

INDIA JUMPS UP 79 POSITIONS IN WORLD BANK DOING BUSINESS RANKINGS, IMPROVING FROM 142 IN 2014 TO 63 IN 2019

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Ministry of Commerce & Industry

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Turnaround Time of Ships Halves from 4.67 Days in 2010-11 to 2.48 Days in 2018-19 Time Taken For Customs Clearance, Ground Handling and Loading At Sea Ports Should Reduce Scope for Improvement in Time Taken in Enforcing Contracts Says Economic Survey

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The Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman presented the Economic Survey 2019-20 in Parliament today. The FM informed that India has jumped up 79 positions in World Bank's Doing Business rankings, improving from 142 in 2014 to 63 in 2019. It has progressed on seven out of the 10 parameters. The Goods and Service Tax (GST) and the Insolvency and Bankruptcy Code (IBC) top the list of reforms that have propelled India's rise in rankings. However, it continues to trail in parameters such as Ease of Starting Business (rank 136), Registering Property (rank 154), Paying Taxes (rank 115), and Enforcing Contracts (rank 163).

The number of procedures required to set up a business in India, for example, has reduced from 13 to 10 over the past ten years. Today, it takes an average of 18 days to set up a business in India, down from 30 days in 2009. Although, India has significantly reduced the time and cost of starting a business, a lot more needs to be done.

The services sector too faces many regulatory hurdles even for routine businesses. The bars and restaurants sector is an important source of employment and growth everywhere in the world. It is also a business that, by its nature, faces a high frequency of starting new businesses and shutting old ones. A survey showed that the number of licenses required to open a restaurant in India are significantly more than elsewhere.

Construction permits

India has considerably improved the process to obtain construction permits over the last five years. Compared to 2014, when it took approximately 186 days and 28.2 per cent of the

warehouse cost; in 2019 it takes 98-113.5 days and 2.8-5.4 per cent of the warehouse cost.

Trading across borders

While the government has already reduced procedural and documentation requirements considerably, increasing digitalization and seamlessly integrating multiple agencies onto a single digital platform can further reduce these procedural inefficiencies significantly and improve user experience substantially.

The turnaround time of ships in India has been on a continuous decline, almost halving from 4.67 days in 2010-11 to 2.48 days in 2018-19. This shows that achieving significant efficiency gains in the case of sea ports is possible. The simplification of the Ease of Doing Business landscape of individual sectors such as tourism or manufacturing, however, requires a more targeted approach that maps out the regulatory and process bottlenecks for each segment. Once the process map has been done, the correction can be done at the appropriate level of government - central, state or municipal.

Setting up and operating services or manufacturing business in India faces a maze of laws, rules and regulations. Many of these are local requirements, such as burdensome documentation for police clearance to open a restaurant. This must be cleaned up and rationalized one segment at a time. Enforcing a contract in India takes on average 1,445 days in India compared to just 216 days in New Zealand, and 496 days in China. Paying taxes takes up more than 250 hours in India compared to 140 hours in New Zealand, 138 in China and 191 in Indonesia. These parameters provide a measure of the scope for improvement.

A case study of electronics exports and imports through Bengaluru airport illustrates how Indian logistical processes can be world class. Case studies of merchandise exports found that logistics is inordinately inefficient in Indian sea-ports. The process flow for imports, ironically, is more efficient than that for exports. Although one needs to be careful to directly generalize from specific case studies, it is clear that customs clearance, ground handling and loading in sea ports take days for what can be done in hours.

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