Context:

India hiked 14 places to the 63rd position on the World Bank’s ease of doing business ranking

India is among the top 10 performers on the list for the third time in a row

New Zealand, Singapore and Hong Kong topped

World Bank applauded the reform efforts undertaken by the India in its report

India is the first country of its type to jump this year by 14 position.

From 140 to 63:

140th position in 2014.
100th position in 2018
77th position in 2019
63rd now

Reasons:

‘Make in India’ campaign focused on attracting foreign investment, boosting the private sector (manufacturing in particular) and increasing the country’s overall competitiveness

In 2015, the government’s goal was to join the 50 top Rank in the ease of doing business ranking by 2020.

Successful implementation of the Insolvency And Bankruptcy Code (Before the implementation of the reform, it was very burdensome for secured creditors to seize companies in default of their loans)

Improvements were registered in starting business (start up India scheme), dealing with construction permits and trading across borders.

Govt made starting a business easier by abolishing filing fees for the SPICe (Simplified Proforma for Incorporating a Company Electronically) company incorporation form, electronic memorandum of association, and articles of association

Trading across borders made easier by enabling post clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures, and enhancing the electronic submission of documents.

Ease of doing business report:

The report was introduced in 2003 by world bank to provide an assessment of objective measures of business regulations and their enforcement across 190 economies on ten parameters affecting a business through its life cycle. It includes 10 parameters like:

1. Starting a business
2. Dealing with construction permits
3. Getting electricity
4. Registering property
5. Getting credit
6. Protecting investors
7. Paying taxes
8. Trading across borders
9. Enforcing contracts
10. Resolving insolvency

Implications:

First, the Doing Business indicators provide a snapshot of a country’s red tape; they have no pretension of providing a comprehensive picture of the investment climate. As the World Bank makes clear, the indicators are not designed to comment on macroeconomic indicators or prospects for growth.

Second, there exists a wide divergence between de jure and de facto realities in most economies. What firms actually encounter “on the ground” is perhaps more important, but there are limitations to our ability to measure and interpret those experiences without bias.

Way forward:

While we can truly be proud of the extent of India’s macro-policy reforms, it is time we started to focus on the micro-policies of enforcement. Top down macro reforms can only be effective if they are twinned with bottom-up micro reforms. Unless the day-to-day experience of doing business improves, we will continue to under-perform relative to our true potential.

To secure changes in the remaining areas will require not just new laws and online systems but deepening the ongoing investment in the capacity of states and their institutions to implement change and transform the framework of incentives and regulation facing the private sector. India’s focus on ‘doing business’ at the state level may well be the platform that sustains the country’s reform trajectory for the future.

Conclusion:

The Ease of doing business rankings thus, should not be seen as the ultimate marker of the ruling party’s reform success. Likewise, investors who are considering the prospects for investment in India should recognize what the rankings do and do not tell us.

While India has made tremendous progress in various categories, it is the depth of these reforms which needs to be worked in the next few years to bring up India into the Top 50 ranking.