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Mains Practice Questions

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Q. India's leap of 23 ranks in the Ease of Doing Business ranking is significant on the 2019 World Bank's 'ease of doing business' index. Examine the steps taken by government to improve business environment and challenges remaining. (250 words).

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Approach

- Briefly give Ease of Doing Business ranking.
- Examine the steps taken by government to improve business environment
- Describe challenges to further improvements.
- Give conclusion.

Introduction

The World Bank released its latest Doing Business Report, 2019; India has recorded a jump of 23 positions against its rank of 100 in 2017 to be placed now at 77th rank among 190 countries assessed by the World Bank.

Body

Steps taken by government

- **Reducing time for providing construction permits:** India's top cities managed to drastically shrink the number of days they took to give out construction permits, from 144 days last year to 95 days, while slashing their costs from 23% of the building value to just 5%.
Single-window clearance for securing building permits in Delhi and a new online system in Mumbai, brought about this quantum change.
- **Cross border Trade:** Upgrades in port infrastructure, a move to online documentation and facilities for exporters to seal their containers on their own, electronic sealing of containers, electronic submission of supporting documents with digital signatures under its National Trade Facilitation Action Plan 2017-2020 helped India to move from Rank 146 on cross-border trade, its rank climbed to 80.
- **Starting New Business:** Quicker GST registration and the abolition of site inspections in Mumbai led to improvement in starting up a business. India's rank improved from 156 to 137, as the time taken to start a new company was crunched from 30 days to 17 days. Government has simplified the process of business incorporation by introducing the SPICe form (INC-32). This form effectively combines the application for the Permanent Account Number (PAN) and the Tax Account Number (TAN) into a single submission.
- **Getting Credit:** Government has also reinforced the access to credit by simplifying the rules on priority of secured creditors outside reorganization proceedings. It has also embraced a new insolvency and bankruptcy code that brought a reorganization procedure for corporate debtors.

Challenges

- **Registering Property:** Its score remains dismal on registering property, where it ranks 166. While it takes 69 days to register a piece of property and costs about 8% of its value in India. New Zealand gets this done in a single day.
- **Paying Taxes:** Despite the advent of GST, India has remained a back-bencher on this at a rank of 121. Paying taxes remains riddled with complex procedures and high taxation.
- **Enforcing contracts:** Judicial delays cause delays in enforcing contracts the cost paid in litigation is also high.

Conclusion

Sustained business reforms over the past several years helped India jump its Ease of Doing Business ranking tremendously. Further, areas where challenges still remains should be dealt with priority by including all the stakeholders in the reform process which will help in Identifying measures needed and their implementation.