Ease of Doing Business (EODB) is an index which is published by the World Bank each year. In the 2020 edition, the rankings of 190 countries were determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to May 2019.

The 10 topics are: 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. Doing Business 2020 captures 294 regulatory reforms and worldwide 115 economies made it easier to do business.

Mumbai (47% weight) and Delhi (53% weight) are two cities covered in the 2020 EODB report. Bengaluru and Kolkata may be included in the near future.
India improved its ranking in EODB from 134th in 2014 to 63rd in 2019. (1
(https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf)) New Zealand ranked first among 190 counties, with a score of 86.8, while Spain was ranked 30th with a score of 77.9, and India's score was 71.0. Minister Commerce and Industry Piyush Goyal has indicated that India aims to achieve a rank in top 25 countries in EODB by 2024-25. (2

World Bank's Country Director in India has stated that “India's impressive progression in the Doing Business rankings over the past few years is a tremendous achievement, especially for an economy that is as large and complex as India's. Special focus given by the top leadership of the country, and the persistent efforts made to drive the business reforms agenda, not only at the central level but also at the state level, helped India make significant improvements.” (3

The 2020 Report suggests that India needs to improve substantially on ease of paying taxes, and in starting a business. It will also need to improve substantially where judiciary is involved, such as registering a property, in land issues, and in functioning of the Insolvency and Bankruptcy Code (IBC). India has improved its ranking in this sub-topic from 108 to 52, but more progress is feasible.

The policy makers are aware of the severe challenges and competition from other countries in realizing the official goal (the interim goal is raking in top 50 countries by the time EODB rankings for the year 2020 are published) of reaching ranking in top 25 countries by 2024-25.

India has taken several initiatives to address the shortcomings in its EODB ranking of several sub-topics. These are likely to have a positive impact on its ranking when 2021 EPDB providing ranking for 2020 are published. These and other improvements must percolate down to local levels to have the desired impact.

The importance of what is not measured, such as focus on outcome orientation, and improving societal norms, also should not be underestimated. The goal should be not just to improve ranking, though it is essential, but to improve the underlying business and regulatory environment over wide areas of country and for small and medium businesses. In this context, improving motivation and performance of lower level bureaucracy at state and local level is essential; and so is the desire to formalize businesses by small enterprises.

Recent initiatives

These are designed to address weaknesses in specific sub-topics of EODB survey. It is through such continuous small, but cumulatively impactful, initiatives India has achieved rapid improvement in its EODB rankings.

• The reported initiative by the Customs Department to introduce the concept of faceless assessment of cargo across the country, whereby consignments will be assessed by a virtual group irrespective of where the Bill of Entry is filed, could assist India in further
improving its ranking in the next round. A Bill of Entry is a document filed by an importer or an exporter specifying the nature, quantity and value of goods that have landed or are being shipped out.

- A Central Registration Centre (CRC) has been set up by the Ministry of Corporate Affairs (MCA) for name reservation and incorporation of companies and Limited Liability Partnerships (LLPS). (LLPs) allow for a partnership structure where each partner's liabilities are limited to the amount each puts into the business. Limited liability means that if the partnership fails, creditors cannot go after a partner's personal assets or income. (https://www.investopedia.com/articles/investing/090214/limited-liability-partnership-llp-basics.asp)

This initiative is expected to reduce registration time to 1-2 days as opposed to about 15 days earlier.

- Ministry of Corporate Affairs (MCA) is to provide bank number immediately after incorporation. This is expected to result in saving of at least four to five days in starting a business. This is designed to help improve India's ranking of 136 (as compared to 63 overall) in Starting a Business sub-topic. India is learning from New Zealand's (ranked first) processes in this regard. The scale however needs to be noted. India registers over 1.2 million companies and Limited Liability Partnerships (LLPS) each year. This volume is about 12 times that of New Zealand.

- India has moved to round-the-clock payment transfer system for bank customers from December 16, 2019. There are only a few countries globally with this facility. It is estimated that about 10 million transactions, worth INR 800 Billion (USD 114 Billion) are done daily through NEFT (National Electronic Funds Transfer). No extra charges are levied for this facility. Nearly three fifths of the retail banking transactions are through NEFT.

- Since being introduced in 2016, the Insolvency and Bankruptcy Code (IBC) has been amended three times, most recently on December 23, 2019. The cabinet approved an Ordinance to help in smoother implementation of the IBC. A Bill has already been introduced to translate the ordinance into law.

Under the Ordinance, the liability of a corporate debtor for an offense committed prior to the commencement of the corporate insolvency process shall cease. The provisions essentially bring greater clarity or the debtors, and facilitate FDI inflows.

IBC has also been amended to not permit ex-promoters from participation under the Code, and to bar sale outside liquidation process. This should help speed the processes under the IBC, and improve quality of persons taking over the company.

- India has also made mandatory FASTag. They are prepaid rechargeable tags for toll collection that allow automatic payment deduction from the FASTag. They are normally affixed on the windshield of a vehicle. This is expected to save travel time, and thereby reduce delays at toll plazas and reduce fuel consumption. The Minister of Road Transport
and Highways and Minister of Shipping, Nitin Gadkari has estimated that in five years India's national highway will generate about INR 1000 Billion (USD 142 Billion) per year. (6) (https://economictimes.indiatimes.com/industry/transportation/roadways/toll-revenue-to-swell-to-rs-1-lakh-crore-per-annum-in-next-five-years-gadkari/articleshow/71585150.cms?from=mdr)

- Indian banks, supervised by its central bank, the Reserve Bank of India, are instituting a system that will gives consumers access to their comprehensive financial data. It combines privacy protection with credit reporting and access to credit. The “account aggregator” system will be offered by the banks, licensed by the central bank. Prospective borrower could release its GST data, or a statement of mobile financial transaction to establish creditworthiness. India has about 560 million internet users, so the scale of the system will be huge. It is a handful of such initiatives globally.

- An initiative for ration card portability across the country. This would enable a cross-state worker from Jharkhand for example to get rations in Maharashtra. This initiative has implications for making affordable lower-level workers across the country, and will positively impact on labour costs.

**Concluding Remarks**

India is undertaking continuous stream of initiatives to further improve its EODB ranking. While individual initiatives may be small, their cumulative impact is likely to be significant. Initiatives to ease the processes required to close the business also merit strong consideration.

As noted, the goal should be not just to improve ranking, though it is essential, but to improve the underlying business and regulatory environment over wide areas of country and for small and medium businesses.


http://www.mca.gov.in/ (http://www.mca.gov.in/)

https://www.investopedia.com/articles/investing/090214/limited-liability-partnership-llp-basics.asp

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- Award exemplary punishment to the accused
- Intensify policing and slap non-bailable warrants
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