either import or export and making the overall trading procedure cost effective.

Deepa N. Vyas, 2015, Deepa focus in Range De, innovative micro finance which is very rare but easy to do business. Authors discuss its features, various challenges and the opportunities of this financial scheme.

Vaghela, 2015 Vibhaben in this research paper emphasizes on the aspects of tax system which need to be modified in the Indian tax structure. Their impact is analyzed on the mode of revenue of government as well as the prosperity of public.

Sheth, 2015, Sheth has describe the environmental clearance through Environment Impact Assessment (EIA) has been evolved worldwide India like other nations India need to ease the obstacle in starting business.

Objectives of the Study

1. To identify the significant factors of Ease of Doing Business.
2. To analyze Ease of Doing Business Index
3. To study challenges in Ease of Doing Business for India.
4. To assess the future of Ease of Doing Business in India.

Research Methodology

As the research paper is of conceptual and review nature, the researcher has applied exploratory research design by using varied secondary data availed from the secondary data sources. Based on the secondary data and review, the researcher has reported on various emerging trends and issues and challenges in Ease of Doing Business. A research report, journal and newspaper article from eminent writers has been reviewed.

The ease of doing business index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, or crime.

The next step of gathering data surveys of over 12,500 expert contributors (lawyers, accountants etc.) in 190 countries who deal with business regulations in their day-to-day work. These individuals interact with the *Doing Business* team in conference calls, written correspondence and visits by the global team. For the 2017 report, team members visited 34 economies to verify data and to recruit respondents. Data from the survey is subjected to several rounds of verification. The surveys are not a statistical sample, and the results are interpreted and cross-checked for consistency before being included in the report. Results are also validated with the relevant government before publication. Respondents fill out written surveys and provide references to the relevant laws, regulations and fees, based on standardized case scenarios with specific assumptions, such as the business being located in the largest business city of the economy.^[4]

A nation's ranking on the index is based on the average of 10 sub-indices:

1. Starting a business – Procedures, time, cost and minimum capital 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, depth of credit information index
6. Protecting investors – Indices on the extent of disclosure, extent of director liability and ease of shareholder suits

7. Paying taxes – Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
8. Trading across borders – Number of documents, cost and time necessary to export and import
9. Enforcing contracts – Procedures, time and cost to enforce a debt contract
10. Resolving insolvency – The time, cost and recovery rate (%) under bankruptcy proceeding

The Doing Business project also offers information on following datasets:

- Distance to frontier - Shows the distance of each economy to the “frontier,” which represents the highest performance observed on each of the indicators across all economies included since each indicator was included in *Doing Business*
- Entrepreneurship - Measures entrepreneurial activity. The data is collected directly from 130 company registrars on the number of newly registered firms over the past seven years
- Good practices - Provide insights into how governments have improved the regulatory environment in the past in the areas measured by *Doing Business*
- Transparency in business regulation - Data on the accessibility of regulatory information measures how easy it is to access fee schedules for 4 regulatory processes in the largest business city of an economy

For example, according to the *Doing Business* (DB) 2013 report, Canada ranked third on the first sub index "Starting a business" behind only New Zealand and Australia. In Canada there is 1 procedure required to start a business which takes on average 5 days to complete. The official cost is 0.4% of the gross national income per capita. There is no minimum capital requirement. By contrast, in Chad which ranked among the worst (181st out of 185) on this same sub index, there are 9 procedures required to start a business taking 62 days to complete. The official cost is 202% of the gross national income per capita. A minimum capital investment of 289.4% of the gross national income per capita is required.

While fewer and simpler regulations often imply higher rankings, this is not always the case. Protecting the rights of creditors and investors, as well as establishing or upgrading property and credit registries, may mean that more regulation is needed.

In most indicators, the case study refers to a small domestically-owned manufacturing company - hence the direct relevance of the indicators to foreign investors and large companies is limited. DB uses a simple averaging approach for weighting sub-indicators and calculating rankings. A detailed explanation of every indicator can be found through the DB website, and a .xls archive that simulates reforms.

Some caveats regarding the rankings and main information presented have to be considered by every user of the report. Mainly:

- *Doing Business* does not measure all aspects of the business environment that matter to firm or investors, such as the macroeconomic conditions, or the level of employment, corruption, stability or poverty, in every country.
- *Doing Business* does not consider the strengths and weakness neither of the global financial system, nor the financial system of every country. It also doesn't consider the state of the finances of the government of every country.
- *Doing Business* does not cover all the regulation, or all the regulatory requirements. Other types of regulation such as financial market, environment, or intellectual property regulations that are relevant for the private sector are not considered.

The *Doing Business* report is not intended as a complete assessment of competitiveness or of the business environment of a country and should rather be considered as a proxy of the regulatory framework faced by the private sector in a country.

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