

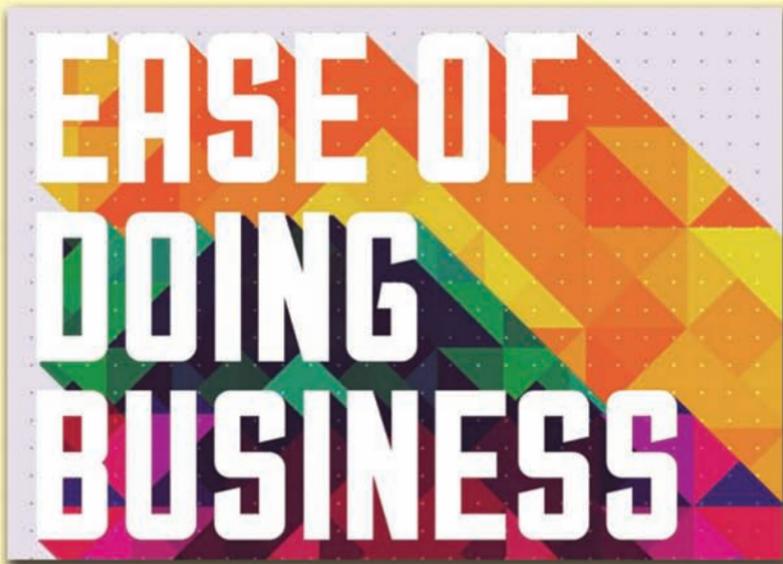
# STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...  
To empower the student community...*

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January 2016

Theme 290

**EASE OF DOING BUSINESS**



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Theme No: 290: EASE OF DOING BUSINESS

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A well informed customer will make the policy makers as well as organization which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organization and improve the quality of goods and services produced. The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. For faster growth of the economy there should be good atmosphere for doing business. In other words there should be easiness in doing business. This month we discuss ease of doing business.

**What is the Ease of Doing Business Index?**

The ease of doing business is an Index created by the World Bank Group based on study conducted among 189 countries (Doing Business 2015) and countries were ranked based on 10 parameters. Higher Ranks (Highest rank is 1) indicate better and simpler regulation for doing business and very strong protection of property rights.

**Explain the methodology of the study used to build the Index?**

The study was based on laws and regulations in a country which is directly and indirectly affecting business and cross verified by government officials, lawyers, business consultants, chartered accountants, company secretaries and other professionals.

**What are the 10 indices based on which a nation was ranked?**

The following are the parameters based on which ranking was given

- 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 Border

- 9) Enforcing Contracts
- 10) Resolving Insolvency

### **Briefly explain key terms used in Ease of Doing Business ?**

- 1) **Transparency in business regulations** - It measures ease with which the fee schedules can be accessed in the largest business city of the economy.
- 2) **Entrepreneurship** - It measures entrepreneurial activity. The data is collected directly from company registrar on the number of newly registered firm over the past several years.
- 3) **Good Practices** - The improvement in the regulatory environment is provided by good practices.
- 4) **Distance to Frontier** - It provides the gap between the economy and the leader (the highest performer on each indicator).

### **Explain the 10 Parameters considered for building the Index?**

- 1) **Starting a Business** - All economies around the world are taking various steps to make it easier for the business people to start business. Each country is trying to reduce or streamline the procedures for starting a business. Ease of Doing Business Index measures by recording all the procedures required in the economy to start a business. If minimum capital requirement is needed, then that also will be recorded and is measured. In India, it is estimated that 11.9 procedures are to be complied with before starting a business and it will take about 28.4 days.
- 2) **Dealing with Construction Permits** - Government around the world, in order to ensure the building safety, have almost worked out the transparent rules for permit time and cost to obtain all the necessary approvals to build/ construct in the nation's largest business city is considered by doing business index. According to doing business index 2015, in India permit requires 25.4 procedures and it will take about 185.9 days.
- 3) **Getting Electricity** - Electricity is vital for any business and it should be reliable and affordable. In India it is estimated that 7.0 procedures have to be completed to get electricity and it takes 105.7 days.
- 4) **Registering Property** - Easy and smooth systems and procedures for registering property are very essential for the growth of the business. Doing business records all the procedures for purchase of property till the title is transferred to the buyer's name. In India it requires 7.0 procedures for the completion of property transfer and it will take 47 days.
- 5) **Getting Credit** - The success of business depends upon the availability of funds. Doing business index considered two important areas- credit

information systems and strength of legal rights.

- 6) **Protecting Minority Investors** - Doing Business Index considers the following points to arrive at the conclusion.
- a) Share holder's right in corporate governance.
  - b) Conflict of interest

India has a score 7.3 which indicates stronger protection to minority investors.

- 7) **Payment of Taxes** : Government depends upon the taxes collected to meet the expenses and hence collection of taxes are very essential. Similarly the procedure of payment of taxes should be simple and easy to understand.
- 8) **Trading Across Border** - Inadequate infrastructure, inefficient port operations, unnecessary customs procedure, excessive documentation etc. will discourage or affect exports and imports and it may lead to extra expenditure/ cost in terms of money and time. In India, exporting a standard container of goods requires 7 documents and takes 17.1 days while in the case of imports it requires 10 documents and takes 21.1 days.
- 9) **Enforcing Contract** - Quick and efficient system of settlement of disputes is very much required for fast growth of the economy. The legal system should be efficient. In India, it requires 46 procedures and 1420 days for contract enforcements.
- 10) **Resolving Insolvency** - Quick and cheap insolvency proceedings result in fast returns to the creditors. There should be clear cut insolvency proceedings method and law. In India, (on an average) it takes 4.3 years for resolving an Insolvency.

### **What are the important steps taken by the Government to improve the Ease of Doing Business in India?**

Following are the important measures taken by the Government to improve Ease of Doing Business.

- 1) The number of documents required for export and imports has been reduced by Director General of Foreign Trade to three from the earlier requirement of seven documents for export and ten documents for import.
- 2) Requirement of minimum paid-up capital has been removed by the companies' Amendment act 2015.
- 3) Advanced version of the industrial classification-NIC Code-2008 has been introduced by the Central Government.

- 4) e-BIZ website has been lodged by the Central Government which would act as a single window for obtaining clearances from Government and other Government agencies.
- 5) Industrial License period (Initial validity period) has been increased to three years from two years.
- 6) FAQ by applicants for grant of industrial license have been uploaded on DIPP website.
- 7) Timeline has been developed for processing all foreign investors relating to retail, NRI, EOU and Foreign investment.
- 8) Online processing has been introduced by the Ministry of Environment and Forest.

### **Various parameters of Ease of Doing Business and India's Rank - A comparison 2014-2015**

<b>Parameters</b>	<b>Doing Business India's Rank 2014</b>	<b>Doing Business India's Rank 2015</b>
Starting a Business	156	158
Dealing with Construction Permits	183	184
Getting Electricity	134	137
Registering Property	115	121
Getting Credit	30	36
Protecting Minority Investors	21	7
Paying Taxes	154	156
Trading Across Border	122	126
Enforcing Contracts	186	186
Resolving Solvency	135	137
<b>Overall Ranking</b>	<b>134</b>	<b>130</b>

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