

## India improves on ease of doing business, but much work left to be done

The World Bank's Doing Business 2018 report has come as a nicely-timed shot in the arm for the Union government. All of a sudden, our country's ranking on the ease of doing business has gone up by 30 notches, the highest jump this year for any nation. India also finds itself in the World Bank's list of the top ten most improved countries. Years of effort to improve the business environment, particularly since 2003 when the World Bank began the assessment process, has finally borne notable results. While till now India's position on this list had oscillated between 140 and 130, this year we jumped to the 100th spot. In an otherwise patchy and challenging business environment, this should serve as a much-needed morale booster.

For all its prior 15 editions, the World Bank's study has been based on a uniform methodology across 190 countries. It ranks them on 10 individual parameters, largely regulatory in nature, and bases itself on the ground in two cities per nation (Mumbai and Delhi in our case). For each criteria, it then ascertains the "distance from the frontier", which in other words means how far a country's ranking is from the country with the best global practice in that field. The overall ranking is the summation of such "distances" for the 10 criteria. After just improving one rank last year to 131 in the world, this year India's score rose from 56.05 to 60.76, the highest jump of all countries.

Not unexpectedly then, India is not going to be critical about the methodology adopted in this exercise, unlike in the past. A common refrain in previous years has been that for a country of India's size and diversity, a ground-position in more than two cities should be considered. The present basis tends to give an undue advantage to smaller countries as is evident from the annual doing business rankings. This year in the top 5 are New Zealand, Singapore, Denmark, South Korea and Hong Kong—all geographically and population wise minuscule compared to larger countries like China, India, or Brazil.

As finance minister Arun Jaitley himself conceded while announcing India's ranking, the results of the exercise are currently amenable to being systematically worked on. By focusing efforts on improving the position on only the prior known 10 criteria, and that too in just the two selected cities, (rather than making genuine country-wide reform) a considerable improvement in ranking is possible. In his inimitable style and frankness, he compared this Bank-process to an examination whose "syllabus is known and to do well, the examinee has only to crack (cover) that".

Whatever might be the shortcomings of the methodology and scope of the World Bank exercise, we must acknowledge that in terms of common perception, it has acquired widespread acceptability. It has come to be recognised as a cross-border barometer for doing business. In several ways, because of its relative simplicity and easy-to-measure criteria, it has also become an actionable report, as evident from India's new approach of working towards improving its relative position rather than continuing to question the exercise. In fact, in 2014, Prime Minister Narendra Modi made the relevant authorities and institutions (both at the centre and in the states) accept the challenge of reaching an ambitious goal of cracking the top 50 by 2018. Since his proactive intervention and continuous prodding, states have been quick to get on board and this augurs well for India moving up the ladder in the coming years.

While the new report (appropriately entitled in the Indian context *Reforming to Create Jobs*) does point out that it expects India's momentum to continue, it also draws attention to several measures which need concerted action. This includes the various approvals needed to start a business and secure construction permits—on both factors, our ranking continues to be near the bottom. A more worrisome factor is the need for addressing the issues of trading across borders in which our position has slid from 143 to 146. With our domestic aggregate demand remaining sluggish, a focus on exports can yield positive results only when the red tape around trade is loosened,

transaction costs are reduced, and traders are made to feel as welcomed as manufacturers or service providers. There is also no valid cause for state governments to not put in place a more robust system, including online facilities to register a property, an activity in which India has slipped by as many as 16 ranks to the 154th this year.

While authorities have reason to be happy for improving in the remaining 6 of 10 parameters—particularly those associated with protecting rights of minority investors, getting credit and resolving insolvency—the move forward has been modest for enforcing contracts (and dealing with construction permits) and needs to be worked upon urgently, both through the judicial system and through law enforcing agencies. India has to clearly demonstrate to all foreign and domestic business contractors, that unlike in China or smaller emerging nations, there is a fair judicial and executive system in force to enforce business deals. To add to this, the need for more rapid improvement in paying taxes continues to be evident even though we gained 43 spots to rank 119 this year. Many procedural and compliance issues around the newly introduced GST will need to be resolved before next year's cutoff date of 1 June.

It goes without saying that we must keep in mind that these rankings are to be constantly worked upon. Laxity or indifference in a particular year can always alter our position. A case in point is India slipping from 26th to 29th on the criterion of providing electricity connections.

While vigilance is the call of the hour, we should also recognize that a high ranking is not an end in and of itself. For attracting new investment, both foreign and domestic, several macroeconomic issues have to be addressed. These include political and economic stability, law and order maintenance, quality physical infrastructure, and buoyancy in financial markets. Major institutional and governance reforms not covered in the World Bank study remain prerequisites for new businesses to start and grow. India may have the advantage of a large domestic market, and our efforts to improve our ease of doing business rankings may be finally yielding results, but there is still a lot of work ahead.

*Ajay Dua is a former secretary of the department of industrial policy and promotion.*

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com