

'Ease of doing business' refers to the regulatory environment in a country to set up and operate a business. Every year, the World Bank compares the business environment in 190 countries in its Ease of Doing Business Report. In its report released yesterday, India's rank improved to 100 out of 190 countries in 2017, from its rank of 130 in the previous year.^[1]^[2] In this context, we explain the parameters on which each country is ranked, what has led to India's improvement in rankings, and some recommendations made by committees to further improve the business environment in the country.

What parameters is a country ranked on?

Table 1: Parameters and India's rankings

Parameter	2016	2017
Dealing with construction permits	185	181
Enforcing contracts	172	164
Starting a business	155	156
Registering property	138	154
Trading across borders	143	146
Paying taxes	172	119
Resolving insolvency	136	103
Getting electricity	26	29
Getting credit	44	29
Protecting minority investors	13	4
Overall rank	130	100

Note: Rankings out of 190 countries.

Sources: World Bank Ease of Doing Business Reports.

The ease of doing business rankings are based on a country's performance on 10 parameters such as enforcing contracts and starting a business. In India, these rankings are based on the business environment in Mumbai and Delhi. A lower rank indicates better performance on that parameter, whereas a higher rank indicates worse performance on the indicator. India's ranking improved in six out of the 10 parameters over the previous year, while it remained the same or fell in the remaining four (see Table 1).

Note that these parameters are regulated by different agencies across the three tiers of government (i.e. central, state and municipal). For example, for starting a business, registration and other clearances are granted by central ministries such as Finance and Corporate Affairs. Electricity and water connections for a business are granted by the state electricity and water boards. The municipal corporations grant building permits and various other no objection certificates to businesses.

What has led to an improvement in India's ease of doing business rankings?

According to the 2017 report, India introduced changes in some of these parameters, which helped in improving its ranking.¹ Some of these changes include:

- *Starting a business*: Starting a business involves obtaining clearances, and conforming to various regulations under laws such as Companies Act, 2013. The report noted that India merged the application procedure for getting a Permanent Account Number (PAN) and the Tax Account Number (TAN) for new businesses. It also improved the online application system for getting a PAN and a TAN.
- *Getting credit and resolving insolvency*: The Insolvency and Bankruptcy Code passed in 2016 provides for a 180-day time-bound process to resolve insolvency.^[3] It also provides for the

continuation of a debtor's business during these proceedings. The Code allows secured creditors to opt out of resolution proceedings, and specifies that a debtor will be immune against creditor claims during the 180-day insolvency resolution process. Prior to the passage of the Code, it took 4.3 years in India to liquidate a business (as of 2015).

- *Paying taxes:* The report notes that India made paying taxes easier by requiring that payments to the Employees Provident Fund are made electronically.^[4] Further, it introduced measures to ease compliance with corporate income tax.^{1,[5]}
- *Trading across borders:* Import border compliance at the Jawaharlal Nehru Port, Mumbai was reduced. Export and Import costs were also reduced through increasing use of electronic and mobile platforms, among others.
- *Enforcing contracts:* The introduction of the National Judicial Data Grid has made it possible to generate case management reports on local courts.^[6]

What are some of the other recommendations to improve the business environment in India?

Over the last few years various committees, such as an Expert Committee constituted by the Department of Industrial Policy and Promotion and the Standing Committee of Commerce, have studied the the regulatory requirements for starting a business in India and the made recommendations on the ease of doing business.^{[7],[8],[9]} Some of the issues and recommendations made by these committees are discussed below.

Starting a business: The Standing Committee observed that regulations and procedures for starting a business are time-consuming.⁸ The Committee observed that as a consequence, a large number of start-ups are moving out of India and setting base in countries like Singapore where such procedures are easier. It emphasised on the need to streamline regulations to give businesses in India a boost. Note that the government announced the 'Start-up India Action Plan in January 2016.^[10] The 19-point plan identified steps to simplify the process for registering and operating start-ups. It also proposed to grant tax exemptions to these businesses.

The Committee had suggested that the procedures and time period for registration of companies should be reduced. In addition, a unique business ID should be created to integrate all information related to a debtor. This ID should be used as sole reference for the business.

Acquiring land, registering property: Under the current legal framework there are delays in acquiring land and getting necessary permissions to use it. These delays are on account of multiple reasons including the availability of suitable land and disputes related to land titles. It has been [noted](#) that land titles in India are unclear due to various reasons including legacy of the zamindari system, gaps in the legal framework and poor administration of land records.^[11]

The Standing Committee observed that the process of updating and digitising land records has been going on for three decades. It recommended that this process should be completed at the earliest. The digitised records would assist in removing ambiguity in land titles and help in its smooth transfer. It also suggested that land ownership may be ascertained by integrating space technology and identification documents such as Aadhaar. Note that as of September 2017, land records had been linked with Aadhaar in 4% of the villages across the country.^[11]

Several states have taken steps to improve regulations related to land and transfer of property.⁸ These steps include integration of land records and land registration by Andhra Pradesh and

Gujarat, and the passage of a law to certify land titles in urban areas by Rajasthan. The Committee also recommended creating a single window for registration of property, to reduce delays.⁸

Construction permits: In India, obtaining construction permits involves multiple procedures and is time consuming. The Standing Committee had observed that it took 33 procedures (such as getting no objection certificates from individual departments) over 192 days to obtain a construction permit in India.⁸ On the other hand, obtaining a similar permit in Singapore involved 10 procedures and took 26 days.

Taxation: The Standing Committee had noted that the tax administration in India was complex, and arbitration proceedings were time-consuming. It observed that the controversies on the Minimum Alternate Tax on capital gains and the tax disputes with companies like Vodafone and Shell had harmed India's image on taxation matters. Such policy uncertainty and tax disputes have made foreign companies hesitant to do business in India.⁸

The Committee observed that for 'Make in India' to succeed, there is a need for a fair, judicious and stable tax administration in the country. Further, it suggested that to reduce harassment of tax payers, an electronic tax administration system should be created.⁸ Such a system would reduce human interface during dispute resolution. Note that the Goods and Services Tax (GST) was introduced across the country from July 1, 2017. The GST framework allows for electronic filling of tax returns, among other measures.[\[12\]](#)

Enforcing contracts: Enforcing contracts requires the involvement of the judicial system. The time taken to enforce contracts in India is long. For instance, the Standing Committee noted that it took close to four years in India for enforcing contracts. On the other hand, it took less than six months for contract enforcement in Singapore. This may be due to various reasons including complex litigation procedures, confusion related to jurisdiction of courts and high existing pendency of cases.⁸

The Standing Committee recommended that an alternative dispute resolution mechanism and fast track courts should be set up to expedite disposal of contract enforcement cases. It suggested that efforts should be made to limit adjournments to exceptional circumstances only. It also recommended that certified practitioners should be created, to assist dispute resolution.⁸

[1] 'Doing Business 2018', World Bank, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>.

[2] 'Doing Business 2017', World Bank, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Full-Report.pdf>.

[3] Insolvency and Bankruptcy Code, 2016, <http://www.prsindia.org/billtrack/the-insolvency-and-bankruptcy-bill-2015-4100/>.

[4] G.S.R. 436 (E), G.S.R. 437 (E) and G.S.R. 438 (E), Gazette of India, Ministry of Labour and Employment, May 4, 2017, http://labour.gov.in/sites/default/files/Notifications%20for%20amendment%20under%20EPF%2C%20EPS%20and%20EDLI%20Schemes%20for%20e-Payment_0.pdf.

[5] Finance Bill, 2017, <http://www.prsindia.org/billtrack/the-finance-bill-2017-4681/>; Memorandum explaining the provisions of the Finance Bill, 2017, <http://unionbudget.nic.in/ub2017->

[18/memo/memo.pdf](#).

[6] National Judicial Data Grid, http://njdg.ecourts.gov.in/njdg_public/index.php.

[7] Report of the Expert Committee on Prior Permissions and Regulatory Mechanism, Department of Industrial Policy Promotion, February 27, 2016.

[8] 'Ease of Doing Business', 122nd Report of the Department Related Standing Committee on Commerce, December 21, 2015, <http://164.100.47.5/newcommittee/reports/EnglishCommittees/Committee%20on%20Commerce/122.pdf>.

[9] Ease of Doing Business: An Enterprise of Survey of Indian States, NITI Aayog, August 28, 2017, http://niti.gov.in/writereaddata/files/document_publication/EoDB_Single.pdf.

[10] Start Up India Action Plan, January 2016, http://www.startupindia.gov.in/pdf/file.php?title=Startup%20India%20Action%20Plan&type=Action&q=Action%20Plan.pdf&content_type=Action&submenupoint=action.

[11] Land Records and Titles in India, September 2017, <http://www.prsindia.org/parliamenttrack/analytical-reports/land-records-and-titles-in-india-4941/>.

[12] The Central Goods and Services Tax Act, 2017, <http://www.prsindia.org/billtrack/the-central-goods-and-services-tax-bill-2017-4697/>.

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