
Taunusstr. 7

Contents

Introduction

Businesses are the building blocks of an economy. To make country powerful and resourceful businesses needs to grow and thrive for which government of every country brings regulations to make their land a friendly place to do business. Every government aims at easing up the laws and regulations so that their country becomes a place where not only the residents but the non-residents are willing to do business. Worldwide, 115 economies made it easier to do business. Developing economies are catching up with developed economies in ease of doing business.

Primary aim of bringing any regulation is to provide freedom of doing business. There are many underlying aims of bringing regulations some of which are:

- Protection of workers (regulation of labor),
- To ensure that roads and bridges do not collapse (regulation of public procurement), and
- To protect one's investments (minority shareholder protections).

However, regulation misses its objective; governments in many economies adopt regulation that instead of easing burdens the entrepreneurs. Such stringent regulation limits entrepreneurs' ability to freely perform their operations of a private business. As a result, entrepreneurs tend to follow informal activity, distant from the oversight of regulators and tax collectors, or seek opportunities outside their home country. Foreign investors avoid economies that use regulation to manipulate the private sector.

This study will provide answers to the below three questions:

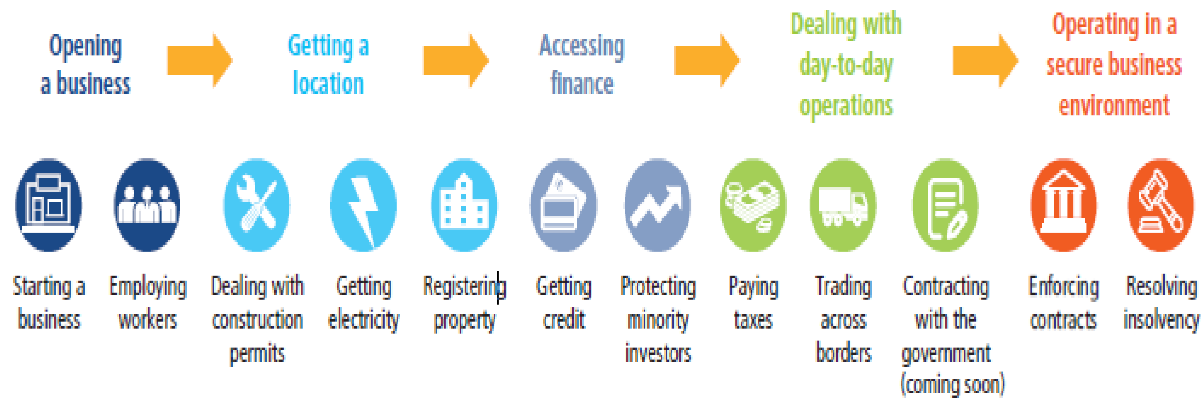
- What are the regulations that help an economy to rise up the ladder of ease of doing business?
- What are the factors that help in making doing business easy?
- What are some prominent hurdles and how can they be eliminated?

Regulation

The strength of any business environment is based on the economy's performance in each of the 10 areas included in the ease of doing business ranking. The 10 areas on which the ease of doing business is measured are:

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

This kind of approach helps in comparing the regulations of different economies. The ease of doing business ranking is an indicator showing the position of the economy in relation to other economies. Ease of doing business is an important springboard to structural reforms that encourage broad-based growth policies.



Many low ranked economies are actively bringing in new reforms to make a better environment for business. Introduction of new reforms in the economy has helped many countries to grow over the past year. Myanmar introduced major improvements in five critical areas namely starting a business, dealing with construction permits, registering property, protecting minority investors, and enforcing contracts. These kinds of reforms allowed the country to jump from a rank of 172 in 2019 to a rank of 165.

Economies that top the list of ease of doing business share several common features, one of them being the widespread use of electronic systems. All of the top 20 economies on the list have online business incorporation processes, electronic tax filing platforms, and allow online procedures related to transfer of property. In many cases it has been observed that:

- The procedure of transfer of property in the top 20 economies take less than 2 weeks whereas the same procedure takes about 12 weeks in the bottom 50.
- Getting an electricity connection in an average bottom-50 economy takes double the time that it takes in an average top-20 economy.

The top countries that showed significant improvement in their rankings were Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria. The reforms that were introduced focused primarily on the areas of starting a business, dealing with construction permits, and trading across borders.

India, which has conducted a remarkable reform effort, joins the list for the third year in a row. Given the size of India's economy, these reform efforts were particularly commendable. Prime Minister Narendra Modi's "Make in India" campaign focused on attracting foreign investment with the aim to boost the private sector, manufacturing in particular. The goal of the Modi government was to be a part of the 50 top economies on the ease of doing business ranking by the year 2020. The reform efforts targeted the areas such as focus on paying taxes, trading across borders, and resolving insolvency. The country made a substantial growth, raising its ease of doing business ranking from 130 in Doing Business 2016 to 63 in Doing Business 2020.

Following is a table showing the ranking of different economies in ease of doing business ranking table wherein New Zealand, Singapore and Hong Kong are the top 3 economies in the table which means that these 3 countries provide the most favorable atmosphere for business to setup and grow on the other hand Venezuela, Eritrea and Somalia are the bottom 3 economies which mean these economies are the most rigid economies in terms of doing business.

Country	Ranking	Country	Ranking	Country	Ranking
New Zealand	1	Puerto Rico	65	Ecuador	129
Singapore	2	Brunei	66	Saint Vincent and the Grenadines	130
Hong Kong	3	Colombia	67	Nigeria	131
Denmark	4	Oman	68	Niger	132
South Korea	5	Uzbekistan	69	Honduras	133
United States	6	Vietnam	70	Guyana	134
Georgia	7	Jamaica	71	Belize	135
United Kingdom	8	Luxembourg	72	Solomon Islands	136
Norway	9	Indonesia	73	Cape Verde	137
Sweden	10	Costa Rica	74	Mozambique	138
Lithuania	11	Jordan	75	Saint Kitts and Nevis	139
Malaysia	12	Peru	76	Zimbabwe	140
Mauritius	13	Qatar	77	Tanzania	141
Australia	14	Tunisia	78	Nicaragua	142
Taiwan	15	Greece	79	Lebanon	143
United Arab Emirates	16	Kyrgyzstan	80	Cambodia	144
North Macedonia	17	Mongolia	81	Palau	145
Estonia	18	Albania	82	Grenada	146
Latvia	19	Kuwait	83	Maldives	147
Finland	20	South Africa	84	Mali	148
Thailand	21	Zambia	85	Benin	149
Germany	22	Panama	86	Bolivia	150
Canada	23	Botswana	87	Burkina Faso	151
Ireland	24	Malta	88	Mauritania	152
Kazakhstan	25	Bhutan	89	Marshall Islands	153
Iceland	26	Bosnia and Herzegovina	90	Laos	154
Austria	27	El Salvador	91	Gambia	155
Russia	28	San Marino	92	Guinea	156
Japan	29	Saint Lucia	93	Algeria	157
Spain	30	Nepal	94	Micronesia	158
China	31	Philippines	95	Ethiopia	159
France	32	Guatemala	96	Comoros	160

Country	Ranking	Country	Ranking	Country	Ranking
Turkey	33	Togo	97	Madagascar	161
Azerbaijan	34	Samoa	98	Suriname	162
Israel	35	Sri Lanka	99	Sierra Leone	163
Switzerland	36	Seychelles	100	Kiribati	164
Slovenia	37	Uruguay	101	Myanmar	165
Rwanda	38	Fiji	102	Burundi	166
Portugal	39	Tonga	103	Cameroon	167
Poland	40	Namibia	104	Bangladesh	168
Czech Republic	41	Trinidad and Tobago	105	Gabon	169
Netherlands	42	Tajikistan	106	São Tomé and Príncipe	170
Bahrain	43	Vanuatu	107	Sudan	171
Serbia	44	Pakistan	108	Iraq	172
Slovakia	45	Malawi	109	Afghanistan	173
Belgium	46	Côted' Ivoire	110	Guinea-Bissau	174
Armenia	47	Dominica	111	Liberia	175
Moldova	48	Djibouti	112	Syria	176
Belarus	49	Antigua and Barbuda	113	Angola	177
Montenegro	50	Egypt	114	Equatorial Guinea	178
Croatia	51	Dominican Republic	115	Haiti	179
Hungary	52	Uganda	116	Congo	180
Morocco	53	Palestine	117	Timor Leste	181
Cyprus	54	Ghana	118	Chad	182
Romania	55	Bahamas	119	Democratic Republic of Congo	183
Kenya	56	Papua New Guinea	120	Central African Republic	184
Kosovo	57	Eswatini	121	South Sudan	185
Italy	58	Lesotho	122	Libya	186
Chile	59	Senegal	123	Yemen	187
Mexico	60	Brazil	124	Venezuela	188
Bulgaria	61	Paraguay	125	Eritrea	189
SaudiArabia	62	Argentina	126	Somalia	190
India	63	Iran	127		
Ukraine	64	Barbados	128		

Factors that contribute in ease of doing business

Not all regulatory changes make it easier for entrepreneurs to do business. With the purpose of protecting minority investors, some countries extended the deadline for companies to inform the stakeholders of related-party transactions. This change made it easier for firms to comply with regulation but raised an issue with the consistency of information, which could be harmful to stakeholders.

Increase in regulatory costs adds to the difficulties faced to do business. Increasing the cost to do business has proved to be counterproductive. Studies have shown that higher business start-up costs adversely affect the new market entrants. Some reforms are relatively easy to initiate; however, without proper upkeep, their benefits can fail to materialize. Over a decade the governments of different countries are working on simplifying the requirements to start a company, easing tax compliance burdens, increasing access to credit, and ensuring the survival of viable businesses.

The factors that are addressed to are:

1. Entry into market
2. Transfer of property
3. Electricity
4. Labor
5. Custom regulations
6. Court
7. Right of creditors
8. Credit report
9. Shareholders right
10. Tax regime
11. FDI

Entry into market

Changes to start-up regulation directly affect the number and size of firms in the market. New firm entry results in higher productivity through the reallocation of resources from old to new firms. It has been observed that the number of new firms increase in industries where there are easier start-up rules. Meeting start-up requirements involves additional costs for firms. In the report named “Deregulation, Misallocation and Size: Evidence from India” by

Alfaro and Chari (2014) effects of the “License Raj” reform in India on firm size distribution and resource reallocation was examined wherein it was observed that the number of small firms increased in industries with the implementation of easier start-up rules also it was observed that an increase in the productivity of private sectors, suggesting a reduction in resource allocation distortions over the same period.

With the purpose of testing the benefits of easing up startup regulation a report was prepared by Razafindrakoto and Roubaud named “Do Informal Businesses Gain from Registration and How? Panel Data Evidence from Vietnam” wherein it was found that the value added of firms increased by 20% on average.

Transfer of Property

People who have private owned land enjoy greater access to credit by many ways such as giving the land on collateral. When property rights are not secure, fear of expropriation may encourage the entrepreneurs to make other investment decisions.

In a study conducted by Karas, Alexei, William Pyle, and Koen Schoors. 2015. "A 'de Soto Effect' in Industry? Evidence from the Russian Federation." It was found that the effect of greater land tenure security among large urban industrial businesses in the Russian Federation facilitated the owners by easing the access to external financing and promoted investment.

Electricity

Power outages often create hurdles in the growth of economies worldwide. Interrupted supply of electricity often results in wastage of goods, damage to equipment, and productivity loss due to increased idle time. Firms insure themselves by purchasing generators and other expensive equipment to protect their assets. A report named "How Do Electricity Shortages Affect Industry? Evidence from India." was prepared by Allcott, Collard-Wexler, and O'Connell (2016) wherein it was observed that when there are electrical shortages the average revenue reduces by approximately 8 percent and the surplus drops by 10%, of which roughly half is due to the cost of generators. The study suggested that 1% increase in outages tend to decrease long-run GDP per capita by 3%. Uninterrupted supply of electricity is very important aspect in countries' growth as it directly contributes in increasing productivity.

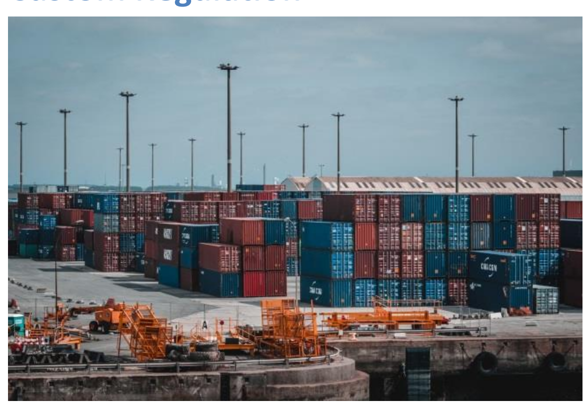
Labor

Changes in labor market regulation affect unemployment rates and labor force participation. Labor market regulation also determines firm productivity.

In a study conducted, taking base of period 2001-09, it was observed that the introduction of /a minimum wage in Brazil was associated with an approximately 40% increase in informal employment. It was also noted an increase in earnings among low- and middle-income households, however the gains due to raise in minimum wage were negligible.

In the research of "Labor Regulations and the Cost of Corruption: Evidence from the Indian Firm Size Distribution." *Review of Economics and Statistics*, it was observed that restrictive labor regulation in India was associated with a 35% increase in firms' unit labor costs. In the report named "Labor-Market Institutions and Long-Term Effects of Youth Unemployment." *Journal of Money, Credit and Banking* it was noted that in high-income economies youth unemployment was positively correlated with labor market rigidity. It becomes very important to ease up labor laws in order to provide a good employment conditions.

Custom Regulation



In a study conducted by Martincus, Christian Volpe, Jerónimo Carballo, and Alejandro Graziano in year 2015 on Customs named *Journal of International Economics* - it measured the effects on firms due to delays customs department by studying export transactions data from Uruguay for the period 2002–11, including the actual time it took for these transactions to clear customs. The findings showcased that a 10% increase in customs delays resulted in a 4% decline in exports. This effect resulted in higher costs for exporters, which subsequently reduced the foreign sales. Another study revealed that 50% reduction in per-shipment costs was equivalent to a 9% reduction in tariffs.

Countries need to reduce their regulatory costs and processing time in order to improve their imports and exports.

Court

Judicial reforms in the field of quality, speed, and access of the judiciary supports improvement in productivity and economic development. In a study conducted in 2018 it was found that these reforms helped in improvement of firm's productivity by 22%. Hence, it can be safely said that judicial efficiency is necessary for firm productivity. Ahsan, Reshad N in his report dated 2013 named "Input Tariffs, Speed of Contract Enforcement, and the Productivity of Firms in India." published *Journal of International Economics* (2013), uses firm-level data from India to study the complementarities between the speed of contract enforcement and tariff liberalization, suggested that the gains in productivity from a reduction in input tariffs are highest for firms in economies with the most efficient courts.

In a report named "Institutions' and Firms' Adjustments: Measuring the Impact of Courts' Delays on Job Flows and Productivity" (2017) analysis of the impact of court delays in settling labor disputes in Italy was conducted where it was found that delays in trials of labor disputes increase the retrenchment costs. The report also showed that the rate of job turnover was significantly lower in judicial districts with longer trials.

In the years following a reform in this sector increased the protection of secured creditors, the firms also experienced a significant increase in investment and output value. It has also been seen that better access to long-term debt reduces the volatility of firm growth.

Bankruptcy costs play a major role, during both crises and recoveries. It has been seen that the lending rates, investment, and output of an economy fall rapidly during a crisis, but slows down during recovery. This asymmetry is stronger in economies with greater bankruptcy costs (measured by the cost of bankruptcy, bankruptcy duration, and the recovery rate). In a report named "Judicial Quality and Regional Firm Performance: The Case of Indian States." (2016) it was observed that in India, judicial quality was an important factor for higher firm performance, for both exports and domestic sales.

Right of Creditors

In 2017 a Journal on Financial Economics posted an article named "How Collateral Laws Shape Lending and Sectoral Activity" wherein it stated that according to its research legal systems for movable collateral are usually weak as they limit the scope of the movable assets that can be used as collateral. The system for movable collateral also lack centralized registries and require court orders to recover amounts from defaulters. The report also suggested that when the protection of creditors' rights for movable collateral improves the banks lend one-third more using the same level of encumbrance. The effects of business regulation and improved protection of creditors' rights benefits firms by improving the efficiency of credit markets and access to funding.

In order to increase the lending in any economy there steps should be taken in the way to improve security of lender's money.

Credit Report

Credit information systems are intended to bring parity the information between borrowers and lenders. With the right infrastructure and regulation, credit bureaus allow lenders to identify the risks associated with borrowers. Firms identified as low risk by credit information systems enjoy better access to credit. Firms identified as low risk by credit information systems enjoy better access to credit facilities. In the report "Sharing Information in the Credit Market: Contract-Level Evidence from U.S. Firms" it was found that information sharing reduces contract delinquencies and defaults. It was also observed that the lenders who use information of credit bureau experience a drop in 23 - 30days in late payment of credit. The lenders who use the information of bureau are likely to experience a fall in bad debts by approximately 7%.

Shareholders' rights

Strong shareholders' rights are critical for the efficient operation of stock markets in any economy. In a report of Claessens, Stijn, Kenichi Ueda, and Yishay Yafeh dated 2014 by the name of "Institutions and Financial Frictions: Estimating with Structural Restrictions on Firm Value and Investment" study of the relationship of the rights with the cost of capital using data from 40 economies for the period 1990–2007 was conducted. Wherein, it was found that well-defined and well-enforced shareholders' rights tend to reduce the overall cost of capital, especially for all types of firms. Shareholders' rights are positively associated with economic growth.

Another study conducted in year 2013 (named Law, Stock Markets, and Innovation) found that firms with strong shareholder's rights and better access to financing from their shareholders are more likely to invest in research and development. When lending is limited during banking crises, stock markets provide an alternative source of funds for firms.

Tax Regime

In a study conducted in year 2018 it noted that when there is a tax increase in an economy firms react by underreporting their profits, moving to the informal economy, or changing their legal form to as to skip the tax obligations. The study also showed even though tax revenue were high immediately after the tax increase, few years later it fell below initial levels.

In a research conducted by Belitski, Maksim, Farzana Chowdhury, and Sameeksha Desai in year 2016 named "Taxes, Corruption and Entry." investigation was done on the interaction between corruption and corporate income tax rates across a panel of 72 economies in the period 2005–11 and the results showed that higher tax rates consistently discourage entry.

Foreign Direct Investment

The efficiency of regulation affecting domestic firms is correlated with regulation affecting FDI. The report "Business Start-Up Regulations and the Complementarity between Foreign and Domestic Investment" suggests that reforming business start-up regulation plays a role in enhancing the complementarity between foreign and domestic business activity. The complexity of tax systems is a major determinant of FDI. The report on "Do Complicated Tax Systems Prevent Foreign Direct Investment?" found that the payments and time to comply with tax obligations have significant negative effects on whether foreign investment flows are present.

Removing hurdles for entrepreneurship

Removal of minimum capital requirement

By 2019, many governments eliminated the requirement of minimum capital after the regulation failed to serve its intended purpose of protecting creditors. Once infusion of minimum paid in capital was viewed as a way to provide security to the creditors, but it proved to be inefficient. It was observed that the entrepreneurs would borrow the amount required as minimum capital at the time of business registration only to withdraw it immediately after the registration.

Many economies eliminated minimum capital requirements. The most proactive regions to eliminate the minimum capital requirement were Europe and Central Asia and the Middle East and North Africa.

Minimum capital requirement and its relation with business formalization and viability

In the stage of incorporation, founders consider several factors such as legal form of the company, what should be the objects in its memorandum of association, location, advertisement and promotion of the company, and so on. With a pool of start-up expense starting from incorporation costs to purchasing materials and equipment to paying salaries in addition to the above the requirement to pay in a certain minimum capital is a burden on entrepreneurs. These costs may negatively affect an entrepreneur's decision to start a business. Data suggest that higher requirements for paid-in minimum capital are associated with lower new business entry.

Further, higher minimum capital requirement is associated with a higher percentage of firms expected to pay bribes to get an operating license. Economies with lower paid-in minimum capital requirements also tend to have, on average, stronger regulation for the protection of minority investors. It can be said that the high level of minimum capital requirement restricts entrepreneur in many different ways rather than efficiently serving its motive to safeguard its creditors.

Credit reporting systems

Sharing information credit has become a key element in the infrastructure of credit markets around the globe as a prerequisite for sound risk management and financial stability. Organizations offering credit use the facility provided by different credit bureau to minimize the problem of asymmetric information because they help lenders better predict borrowers' capacity to repay, therefore reducing the probability of default.

Credit information sharing around the world

Before the establishment of credit reporting service providers, credit information sharing took place informally. Around 19th century, communities and merchants in the United Kingdom shared only negative information about the borrowers by maintaining a list of individuals with poor credit records in an effort to reduce their own risk. The first formal arrangement for credit information sharing emerged in the United States in the 1840s with the creation of the first commercial credit reporting registries. In the 1950s and 1960s the first bureaus operated with limited information and focused only on industries, such as banks and retailers.

Credit reporting systems have evolved from distributing only negative information to including positive information typically in the form of a credit score that signals a borrower's individual creditworthiness to a large pool of lenders. Since the 1980s, the credit reporting industry has expanded worldwide. Expanding consumer credit has fueled the emergence of credit bureaus and registries in developing economies. In recent decades, major international bureaus have opened in low-income economies, bringing their expertise developed in high-income markets.

Economies with credit bureaus are also associated with higher credit- to-GDP ratios. Setting up new credit bureaus and registries has positive effects within economies.

Transitioning from manual to electronic filing and payment of taxes

In the year 2006, only 43 economies had an online system for filing and paying taxes. After almost a decade the number has become 106. Electronic filing (e-filing) and electronic payment (e-payment) are the processes of submitting tax returns and payments over the Internet. E-filing and e-payment have various benefits that have made the tax preparation process easier for businesses, including the ability to file a tax return from one's office at a convenient time and the ability to prepopulate tax returns with data already held by the tax administration.

The United States was the first economy to introduce e-filing in 1986, followed by Australia in 1987.

Lower rate of corruption due to electronic system

Studies show that high tax compliance costs are associated with larger informal sectors, more corruption, and less investment. The modernization of IT infrastructure increases efficiency, reduces physical interactions between tax officials and taxpayers, and eliminates the physical exchange of cash, which can reduce rent-seeking. Moreover, data show economies with fewer tax payments have a lower perceived level of public sector corruption.

Businesses care about what they get in return for their taxes. Good quality physical infrastructure is critical for the sound functioning of an economy. It plays a central role in determining the location of economic activity. The efficiency with which tax revenue is converted into public goods and services has an impact on the tax morale of businesses and individuals.

Electronic services facilitate a transparent platform for collaboration among government agencies as well as interactions with taxpayers, reducing the vulnerability of public services to political interference.

Technology is changing how taxes are administered. More and more companies are using tax software, and more and more tax authorities are creating easier-to-use online portals to simplify tax compliance. Electronic systems for filing and paying taxes benefit taxpayers by reducing preparation time and errors by enabling automated verification of transactions. These systems also benefit the tax authorities by making tax systems more robust and reducing operational costs—such as those associated with processing and handling paper tax returns—allowing human and financial resources to be reallocated to efforts that improve services to taxpayers.

Following is the table showing some countries ranking and their positive measures taken towards starting a business in their respective economies.

Ranking	Countries	Measures									
		Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
63	India	✔	✔						✔		✔
6	United States	✔						✔		✔	
8	United Kingdom							X			
16	UAE	✔	✔				✔	✔	✔		
31	China	✔	✔	✔			✔	✔	✔	✔	✔
108	Pakistan	✔	✔	✔	✔			✔	✔		
168	Bangladesh	✔		✔		✔					

Most improved places to do business

Doing Business also looks at which economies improved the most. Doing Business 2020 found that the 10 economies that improved the most in their ease of doing business score were Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria. Amongst the top reformers, India made trading across borders easier by cutting the costs and time associated with border and documentation requirements. Economies that score highest on the ease of doing business ranking share several common features, including the widespread use of electronic systems.

TABLE 0.2 The 10 economies improving the most across three or more areas measured by *Doing Business* in 2018–19

Economy	Ease of doing business rank	Change in ease of doing business score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Saudi Arabia	62	7.7	✔	✔	✔		✔	✔		✔	✔	✔
Jordan	75	7.6					✔		✔			✔
Togo	97	7.0	✔	✔	✔	✔	✔					
Bahrain	43	5.9		✔	✔	✔	✔	✔	✔	✔	✔	✔
Tajikistan	106	5.7	✔				✔			✔		
Pakistan	108	5.6	✔	✔	✔	✔			✔	✔		
Kuwait	83	4.7	✔	✔	✔	✔	✔	✔		✔		
China	31	4.0	✔	✔	✔			✔	✔	✔	✔	✔
India	63	3.5	✔	✔						✔		✔
Nigeria	131	3.4	✔	✔	✔	✔				✔	✔	

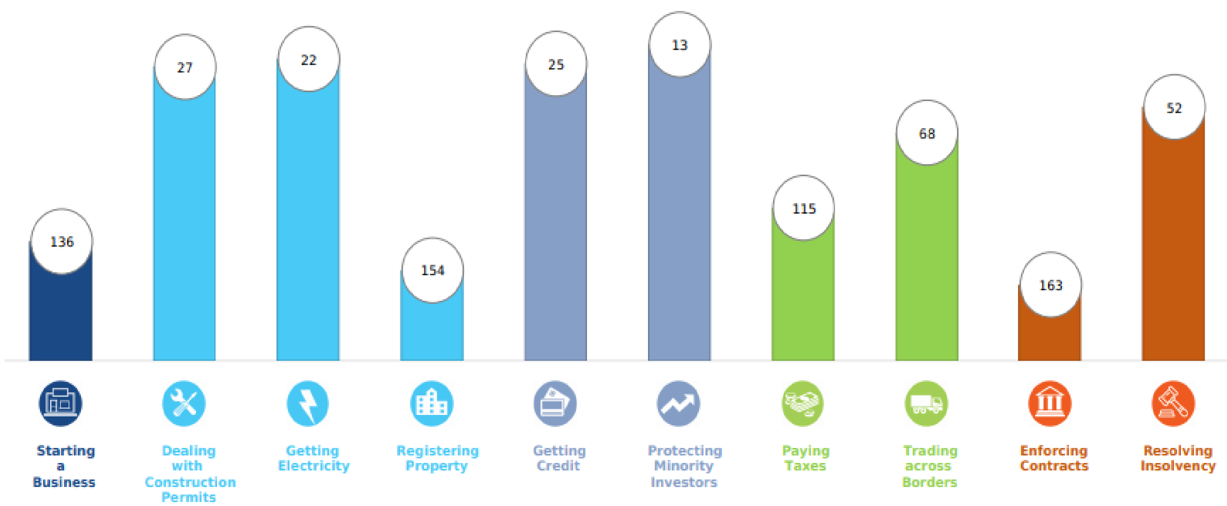
Source: Doing Business database.

Doing Business in India

India has leaped 79 places from 142nd position to 63rd in the World Bank's ease of doing business rankings. Doing Business ranking is determined on the basis on 10 topics and each topic has its own criteria of ranking. As discussed earlier there are 10 topics which determine the ranking of an economy in the ease of doing business ranking table.

According to World Bank although India has improved its ranking but still lags in areas such as enforcing contracts (163rd) and registering property (154th). And it takes 1,445 days for a company to resolve a commercial dispute through a local first-instance court, almost three times the average time in OECD high-income economies.

The following chart below shows ranking of India on the ease of doing business topics.



Below is a table showing a comparative figures of the each 10 factors where India has made improvements and also showing the factors where the country seen a fall in comparison to 2019. India has improved its rank several indicators and has moved closer to international best practices. Significant improvements have been registered in 'Resolving Insolvency', 'Dealing with Construction Permits', 'Registering Property', 'Trading across Boards' and 'Paying Taxes' indicators. The changes in seven indicators where India improved its rank are as follows:

Topics	DB 2020 Rank	DB 2019 Rank	DB 2020 Score	DB 2019 Score	Change in Score (% points)
Overall	63	77	71	67.5	3.5
Starting a Business	136	137	81.6	81	0.6
Dealing with Construction Permits	27	52	78.7	72.1	6.6
Getting Electricity	22	24	89.4	89.2	0.2
Registering Property	154	166	47.6	47.9	0.3
Getting Credit	25	22	80	80	–
Protecting Minority Investors	13	13	80	80	–
Paying Taxes	115	121	67.6	65.4	2.2
Trading across Borders	68	80	82.5	77.5	5
Enforcing Contracts	163	163	41.2	41.2	–
Resolving Insolvency	52	108	62	40.8	21.2

Sustained business reforms over the past several years has helped India jump 14 places to move to 63rd position in this year's global ease of Doing Business rankings. India put in place new business reforms during the past year and earned a place in among the world's top ten improvers for the third consecutive year, the World Bank Group's Doing Business 2020 study says. Last year India was ranked at 77.

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.

On the "distance to frontier metric," one of the key indicators in the survey, India's score went from 67.23 in Doing Business 2019 to 71 in Doing Business 2020. This means last year India improved its business regulations in absolute terms – indicating that the country is continuing its steady shift towards best practice in business regulation. Below are the regulatory reforms India has implemented across the 10 areas measured by Doing Business over the years.

Starting a business

Starting a business (rank)	136
Score of starting business(0-100)	81.6
Procedure (number)	10
Time (days)	18
Cost (number)	7.2
Paid in min capital (% of income per capita)	0

This topic measures the number of procedures, time, cost and paid-in minimum capital requirement for a small- to medium-sized limited liability company to start up and formally operate in each economy's largest business city.

DB 2020 - India made starting a business easier by abolishing filing fees for the SPICe company incorporation form, electronic memorandum of association and articles of association.

DB 2019 - India made starting a business easier by fully integrating multiple application forms into a general incorporation form. India also replaced the value added tax with the GST (Goods and Services Tax) for which the registration process is faster. At the same time, Mumbai abolished the practice of site inspections for registering companies under the Shops and Establishments Act.

DB 2018 - India made starting a business faster by merging the applications for the Permanent Account Number (PAN) and the Tax Account Number (TAN), and by improving the online application system. This reform applies to both Delhi and Mumbai. Mumbai also made starting a business faster by merging the applications for the value-added tax and the profession tax.

DB 2016 - India made starting a business easier by eliminating the minimum capital requirement and the need to obtain a certificate to commence business operations. This reform applies to both Delhi and Mumbai.

DB 2015 - India made starting a business easier by considerably reducing the registration fees, but also made it more difficult by introducing a requirement to file a declaration before the commencement of business operations. These changes apply to both Delhi and Mumbai.

DB 2011 - India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.

Dealing with construction permits

Dealing with Construction Permits (rank)	27
Score of dealing with construction permits (0-100)	78.7
Procedures (number	15
Time (days)	106
Cost (% of warehouse value)	4
Building quality control index (0-15)	14.5

This topic tracks the procedures, time and cost to build a warehouse including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

DB 2020 - India (Delhi) streamlined the process, reduced the time and cost of obtaining construction permits and improved building quality control by strengthening professional certification requirements. India (Mumbai) streamlined the process of obtaining a building permit and made it faster and less expensive to get a construction permit.

DB 2019 - India streamlined the process of obtaining a building permit and made it faster and less expensive to obtain a construction permit. It also improved building quality control by introducing decennial liability and insurance. This reform applies to both Delhi and Mumbai.

DB 2018 - India made dealing with construction permits less cumbersome by implementing an online system that has streamlined the process at the Municipality of New Delhi and Municipality of Greater Mumbai. The online system has streamlined the process of obtaining a building permit, thereby reducing the number of procedures and time required to obtain a building permit in India.

DB 2013 - India reduced the time required to obtain a building permit by establishing strict time limits for preconstruction approvals.

Getting electricity

Getting Electricity (rank)	**22**
Score of getting electricity (0-100)	89.4
Procedures (number)	4
Time (days)	53
Cost (% of income per capita)	28.6
Reliability of supply and transparency of tariff index (0-8)	6

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity.

DB 2019 - The Delhi Electricity Regulatory Commission reduced charges for low voltage connections. Getting electricity was also made easier in Delhi through a reduction in the time for the utility to carry out the external connection works.

DB 2017- India made getting electricity faster and cheaper by streamlining the process of getting a new commercial electricity connection.

DB 2016- The utility in Delhi made the process for getting an electricity connection simpler and faster by eliminating the internal wiring inspection by the Electrical Inspectorate. The utility in Mumbai reduced the procedures and time required to connect to electricity by improving internal work processes and coordination.

DB 2015 - In India the utility in Mumbai made getting electricity less costly by reducing the security deposit for a new connection.

Registering property

Registering Property (rank)	**154**
Score of registering property (0-100)	47.6
Procedures (number)	9
Time (days)	58
Cost (% of property value)	7.8
Quality of the land administration index (0-30)	10.8

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights.

DB 2019- India (Mumbai) made it easier to register property by digitizing its cadastral records and establishing an electronic database for recording the boundaries of land plots.

Getting credit

Getting Credit (rank)	**25**
Score of getting credit (0-100)	80
Strength of legal rights index (0-12)	9
Depth of credit information index (0-8)	7
Credit registry coverage (% of adults)	0
Credit bureau coverage (% of adults)	63.1

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending.

DB 2019- India strengthened access to credit by amending its insolvency law. Secured creditors are now given absolute priority over other claims within insolvency proceedings. This reform affects both Delhi and Mumbai.

DB 2018- India strengthened access to credit by amending the rules on priority of secured creditors outside reorganization proceedings and by adopting a new law on insolvency that provides a time limit and clear grounds for relief to the automatic stay for secured creditors during reorganization proceedings. This reform applies to both Delhi and Mumbai.

DB 2008- India strengthened its secured transactions system by launching a unified and geographically centralized collateral registry and started to provide credit information on firms at the private credit bureau.

Protecting minority interest

Protecting Minority Investors (rank)	13
Score of protecting minority investors (0-100)	80
Extent of disclosure index (0-10)	8
Extent of director liability index (0-10)	7
Ease of shareholder suits index (0-10)	7
Extent of shareholder rights index (0-6)	6
Extent of ownership and control index (0-7)	6
Extent of corporate transparency index (0-7)	6

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse.

DB 2018- India strengthened minority investor protections by increasing the remedies available in cases of prejudicial transactions between interested parties. This reform applies to both Delhi and Mumbai.

DB 2015- India strengthened minority investor protections by requiring greater disclosure of conflicts of interest by board members, increasing the remedies available in case of prejudicial related-party transactions and introducing additional safeguards for shareholders of privately held companies. This reform applies to both Delhi and Mumbai.

Paying taxes

Paying Taxes (rank)	115
Score of paying taxes (0-100)	67.6
Payments (number per year)	11
Time (hours per year)	252
Total tax and contribution rate (% of profit)	49.7
Postfiling index (0-100)	49.3

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as the administrative burden of paying taxes and contributions and complying with post filing procedures (VAT refund and tax audit).

DB 2019- India made paying taxes easier by replacing many indirect taxes with a single indirect tax, the GST, for the entire country. India also made paying taxes less costly by reducing the corporate income tax rate and the employees' provident funds scheme rate paid by the employer. This reform applies to both Delhi and Mumbai.

DB 2018- India made paying taxes easier by making payment of EPF mandatory electronically and introducing a set of administrative measures easing compliance with corporate income tax. This reform applies to both Delhi and Mumbai.

DB 2017- India made paying taxes easier by introducing an electronic system for paying employee state insurance contributions. This reform applies to both Mumbai and Delhi.

DB 2012- India eased the administrative burden of paying taxes for firms by introducing mandatory electronic filing and payment for value added tax.

DB 2011- India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.

Trading across borders

Trading across Borders (rank)	**68**
Score of trading across borders (0-100)	82.5
Documentary compliance (hours)	12
Border compliance (hours)	52
Documentary compliance (USD)	58
Border compliance (USD)	212
Documentary compliance (hours)	20
Border compliance (hours)	65
Documentary compliance (USD)	100
Border compliance (USD)	266

This topic records the time and cost associated with the logistical process of exporting and importing goods. It measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods

DB 2020- India made trading across borders easier by enabling post-clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures and enhancing the electronic submission of documents. This reform applies to both Mumbai and New Delhi.

DB 2019- India reduced the time and cost to export and import through various initiatives, including the implementation of electronic sealing of containers, the upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures. This reform applies to both Delhi and Mumbai.

DB 2018- India reduced import border compliance time in Mumbai by improving infrastructure at the Nhava Sheva Port. Export and import border compliance cost were also reduced in both Delhi and Mumbai by eliminating merchant overtime fees and through the increased use of electronic and mobile platforms.

DB 2017- India made exporting and importing easier by launching Customs Electronic Commerce Interchange Gateway portal and simplifying border and documentary compliance procedures. This reform applies to both New Delhi and Mumbai.

DB 2009- India reduced the time for exporting by implementing an electronic data interchange system.

DB 2008- India made trading across borders easier by introducing ICEGATE—an electronic data interchange system making it possible to lodge customs declarations through the internet and facilitating the operation of a risk management system, an electronic payment system and an electronic manifest system that allows shipping lines to submit their cargo manifest in advance.

Enforcing contracts

Enforcing Contracts (rank)	**163**
Score of enforcing contracts (0-100)	41.2
Time (days)	1445
Cost (% of claim value)	31
Quality of judicial processes index (0-18)	10.5

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system.

DB 2018- India made enforcing contracts easier by introducing the National Judicial Data Grid, which makes it possible to generate case measurement reports on local courts. This reform applies to both Delhi and Mumbai.

DB 2017- India made enforcing contracts easier by creating dedicated divisions to resolve commercial cases. This reform applies to both Mumbai and Delhi.

Resolving insolvency

Resolving Insolvency (rank)	**52**
Score of resolving insolvency (0-100)	62
Recovery rate (cents on the dollar)	71.6
Time (years)	1.6
Cost (% of estate)	9
Outcome (0 as piecemeal sale and 1 as going concern)	1
Strength of insolvency framework index (0-16)	7.5

This topic studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, it uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

DB 2020- India made resolving insolvency easier by promoting reorganization proceedings in practice. India also made resolving insolvency more difficult by not allowing dissenting creditors to receive as much under reorganization as they would receive in liquidation. This reform applies to both Delhi and Mumbai.

DB 2018- India made resolving insolvency easier by adopting a new insolvency and bankruptcy code that introduced a reorganization procedure for corporate debtors and facilitated continuation of the debtor's business during insolvency proceedings. This reform applies to both Delhi and Mumbai.

DB 2010- India made resolving insolvency easier by increasing the effectiveness of processes and thereby reducing the time required.

India's Performance

The World Bank has recognized India as one of the top 10 improvers for the third consecutive year. India continues to maintain its first position among South Asian countries. It was 6th in 2014.

Following is a table showing ranking of top 10 states in the ease of doing business ranking table:

State	Ease of Doing Business Rank
Ludhiana	1
Hyderabad	2
Bhubaneshwar	3
Gurgaon	4
Ahmedabad	5
New Delhi	6
Jaipur	7
Guwahati	8
Ranchi	9
Mumbai	10

Conclusion

India jumped 14 places and landed to 63rd position in ease of doing business ranking index that captured the performance of 190 countries. The government is confident of substantial progress in some of the crucial indicators (where the country has huge scope to improve) like starting a business, trading across the borders, resolving insolvency, paying taxes and construction permit. However, as many 12 countries, including India, have also undergone massive changes in ease of doing business.

Although India has jumped few places up in the table but in comparison to last year deteriorated on two parameters:

- Protecting minority investors from 7th to 13th position and
- Getting electricity from 22nd to 25th

It remained unchanged in the parameter enforcing contracts at 163rd. In all the three parameters, India's score remained unchanged indicating no reforms were recorded by the World Bank. Following is a table showing year wise ranking of the country where it can be seen that India has been on a good track of ease of doing business since 2014.

Year	Rank
2019	63
2018	77
2017	100
2016	130
2015	131
2014	142

Some of the highlights of Ease of Doing Business 2020:

- New Zealand, Singapore and Hong Kong are ranked as top three in ease of doing business rankings 2020. Economies that score highest on the ease of doing business share several common features, including the widespread use of electronic systems.

- All of the 20 top ranking economies have online business incorporation processes, have electronic tax filing platforms, and allow online procedures related to property transfer.

- Doing Business acknowledges the 10 economies that improved the most on the ease of doing business after implementing regulatory reforms. In Doing Business 2020, the 10 top improvers are Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria.

- Only two African economies rank in the top 50 on the ease of doing business; no Latin American economies rank in this group.

- Worldwide, 115 economies made it easier to do business.

Doing Business is in its 17th year, and since its inception, 178 economies have implemented 722 reforms in the area of starting a business, reducing or eliminating barriers to entry. Despite such improvements, however, considerable gaps still exist between developed and developing economies on most Doing Business indicators.

However, the incentives are clear. Economies that score well on Doing Business indicators benefit from a higher level of entrepreneurial activity. This in turn generates better employment, greater government revenue and higher incomes. In addition, where burdensome and protracted regulatory processes exist, the temptation to resort to corruption to get things done may be greater.

The results of Doing Business 2020 demonstrate that in almost every economy in the world, there is some scope to streamline or expedite rules to make it easier to do business, allow entrepreneurship to flourish, and make it possible for economic activity to reach its full potential. Thus, every single economy wants to grow and thrive in this competitive world and for that they need to create an atmosphere where every aspect of establishing a business becomes easier for budding entrepreneurs and also for the big players.

India is amongst the many economies bringing in reforms and benefitting in many ways. India has been an active economy in bringing new and improved reforms which has improved the ranking in the ease of doing business table. It is hoped that the country will continue to grow in this path and fully utilize its potential to become one of the strongest economy in the world.

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